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Third Annual Report to The Human Resources Committee Board of Governors Dalhousie University

Introduction

The Association of Dalhousie Retirees and Pensioners (ADRP) is pleased to make this Third Annual Report to the Human Resources Committee of the Board of Governors.

As with our Annual Reports of 2012 and 2013, we believe this Third Annual Report will fill a noticeable gap in the continuum of oversight exercised by the Board of Governors, that being its relations with the over 900 pensioners of Dalhousie University. Developing outstanding human resources, including recruitment of new employees and retention of employees, should be echoed in the degree of satisfaction with Dalhousie among its retirees who are among the most loyal of all groups associated with the University.

Our Association represents the interests of over 900 of Dalhousie's retired faculty, staff, and administrators. It is a registered society with an all-volunteer executive and board elected annually. The ADRP publishes a newsletter several times annually and actively maintains a web site (adrp.dal.ca) both of which present timely updates on matters at hand e.g., pension. The ADRP is also a founding member of CURAC, the College and University Retirees Association of Canada (www.curac.ca).

The ADRP founded the highly successful Seniors College Association of Nova Scotia (SCANS – thescans.ca), an organization that is active delivering non-credit academic courses to seniors in Halifax. Besides offering courses in the Halifax Regional Municipality, SCANS has set up satellite operations in Truro, Liverpool, Chester, and Mahone Bay, with considerable interest being shown for it to expand further across the province.

Our Association has non-voting membership on Dalhousie's Pension Advisory Committee (PAC) and membership on the Joint Committee to study the Dalhousie Pension Plan where our representatives present our concerns regarding governance and administration of the pension plan.

REVIEW OF THE PAST YEAR

New Dalhousie President

The ADRP's President and past-President met with Dr. Florizone early in November. One outcome of that meeting was agreement that the ADRP would draft a Memorandum of Understanding to define relations between the University and the Association. A draft was submitted to Dr. Florizone early in 2014. We understand it has been circulated among senior administration for comment. We hope that both parties will be able to to sign a final version before summer.

The ADRP was delighted to be included in President Richard Florizone's *100 Days of Listening* initiative though we were concerned that the pension section of the "100 Days Report" did not present an accurate explanation for the growth of liabilities in the plan, or in the trend of the going concern deficit. Obviously, discussion of the pension plan is an extremely important aspect of on-going relations of the Board with Dalhousie's retirees and pensioners. It is vital that all communication be accurate in order to not be misconstrued as propaganda, thus perhaps encouraging a lack of trust among employees and pensioners.

Pension Matters from the Pensioners' Perspective

For Dalhousie pensioners the lack of indexation of Dalhousie pensions for the past five years, under the Plan's "excess interest" provision, and a spotty record of indexation of Dalhousie pensions for the past decade is a deep and growing concern. That concern is not only among existing pensioners, but also among Dalhousie employees nearing retirement, who all foresee a dwindling of purchasing power in their primary source of income during retirement.

Unsustainability has consistently been listed in documents published by Dalhousie administration as the "problem" of the Dalhousie Pension Plan . The unsustainability is apparently due to projected increases in liabilities, the Plan's current going concern deficit, and the need for special payments from the operating budget to amortize that deficit. However examination of Plan details show that the deficit is entirely in the Pension Trust Fund (PTF) into which the employer and employees make contributions. On the other hand, the Retirees Trust Fund (RTF), from which pensions are paid, continues in substantial surplus. Thus the current problem is very much in the realm of total employee compensation, not payment of benefits to current pensioners.

The growth of assets will parallel the growing liabilities in the Dalhousie Pension Plan with most of that increase coming from investment returns, not contributions. It is noteworthy that in just the 6-month period October 2013-March 2014, investment returns of the Plan were sufficient to not only wipe out a projected doubling of annual payments against the deficit, but in fact to reduce the total payment from its earlier level.

Markets do fluctuate, and extrapolation from one date may indicate long term results quite different from those at another.

The Joint Committee provides an opportunity for Board, employee, and pensioner representatives to judge what are the long term trends of the Plan versus short term variability, and to suggest strategies to avoid severe disruption to the Dalhousie operating budget. We note that the changes to indexation and early retirement provisions of several other plans in the region are issues that were addressed by the Dalhousie Plan decades ago, so we do not expect major changes in benefits to be a solution to any financial problems the Dalhousie Plan may actually have.

Why is indexation such a pressing matter for Dalhousie pensioners? Measured against the national CPI ,Dalhousie pensions have lost close to 16% in purchasing power in the past decade. Measured against the greater increase in the Nova Scotia CPI during the past decade the loss is nearly 20%. About 75% of Dalhousie pensioners live in Nova Scotia. In that same decade salaries at Dalhousie have increased by at least CPI for most employees. The March 2013 actual valuation showed that while pensions remained static for Dalhousie pensioners in the preceding three years, salaries for active employees increased by about 10%.

Investment returns in recent years have been greatly improved, giving some reason for optimism that requirements under Plan rules will be met within another year for automatic indexation to be granted. The investment returns of 14.84% in one year for the plan as a whole (15.79% PTF, 13.49% RTF) should be reflected in the actuarial valuation as of March 31, 2014 that is ongoing.

In spite of a roughly $25 million one-time jump in RTF liabilities resulting from adoption of new Canadian mortality tables in the last year, we project that the valuation will reveal sufficient surplus in the Retirees Trust Fund for the Trustees to give serious consideration to granting some catch-up indexation to those pensioners who have gone the longest without. Under the rules of the Plan the Trustees may at their discretion use up to one half of a surplus in the Retirees Trust Fund for this purpose. Hopefully the Trustees will put themselves in our ‘fixed-income bought shoes’ and make a wise decision towards indexation.

<u>Progress in Benefit Administration</u>

In the fall of 2012, after almost two years of discussions between the ADRP and the University, the Retirees Benefits Advisory Committee (RBAC) had its first meeting. This committee of the ADRP and University representatives was set up to provide a process to monitor and review benefits available to Dalhousie retirees, principally the Blue Cross Plan. Although there are different benefits packages for the early retirees and those over 65, in both contexts the retirees pay 100% of the premiums, without any employer contribution.

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One significant activity of the RBAC has been to monitor payout to eligible over-65 Blue Cross Plan members of the surplus accumulated from excess charges made for decades on premiums. Those premiums had included charges for drug coverage despite the over-65 retirees being ineligible for drug coverage under the Plan. The excess charges accumulated as a Plan surplus and after years of advocacy by the ADRP, a portion totaling almost $800,000 is being refunded by a gradually receding premium holiday at a rate of slightly over $100,000 annually. That holiday process has just ended its third year with several more years projected before the Plan offsets the excess charges.

The RBAC has completed review of the semi-private coverage provision of its Blue Cross Plan, as its application within the Capital Health board appears questionable due to very limited availability of the semi-private facilities.

The successful negotiation for inclusion of out-of-province travel medical insurance for retirees has been a notable success for the RBAC in the past year, an addition immensely popular with Plan members. The travel insurance premiums have been judged extremely reasonable compared to individual private insurance. The 50% of Plan members still covered by the premium holiday receive the benefit as well with no deduction from their pensions.

Most recently ADRP members were able to take advantage of a discount offered to Dalhousie employees to become members of a national fitness chain. The ADRP had requested that pensioners be included in this opportunity. Given that fitness is a major health concern for seniors, we believe this privilege will be quite popular with Dalhousie pensioners. We were very pleased with the quick and positive response of Dalhousie Human Resources staff and AVP Katherine Frank to make arrangements with the fitness chain.

<u>Other</u>

As with our 2nd Report we note in this 3rd Report that the 200th anniversary of Dalhousie's founding in 1818 is drawing near. Dalhousie pensioners have many years of personal experiences with the University as both employees and alumni that extend back from the past seventy years to the present day Dalhousie and its significant successes. For example, the first heads and early faculty and staff of many schools and departments as well as the first women to teach in both new and traditional programmes are among the retiree cohort. Their commitment and high academic standards and achievements should be seen as laying a strong foundation for those younger faculty and staff who followed. In addition, without any visible recognition for their service, several retired faculty continue to contribute *gratis* to the University through continuing to mentor faculty and graduate students and contributing to research productivity. In other words, they remain very loyal to the University in ways other than in making financial contributions to the Annual Fund. We eagerly await our invitation to contribute those first person experiences and perspectives to the 200th anniversary celebrations.