TO: Ryerson Retirement Pension Plan (RRPP) members

CC: Joint Pension Committee; President; Provost and Vice Presidents

FROM: Larissa Allen, Assistant Vice President, Human Resources

DATE: February 6, 2012

Pension Plan Contribution Rate Increase Effective January 1st, 2012

I am writing you today on behalf of the Joint Pension Committee and the University to announce that, after much consultation and discussion, the parties have reached a decision and agreement to increase pension contributions to the Ryerson Retirement Pension Plan.

The contribution increase is in response to the projections calculated by the Actuary for the Ryerson Retirement Pension Plan. These projections demonstrate that the current contribution rates are not sufficient to avoid a going concern (long term funding) deficit and an unsatisfactory funded position for the Plan in the near term.

Representatives of the Joint Pension Committee have been meeting over the last 24 months to address the pension challenges and have reviewed a variety of options, including reducing benefits. The Committee invited the pension plan's actuaries and the OMERS Investment Manager to assist them in their deliberations. At the conclusion of these meetings a consensus was reached that the only viable option to maintain our pension plan with its current benefit level was to increase contributions, both for the employees and the University.

In order to help employees faced with higher contribution rates, the University has recommended and the Ryerson Board of Governors has approved an increase of 1.5% in base salary for employees who are active participants in the Ryerson Retirement Pension Plan as at January 1, 2012.

The new contribution rates and the increase to base salaries are retroactive to January 1, 2012. Both will be processed on the same pay to minimize any impact on employees' take-home pay amounts.

Information sessions are being scheduled for employees wishing to attend. The attached frequently asked questions (FAQ) document is also available on the HR website.

Effective January 1, 2012 contributions to the Ryerson Retirement Pension Plan will be adjusted as follows:

FROM:
8.0% on the first $3,500 of eligible earnings,
6.2% on eligible earnings above $3,500 up to the Year's Maximum Pensionable Earnings (YMPE) ($50,100 as of 1/1/12)
8.0% on eligible earnings over the YMPE

TO:
9.5% on the first $3,500 of eligible earnings,
7.4% on eligible earnings above $3,500 up to the YMPE ($50,100 as of 1/1/12)
9.5% on eligible earnings over the YMPE

If you have any questions concerning the Ryerson Retirement Pension Plan, please contact Richard Briggs, Pension Advisor at (416) 979-5000 ext. 6254 or by e-mail at rbriggs@ryerson.ca, or Jan Neiman, Manager, Pensions & Benefits at 979-5000 ext. 6236 or by e-mail at jneiman@ryerson.ca.

FAQ: Pension Plan Contribution Rate Increase Effective January 1st 2012

1. **I heard that my Ryerson Pension Plan contributions are going up, is this true?**
   Yes, as of January 1, 2012, the contributions paid by members to the Ryerson Retirement Pension Plan (RRPP) will increase as follows:

   FROM:
   8.0% on the first $3,500 of eligible earnings,
   6.2% on eligible earnings above $3,500 up to the Year's Maximum Pensionable Earnings (YMPE) ($50,100 as of 1/1/12)
   8.0% on eligible earnings over the YMPE

   TO:
   9.5% on the first $3,500 of eligible earnings,
   7.4% on eligible earnings above $3,500 up to the YMPE ($50,100 as of 1/1/12)
   9.5% on eligible earnings over the YMPE

2. **Is the University doing ANYTHING to help employees with this increased cost?**
   Yes. The University is matching the employee increase in pension contributions. In addition, the University will be increasing the base salary of employees who are active pension plan members, as of January 1, 2012, to offset the contribution costs to employees.

   As a result, **employees will not be negatively impacted** by the increase in contribution levels.

3. **When will these changes happen?**
   For CUPE 233 employees, the contribution increases and the salary increases will appear on the April 6, 2012 pay, retroactive to January 1, 2012.

   For MAC, OSPEU & Senior Administration the changes will be on the April 13, 2012 pay, retroactive to January 1, 2012.

   RFA members will see the changes reflected in the March 15, 2012 pay, along with other retroactive negotiated salary adjustments.

4. **Are the new contribution rates permanent or temporary?**
   The new rates of 7.4% and 9.5% are permanent as is the 1.5% increase. The demographics of the workplace, and consequently, the membership of the pension plan, have changed over the years, and the new rates simply are a reflection of the statistics of the plan's members with respect to age, life expectancy, salaries, etc. as evaluated by our actuaries.

5. **Why is this happening? Why is the plan facing this situation?**

Contributions are being increased because for at least the past ten years, the contributions collected by the plan have not been sufficient to fund the plan alone. During this ten year period, the plan has had to function within the economic turmoil experienced all around the world. While it has been possible to postpone contribution increases for a number of years, the plan can no longer afford to subsidize the fact that it is not taking in as much in contributions as it should be in order to remain sustainable.

There is no one thing that has caused the RRPP to operate at a deficit. This has been driven by investment returns, the slowdown of the global economy, and by demographics within our own plan membership (for example, the average age of our plan members). The financial stories that have been front-page news have also affected pension plans across the country and around the world. As a result, many plans have made the choice to increase contribution rates – in fact, some of them have already been paying higher contribution rates for years, including OMERS, the Teachers' Pension Plan, and the Hospitals of Ontario Pension Plan, to name a few. Other universities have also had to increase contributions, or are in the process of doing so.

The amount of the contribution increase has been determined based on the need to fund the plan now and maintain its health well into the future, so that it can continue to pay out the pension benefits promised to all its members.

6. **In light of all this, is my pension safe?**
   Yes, everyone's pension in the plan is safe. The regulations say Ryerson must address any funding shortfall to ensure that pension plans remain fully funded. When you retire you will receive your expected pension.

   Pension plans have to regularly submit Actuarial Plan Valuations to the regulators (Financial Services Commission of Ontario, FSCO) which show the plan's funded status. If a plan is not 100% fully funded, then some form of action needs to be taken and submitted to the regulator to address the problem – which is exactly what we are doing by increasing pension contributions.

7. **Was there not an alternative to increasing contributions? Couldn't we have done something else?**
   Yes, the University and the Joint Pension Committee examined a number of alternatives. Among other things, we could have tried to save money by reducing benefits paid to members by the pension plan. Together, we looked at the possibility of cutting back on some benefits within the pension plan, in the hope that we might be able to avoid increasing members' contributions. However, in the end, even cutting back a number of benefits right now would not have saved enough money to avoid some contribution increase. So it was decided NOT to reduce the value of the plan, but rather to determine how much was needed from members AND the University (who matches contributions dollar-for-dollar) to fully fund the pension plan.

   As a pension plan, the RRPP is right up there with the best of other public service pension plans, and it was decided that the RRPP should not be diminished in quality by cutting back on the benefits it would provide to Ryerson's members. While it will cost a little bit more to maintain the benefits we enjoy in our pension plan, it was decided those benefits were too valuable to sacrifice.

To give you an idea of how valuable a benefit the pension plan is to each member, in general terms, if you were to go out and try to privately fund an annuity similar to that paid by the pension plan, it would, on average, cost you around three times as much. While having to increase the contributions we all pay to the pension plan is unfortunate, the plan itself still constitutes excellent value for money for members at retirement.

8. Who can I contact if I have more questions?
You can contact Richard Briggs, Pension Advisor by phone at ext. 6254 or by e-mail at rbriggs@ryerson.ca or Jan Neiman, Manager Pensions & Benefits by phone at ext. 6236 or by e-mail at jneiman@ryerson.ca.

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