



**FOR INFORMATION**

**PUBLIC**

**OPEN SESSION**

**TO:** Business Board

**SPONSOR:** Trevor Rodgers, Chief Financial Officer  
**CONTACT INFO:** 416-978-2065, [trevor.rodgers@utoronto.ca](mailto:trevor.rodgers@utoronto.ca)

**PRESENTER:** Same as above.  
**CONTACT INFO:**

**DATE:** January 7, 2021 for February 2, 2021

**AGENDA ITEM:** 6

**ITEM IDENTIFICATION:**

Pension Plan Annual Financial Report for the Year Ended June 30, 2021

**JURISDICTIONAL INFORMATION:**

The Business Board reviews the annual financial report on the pension plan.

**GOVERNANCE PATH:**

1. Audit Committee [for information] (December 1, 2021)
2. Pension Committee [for approval] (December 9, 2021)
3. **Business Board [for information] (February 2, 2022)**

**PREVIOUS ACTION TAKEN:**

The Pension Plan Annual Financial Report for the year ended June 30, 2021 was provided for context to the Audit Committee at its meeting on December 1, 2021, and approved by the Pension Committee at its meeting on December 9, 2021.

**HIGHLIGHTS:**

Effective July 1, 2021, the net assets and related pension obligations of the University of Toronto Pension Plan (“RPP”) were transferred / assumed by the jointly sponsored University Pension Plan Ontario (“UPP”), which was established on January 1, 2020 to cover employees and former employees of the pre-existing pension plans at the University of Toronto, University of Guelph and Queen’s University.

This report brings together in one location, and places in historical perspective, information on the funded status of the RPP, plan liabilities (including participants, benefit provisions and

assumptions) and plan assets (including contributions, investment earnings, fees and expenses, and payments to pensioners).

At June 30, 2021, the plan had a market surplus of \$792.5 million on a UPP transfer basis, a change of \$1,724.1 million from the June 30, 2020 market deficit of \$931.6 million, primarily due to an investment return of 24.07% which was well above the expected return for the period, the removal of the impact of the new provincial funding rules (which are not applicable to jointly sponsored pension plans), and employer special payments totaling \$99.1 million.

It is important to note that while the financial status of the University of Toronto Pension Plan improved significantly in 2021, and has transferred its assets and obligations into the UPP at July 1, 2021 with an \$792.5 million surplus on a UPP transfer basis, there continues to be risks that the University needs to be aware of and address in order to have stable and predictable funding for pensions that will shield the University from possible future past service deficits, as the University is responsible for 100% of any deficits on the transferred-in assets and liabilities that arise over the next 10 years. Such deficits would require the University to make additional special payments to the UPP, and result in increased current service costs to the UPP. These risks include the following:

- The actuarial assumptions used for the UPP transfer basis were set under a Transfer Agreement between the Joint Sponsors of the UPP and the three initial participating universities. On an ongoing basis, the Board of Trustees of the UPP will be responsible for setting the actuarial assumptions. Although no decisions on actuarial assumptions have been made by the Board, over the period since the actuarial assumptions for the UPP transfer basis were set, there has been a trend to lower discount rates. As we know from the sensitivity analysis we perform regularly from the University of Toronto Pension Plan, a 0.25% decrease in the discount rate would increase the obligations by approximately \$250 million.
- Investment returns on UPP pension assets that are lower than expected returns would result in drawing down the surplus, and potentially require additional funding by the University to the UPP. Two years of zero returns on UPP investments would wipe out most of the current surplus, as would a one year negative 5.0% return, even without a change in the discount rate.
- Any other changes in assumptions, could contribute to the reduction or elimination of the surplus in the UPP.

#### **FINANCIAL IMPLICATIONS:**

-

#### **RECOMMENDATION:**

For information

**DOCUMENTATION PROVIDED:**

- *University of Toronto Pension Plan Annual Financial Report for the Year Ended June 30, 2021*