JUNE 2022

UPP Information Session – Lakehead University Question & Answers

The following responses reflect our understanding that:

The Lakehead University Employee Plan (the "Employee Plan") is a single employer, defined contribution (DC) pension plan.

The Pension Plan for Professional Staff of Lakehead University (the "Professional Plan") can be termed a 'hybrid plan' because its Retirement Account 1 is used to provide the greater of a defined benefit (DB) pension income in retirement and a DC benefit income in retirement. As well, the Professional Plan allows an in-plan annuity conversion, which a pure DC plan would not provide.

The Lakehead University administration and pension plan members, as represented by the faculty association and employee unions, are currently considering converting to a jointly sponsored defined benefit pension plan (JSPP).

A comprehensive list of Frequently Asked Questions and answers is available on UPP's website.

ABOUT UPP

Why was UPP created? How long has UPP existed?

In the late 2000s, pension plans in the university sector faced deep financial and political pressures. Employee groups and university administrations, with the support of the provincial government, began considering a multi-university jointly sponsored pension plan (JSPP) as a long-term pension solution for the sector. Moving to a JSPP model addressed many of the challenges facing university pension plans at the time, while offering a range of new advantages — including more member control over the future direction and outcomes of their pensions.

Employees and employers came together create a gold standard pension solution that would reshape and sustain the retirement income system in the Ontario university sector. UPP welcomed its first participants on July 1, 2021. Today, we proudly serve over 37,000 plan members and continue to welcome news interested universities and employee groups.

How many Universities are already in UPP?

Four universities currently participate in UPP: University of Toronto, Queen's University, University of Guelph and Trent University (faculty plan), plus 12 other employers in the post-secondary education sector. You can find a full list of our participating employers in our Member Handbook, which is available at MyUPP.ca.

THE PATH TO CONVERSION

Are there unique issues for DC plan members to transition into a JSPP? Are there any different issues for us as DC plan members in respect of becoming members of UPP or CAAT?

UPP is available to all universities across Ontario, with any type of retirement plan —even to those employee groups without any type of retirement plan. To date, we have converted several types of pension plans into UPP, including single employer defined benefit plans and a hybrid defined benefit/defined contribution plan. Each scenario was unique, and involved the Joint Sponsors, existing pension legislation (and some amendments to legislation), the respective University administrations, the employees' bargaining agents and non-unionized employees, and UPP.

With respect to Lakehead's Professional Plan: Ontario pension legislation allows for defined benefit (DB) plans or DB components of a hybrid pension plan to be converted and transferred into a JSPP.

For Lakehead's Employee Plan: Under today's pension legislation, DC plans cannot be converted and transferred into a JSPP - whether it be UPP, CAAT DBplus, or any other JSPP. UPP's current provisions allow for DC plan participants to join UPP for future service only. Any alternative solution would require a plan amendment, for which UPP's Joint Sponsors have sole authority.

UPP meets regularly with the Ontario government to discuss legislation surrounding the transition of various plan types to a JSPP.

RETIREMENT BENEFITS/CALCULATIONS

What's the biggest difference between UPP's Plan and CAAT DBplus?

UPP and CAAT DBplus are both jointly sponsored pension plans offering DB pensions, however, CAAT DBplus is structured a bit differently than a traditional DB plan, such as UPP or other well-known Ontario public plans.[1]

The key differences rest in the calculations used to produce your pension amount and who the plan is tailored to.

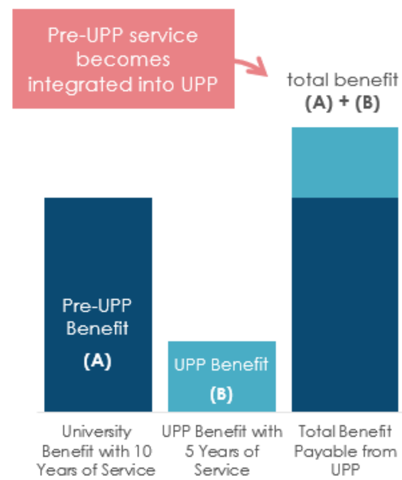
	CAAT DBplus	UPP	Takeaway
Averaging calculation for earnings (For DB plans)	Pension amount at retirement is based on the **average earnings over your entire career**.	Pension amount at retirement is based on an **average of your 48 best earning months*** from your entire career. * These months do not have to be consecutive.	A pension calculation based on your 48 best months will always produce a larger benefit than one based on career average earnings.
Benefit accrual rate on earnings	Accrual rate varies from **0.5% to 1.5%** for each year of service, based on the contribution rate paid. The top 1.5% accrual, for example, would require a 9% contribution rate.	Accrual rate is **1.6%** up to the aYMPE[2] and **2.0%** above the aYMPE[2] for each year of service.	A higher accrual rate means you earn a larger pension benefit faster.
Conditional Inflation Protection	Conditional inflation protection is **pre-funded for three years** at a **discretionary** target level and based on the Average Industrial Wage.[3][4]	UPP's funded conditional inflation protection is **pre-funded for all years** at the target level of **75%** of the Consumer Price Index.[5]	Pre-funding this benefit enhancement helps ensure it remains available to retirees over the long-term
Early unreduced pension	**Not available**, members retiring before age 65 will see their pension incomes reduced by a certain factor.	**Available as early as age 60** if you reach the eligibility threshold of age plus years of service equaling 80.	An early retirement option with no pension reduction opens new opportunities for those working in the university sector

[1] E.g., Ontario Teachers, Canada Pension Plan, CDPQ, HOOPP, OMERS, OPTrust
[2] The YMPE is a threshold set each year by the federal government, based on the average wage in Canada. The average YMPE (aYMPE) is the average of the YMPE in the last 48 months before you retire.
[3] The Average Industrial Wage reflects the hourly rate of pay for workers, industrial or otherwise, in a geographical area, whereas Consumer Price Index is the rate of inflation.
[4] Subject to the Plan's funded status, per the Funding Policy
[5] Subject to the Plan's funded status, per the Funding Policy

Mobility among Ontario universities	No Ontario universities currently participate in CAAT DBplus.	UPP members can move between participating Ontario universities (currently four and growing) and seamlessly maintain and continue their UPP pension service.	Mobility with pension security opens new opportunities for those working in the university sector
Sectoral Member Focus	The CAAT pension plan was originally created to meet the needs of those working in community colleges in Ontario, but currently serves employers and employees in the for-profit sector, in the non-profit sector, and in the broader public sector.	UPP was designed specifically for people working in Ontario's universities and focuses on serving the Ontario postsecondary education sector.	Opportunity to join a sector-tailored plan governed exclusively by university sector employee and employer representatives

How are years of service recognized? Say you had 19 years of service at Lakehead, how is that recognized with joining UPP? Is it 19 service years, or a valuation of the 19 years of pension contributions?

UPP preserves any benefits that you transfer in from your current plan.



For active members of the Lakehead Professional Plan, all benefits earned under the Professional Plan would be transferred to and administered by UPP. Upon retiring under UPP, a member would receive a pension payable from UPP based on two parts: one based on the formula in their former plan and the service they accrued under that plan; and one based on the UPP formula, and their service accrued under the UPP.

Your years of Lakehead service would contribute to your eligibility to a UPP benefit not provided by the Lakehead plans or by CAAT DBPlus — an unreduced early retirement option.

Terms for DC to JSPP conversion are underway with the UPP Joint Sponsors and would determine the service provisions for Lakehead's Employee Plan.

I started working at Lakehead late in my career. Can I buy back some years to reach the 80 factor?

UPP offers a few ways for plan members to recognize other service in the UPP plan. Should Lakehead University join UPP, going forward, new Lakehead University employees would have the opportunity to move service they had with an immediately prior pension plan into UPP, if that plan can be transferred to UPP.

What impact would a move to UPP have on current retirees?

Upon converting to UPP, the pensions of current Professional Plan retirees would transfer to and become payable from UPP. Retirees would not be affected by any contribution increases and would receive the same monthly pension amounts and cost-of-living increases after conversion that they would under their current plan.

UPP would then serve retirees as their new pension administrator. When retirees have a pension question or need to make changes to their account, they can connect with UPP directly – by phone or email, whichever is most comfortable for them.

Are the best 48 months only from when you are in the UPP or do you count any of the earnings from Lakehead prior to UPP?

If the Lakehead University Professional or Employee Plan transfers, converts, and joins UPP, the best 48 months of earnings are based on your entire Lakehead career experience under both plans.

If those requirements are met, when you retire, UPP will comb through your entire career experience at Lakehead and UPP and pick up the best 48 months of earnings. Those months do not need to be consecutive. Under UPP's benefit formula, the higher your earnings, the bigger your pension will be – this best earnings model helps you to maximize your income in retirement.

In the UPP, can you meet the rule 80 and be under the age of 60 to get the full benefit? (e.g. age 55 and 25 years of service = rule of 80)?

UPP's normal retirement date is the last day of the month in which you turn 65. This means that a plan member[6] can retire with an unreduced pension at any time after age 65, regardless of how long they have been part of UPP.

The eligibility requirements for UPP's early unreduced retirement option (which allows a member to collect their full pension amount earlier than age 65) are that:

- You are at least 60 years of age, and
- Your age and your eligibility service (including service transferred in from a Lakehead University plan) is 80 or more points

I may be retiring in 5 years, would the move to UPP be of any benefit to me?

Yes, it would. Your pension is based on a percentage of your pensionable earnings and service – it's the same formula whether you contribute to UPP for a few months or for many years.

If you're closer to retirement when the conversion happens, most of your pension will be based on the Lakehead University plans, and your UPP benefits will be added to that amount. Those UPP benefits will return a higher retirement income than your current plan, so there is benefit. You may also find that, upon entering UPP, your existing age and years of eligibility service qualify you for early unreduced retirement, as was the case with a large cohort of members joining under our founding plans at other Ontario universities.

Under the UPP if you pass away, and you don't have a spouse, is there a death benefit? What happens to monies you've put in the pension plan?

If you pass away before retirement, your pension benefit is payable to your survivor, which defaults to a spouse for married members. If you don't have a spouse, your named beneficiary (or beneficiaries) is entitled to receive death benefits. Your beneficiary can be a person, multiple people, or organizations. If you don't designate a beneficiary, UPP death benefits will be paid to your estate.

If you pass away after retirement, your beneficiaries will receive the survivor benefit you chose at retirement. If you do not have a spouse when you retire, UPP's normal form of pension is a lifetime pension for you with a 10-year guarantee. That means that if you pass away before receiving a total of 120 monthly payments, the balance of payments will be made to your beneficiary or estate.

UPP offers a variety of other options that provide for your loved ones, which are summarized in Section 05 of our Member Handbook.

CONTRIBUTION RATES

What is the minimum employee contribution rate if we join UPP?

The employee contribution rate is 9.2% up to the Year's Maximum Pensionable Earnings (YMPE)[7] plus 11.5% of earnings above the YMPE.

Example: At a $70,000 annual salary, you would contribute 9.2% on $64,900[8] of your income and 11.5% only on the remaining $5,100 above the YMPE.

The UPP contribution formula is integrated with CPP contributions, which is why there is a lower rate up to the YMPE and a higher one above.

[6] Whose prior plan converted to UPP or who transferred past service through a buyback
[7] YMPE is the year's maximum pensionable earnings as defined under the Canada Pension Plan Act. The figure is set by the federal government each year and increases with average wage increases. In 2022, the YMPE is $64,900.
[8] 2022 YMPE

For most plan members, UPP contributions work out to be about 10% of gross earnings. As a JSPP participant, Lakehead University's contributions in its role as employer would match these rates.

Our contribution rates at Lakehead have historically been quite low. So, to go from 6.5% to 11.5% is a huge jump, can you comment on that?

Affordability today is a reasonable consideration when making changes to your pension solution. Equally important is the level of value you will receive in retirement for every dollar contributed.

UPP is designed to maximize your retirement security. It does so, in part, by providing the greatest benefit among all Ontario JSPPs for the contributions that you and Lakehead would make going forward. The shift to UPP's contribution rates would be an increase for Lakehead employees, but a stronger pension would be the result.

And because employee contributions are deducted from pay before taxes and other payroll deductions, this reduces members' taxable income, which helps to offset the increase.

UPP's contribution rates are 9.2% for income earned up to the YMPE[2] and 11.5% for income above that threshold. For most plan members, this works out to about 10% of gross earnings. These levels sit in the middle of the pack among Ontario's JSPPs, but UPP provides the highest benefit levels among all of those same plans.

MORE ABOUT THE PATH TO CONVERSION

It's our understanding that with Bill 124, the salary offset is not permissible for DC plans - is that correct?

UPP is inquiring about a possible exemption for DC plans converting to a JSPP and we will provide updates as soon as they are available.

Can you describe the timeframe for Lakehead to join UPP under two scenarios: for future service and for resolving legacy contributions?

The time frame for joining UPP for future service would be relatively short, as it would not require regulatory approval by the Financial Services Regulatory Authority of Ontario (FSRA).

Securing each plan member's past service accrued in either the Lakehead Professional or Employee plans requires more steps, and those steps (and the length of time) depend on the conversion and transfer approach decided between the respective Lakehead plans and UPP's Joint Sponsors (i.e., our joint employee-employer governance body).

RESPONSIBLE INVESTMENT

Does UPP only invest in "green" companies? What is your approach to responsible investing?

As a pension fund, UPP's investment mandate is to provide a secure, lifelong pension income for our plan members today and for generations to come. Our investment program is designed to meet our pension commitments while ensuring the Plan remains resilient and responsive to all types of risk and opportunity over the long term.

We consider a responsible investing approach fundamental to that task, founded on the evidence-based belief that managing environmental, social and governance (ESG) factors in our investment approach helps us better assess and create value, identify new and emerging opportunities, drive stronger long-term financial performance, and promote healthy market practices.

We use a variety of processes and tools to ensure ESG risks and opportunities are understood and managed from the total portfolio level down to our individual investment mandates. Learn more about our responsible investing approach: https://myupp.ca/investments/responsible-investment/

Part of being a responsible investor is advancing climate readiness across our portfolio. This is critical not only to the success of Canadian companies and communities as we move toward a net zero world, but also the long-term strength of our Fund. Recognizing climate change as a defining challenge of our time, a transparent and deliberate climate action plan is -and will be a priority component of our developing investment and risk management strategy.

We commit to achieving a net-zero greenhouse gas emissions portfolio by 2040 or sooner. This means our investment portfolio will emit minimal greenhouse gases, and 100% of the remaining emissions will be offset starting 2040, with interim reduction targets in 2025 and 2030.