

ASSOCIATION OF DALHOUSIE RETIREES AND PENSIONERS

THE NEWSLETTER

VOLUME 5, NUMBER 1, APRIL 2006

Welcome to the first issue of our quarterly Newsletters for 2006. We certainly hope our readers find the news on the ADRP and our members, interesting and positive. The Board stays active with monthly meetings with President Blanche Potter successfully managing the procedures for the past two years.

Of importance to all is the ADRP Annual General Meeting set for Thursday, April 27th at 2 pm in the Lord Dalhousie Room of the Henry Hicks Building (former A&A Building).

Attendees at the AGM will be able to park without being ticketed at the parking lot between the Sir James Dunn Building and Howe Hall (enter from Coburg Road at Lord Dalhousie Drive, then turn left to the parking area).

AGENDA

- A. Approval of Agenda
- B. Approval of Minutes of Annual Meeting, December 15, 2005, enclosed.
- C. Annual Report of the President
- D. Annual Report of the Treasurer
- E. Appointment of Auditor for 2006/2007
- F. Committee Reports
- G. Election of Officers
- H. Other Business

The Nominations Committee - Submitted by Bob Rodger, Bette Merrick, Blanche Potter

The Nomination Committee nominates the following members to serve on the Associations Board of Directors for the year 2006/2007, beginning after the AGM on April 27, 2006.

<u>Position</u>	<u>Name</u>	<u>Occupation</u>	<u>Address</u>	<u>Status</u>
President	J. Philip Welch	Retired	Tantallon	Member
First VP	Paul B. Huber	Retired	Halifax	Member
Second VP	Colin Stuttard	Retired	Halifax	Member
Secretary	Norman Horrocks	Retired	Dartmouth	Member
Treasurer	Robert S. Rodger	Retired	Halifax	Member
Members at Large				
	Tarunendu Ghose	Retired	Halifax	Member
	Robert MacKay	Retired	Dartmouth	Member
	Diane M. Prosser	Retired	Halifax	Member
	Mary Simms	Retired	Halifax	Member

Chairs of Standing Committees:

Benefits J. Philip Welch

Member Complaints Gilbert Rnham

Communications Man M. Vohra

Member Liaison Alasdair M. Sinclair

Membership Blanche A. Potter

Social Surinder S. Sodhi

All of the above members have agreed to serve, if elected. All of the positions on the board of Directors are open for further nomination and election at the AGM.

Another member of the Board, not subject to election, is Past President, Blanche Potter. Subject to election, but not a Board member, and having agreed to serve, is the Committees nomination for Auditor John D. Misick. The Board will appoint Diane M. Prosser as Office Manager, and Robert MacKay as the Observer at the Pension Advisory Committee

Committee Reports

Membership Committee Submitted by Blanche Potter, Chair

- a) Membership dues (\$20) for 2006 are now due. If you have not already sent in your membership fee you may mail it to Blanche Potter, Membership Chair, 2623 Fuller Terrace, Halifax, NS, B3K 3V8, or it may be paid at the AGM, April 27th.
- b) In memorial ADRP Members.
Guptill, Miriam February 6, 2006
Coordinator, Postgraduate Medical Education
Faculty of Medicine
Moore, Bruce February 21, 2006
Professor
Psychology Department
Roger, Alexander Thorne
Director, Dental Clinic
Faculty of Dentistry
Savoie, Ronald ♦ October, 2005
Administrator
Facilities Management
- c) We have received a donation of \$100. from a member who wishes to remain anonymous, to be used to assist expenses incurred by members when representing the ADRP at various conferences, workshops, meetings, etc. The donor feels very strongly that those who volunteer so freely of their time should not have to use their own money to cover the costs of these events. Our sincere thanks to this generous donor.

Benefits Committee Submitted by J. Phillip Welch, Chair

Medavie Blue Cross Programme. ADRP members who have elected to continue to participate in the Dalhousie Medavie Blue Cross Programme post-retirement, may already be aware of some important planned changes to the programme. These changes have not yet received final approval, though they are likely to do so in the near future. (Final comments on the proposed changes are currently awaited from the various Dalhousie employee groups).

From my present understanding, the changes are to the Medavie Dalhousie Blue Cross Drug Plan, and will apply to all Dal Blue Cross participants. These changes are highly significant. They would, therefore, apply if/when implemented to all retirees

(< age 65) who chose to continue their Dal Blue Cross membership. We understand that 125 retirees are in this category, while approximately another 200 retirees are in the Dal plan without the drug coverage. The proposed changes for those persons included in the Dal Blue Cross Drug Plan are essentially as follows.

- All Drug Plan members will be required to participate in the card-based direct payment plan (the reimbursement option will be eliminated).
- The Medavie Blue Cross Prescription Choices Drug Plan will be adopted, in an attempt to control rising drug costs, to some degree.

As a result of these changes, those who currently have a card-based drug direct-pay plan, will have their costs reduced by 4%, while those presently on a reimbursement plan will see a 40% increase in their drug-related premiums. If/when these changes are implemented, we understand

representatives of Medavie Blue Cross will meet with employees to explain their plan, describe the changes, and provide detailed information on drug coverage.

Now that the ADRP has determined the number of retirees who have any form of Dal Blue Cross coverage, we will ask whether the Medavie Blue Cross representative would be prepared to meet with retirees, under the auspices of the ADRP.

CPR Courses for ADRP Members. Three courses were held on January 7th, 21st and 22nd. All courses were fully subscribed. The instructor, Ms. Joanne Hall, gave excellent presentations and her efforts were greatly appreciated.

Any ADRP member who would like to participate in a future CPR session, currently planned for the afternoon of September 17th, are asked to leave their name and phone number at the AGM on April 27th. The cost will be \$10/person and only 8 places are available.

Liaison Committee. Submitted by Alasdair Sinclair, Chair

The Liaison Committee has been active on two fronts lately. We have established formal contacts with several Dalhousie units, including the DFA, DUAG and NSGGEU (DSA), and we have been supporting the formation of retiree organizations at a number of universities in the Province. Our contacts with DFA and others is to stress the common interests we share in issues such as pensions and benefits and their role in supporting and enhancing these benefits in bargaining and other venues. With respect to other universities, we have been in close contact with SMU, Mount St. Vincent, St. FX and CBU (Cape Breton University). Saint Mary's has organized an association of retirees in recent weeks, and the others are interested. On May 10th, a visit to CBU is planned to discuss the creation of a retiree's organization at that institution.

Members of the Liaison Committee include Mary Simms, Colin Stuttard, Tarun Ghose, Man Vohra, Bob Rodger and myself. Any of us would be pleased to welcome your comments and suggestions as to how we might make additional progress on our mandate.

Communications Committee Submitted by Man Vohra, Chair

The main accomplishment of the Communications Committee for the past year has been to keep the ADRP membership informed of the activities of the Association. This was achieved through the Newsletter and the web site. During the last year, four quarterly issues of the Newsletter were published and mailed. The web site was frequently updated to inform membership of the ongoing activities of the Association. In addition, the hard work of Barbara Prime-Walker, Chair of the Sharing and Caring Sub-Committee, kept us in touch with members of the Association who were indisposed or were coping with an unexpected event/situation, assuring them on behalf of the Association that they are in our thoughts and that we are available for help, if needed. In some cases, special contacts were made at Christmas to brighten their Holiday Season.

As Chair of the Communications Committee, I would like to gratefully acknowledge the devotion and hard work of Emerson Moffitt and Jan Scott, Editors of the ADRP Newsletter, and Barbara Prime-Walker.

I would like to ask the membership of the ADRP to give us feedback on the role of the Communications Committee, material published in the Newsletter, and the role of the Sharing and Caring Sub-Committee. Your feedback is important to us as it enables us to improve the quality of our work to meet your expectations. I would like to add that we look forward to your participation and urge you all to contribute your comments/views on topics of general interest for publication in the ADRP Newsletter. We need your participation and help.

Atlantic Regional CURAC Conference, May 5th, 2006.

The first Atlantic Regional Conference of College and University Retiree Associations of Canada (CURAC) will be held in the Scotia Bank Lecture Theatre, McCain Building, Dalhousie University, on May 5th. The conference will be attended by delegates from university retiree associations and individual retirees from most of the universities in the Atlantic Provinces. The conference will discuss the current status of pension and retirement benefits, the problems that university retiree associations are facing, and how retirees, university employee associations/unions and university administrations can work together to resolve problems and advance their respective goals.

In addition to retirees and retiree associations, university presidents and representatives of university employee groups/unions have been invited to discuss how they can work together with retirees for mutual benefit and for the benefit of the community at large. Interested members of the university community can register for the conference by contacting Dr. Man Vohra (902-494-3447) or Dr. Tarun Ghose (902-429-0312). Registration is free and the meeting starts on location at 8 am. Lunch will be available at a very reasonable price, but requests for lunch must be made before April 30th.

Social Committee Submitted by Sid Sodhi

We have been active in planning and having various social and informative events over the past year. A good example of this was a talk on stroke and coronary care by Drs. Stephen Phillips and Iqbal Bata, Directors of the QEII Stroke and Coronary Care Units. More recently, Donald Babey, Executive Director of Dying with Dignity, a National organization, gave a very informative talk on that subject. Both were well attended.

A social gathering is being planned sometime in May when I will present My Experiences with Female Education in India, where I lived before coming to Canada. The date will be announced soon.

Pension Comparisons Committee - Submitted by Paul B. Huber

Introduction

Does Dalhousie's pension compare with those at other universities across Canada? A recent unpublished paper by Al Goss of the Schulich School of Business at York University entitled Can Professors Afford to Retire? Evidence from a Survey of Canadian University Pension Plans provides the basis for an up-to-date comparison. It broadly confirms the generalization I made more than a decade ago to the effect that the Dalhousie employees contributed rather more to their pension plan than did employees in most plans, but received benefits among the best in the university sector in Canada.

Defined-benefit pension plans, such as at Dalhousie, are complicated and highly differentiated. Among such plans, contribution rates by employees and by plan sponsors vary, as do basic benefit *formulae*, integration with the Canada/Quebec Pension Plan (CPP/QPP), guarantee periods and provisions regarding early retirement, death and termination. Indexation of benefits whether formulaic, *ad hoc*, driven by investment results, or non-existent, is a major source of variation. So is compliance with federal and provincial regulations. (Some public-sector plans are exempt; other anomalies have been incorporated into hybrid plans or grandfathered). One consequence of this complexity is that apples and oranges comparisons abound.

Gross accomplishment is twofold. With considerable effort and diligence, he has assembled detailed information on 37 pension plans covering 52 institutions of higher learning in Canada. In addition, he has transformed his data to make it completely comparable and subjected these adjusted data to analysis. Five *caveats*: Goss comparative analysis is prospective, not retrospective. In other words, he does not examine the pensions current retirees are receiving, but instead the entitlements that newly-hired employees can expect to enjoy thirty-five years hence under the now prevailing plan rules. Since many plans including Dalhousies have changed adversely in recent years, the applicability of his analysis to our situation is significantly affected. Second, since Goss must make assumptions about future wage and price inflation, interest rates and investment yields, mortality, government regulations, etc., his comparisons are contingent on the clarity of his crystal ball. Furthermore, he considers only variations in retirement benefits at career end, excluding variability in termination, death and early retirement provisions. Fourth, the pension information that Goss examines for each plan may be inconsistent in quality: inaccurate, dated or incomplete. Finally, Goss may have misinterpreted some of his data.¹

Comparisons

Benefit Formula: Integration with CPP/QPP

Dalhousie is one of only two universities in Canada (Trent is the other) whose defined benefit formula is not at all integrated with CPP: the pension benefit at Dalhousie is entirely in addition to the CPP benefit to which the retiree is entitled. This feature of the Dalhousie Pension Plan, for which Dr. Philip Welch is primarily responsible, adds 14-15% to our pensions in comparison with pensions at most other universities. On the other hand, integrated pension plans frequently enjoy lower employee contribution rates up to the level of the Years Maximum Pensionable Earnings (YMPE) under CPP, which currently is \$41,000. Contribution rates are considered below.

Benefit Formula: Averaging Period

On salaries above YMPE (but not above the maximum pensionable salary under the Income Tax Act), most defined-benefit and hybrid plans provide a benefit equal to:

$2\% \times \text{years of pensionable service} \times \text{average salary.}^2$

Dalhousie is no exception. However, only ten universities including Dalhousie, average this salary over the best three years of service. At current levels of salary inflation, this is worth about 2% of ones pension, compared to the norm of five-year averaging.

Benefit Formula: Guarantee Period

The normal form of pension at Dalhousie includes a minimum of seven years of payments, i.e., a seven year guarantee. (For years of service up through June 2004, it also included a spousal survivorship benefit for married retirees and a longer guarantee for those not married). Normal forms of pensions at other universities generally either have a ten-year or a five-year guarantee, although a few have no guarantee at all. Hence, on this dimension, the future Dalhousie pension is in the middle of the spectrum. Incidentally, no one at Dalhousie is required to accept the normal form of pension; subject to the restrictions in the Income Tax Act, you can convert it on an actuarially equivalent basis into any permitted optional form of pension.

Benefit Formula: Indexation to Inflation

Most defined-benefit and hybrid university pension plans have some sort of indexation arrangement which generally either depends on investment performance or is formulaic. Among the latter, examples of actual *formulae* include the following: at least 60% of change in CPI, equal to change in CPI over 2% annually, but not over 8%, full indexation to CPI change in excess of 3.75% per annum, or full indexation up to 2% change in CPI; above that level up to a maximum of 7%, indexation at 1% less than the CPI change. Although these formulae apply at some of Canadas leading universities, none would have delivered the level of indexation we have enjoyed at Dalhousie over the past two decades. Excess-interest arrangements are equally diverse; the only one of these that obviously is superior to that at Dalhousie (i.e., lesser of CPI increase and three-year average RTF investment performance above 5.05%) is that at McMaster University. Hence, on this important dimension, the Dalhousie pension is near the head of the class.

Contribution Formula: Above YMPE and below CRFAs Maximum Salary for Pensionable Purposes

Employee contributions on salary in excess of YMPE at Dalhousie are pegged at 6.15%. This locates Dalhousie in the middle of the spectrum of Canadian university pension plans. At Memorial University and at the University of Alberta, for example, employees contribute over 9% of salary (above YMPE) while at McMaster, Trent, McGill and Sudbury, the contribution rate for employees is only 5%.

Contribution Formula: Up to YMPE

As noted above, many university pension plans set lower contribution rates on salaries below YMPE. Dalhousie has lower contribution rates too, but only up to a salary level of \$5,000, which today is far less than YMPE. Consequently, contribution levels in the salary range below YMPE are generally higher at Dalhousie than at most universities.

Summary

Dalhousies pension compares favourably with pension arrangements at other universities in Canada, but it is relatively expensive for employees. Goss relates pension benefit to pension cost through a summary measure he calls the internal rate of return (IRR) earned by pensioners on their contributions. He estimates IRR to be 12.93% at Dalhousie versus 12.60% for the average of all defined-benefit university plans in Canada; the implication is that pension arrangements at Dalhousie including both retirement benefits and employee cost are somewhat better than average.

¹ In fact, Goss appears to have misinterpreted Dalhousies indexation provisions, hence lowering his IRR estimate.

² In Goss paper, he refers to final salaries which, for many employees, will also be their best salaries. The Dalhousie Pension Plan uses the best three years of salary, regardless of whether these are the final three years.

An Invitation

The Dalhousie Faculty Association would like to invite ADRP members to an informal gathering to recognize the contributions of five of the DFA original builders:

Ron Wilkie
Paul Huber
Bob Rodger
Colin Stuttard
Philip Welch

Place: Lord Dalhousie Pub, University Club

Date: Wednesday, April 26th

Time: 4:30 to 6:30 pm

Good food, good conversation, good music! Please plan to attend.

Thank you for reading your way through all the News in this Letter. We continue to try and pass on all that we can come up with that we trust will be useful to Dalhousies Retirees and Pensioners. If there are any subjects and ideas of possible importance or interest to ADRPers that you would like to see explored and printed in the Newsletter, let us know. Call us or talk to the incoming new President.

We hope to see many of you at the annual meeting on April 27th!

Emerson Moffitt, Editor

Janice Scott, Associate Editor