

Pension Plan Update

October 17, 2019

The MUNFA Executive last communicated with members regarding our pension plan in February 2019. The pension file has become active again with a recent directive from Government. Our aim here is to present MUNFA members with a clear picture of the pension plan status.

Current Funding Status

The pension plan has performed well of late but continues to suffer from underfunding resulting from market losses incurred during the 2002 dot com crash and the 2008 financial crises. In addition, there has been a realization that assumptions regarding expected investment returns and pensioner longevity had been overly optimistic. All these have resulted in added costs to the plan.

Currently, pension promises to retirees, including cost of living increases, are being met. The value of plan assets continues to grow. Changes are also being considered to our investment policy to maintain future earnings. As of December 31, 2018, plan assets were valued at \$1.603 billion. This translates to an 87% funded status on a going concern basis. This funded ratio has increased to 89% because of recent higher than expected investment earnings.

While the plan continues to grow, we continue to find ourselves below the goal of 100% funded status. Without assets to match future liabilities, it is unlikely the plan will evolve to a fully funded state through investment growth alone. The unfunded liability at the last valuation amounted to \$239 million. Of this, \$73 million is financed through extra payments by employees and the employer and will be retired in 2044. This leaves a \$163 million deficit that is unfunded. This capital amount is not available to generate investment earnings, which, on average, should be earning \$9.5 million annually (5.8% of \$163 million). To put this annual lost earnings amount in perspective, the total of all plan members' contributions amounts to \$34 million per year. It should be clear that we cannot ignore an annual structural loss of \$9.5 million indefinitely without serious consequences.

Joint Sponsorship Efforts

Governments across Canada are pressing public sector pension plans to restructure themselves into jointly sponsored plans, an arrangement where members share management responsibilities and financial risks and rewards. Over the last 5 years, in response to instructions from the Province, MUNFA representatives have been working with the University and other campus unions to reform our employer sponsored pension plan into one that is jointly sponsored. Unfortunately, more than a year after the unions and the University successfully negotiated pension reform principles, Government has yet to enact our Joint Sponsorship agreement. Key to the agreement was a commitment from the University to pay the \$163 million unfunded liability remaining from the existing plan.

The latest development in our pension talks comes from Christopher Mitchelmore, Minister of Advanced Education, Skills and Labour. In a letter dated September 17, 2019 to Dr. Gary Kachanoski, Minister Mitchelmore requests a further review of Memorial's joint sponsorship reform principles. This request seeks to bring our joint sponsorship plan further in line with the Public Service Pension Plan and the Teachers' Pension Plan. Unfortunately, this request lacks reform details necessary to consider the request. Moreover, all of the public plans are distinctive, with each preserving important benefits and cost structures for the member groups.

Legislated Special Payments

Notwithstanding the move into joint sponsorship, pension-funding regulations require the University to make annual Special Payments into the pension plan to address the unfunded liability. Since Government ceased making

Special Payments on the University's behalf, Memorial has deferred three Special Payments with the permission of Government. A fourth payment of \$30.6 million was due on March 31, 2019. Unfortunately, the University requested another payment deferral from Government on August 4, 2019. MUNFA and the other campus unions are concerned about this development since it preserves structural deficits without a clear plan for addressing these.

Moving Forward

As members might appreciate from this account, the process of maintaining a sustainable pension plan is complex, with many moving parts. Ultimately, MUNFA desires plan security so that promised pension payments are made to current members without hardship to future members. Either implementation of our Joint Sponsorship agreement or the resumption of Special Payments would move us in that direction.

Meetings between the union and University negotiating teams resumed on September 30, 2019. MUNFA, NAPE and CUPE reiterated that we have agreed upon reform principles and are willing to move to Joint Sponsorship under the terms of the deal finalized last summer.