

Draft Excerpt of Report Number 134 of the Academic Board (April 7, 2005)

4. Policy on Retirement Age Affecting Faculty Members and Librarians

The Chair reminded members that the Academic Board was responsible for policies concerning the nature of academic employment. He reported that, on April 4, the Business Board had ratified the *Agreement between the Governing Council of the University of Toronto and the University of Toronto Faculty Association on Retirement Matters*, (the *Agreement*) subject to Governing Council approval of the proposal to rescind the Policy on Retirement Age affecting members of the teaching staff and professional librarians. He noted that the Governing Council would consider the recommendation of the Academic Board on the Policy on Retirement Age at a special meeting on April 13, 2005. The Chair invited Professor Hildyard to present the details of the *Agreement*.

Agreement between the Governing Council of the University of Toronto and the University of Toronto Faculty Association on Retirement Matters

Professor Hildyard provided the context for the proposed change in the policy on retirement age by highlighting the key points of the *Agreement*.

- The **overarching objectives** of the agreement were to balance the University's needs to continue to engage in long-term Academic Planning with the desire of individual faculty members and librarians to select an employment relationship, post age 55, that best suited their personal and professional needs, and to develop a set of proposals that were cost-neutral.
- The University's long term planning needs included the objectives of
 - attracting and retaining senior scholars;
 - enhancing the diversity of its faculty and librarians; and
 - ensuring that outstanding young academics continued to be appointed.
- The University had taken a **holistic approach** and considered a variety of retirement matters including:
 - Pension;
 - Benefits;
 - Early retirement;
 - Phased retirement;
 - Post-age 65 employment; and
 - Post-retirement relationships with the University.
- The **legislative framework** had been considered in the development of the *Agreement*
 - The provincial government was planning to introduce legislation to eliminate mandatory retirement in 2005, but such legislation would likely be 'bare bones' and not address all the issues around the employment relationship, pension and benefits.
 - The *Income Tax Act* required pension benefits to start on December 1 of the year in which an individual reached the age of 69, even if the individual continued to be employed.

4. Policy on Retirement Age Affecting Faculty Members and Librarians (cont'd)

Elements of Agreement

- **Elements to support academic planning**
 - One year irrevocable notice of intention to retire would be required.
 - The phased retirement program would set irrevocable retirement date at end of three-year period.
 - The Voluntary Early Academic Retirement Program (VEARP) would be renewed until December 31, 2005, with a retirement date no later than June 30, 2010 .
 - The Requirement for Provostial approval for participation in VEARP continued.
- **Treatment of employment relationship, pension and benefits**
 - *Scope of duties:*
 - There was an expectation that faculty and librarians would continue to carry out the full scope of their normal duties after their normal retirement date.
 - *Treatment of pension between normal retirement date and required pension start date (ages 65 to 69):*
 - Pension benefits would continue to accrue;
 - There would be no actuarial increase in pension earned to normal retirement date;
 - Individuals working between the ages of 65 and 60 would have no ability to start pension and continue working.
 - *Treatment of benefits:*
 - Basic life insurance would continue after normal retirement date up to the required pension start date;
 - Optional life insurance and long-term disability coverage would cease at the normal retirement date;
 - All other benefits would continue past the normal retirement date.
- **Flexibility for faculty members and librarians**
 - The mandatory retirement date would be eliminated;
 - Unreduced early retirement provision in the Pension Plan would continue for those aged 60 with 10 years of pensionable service;
 - A brief continuation of VEARP would be available;
 - New phased retirement program would be offered;
 - Transition for the “class of 2005” would be available;
 - Retirement counseling would be available.
- **Balancing and controlling costs**
 - VEARP would be closed;
 - Early retirement pension subsidies to those below age 60 would be discontinued;
 - The combination of early retirements (with unreduced pension) and postponed retirements (without actuarial increase) would be essentially cost neutral to the Pension Plan; and
 - Funds that would have been spent on Retiring Allowances under VEARP could be directed to Retiring Allowances under phased retirement program.

4. Policy on Retirement Age Affecting Faculty Members and Librarians (cont'd)

- **Recognition and support of contributions that retired faculty and librarians can make to the life of the University**
 - The development of Statement of Commitment to retired faculty members and librarians was underway;
 - The commitment to establish retiree centers was clear;
 - Current practices with respect to teaching, supervision of students and research activities would be continued.

Spectrum of Retirement Options

- **Normal Retirement**
 - Continued to be the June 30th coincident with or following 65th birthday.
 - (It was necessary to have a defined normal retirement date for pension administration.)
- **Postponed Retirement**
 - Individual could choose to retire on any December 31st or June 30th following their normal retirement date, subject to commencement of pension on required pension start date even if continuing in University employment
- **Early Retirement**
 - Permanent unreduced early retirement provision in Pension Plan continued;
 - Any individual who was 60 years old and had 10 years of pensionable service would be eligible;
 - No approval was required, as *Pension Benefits Act* requires such provisions to be an entitlement;
 - There would be no reduction on pension earned to early retirement date;
 - For individuals between the ages of 55 to 59, pension benefit would be reduced 5% per year from normal retirement date (the actuarial reduction).
- **Transition of Voluntary Early Academic Retirement Program (VEARP)**
 - VEARP would be extended from August 31, 2005 to December 31, 2005, then would be closed;
 - Individual's election of VEARP would have to be approved prior to December 31, 2005, with a retirement date no later than June 30, 2010;
 - Provostial approval requirement would continue.
- **Phased Retirement**
 - A three-year phased retirement period with irrevocable retirement date at end of three-year period would be available to full-time faculty and librarians.
 - This phased retirement could start as early as three years before eligibility for unreduced early retirement pension (age 57) and as late as three years before required pension start date (age 66).
 - The cumulative appointment over three-year period would range between 150% and 200% of full-time appointment (subject to minimum of 25% appointment in any year), with the percentage to be worked out between the individual and the division head.
 - The individual would receive prorated salary reflecting percentage appointment.

4. Policy on Retirement Age Affecting Faculty Members and Librarians (cont'd)

- **Phased Retirement** (cont'd)
 - The individual would be expected to continue activities of teaching, research and service in proportion to normal pre-program duties.
 - As an incentive for selection of this option, a retiring allowance equal to 75% of pre-program salary would be paid in three equal installments over phased retirement period.
 - Individuals would receive full pension accrual (i.e., based on 100% appointment), health care and dental coverage, and Professional Expense Reimbursement.
 - There would be special provisions for life insurance, sick leave and long-term disability.
- **Post Retirement**
 - A Statement of Commitment to Retired Faculty and Librarians would be developed and approved by governance.
 - Individuals would continue their intellectual contributions to the University
 - Applications for research funding and supervision of undergraduate and graduate students would be carried out in accordance with departmental policies.
 - Teaching opportunities could be available.
 - Senior Scholar/Retiree Centres would be established, subject to the provisions of the *Policy on Capital Planning and Capital Projects* with respect to the establishment of project planning committees and the identification of site, space and sources of funding for such centers.
- **Transition of the 'Class of 2005'**
 - Approximately 60 faculty members and librarians had a normal retirement date of June 30, 2005 (the 'class of 2005')
 - Eligibility for phased retirement program would be extended to these individuals, subject to Provostial approval
 - Individuals who were not approved for phased retirement program would retire and start their pension, and could request a one year contract for 20% of their June 30, 2005 salary
- The number of faculty and librarians who would be eligible by June 30, 2006 for the options described in the *Agreement* was 966, grouped as follows:

	Ages 53 to 54	Ages 55 to 59	Ages 60 to 64
Males	99	290	324
Females	43	129	81
Total	142	419	405

- The assumed retirement age pattern for pension plan analysis based on the experience of other institutions with no mandatory retirement was as follows:

% who retired before age 65:	30%
% who retired at age 65:	49%
% who retired after age 65:	21%
% reaching age 65 who retire after age 65:	30%

4. Policy on Retirement Age Affecting Faculty Members and Librarians (cont'd)

Professor Goel thanked Professor Hildyard for her presentation, and commented on the historic nature of the policy being considered by the Board. He acknowledged the effort that had gone into the development of the *Agreement* by members of a joint Working Group composed of representatives of the administration and the University of Toronto Faculty Association (UTFA).

Questions for Clarification

After congratulating Professor Hildyard for her excellent presentation, a member asked for clarification concerning the shifting of salary expense from the pension fund to the University's operating budget for those faculty and librarians who chose the option of phased or postponed retirement. Professor Goel explained that pension funds could only be used to pay pension income, and could not be moved out of the pension fund to pay for employment income. He noted that there would be offsetting savings to the operating budget in several areas. There would be no actuarial increase in pensions to those who chose to postpone their retirement. There would also be savings from those who chose to retire early. In totality, the ongoing costs were largely revenue neutral.

A member asked what the interaction would be between the *Agreement* and sabbatical policies. Professor Goel replied that the *Agreement* would not affect the sabbatical policy. Sabbatical leave would continue to be earned as provided for in the Memorandum of Agreement.

A member asked whether employees of research institutes would be covered by the *Agreement*. Professor Goel explained that the *Agreement* applied only to individuals who were employees of the University of Toronto.

External Speaker

At the invitation of the Chair, Professor George Luste, President of UTFA, addressed the Board. He began by announcing that the UTFA Council had unanimously approved the *Agreement* on April 6, 2005. Professor Luste thanked President Iacobucci, Professor Goel and Professor Hildyard for supporting the proposal to end mandatory retirement. He acknowledged the historical significance of the proposal, and noted the comprehensive provisions of the *Agreement*. He drew the attention of members to the transitional arrangements available to those whose normal retirement date was June 30, 2005. Individuals in this group had to apply for phased retirement by April 30, 2005, and Provostial approval was required. Professor Luste suggested that it would be appropriate for central funds to be provided to cover the cost of phased retirement for those in the 'class of 2005'.

Discussion

President Iacobucci stated his agreement with the characterization of the historic nature of the *Agreement*. In his view, it was a balanced agreement that was in the best interests of the University. The *Agreement* replaced rigidity with flexibility with respect to retirement matters, and allowed personal, professional and institutional planning. The President commended the leadership of UTFA and members of the University's senior administrative team for their work in developing the *Agreement*.

A member spoke in support of the suggestion of Professor Luste that central funding be provided for those whose normal retirement date was June 30, 2005. In his view, the group was small and the cost

4. Policy on Retirement Age Affecting Faculty Members and Librarians (cont'd)

Discussion (cont'd)

would be modest. A member replied that the cost of providing such funding for individuals in the Faculty of Arts and Science would be in the order of \$.5 to \$1.0 million annually. Professor Goel added that decisions had already been made concerning the positions held by those whose normal retirement date was June 30, 2005. In some cases, the positions had already been filled and were being covered by bridge funding. In other cases, the positions had been eliminated to accommodate budget reductions. Central funding was being provided for the contracts at 20% of their June 30, 2005 salary that were available to those whose normal retirement date was June 30, 2005 and whose request for phased retirement had not received Provostial approval. Professor Goel explained that it had been anticipated during the negotiating period that implementation of the *Agreement* would require a minimum of eighteen months. If the changes to the *Policy on Retirement Age* were approved by the Governing Council on April 13, 2005, the University intended to implement the *Agreement* by June 30, 2006, a period of only fourteen months. Transitional arrangements for the 'class of 2005' had to be put in place in a matter of weeks. Professor Goel also noted that the *Agreement* had been negotiated as an entire package, and a change to one component of the intricate proposal would not be appropriate. The member withdrew his support of the suggestion of central funding.

A member asked what impact the *Agreement* would have on new positions. Professor Goel replied that, in steady state, there would be minimal impact on new positions. Initially, there might be a delay of a couple of years in positions becoming available. However, it was appropriate to implement the *Agreement* at this time, given projected enrolment growth and expected faculty turnover.

A member referred to research that predicted a need for 11,000 new faculty members in the next few years, and asked how soon the University would have an estimate of the time required to hire that number of new faculty. Professor Goel replied that the impact of the *Agreement* on hiring could not be predicted until the University had its own experience with the implementation of the *Agreement*. The University of Toronto would be the first institution in Ontario to eliminate mandatory retirement. Other institutions that had eliminated mandatory retirement were located in other jurisdictions that had different tax systems, and their experiences would likely be different from that of the University of Toronto.

The member asked if the University would be modeling best practice in the proposed Senior Retirement Centres, including providing training and support for new academics. Professor Goel replied that it was anticipated that retirees would mentor both new academic colleagues and students. The retirees could indicate to their Department Chairs ways in which they could to continue to contribute to the academic life of the University.

The member asked whether the standard set by the University of Toronto would be higher than that to which other Ontario universities could aspire. She also asked what the University's commitment to younger faculty would be, and when the University would communicate with the public on such matters. Professor Goel replied that the closure of VEARP on December 31, 2005, with a retirement date up to December 31, 2010, and the phased retirement option which provided a four-year planning window, would facilitate academic planning. In the coming months, members of the Provost's Office would be working with Principals and Deans to develop a forecast of the number of academic positions that would become available over the next few years. The budget model assumptions would be adjusted to include probabilistic estimates of faculty retirements rather than fixed numbers.

4. Policy on Retirement Age Affecting Faculty Members and Librarians (cont'd)

Discussion (cont'd)

A member congratulated the University on the *Agreement*, and expressed her hope that the University would build on this initiative and recognize mature students.

On motion duly moved and seconded

YOUR BOARD RECOMMENDS

1. THAT the policy on retirement age affecting faculty members and librarians, namely 'no faculty member or librarian shall be required to retire before the 30th day of June following or coincident with the faculty member's or librarian's sixty-fifth birthday', as stated in Article 2 (f) of the Memorandum of Agreement between the Governing Council of the University of Toronto and The University of Toronto Faculty Association, be rescinded, effective June 30, 2005.

And

2. THAT the previous policy on retirement age affecting faculty members and librarians, be replaced by the provision that 'there shall be no mandatory retirement date for faculty members and librarians whose 65th birthday occurs on or after July 1, 2005', as stated in Article 2 (f) of the tentative Memorandum of Agreement between the Governing Council of the University of Toronto and The University of Toronto Faculty Association, effective July 1, 2005.

The motion passed unanimously.

The Chair noted that this was the second historic recommendation made by the Board this academic year. (The first had been the *Policy on Clinical Faculty*.)