QUFA PENSION NEWS
Queen's University Faculty Association Pension News

# How Did We Get Here?

### Background to Bargaining 2018-2019

In December 2018, QUFA bargained a renewed collective agreement (CA) that QUFA executive and council are recommending to Members for ratification. The ratification vote for most QUFA Members will also be a vote on conversion of the Queen's Pension Plan (QPP) to the new jointly sponsored University Pension Plan (UPP). (QUFA Members who are not QPP members will be asked to vote on ratification alone.) This round of bargaining was both compressed and undertaken earlier than is normal because it was tied to the pension conversion process. This column explains how this situation came about and QUFA's reasons for this unusual approach to bargaining.

Since 2015, QUFA, Queen's University, the administrations and faculty associations of the University of Toronto and University of Guelph, and the United Steelworkers union (USW) have been engaged in designing a multi-employer, jointly sponsored pension plan (JSPP). The aim of this project is to provide a pension plan for university-sector employees that provides good pensions to employees without encumbering the operating budgets of universities with pension costs in excess of the contributions needed to fund the plan on an actuarially sound basis.

Readers who were at Queen's in 2011 will recall that in that bargaining round, when we came within hours of striking, the university sought and won increased pension contribution rates and other adjustments to address deficits in the QPP. Despite these adjustments, the QPP remains in deficit. As of 2017, there was a $31-million going-concern deficit and a $300-million solvency deficit. "Going concern" refers to the ongoing operation of a plan where the employer remains in business, and new employees make contributions while the pension plan supports retired members. "Solvency" refers to the liabilities of plan were the employer to fold so that there were no new employees making contributions.

In 2012, the Ontario government imposed special solvency payments on the university sector, it is generally thought, for the purpose of driving the single-employer pension plans of the university sector into JSPPs. JSPPs, as multi-employer plans, have presumptive greater stability and therefore are not required to make solvency payments. The imposition of these payments is rightly characterized as "political," insofar as the likelihood of Ontario's public universities' folding is remote. Nevertheless, the government was pursuing a policy objective that was arguably more legitimate than simple cost-cutting, which was to force a restructuring that would limit the exposure of university operating budgets to pension deficits resulting from extreme market events such as the crash of 2008.

The 2012 imposition of solvency payments, which were to begin in 2015 although they were then dangled like the sword of Damocles for a few more years, powerfully concentrated the minds of university administrations in some unfortunate ways. Most notably, the administrations of several universities, including Queen's, began expressing interest in merging their single-employer pension plans with the JSPP for the college system, the Colleges of Applied Arts and Technology (CAAT) plan, which in QUFA's view (and that of other faculty associations) offered poor benefits for excessive contribution rates. This unattractive prospect in turn concentrated the minds at the Ontario Confederation of University Faculty Associations (OCUFA) to consider the possibility of building a new, sector-wide JSPP that would be designed for the career paths and income levels of university faculty. In 2014, the Ministry of Training, Colleges and Universities gave the nod to OCUFA, the Council of Ontario Universities (COU)—which represents university administrations—and a number of public-sector unions including the USW, to begin exploration of the development of a sector-wide JSPP. The number of participants with different interests to be reconciled proved unwieldy, so in 2017 several universities withdrew in order to simplify the building process, with the prospect of joining once the plan was built.

The unions—the three faculty associations and USW—have been as committed to this project as the university administrations, though representing different interests. QUFA's commitment has been both pragmatic and principled.

QUFA's pragmatic motives include the recognition that in imposing the special solvency payments, the government has the means to inflict real pain on universities, who in turn can pass it on to our Members. One form the pain could take is a merger with the inferior CAAT plan. QUFA has veto over changes to the QPP in our CA, but that means is that the university can't change the plan until the CA is open. Then they could lock us out for an entire summer until we "consented" to such a merger. Another form of pain comes from solvency payments, which the university has actually had to begin paying this year, and which remove money from the operating budget. Right now, at Queen's, we are looking at a 6% tax on units, which translates pretty directly into worsening working conditions for our Members.

QUFA's principled motives include the recognition that the QPP has indeed had a fairly prolonged going-concern deficit, and this deficit amounts to an intergenerational debt transfer, a requirement that at some point future employees will have to pay for benefits that we will be enjoying as retirees but didn't pay for. It behoves us to fix that. Moreover, a JSPP is actually a *better* pension solution for QUFA Members, since its multi-employer character increases its security from the machinations of the provincial government, while its joint sponsorship gives employees control over decisions about the plan. Under a JSPP, if the plan goes into surplus, employers cannot take a pension holiday; surplus must stay within the plan. Thus, there is no possibility of a cycle in which surplus leads to a pension holiday, which leads to a deficit that then leads to increased contributions or diminished benefits. In short, because of both their scale and their jointly sponsored character, JSPPs are less vulnerable to either provincial or local political-climate changes.

For all these reasons, QUFA has been convinced that if our responsibility is to ensure future pension benefits for our Members, or to make the point more sharply, if we want to guarantee that the "old-economy" good of a stable and ample defined-benefit pension is going to be available for future generations of academic staff, then building the UPP is the right course.

This process had begun when QUFA bargained its current CA in 2015. As part of the round of bargaining, we signed a letter of agreement (LOA) that agreed that we would continue to participate in the development of the UPP, and if that process succeeded in developing a plan that we could recommend to our Members, that consent would be bargained. QUFA insisted on this last provision because it meant that our consent to what was sure to be a more expensive plan would come at the price to the university of some offsets for our Members.

The UPP was more-or-less built by October of this year, and a schedule for the consent process established. For reasons having to do with the next stages of regulatory oversight, the participating universities need the consent voting to be concluded by mid-February, a fact that was only disclosed earlier this fall. This development meant that QUFA also had to accelerate its normal bargaining schedule because the university's need to obtain our consent to pension conversion gave us real leverage at the bargaining table to get both conversion offsets and a reasonable renewed CA. In addition, we were in the range that our 2015 LOA had specified for linking pension conversion to normal bargaining. Thus, we decided that we needed to "speed bargain," focusing on pension conversion offsets and the monetary elements of a renewed agreement, and limiting normative proposals to a very short list of matters that were already under

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**By Elizabeth Hanson**
**Co-Chief Negotiator, QUFA Bargaining Term**

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discussion by the parties. These matters could be dealt with via memoranda of agreement to amend the language of the CA in the new year, rather than by haggling over the language changes themselves, as we usually do in bargaining. We were comfortable limiting bargaining in this way because the 2015 round had been a very deep dive into the normative language that makes up the bulk of the CA.

We successfully concluded bargaining in December, and the results were presented to Members at the fall general meeting. The deal we got is contingent on QUFA's consent to the merger of the QPP with UPP. All the terms of the new agreement are contingent upon QUFA's consenting to merge the QPP with the UPP. While QUFA has the authority under the Pension Benefits Act to consent on behalf of all its Members, we have agreed that our consent will be determined by our Members. Thus, for most of our Members (all those who are also contributing to QPP), the ratification vote will also be a vote on whether QUFA should consent to the conversion.

***QUFA can be reached at qufa@queensu.ca.***