December 2, 2014

Dr. Carolyn Savoy
President, ADRP
Room 2831, Life Sciences Centre
Dalhousie University

Dear Dr. Savoy:

Thank you for your letter of September 29, 2014. I and my fellow Trustees appreciate the anticipation that Dalhousie's pensioners have regarding indexation. I waited to reply to your letter was until the Trustees had an opportunity to review the results of the most recent actuarial valuation of March 31, 2014 and to identify any options they may have. The Trustees of the Dalhousie Retirees' Trust Fund received this information for their meeting on November 18, 2014.

Rule 9 of the Plan defines a conditional indexing feature where investment returns over a hurdle may be used to index pensions up to the amount of Canadian CPI. However, Rule 9(e) requires that when investment returns fall short of the hurdle, the shortfall must be recovered before the conditional indexing may resume. As you will recall, the collapse of the 2008-09 financial markets resulted in a 13.1% cumulative return shortfall. This shortfall has since been reduced to 2.6%, but must be recovered before the formula-based conditional indexing can resume. Consequently, the "excess interest" provision of the Plan will not generate any indexation for the upcoming year. The trustees are very aware that indexation missed short of CPI since 2003 and has reached almost 19.5% compounded.

As most know, Rule 9 also provides that the Trustees may use a portion of RTF surplus to catch up on missed indexation. You had noted that the March 31, 2013 actuarial valuation reported a going concern surplus of $26.4 million. Last year the Trustees decided that it would not be wise to use any of the surplus for indexation catch-up purposes due to liability growth anticipated to wipe out most of this surplus with the introduction of the new Canadian Pensioner Mortality ("CPM") tables. The March 31, 2014 actuarial valuation did indeed show a significant liability growth with the conversion to the CPM tables – liabilities were increased by $24.2 million, essentially eliminating the entire surplus.

Fortunately, the RTF enjoyed strong investment returns over the April 1, 2013 to March 31, 2014 period, to the extent that the March 31, 2014 actuarial valuation reported a $32.5 million surplus. As no large retiree liability increases are anticipated, the RTF Trustees decided to allocate a portion of the surplus to catch up on indexation missed in past years up to 2010. The indexation increases will commence in January 2015. Those pensioners who were eligible for 2002 indexation will see an increase of approximately 10.3% in their January 2015 pension. Full details of the indexation catch-up will be provided in the Trustees' annual report to the retirees.

As always, the Trustees' first priority is to keep the RTF fully funded so it may fulfill current pension obligations. Please feel free to contact me on other indexation questions which you may have.

Sincerely,

George McLellan, Chair, Retirees' Trust Fund Trustees