

SUBJECT	UBC STAFF PENSION PLAN AMENDMENT NO. 11
MEETING DATE	SEPTEMBER 21, 2017

Forwarded to the Board of Governors on the Recommendation of the President

**APPROVED FOR
SUBMISSION**



Santa J. Ono, President and Vice-Chancellor

DECISION REQUESTED	IT IS HEREBY REQUESTED that <i>the UBC Board of Governors approve Amendment No. 11 to the Staff Pension Plan, to change the Employer Contribution rate to 9.13% of a member’s pensionable earnings effective October 1, 2017, and to 9.4% of a member’s pensionable earnings effective October 1, 2018.</i>
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Report Date	August 4, 2017
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Presented By Lisa Castle, Vice-President Human Resources
 Andrew Simpson, Vice-President Finance & Operations
 Orla Cousineau, Executive Director, Pensions

EXECUTIVE SUMMARY

The University is proposing to increase the employer contribution rate to improve the long term sustainability of the UBC Staff Pension Plan (the “Staff Pension Plan”), and secondarily to make it more equitable to the University’s contribution rate to the UBC Faculty Pension Plan (the “Faculty Pension Plan”).

The need to provide for the sustainability of the Staff Pension Plan is described more fully below.

The current Employer Contribution rate for the Staff Pension Plan is 10% of a member’s pay less a 1.8% CPP offset, which is equivalent to approximately 8.7% of pay across all the members.

The Faculty Pension Plan also has an integrated contribution formula but because of the higher salaries the University’s contribution rate is equivalent to approximately 9.4% of pay.

The UBC 2017-2018 budget approved by the UBC Board of Governors on April 13, 2017, included an increase in the budget allocation for the University contributions to the Staff Pension Plan of approximately \$900,000 for the 2017-2018 fiscal year.

The cost of increasing the Employer Contribution rate:

- To 9.13% effective October 1, 2017 is approximately \$887,302 for fiscal 2017-2018 (6 months, October 1, 2017 to March 31, 2018)
- To 9.4% effective October 1, 2018 is approximately \$2,326,930 for fiscal 2018-2019
 - 9.13% for 12 months, April 1, 2018 to March 31, 2019, is \$1,774,604, plus
 - 9.4% for 6 months, October 1, 2018 to March 31, 2019, is a further \$552,326

BENEFITS Learning, Research, Financial, Sustainability & Reputational	<u>Financial Sustainability</u> Increasing the employer contribution rate will improve the long term sustainability of the UBC Staff Pension Plan. <u>Reputational</u> It is important to the reputation of the University that it continue to provide adequate retirement benefits to its employees. The Staff Pension Plan is a significant and valued employee benefit that is important to the University being able to attract and retain employees.
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FINANCIAL Funding Sources, Impact on Liquidity	The cost of increasing the employer contribution rate to 9.13% of approximately \$887,302 is included in the 2017-2018 budget. The cost of further increasing the employer contribution rate to 9.4% effective October 1, 2018 of approximately \$2,326,930 is built into the budget plan for 2018-2019. The full impact of increasing the employer contribution to 9.4% for 12 months is approximately \$2,879,256.
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**UBC STAFF PENSION PLAN
AMENDMENT NO. 11 TO THE
PLAN RESTATEMENT AS AT SEPTEMBER 30, 2015**

The following change is made effective October 1, 2017:

1. Section 4.02 be deleted and replaced with the following:

4.02 Employer Contributions

Provided that the Actuary expresses the opinion that for the purposes of s. 147.2(2) of the Income Tax Act the Employer Contributions provided for in the Plan are required to be made so that the Plan will have sufficient assets to pay benefits under the ~~defined~~-benefit provisions of the Plan, as registered, each Employer will make Employer Contributions in respect of each pay period.

The amount shall be:

~~(a) 9.13%~~10% of Pensionable Earnings effective October 1, 2017 ~~minus the CPP Contribution Offset~~ for each Member employed by that Employer who is a Staff Employee working Full-time or on a Leave of Absence with Full-time pay during that pay period; ~~plus~~

and increasing to 9.4% of Pensionable Earnings effective October 1, 2018 for each Member employed by that Employer who is a Staff Employee working Full-time or on a Leave of Absence with Full-time pay during that pay period; plus

~~(a)~~(b) any amounts payable by the Employer in accordance with Article 5 for other Members employed by the Employer, minus

~~(b)~~(c) any Employer contributions to the Supplemental Retirement Arrangement in respect of that pay period.

For greater certainty, since the ~~defined~~-benefit provisions of the Plan, as registered, include the benefit variation provisions of Article 13, applied on the presumption of continuation of Employer Contributions at the above rate, the contributions required to support those benefits must always be no greater than, and no less than, that rate.

In addition, and as more fully provided in section 52(3) of the PBSA, since all of the Plan's benefit formula provisions are target benefit provisions, the liability of each Employer to make Employer Contributions in respect of each pay period is limited to making Employer Contributions at the above rate in respect of the Pensionable Earnings earned by the Members employed by the Employer during that pay period. In no circumstance will an Employer be permitted to contribute at a rate less than, or be required to contribute at a rate greater than, the above rate in respect of such Pensionable Earnings.