Motion to amend the CAAT Supplementary Pension Plan

RESOLUTION

MOVED & SECONDED _____ & _____

"Be it resolved that the Board of Governors approve the three CAAT Supplementary Pension Plan amendments, as recommended by the RCA Sponsors' Committee: (i) Move to supermajority for approvals, (ii) Explicit limited rights of non-college employers and (iii) Adding clarity to the approval of changes to the Terms of Reference."

_Algonquin College_____

College

_____

Michael Dunlop,
Chair – Board of Governors

_February 13, 2012_____

Approval Date

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Ratification of the amendments to the CAAT Supplementary Plan or RCA

What is the RCA?

The CAAT Supplementary Plan (also known as a Retirement Compensation Arrangement or RCA) was established by the Ontario Council of Regents in 1994 to provide pensions to CAAT Pension Plan members on that portion of earned annual income above the maximum allowed under the *Income Tax Act*, currently $149,869. The benefits are identical to all other CAAT Pension Plan members. The RCA is the funding vehicle to pay promised benefits and such arrangements are common among public sector and broader public sector pension plans.

Authority delegated to the RCA Sponsors' Committee

Under the terms of a subsequent agreement, the Council of Regents delegated responsibility for governance and the administration of the CAAT Supplementary Plan (RCA) to the RCA Sponsors' Committee. The delegation agreement was approved July 1, 1998.

The boards for each of Ontario's colleges, passed resolutions that:

- accepted the role as sponsor of the RCA, including funding obligations
- ratified the governance structure giving the RCA Sponsors' Committee responsibility for its governance and administration
- authorized the RCA Sponsors' Committee to act on behalf of the colleges on all funding, governance and administration issues concerning the RCA.

As part of the delegation agreement, the RCA Sponsors' Committee adopted the, *Terms of Reference* which sets out the composition and the powers, duties and obligations of the committee. The RCA Sponsors' Committee is made up of the four employer representatives on the CAAT Sponsors' Committee and an OPSEU representative sitting on either the CAAT Board of Trustees or the CAAT Sponsors' Committee.

The need to amend the CAAT Supplementary Plan (RCA)

Since the approval of the delegation agreement 13 years ago, an amendment to the CAAT Supplementary Plan (RCA) text requiring employer consent has not been needed. The RCA Sponsors' Committee has exercised its responsibilities and obligations for the administration and operation of the RCA in accordance with the *Terms of Reference*.

The RCA Sponsors' Committee reviewed the CAAT Supplementary Plan (RCA) text with an eye to refining the governance standards and to reflect recent amendments to the CAAT Pension Plan. The CAAT Supplementary Plan (RCA) text was amended to clearly define the roles and responsibilities of the RCA Sponsors' Committee; recognize the current provisions of the CAAT Pension Plan and the RCA; and to provide explicit documentation for the operation of the RCA and the determination of benefits.

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Recommended change #1: Supermajority to approve basic changes

Rule	Amendment
Unanimous Approval	Supermajority
Changes beyond those delegated to the RCA Sponsors' Committee require written agreement of all the colleges.	Changes beyond those delegated to the RCA Sponsors' Committee require written agreement of a two-thirds majority, or 16 of 24 colleges.

Changes include creating benefits that are different than the CAAT registered pension plan; a change to the member contribution rate that makes it different from the CAAT registered pension plan; and employer contributions in excess of full funding of the CAAT Supplementary Plan (RCA).

Why the change? Current veto power creates unacceptable risk to the CAAT RCA.

- Any change could be vetoed by a single college
- The amendment ensures changes to the plan must still have strong support of the colleges.

Recommended change #2: Explicit limits for non-college employers

Rule	Amendment
Implicit limited rights of non-college employers	Explicit limited rights of non-college employers
The intent of the participation agreements is that non-college employers have limited rights	Explicitly states that only college employers can amend the CAAT RCA

Why the change? It ensures clarity of who has rights under the RCA.

Recommended change #3: Extraordinary changes to *Terms of Reference*

Rule	Amendment
Every change	Extraordinary changes
Any change to the *Terms of Reference* requires prior written approval from a majority of colleges Indemnification of RCA Sponsors' Committee is unclear	Only changes to the *Terms of Reference* inconsistent with the rights and powers delegated to the RCA Sponsors' Committee would require prior written approval from a majority of colleges Indemnification of RCA Sponsors' Committee clarified

Why the change? The current rule is inconsistent with the authority delegated to the RCA Sponsors' Committee by the Council of Regents in 1998. The amended *Terms of Reference* will also include an explicit indemnification clause.

Questions?

If you have any questions or would like to request the key RCA documents (*CAAT Supplementary Plan (RCA)* text, *Terms of Reference* and the *CAAT Funding Policy)*, please contact Derek Dobson, CEO & Plan Manager, CAAT Pension Plan, 416-673-9001, or **ddobson@caatpension.on.ca**.

Amendments to Supplementary Plan (RCA)

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Derek W. Dobson, CEO & Plan Manager

Agenda

1. **What is the Supplementary Plan (RCA) and why it needs to be amended?**

2. **The specific amendments**
   i. Move to Supermajority approvals
   ii. Explicit limited rights of non-college employers
   iii. Adding clarity to the approval of changes to the *Terms of Reference*

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The CAAT Registered Pension Plan (RPP)

- Defined benefit
- Jointly sponsored, bicameral governance
- 32,000 active and retired members
- $5.5 billion in net assets
- 12.6% net investment return for 2010
- 30th largest pension fund in Canada
- Surplus of $88 million at January 1, 2011

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29 employers including Ontario's 24 colleges

Algonquin College
Confederation College
la cité collégiale – Le Collège des meilleures pratiques
St. Clair College
ocls – ontario colleges library service
Collège Boréal
Durham College – Success Matters
Lambton College
St. Lawrence College
ocas – Ontario College Application Service
Cambrian College
Fanshawe College
Loyalist
Sault College
College Employer Council / Conseil – des employeurs des collèges
canadore college
George Brown College – Make it happen.
Mohawk College
Seneca
NORCAT – Northern Centre for Advanced Technology Inc.
Centennial College
Georgian – Your College · Your Future
Niagara College Canada
Sheridan
OntarioLearn.com
Conestoga – Connect Life and Learning
Humber
Northern College
Fleming College

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History

Ontario Council of Regents creates the CAAT Supplementary Plan (RCA)

Authority delegated to the RCA Sponsors' Committee

1967
CAAT Pension Plan is created

1994

1998

2012

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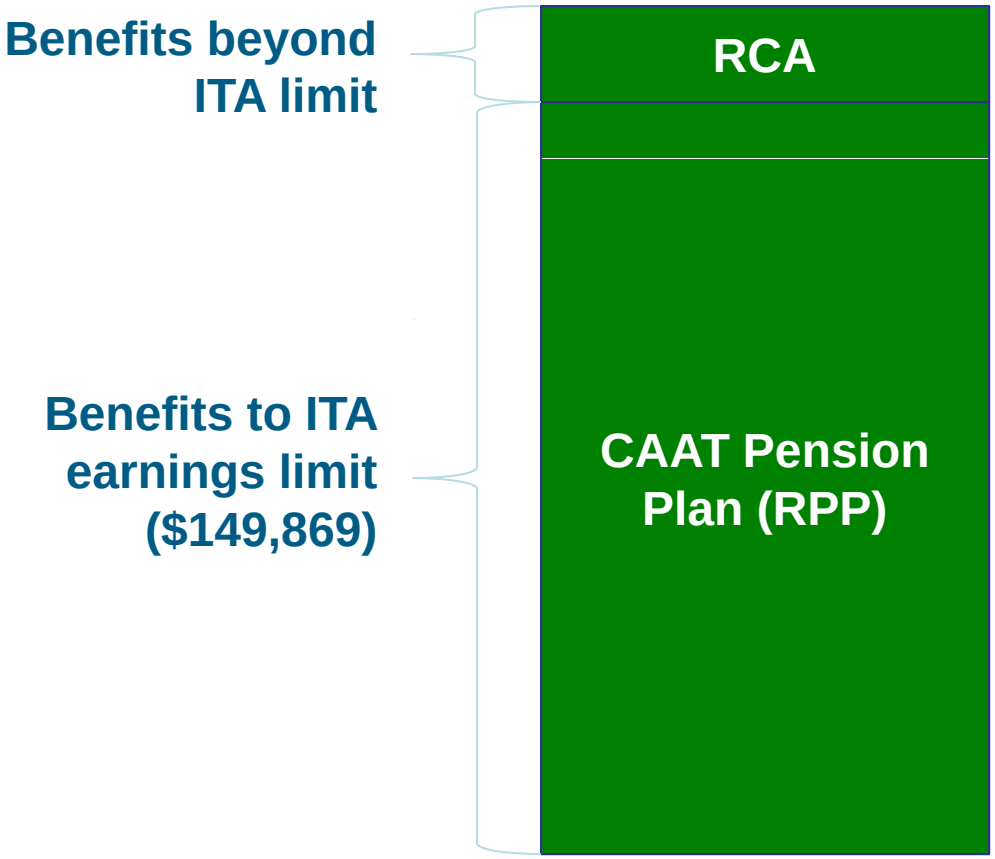
RCA operates in conjunction with CAAT Plan



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Retirement Compensation Arrangement (RCA)

- The RCA provides supplementary pension benefits to members whose earnings result in a pension that exceeds the maximum pension permitted under the *Income Tax Act* for RPP
- The RCA is administered as part of the overall Plan, but its assets are held in a segregated account.

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Funding vehicle because of *Income Tax Act*

- Partially pre-funded obligations that can not be funded in the RPP because of tax rules
- Members with annual income of > $149,869

Why not fully fund?

- Because 50% refundable tax is inefficient
- Results in more volatile contributions

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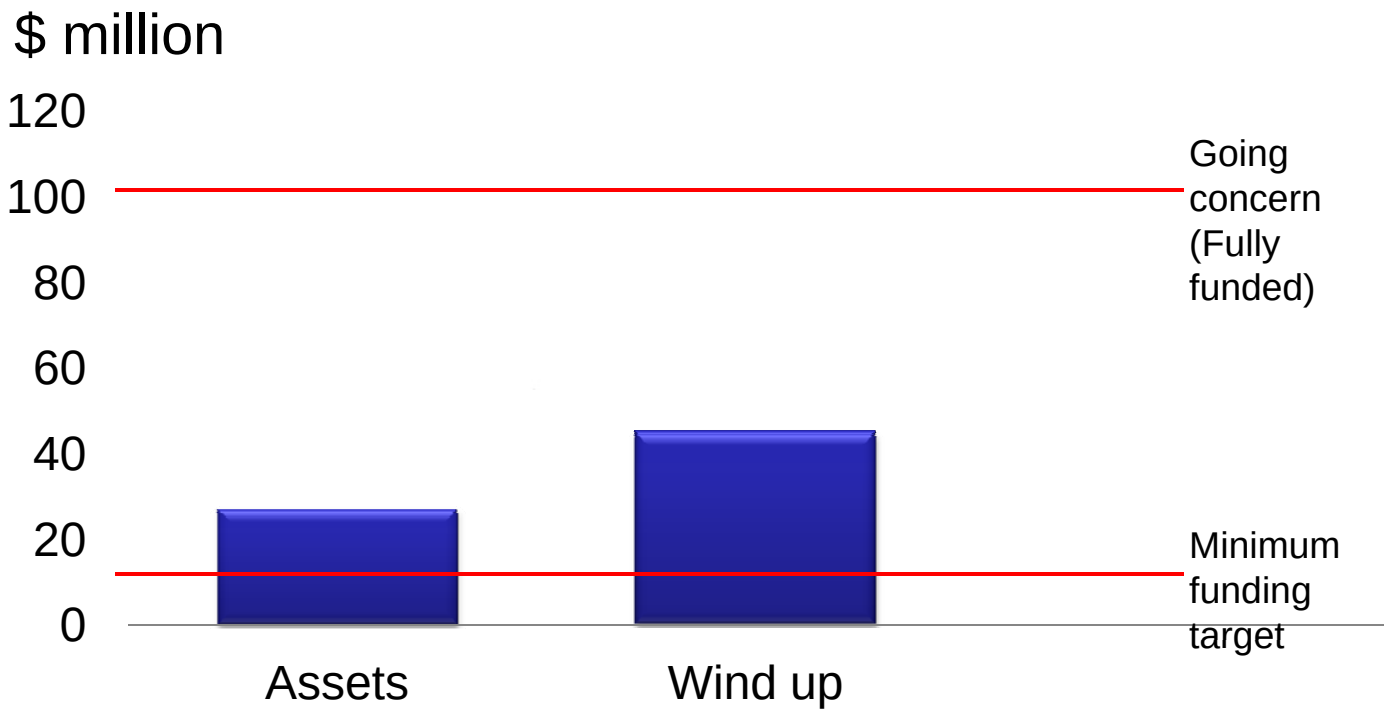
Valuation update (January 1, 2011)



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CAAT Pension Plan (RPP) compared to RCA

	CAAT Pension Plan	RCA
Member contribution rate (2012)*	12.9%	12.9% above ITA limit
Benefits	Defined Benefit	Defined Benefit
Assets	$5,500 million	$30 million
Members (active/retired)	34,000	175
Approval process	Sponsors' Committee	Colleges via governors
Deficit sharing	50/50	Employer

* Above the YMPE

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Roles and responsibilities

Colleges delegate authority

RCA Sponsors' Committee acts on behalf of members and employers

CAAT Pension Plan administers the RCA

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The RCA Sponsors' Committee

Member	Profile
Barbara Cameron, CMA	Vice-President, Finance and Administration, at Fleming College
Stephen Campbell, CFA	Director, Financial Services for the Canadian Medical Protective Association
Alec Ip	Vice Chair of the Board of Trustees and President for OPSEU Local 124
Peggy McCallum	Partner and head of the pension and benefits practice at the law firm of Fasken Martineau DuMoulin
Jeff Zabudski	President and CEO Sheridan Institute of Technology and Advanced Learning

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Delegation agreement mitigates financial risk

- Liabilities are collectively held by all employers
- Good governance structure
- Reported as an expenditure on financials
- Expert administration by CAAT Pension Plan

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First amendment to RCA – Supermajority

Current Rule	Amendment
Unanimous Approval Changes beyond those delegated to the RCA Sponsors' Committee require written agreement of all the colleges.	**Supermajority** Changes beyond those delegated to the RCA Sponsors' Committee require written agreement of a two-thirds majority, or 16 of 24 colleges.

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First amendment to RCA – Supermajority

Why the change?

Veto power creates unacceptable risk to RCA

- Any change could be vetoed by a single college – gridlock
- Amendment ensures changes must still have strong support of colleges

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Second amendment to RCA – non-college rights

Current Rule	Amendment
Implicit limited rights of non-college employers unclear The intent of participation agreements is that non-college employers have limited rights Other governance documents should mirror this intent	**Explicit limited rights of non-college employers** Explicitly states that only colleges can amend the RCA

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Second amendment to RCA – non-college rights

Why the change?
Ensures clarity and consistency in governance documents

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Third amendment to RCA – *Terms of Reference*

Current Rule	Amendment
Every change	**Extraordinary changes**
Any change to the *Terms of Reference* requires approval by a majority of colleges	Only changes inconsistent with the rights and powers of the RCA Sponsors' Committee requires approval by the majority of colleges
Indemnification of Committee members unclear.	Clarify intent to indemnify Committee members.

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Third amendment to RCA – *Terms of Reference*

Why the change?

Consistent with delegated authority to RCA Sponsors' Committee and with the amending provisions of the CAAT Pension Plan

- Unnecessary cost and time to have operational changes go to the governors for approval
- Indemnification provision will be clearer and form part of the *Terms of Reference*

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Conclusion

- The amendments leave delegated authority unchanged

- The amendments will make the governance and administration of RCA better, more efficient, and clear

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One motion before each Board of Governors

"Be it resolved that the Board of Governors approve the three *CAAT Supplementary Pension Plan* amendments, as recommended by the RCA Sponsors' Committee: (i) Move to supermajority for approvals, (ii) Explicit limited rights of non-college employers and (iii) Adding clarity to the approval of changes to the *Terms of Reference.*"

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Next steps

- The Board of Governors for each college to pass motion
  - Support available on request

- CAAT to provide annual updates on the RCA

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