

# BACKGROUND TO PROPOSED PENSION PLAN CHANGES

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June 18, 2018

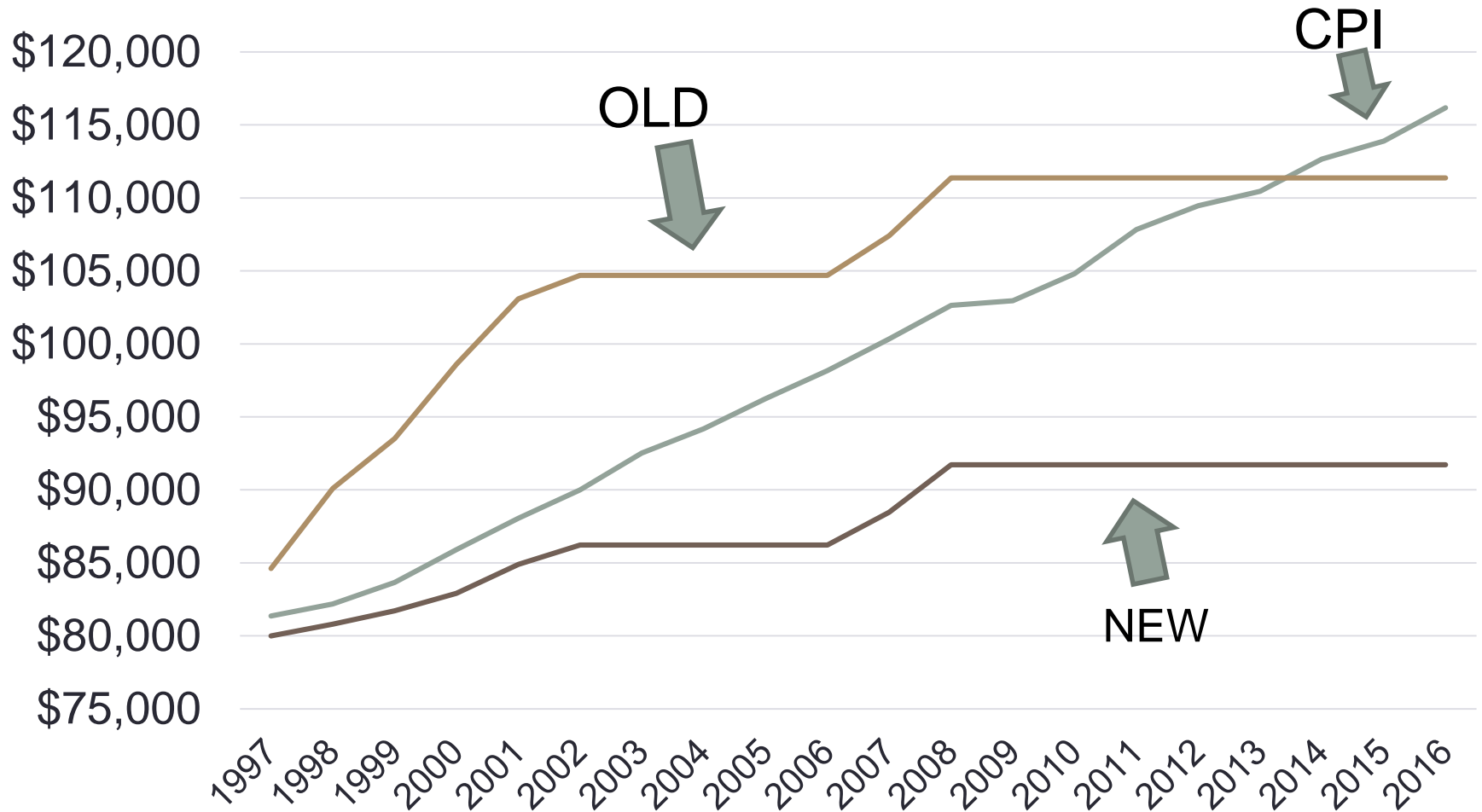
# Why NRR is inherently unfair

- Two members can have the same pension but
- Member 1:
  - \$47,500 per year but has had pension reduced \$2500 to pay for NR guarantee.
  - Paid higher contributions throughout career
- Member 2:
  - \$47,500 per year but pension has not been reduced but still enjoys NR guarantee.
  - Paid lower contributions throughout career.

# Pension adjustments for 1997 retirees. What if new 'deemed' rate had applied?

	Average Annual Adjustment	Initial pension at 65 yrs	Pension at 85 yrs
Actual indexing	1.7%	\$80,000	\$111,335
CPI	1.9%	\$80,000	\$116,176
If New Indexing had applied	0.7%	\$80,000	\$91,718

# Applying new “deemed” rate for 1997 retirees



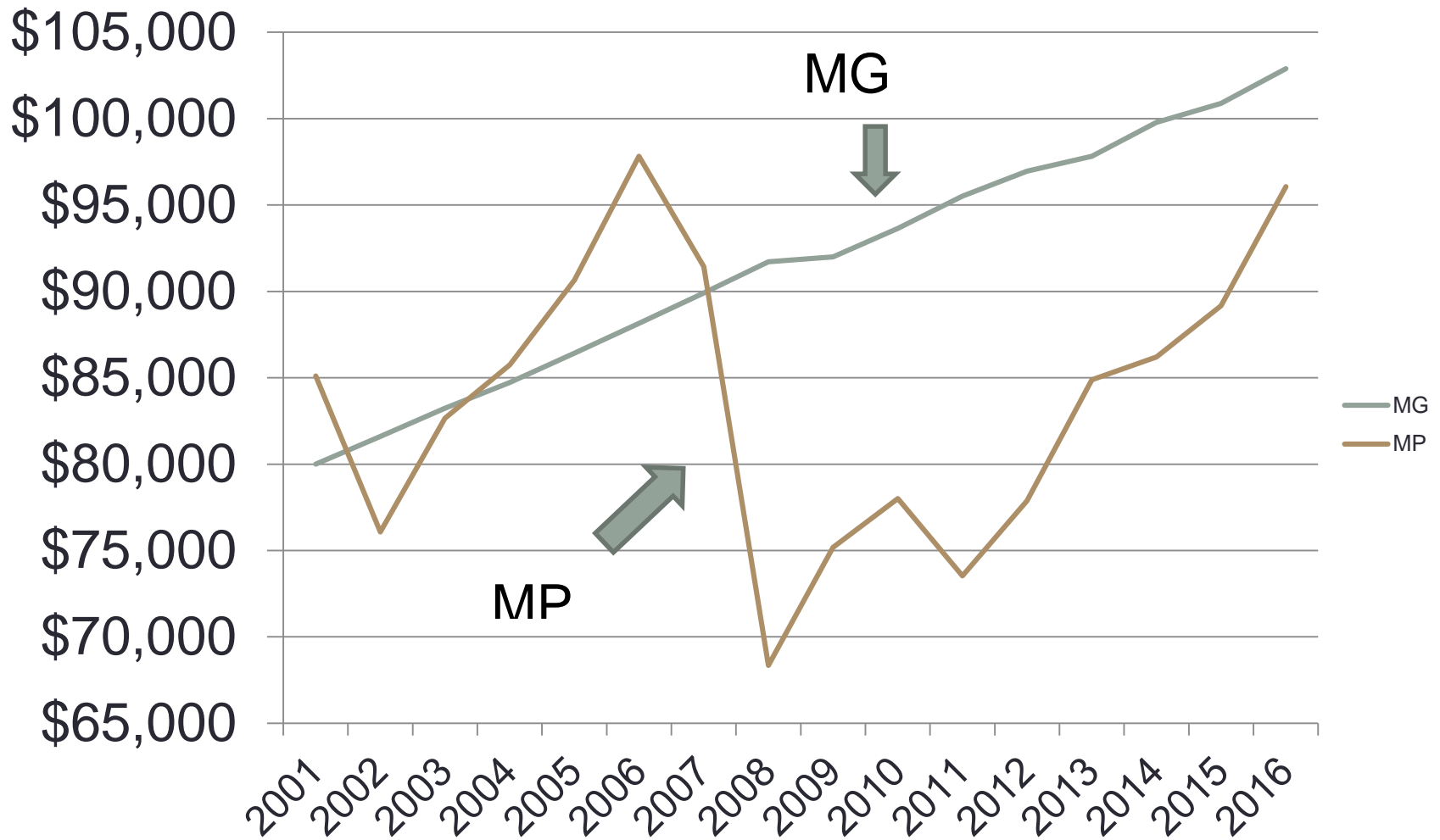
## Include increased non-reduction levy (assume 3% lower pension)

York Retirees in 1997	Average Annual Adjustment	Initial pension at 65	Pension at 85
Actual indexing	1.7%	\$80,000	\$111,335
CPI	1.9%	\$80,000	\$116,176
Applying New Indexing	0.7%	\$80,000	\$91,718
New Indexing plus non-reduction levy	0.7%	\$77,500	\$88,852

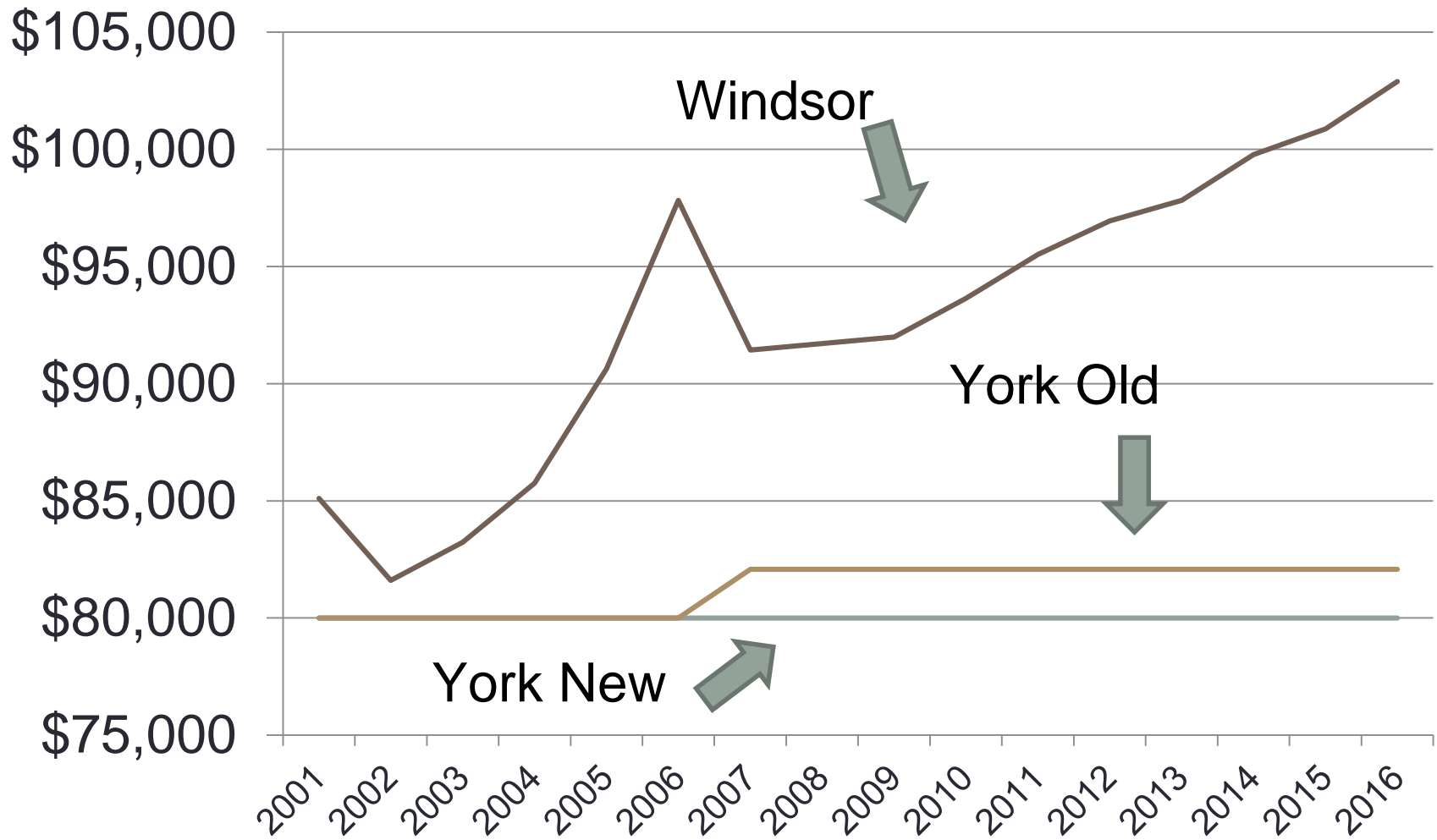
# University of Windsor Faculty Plan

- Hybrid design, similar to YUPP
- Money purchase and minimum guarantee pensions are compared at retirement, and are also ***separately tracked*** and ***compared annually*** after retirement
  - Pension paid each year is the greater of:
    - A. indexed money purchase pension, or
    - B. indexed minimum guarantee pension

# Windsor: Minimum guarantee and Money purchase (MG as floor) – Retiree in 2001



# Comparative illustration for Retirement date of 2001





# Why Current York Indexing is unfair and punitive

- Deemed rate is arbitrarily set at zero indexing level.
- Lack of hybrid indexing:
  - MG or MP pension only determined at point of retirement.
  - Penalizes people who retire at “wrong time.”
  - Encourages people to retire only after years of good investment returns
  - Depends upon NR levy, price of which is based on speculative model, guesswork.
- Other Hybrid plans like Windsor and Wilfrid Laurier avoid York model due to inherent unfairness and design flaw.