

## Letter of Agreement re Pension

1. The parties will agree to a three-year collective agreement from July 1, 2019 to June 30, 2022 consistent with the Sustainable Services Negotiating Mandate (the Mandate) applicable to public sector employers in British Columbia.
2. The parties agree that the General Wage Increase (GWI) described in the Mandate for the July 1, 2019 to June 30, 2022 collective agreement will be distributed on a deferred basis, as follows and as further described below:
  - 2% on July 1, 2020
  - 2% on January 1, 2021
  - 2% on July 1, 2021
3. The parties agree that the dollar savings within the SFU-SFUFA compensation envelope as a result of the deferral of the distribution of GWI will be applied to the costs of the pension transition as described below.
4. The parties agree that the Mandate includes funding of an additional 0.25% of total labour costs each of the three years of the collective agreement available on July 1, 2019, July 1, 2020 and July 1, 2021 referred to as the Service Delivery Improvement Allocation (the SDA). The SDA will be applied to the costs of the pension transition as described below.
5. The parties agree that the Mandate also includes an allocation to non-wage related benefits (the Residual). The parties have agreed that these monies will be applied to the costs of the pension transition as described below.
6. The parties have agreed that funding for PDR may be allocated to the costs of the pension transition in certain circumstances described below.
7. The parties further recognize that the SDA and Residual, while described as percentages of current salary at the time of this collective agreement, represent annual fixed-dollar amounts that do not increase following the expiry of the 2019-2022 collective agreement.

### **Pension Transition – Application and Enrolment**

8. Subject to the terms of the collective agreement, SFU is willing to apply to join the BC College Pension Plan (BCCPP) as a participating employer. The application will be submitted as soon as practicable following ratification of the collective agreement (BCCPP Application Date), but for

purposes of this Letter of Agreement, the target BCCPP Application Date shall be December 18, 2020. SFU and SFUFA acknowledge that depending on the circumstances such as the ratification date, the Application Date could be materially different from the target date identified above.

9. If SFU's application to join the BCCPP is accepted by the board of trustees of the BCCPP (BCCPP Board), the parties intend to cooperate with the BCCPP Board, their administrative team with the British Columbia Pension Corporation (BCPC) and their actuaries to enroll SFU as a participating employer at the earliest appropriate time (BCCPP Enrolment Date). The parties agree that both the BCCPP Application Date and the BCCPP Enrolment Date are outside of the full control of the parties to determine, but for purposes of this Letter of Agreement, the target BCCPP Enrolment Date shall be March 1, 2021.
10. The parties agree that the timing of the BCCPP Application Date and the BCCPP Enrolment Date is subject to various actions, some of which are outside the control of the parties. These include:
  - a. The requirement for SFU to formally apply to join the BCCPP;
  - b. The requirement for the BCCPP's administrative team (BCPC on behalf of the BCCPP Board) to obtain and share an actuarial update of the Transition Costs (as described and defined in paragraphs below) associated with SFU joining the BCCPP, including the amount of the Transition Cost Lump Sum and the Transition Cost Contribution Percentage (each as described and defined in paragraphs below);
  - c. The actuarial update identifying the Transition Costs must be reviewed by and be acceptable to the parties;
  - d. Other terms and conditions that may be requested by the BCCPP in order for SFU's application to be accepted. The parties must be in agreement as to the acceptability of any such conditions;
  - e. The BCCPP's Board must accept SFU's application to join the BCCPP; and
  - f. If the application to join is accepted, the BCCPP Enrolment Date offered could be materially different from the target date identified above.
11. The parties desire to enroll SFUFA members in the BCCPP on a go-forward basis effective on the BCCPP Enrolment Date. Contributions to the BCCPP will commence to be paid, and pensionable service will commence to accrue in the BCCPP from that date. SFUFA members who are enrolled in the BCCPP effective on the BCCPP Enrolment Date will cease to be active members in SFU's current pension plan for academic staff ("SFU Academic Pension Plan"), and no further contributions will be made on their behalf into the SFU Academic Pension Plan from the

BCCPP Enrolment Date. However, the parties acknowledge that certain SFUFA members may be ineligible to join the BCCPP due to age. These employees may remain as active members of the SFU Academic Pension Plan for so long as they are eligible by virtue of age and employment status under the terms of the SFU Academic Pension Plan.

12. SFUFA members' past service pension benefits will remain in the SFU Academic Pension Plan. However, the parties understand that the BCCPP permits its members to buy past service with an eligible employer on a voluntary basis, and that if SFUFA members wish to buy past SFU service, they will be permitted to use balances in the SFU Academic Plan to pay for a portion of that service, subject to applicable law and the terms of both the SFU Academic Pension Plan and the BCCPP.
13. SFU will maintain the SFU Academic Pension Plan for the duration of the collective agreement and will amend the plan in any manner as may be necessary to facilitate the pension transition described in this Letter of Agreement. Subject to the foregoing, the parties acknowledge that SFU will retain the power to terminate the SFU Academic Pension Plan or to merge it into another pension plan at its discretion, in accordance with the existing terms of the SFU Academic Pension Plan.

#### **Pension Transition Costs**

14. The parties have received information from the BCPC identifying the kinds of costs and procedures that would be associated with SFU joining the BCCPP. Costs include regular contributions determined as a percentage of 'salary' as defined in the BCCPP to the BCCPP's basic and index adjustment accounts payable by both participating employers and their participating employees. Costs would also include payments because of the unfunded liability that would be created when SFUFA members are enrolled in the BCCPP (the Transition Cost).
15. Most recently, the parties received an updated estimate of the Transition Cost from BCPC dated May 8, 2020. The document identifies several payment options. Among the options presented, the parties agree to pursue a 20-year amortization period with a down payment (the Transition Cost Lump Sum) of at least \$5 million. Further updated estimates may be made available to the parties between the date of the Letter of Agreement and the BCCPP Application Date, which may result in different options being available, and the parties agree that they may need to reconsider their preferred options if this occurs.
16. The 20-year "amortization period" for the payment of the Transition Cost into the BCCPP is the time from the BCCPP Enrolment Date to the date on which all Transition Costs are fully paid.

17. In accordance with the BCCPP option preferred by SFU and SFUFA, the Transition Cost Lump Sum would be payable by SFU on or about the BCCPP Enrolment Date with the balance of the Transition Cost paid through an additional contribution percentage (currently estimated by BCPC as 1.6% of 'salary' as defined in the BCCPP), half of which would be added on top of SFU contributions to the BCCPP and the other half on top of member contributions, in each case until the end of the amortization period (the Transition Cost Contribution Percentage).
18. The parties acknowledge that the final cost of the transition, including in particular, the total amount of the Transition Cost, the amount of the Transition Cost Lump Sum and the Transition Cost Contribution Percentage, may not be known until after the BCCPP Enrolment Date, but the close estimate on which the parties will be expected to make a decision to proceed will be calculated by the BCCPP Board or BCPC on its behalf and made available to the parties after the BCCPP Application Date, and when calculated will be based on applicable data at that time and data anticipated to be accurate on the eventual BCCPP Enrolment Date. The parties also acknowledge that there may be other terms and conditions imposed on SFU on joining the BCCPP that will be determined by the BCCPP Board or by BCPC on its behalf and communicated to the parties after the execution of the collective agreement.
19. For greater certainty, the parties recognize that the actual cost of the transition to the BCCPP cannot be confirmed until after the application to join the BCCPP is submitted on the BCCPP Application Date. Furthermore, the parties agree that prior to the BCCPP Enrolment Date all costs and conditions associated with joining the BCCPP must be known and SFUFA must have the opportunity to ask SFU to withdraw the application if costs are too high.

### **Funding Arrangements for Pension Transition**

20. The parties agree that it is desirable that the collective agreement identify the sources of funding for the pension transition from within the overall compensation envelope and the manner in which the Transition Cost will be paid to BCCPP.
21. The parties acknowledge that the costs of participating in the BCCPP will exceed the costs of participating in the SFU Academic Pension Plan for both SFU and the SFUFA members, including both higher regular pension contributions and the Transition Costs.
22. The parties recognize that SFUFA members participating in the BCCPP will be paying their regular contributions and their portion of the Transition

Cost Contribution Percentage in the form of tax-deductible pension contributions, which will be withheld at source from salary and remitted to the BCCPP by SFU.

23. The parties recognize that identifying the sources of funding for SFU's portion of the costs of the pension transition is more complex than for the SFUFA members, and as such the bulk of this pension proposal deals with SFU's portion. It is further recognized that SFU must have the ability to budget for and mitigate the costs and risks of the transition to the BCCPP for which SFU assumes a degree of funding risk that is outside of its ability to control, as SFU will have limited or no administrative control over the BCCPP.
24. SFU will be responsible for paying all regular contribution amounts required from participating employers in the BCCPP, from time to time. In addition, SFU will pay the Transition Cost Lump Sum and the employer half of the Transition Cost Contribution Percentage added on top of SFU's regular contributions to the BCCPP.
25. As a result of the higher contribution requirements to the BCCPP and in recognition of the defined benefit funding risks assumed by SFU as a participating employer in the BCCPP, the parties agree that SFU shall be entitled to apply 0.4% of then current wages of the Residual from and after the BCCPP Enrolment Date to the regular employer costs of participating in the BCCPP.
26. Funding for the Transition Cost will include a combination of the timing of the GWI and the SDA, and in certain circumstances, other sources including the remainder of the Residual (as outlined in paragraph 30).
27. The parties agree that deferral of the GWI distribution to the dates set out in paragraph 2 will generate cost savings within the SFU-SFUFA funding envelope which will be used to support the Transition Cost Lump Sum (most recently estimated to be \$5 million).
28. Any deferred GWI in excess of the Transition Cost Lump Sum will be placed in a reserve fund, along with any SDA and Residual accrued between July 1, 2019 and the BCCPP Enrolment Date. As previously agreed by the parties (and approved by PSEC), the SDA will be available on July 1 in 2019, 2020 and 2021. The cumulative SDA for the three years of the collective agreement, currently valued at 0.75% of total labour costs (0.25% per year), equates to 0.929% in current wages; and the Residual for each year of the collective agreement equates to 0.687% in current wages.

29. The parties agree that the reserve fund will be released to SFU in regular increments equal to the amounts SFU shall be required to contribute to the BCCPP as its share of the Transition Cost Contribution Percentage. Equivalent amounts shall be released to and allocated among the SFUFA members as additional salary to offset the members' portion of the Transition Cost Contribution Percentage. However, the same amounts will be withheld from their salary and remitted as member contributions to the BCCPP. The release of reserve funds to SFU and SFUFA members will be timed to correspond to BCCPP contribution due dates, which may not be on the same dates for SFU and SFUFA members.
30. The parties agree that if the reserve fund described in paragraph 29 has been depleted before the end of the amortization period, additional funds will be reallocated from the compensation envelope to SFU for the payment by SFU and SFUFA members of their respective shares of the Transition Cost Contribution Percentage. The release and allocation of such additional funds between SFU and SFUFA members shall be conducted as much as practicable in the same manner as reserve funds are released and allocated as described in paragraph 29. In the first calendar year during which the reserve fund is expected to be depleted, and in each subsequent calendar year, the additional funds that will be available for reallocation under this paragraph 30 will be determined as of January 1 based on costs and savings experienced in the previous calendar year and taking account of the PDR allocation (if necessary) for the new calendar year, as follows.
- a. Monies accruing from the SDA and any portion of the Residual in excess of 0.4% of then current year's wages shall be allocated first;
  - b. Any cost savings to SFU generated from earlier retirements in the previous year (see Appendix A) shall be allocated second;
  - c. If funds from a. and b. in any given calendar year are insufficient, the PDR will be drawn down up to \$910 per faculty member, with such amounts being allocated third;
  - d. If funds from a., b. and c. in any given calendar year are insufficient, the parties agree to implement a temporary levy applied to salaries of SFUFA members, administered on a percentage basis, to the extent necessary.
31. At the end of the 20 year amortization period:
- a. Any Residual will be retained by SFU.
  - b. Any SDA will be bargained back into the collective agreement. If the 20-year transition period ends during the term of the collective agreement in force at the time, the parties will apply these monies temporarily to non-pension related benefit improvements, and then include these monies in the next round of collective bargaining.
  - c. There will be a final reconciliation of the cost-savings from earlier than anticipated retirements, with any savings distributed as per Appendix

A, below. Following this, any further cost savings arising from earlier retirements will be retained by SFU.

32. All details of the final payment plan for the pension transition must be approved by PSEC. These terms must be ratified as part of the overall collective agreement by SFUFA members and the SFU Board of Governors.
33. The parties must reach an agreement regarding the terms and conditions of the transition to the BCCPP before SFU submits an application to join the BCCPP.
34. In the event that SFU's application to join the BCCPP is not accepted, the parties will apply the funds from the Mandate as follows:
  - a. The GWI will be applied on July 1 of each year of the three-year term of the collective agreement.
  - b. Any other funds flowing from the Mandate, including the full value of the Residual, will be utilized for member pension or non-pension benefits and/or professional development. Specific allocation will be negotiated between the parties on terms consistent with the SDA mandate.
35. The parties recognize that there may be cost savings associated with a decrease in the average age of retirement and that any savings due to changes in retirement age will be distributed according to Appendix A, below.
36. The parties recognize that there may be expense increases or savings to SFU as a result of changes to the prevailing employer contribution rates imposed by the BCCPP board of trustees during the life of the 20 year amortization period. The parties agree that the upside and downside risks of such changes constitute risks that must be assumed by an employer that participates in a defined benefit pension plan and shall accrue to the expense of, or benefit of, SFU. Similarly, changes to the prevailing employee contribution rates will accrue to the expense of or benefit of SFUFA members participating in the BCCPP.

