

Supporting Retirement Security for Contract Faculty

OCUFA's submission to the Ontario government
regarding the Ontario Retirement Pension Plan

February 2015

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Ontario Confederation of University Faculty Associations
Union des Associations des Professeurs des Universités de l'Ontario

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The Ontario Confederation of University Faculty Associations is the voice of 17,000 university faculty and academic librarians across Ontario.

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The Ontario Confederation of University Faculty Associations (OCUFA) represents over 17,000 professors and academic librarians at universities across Ontario. OCUFA represents full-time tenure stream faculty, and at some universities also represents contract faculty members who work either on a limited-term contract or on a per-course basis.

OCUFA welcomes the opportunity to comment on the Ontario government's efforts to establish an Ontario Retirement Pension Plan (ORPP). This submission provides feedback on the key design questions outlined in the consultation paper released by the Associate Minister of Finance in December 2014. OCUFA's submission focuses primarily on the key design question of defining comparable workplace pension plans because this is the question that most directly impacts our members.

PENSION COVERAGE GAPS IN THE UNIVERSITY SECTOR

All universities in Ontario have pension plans. In fact, many universities have multiple plans. Therefore, it may be surprising to some that there are gaps in pension coverage in the university sector. It is true that full-time tenure stream faculty members in Ontario do have access to workplace pension plans. However, the growing numbers of contract faculty members who work in our universities too often do not. These contract faculty members stand to benefit tremendously from improved public pension plans and the establishment of the ORPP.

In parallel with the broader economic trend toward precarious and casualized work, the number of faculty working on a temporary, part-time basis in the university sector has increased dramatically in recent years. OCUFA estimates that the number of courses taught by contract faculty at Ontario universities has nearly doubled – increasing by 90 per cent – between 2000 and 2012. In addition to facing job insecurity, low pay, and lack of access to benefits, many contract faculty do not have adequate retirement security.

Some contract faculty members simply do not have access to a workplace pension plan. However, in most cases even where they do have access, contract faculty can only participate in a workplace pension plan after they have met certain eligibility thresholds.

To access almost all plans in the university sector, contract faculty must have two years of continuous employment at the same university. In addition, they usually also need to earn 35 per cent of the Year's Maximum Pensionable Earnings (YMPE) or work more than 700 hours in

each of two consecutive years (often whichever is less). These are difficult thresholds for many contract faculty to reach. Take for example contract faculty who teach courses at several universities. Between all of their teaching jobs, they may be able to piece together full-time hours. But even though they carry the equivalent of a full-time teaching load, they will not be able to reach the threshold to access a workplace pension plan at any of the individual institutions where they are employed.

Even when contract faculty members are able to meet these thresholds and are eligible to participate in their workplace pension plan, participation tends to be elective rather than mandatory. Furthermore, when contract faculty are eligible and choose to join the plan, they are likely to have insufficient pay and hours to secure an adequate retirement income through their pension savings.

Given the unique position of contract faculty members in the university sector and the barriers they face to acquiring a secure retirement income, our submission will focus on how the ORPP can address contract faculty-specific concerns, highlighting design features that will best respond to their needs. With respect to pensions, the primary issues for contract faculty are coverage, adequacy, and portability. These needs and concerns – and the potential to benefit from the creation of a wide-reaching ORPP – are not limited to contract faculty in the university sector, but are shared with the growing numbers of precarious workers in all sectors of the economy.

MAXIMIZING COVERAGE TO MAXIMIZE BENEFIT

While the ORPP aims to mirror the Canada Pension Plan (CPP), it risks falling short on one key design feature. The government has indicated that enrolment in the ORPP would only be mandatory for “eligible working Ontarians who do not otherwise participate in a ‘comparable’ plan.”¹ For the purpose of determining eligibility to participate in the ORPP, the government’s preferred approach is to consider defined benefit and target benefit multi-employer pension plans as “comparable.”

While OCUFA appreciates the government’s intent to define what is considered as a comparable plan fairly narrowly, the proposed design will unfortunately exempt a substantial

¹ Government of Ontario, “Ontario retirement pension plan: Key design questions,” December 2014, 8.

number of Ontarians. This includes many contract faculty members who would benefit significantly from the additional retirement savings support that could be offered by the ORPP.

It is unclear from the proposed design of the ORPP what would happen to those contract faculty members who either a) do not meet the threshold in place to participate in their workplace pension plan or b) are excluded from participation in their workplace pension plan altogether. Contract faculty members in this position work in a workplace where there is a comparable workplace pension plan in place, but for the various reasons outlined above, they do not have access to it.

This raises questions about the unit of eligibility for access to the ORPP. If the key factor for determining eligibility for access to the ORPP is whether the workplace has a comparable pension plan in place, then the contract faculty members described above would be excluded from the ORPP. In other words, if a comparable plan is one in which a particular class or group of workers is eligible but others are not, individuals could still be left with no pension. This exclusion would be a missed opportunity to help some of the workers in the university sector most in need of support.

If the unit of eligibility is the individual worker, workers who do not have access to their workplace's pension plan would not be excluded from the ORPP. However, under these requirements, the administration of which employees are eligible to participate in the ORPP would be quite complicated and burdensome. These complications are best avoided by keeping exemptions for participation in the ORPP to a minimum.

It also cannot be assumed that all members of defined benefit and target benefit multi-employer plans have adequate retirement income. For example, some contract faculty are able to reach the thresholds necessary to be eligible to participate in their workplace pension plans. However, due to their level of pay and irregular hours of work, they are unable to save at a level that would allow them to earn an adequate benefit upon retirement. While these contract faculty could benefit greatly from any additional savings and benefit made possible by an improved public pension plan, they would not benefit from the ORPP in its current design, since they technically already participate in a comparable workplace pension plan.

To avoid excluding those in need of support and to avoid excessively complicated administration, the government should strive to design an ORPP that is as close to universal as possible. This is of particular importance for the growing numbers of temporary and part-time workers in the university sector and the economy as a whole. The ORPP must be designed with a view to maximizing coverage for these workers.

In addition to giving more Ontarians an opportunity to participate in the plan and maximizing coverage for contract faculty at Ontario's universities, a more universal plan design has other benefits. Making the ORPP available in more workplaces will result in greater portability. This is particularly significant for many part-time and temporary workers who have multiple employers or who are likely to have multiple employers over the course of their careers. For contract faculty who teach courses at multiple universities this is an important feature.

A more universal design will also have structural and administrative benefits. The inclusion of more plan members will make the plan more sustainable and stable by better pooling investment and longevity risk. It will also simplify the plan, make it more easily understandable for Ontarians, and reduce the administrative burden because fewer workers will be entering and leaving the plan as they move between jobs. Finally, a more universal design for the ORPP would also mirror the CPP, making it more feasible to fold the plan into the CPP at a later date.

KEY POSITIVE FEATURES OF THE PROPOSED DESIGN

OCUFA understands that Ontario is establishing the ORPP as a result of the unwillingness of the federal government to enhance the CPP. Overall, OCUFA supports the government's efforts to improve public pensions to better support the millions of Ontarians who do not have adequate pensions and retirement security. We also share the position of the Ontario government that the best way to improve retirement security for all Ontarians and all Canadians is through CPP enhancement and that the ORPP should mirror the CPP, so that it can be folded into the CPP at a later date.²

There are several key features of the proposed ORPP that mirror the CPP and are essential to ensure that the government's efforts to improve retirement security for Ontarians are successful. First, indexing benefits to inflation is crucial to protect workers from the erosion of their benefit over time. Second, mandatory equal contributions from employers and employees reflect the shared responsibility for retirement security and help to avoid situations in which workers bear the entire financial burden of retirement on their own. Third, providing a secure lifetime benefit by pooling longevity and investment risk helps protect workers from the possibility that their benefits are lower than expected or that they outlive their benefits. The

² Government of Ontario, "Ontario Budget," May 2014, 304.

preservation of these key features is essential to ensuring the success and effectiveness of the ORPP.

AN OPPORTUNITY NOT TO BE MISSED

In the university sector, growing numbers of temporary and part-time faculty do not have access to workplace pension plans. The establishment of the ORPP is an opportunity that must not be missed to support these workers in achieving a dignified and secure retirement. The current ORPP design, however, risks excluding the growing ranks of contract faculty in the university sector. The ORPP must be developed with careful consideration that no workers in need of support in retirement are left out. With the incidence of precarious and part-time work on the rise throughout the university sector and the economy as a whole, an ORPP that is as close to universal as possible will have the greatest benefit to all Ontarians.