DALHOUSIE UNIVERSITY STAFF PENSION PLAN – GENERAL MEETING UPDATE

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OUTLINE

Plan Financial Position

Changes to Nova Scotia Valuation and Funding Rules

Dalhousie Bargaining Proposals – CPP Integration

Dalhousie Bargaining Proposals – One Fund

This presentation is intended to be understood with commentary.

PLAN FINANCIAL POSITION

A FEW TERMS…

- Valuation determines and reports on value of plans assets and value of pension promises made to date ("LIABILITIES")
- Valuation also determines Dalhousie's contribution requirement until next valuation
  - Dalhousie's 'CURRENT SERVICE CONTRIBUTIONS', which, along with member's contributions pay for benefits being earned by active members
  - Dalhousie's 'SPECIAL CONTRIBUTIONS' make up any 'shortfall' (the difference between the FUNDING TARGET and the ASSET VALUE, which can be contributed over a number of years)
- Member's contribution rate is determined by plan terms and is a fixed rate unless the Plan is amended

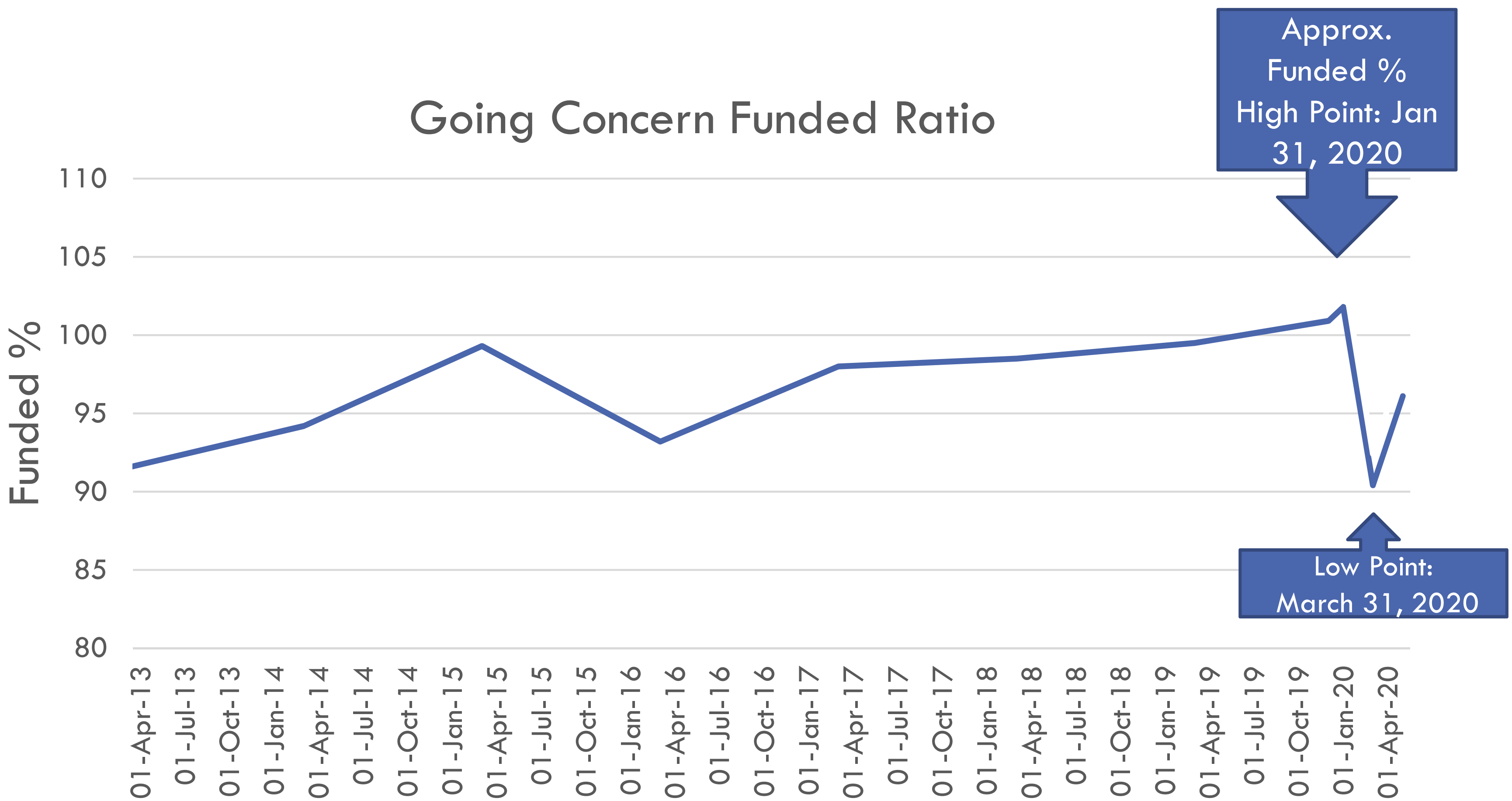
MOST RECENT MARCH 31, 2019 VALUATION

Balance Sheet	$000s
Going Concern Assets	1,389,267
Going Concern Liabilities	1,395,709
Going Concern (Shortfall)	(6,442)
Going Concern Funded Ratio	99.5%

Dalhousie required to make "special contributions" over a period of time to pay off the shortfall

Annual Funding Requirements	% of Payroll	$000s
Member Contributions	8.06%	21,145
Dalhousie Current Service Contributions	9.26%	24,283
Total Current Service	17.32%	$45,428
Dalhousie Special Contributions	.35%	918
Total Dalhousie Contributions	9.61%	$25,201

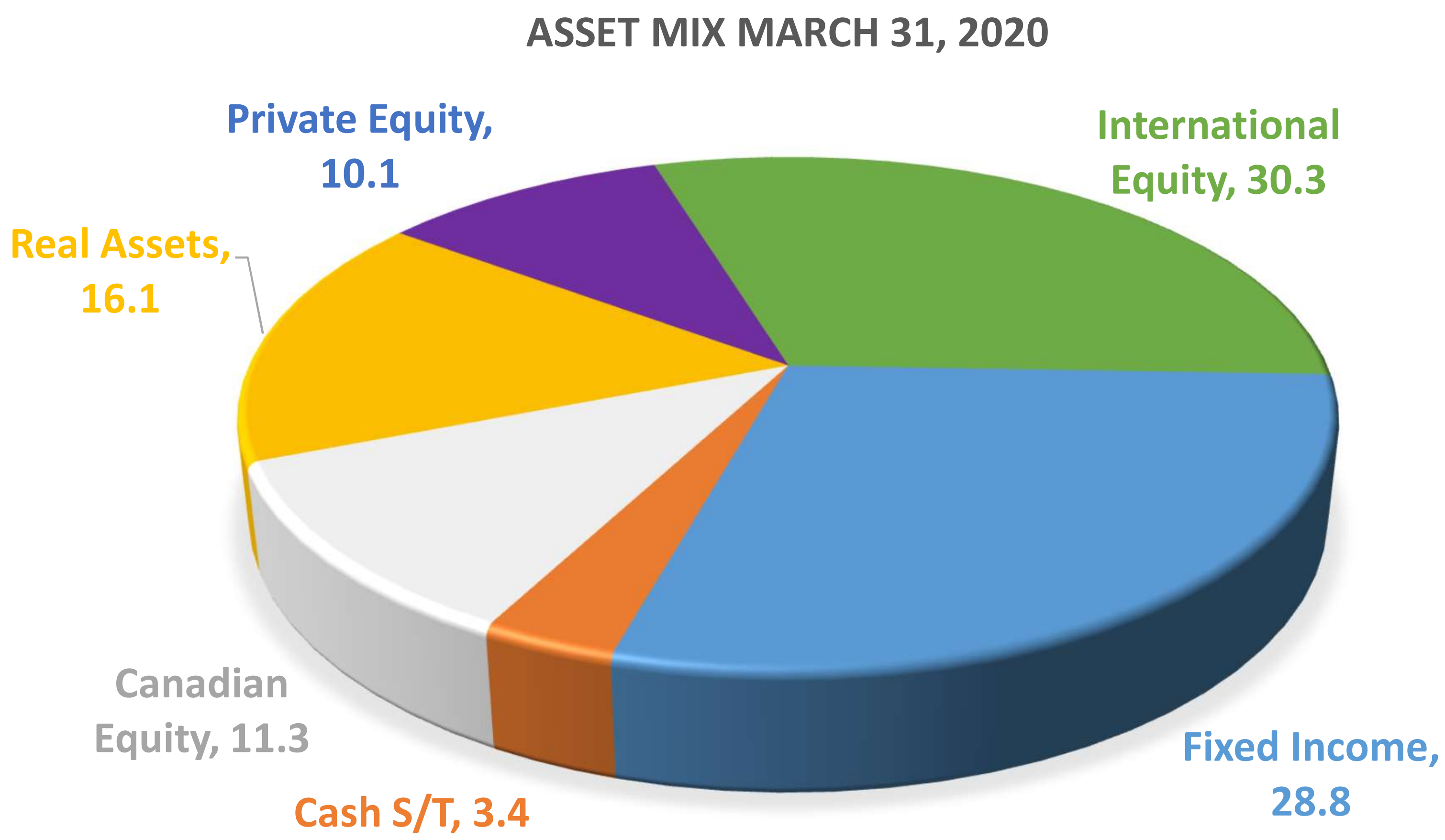
PLAN FINANCIAL POSITION EXPERIENCING SHORT TERM VOLATILITY (ACTUAL AND ESTIMATED)



STOCK MARKET VOLATILE LAST 6 MONTHS

Market drop followed by Partial Recovery

PLAN INVESTMENTS ARE DIVERSIFIED TO REDUCE INVESTMENT RETURN VOLATILITY



NEXT FORMAL VALUATION JAN 31, 2020

- Normal valuation date is March 31; due to significant asset volatility in March/April, Dalhousie determined that January 31 would be a better representative of plan's financial position
- First valuation under the new NS valuation and funding rules

CHANGES TO NOVA SCOTIA VALUATION AND FUNDING RULES

Comments in this section are very specific to the Dalhousie Plan

FORMAL VALUATIONS REQUIRED LESS FREQUENTLY

Item	Old Rule	New Rule	Impact of Change
Valuation Frequency	Usually at least once every 12 months	At least once every 3 years	Less frequent changes to Dalhousie’s contribution rate
Solvency Exemption	Yes	Yes	No change

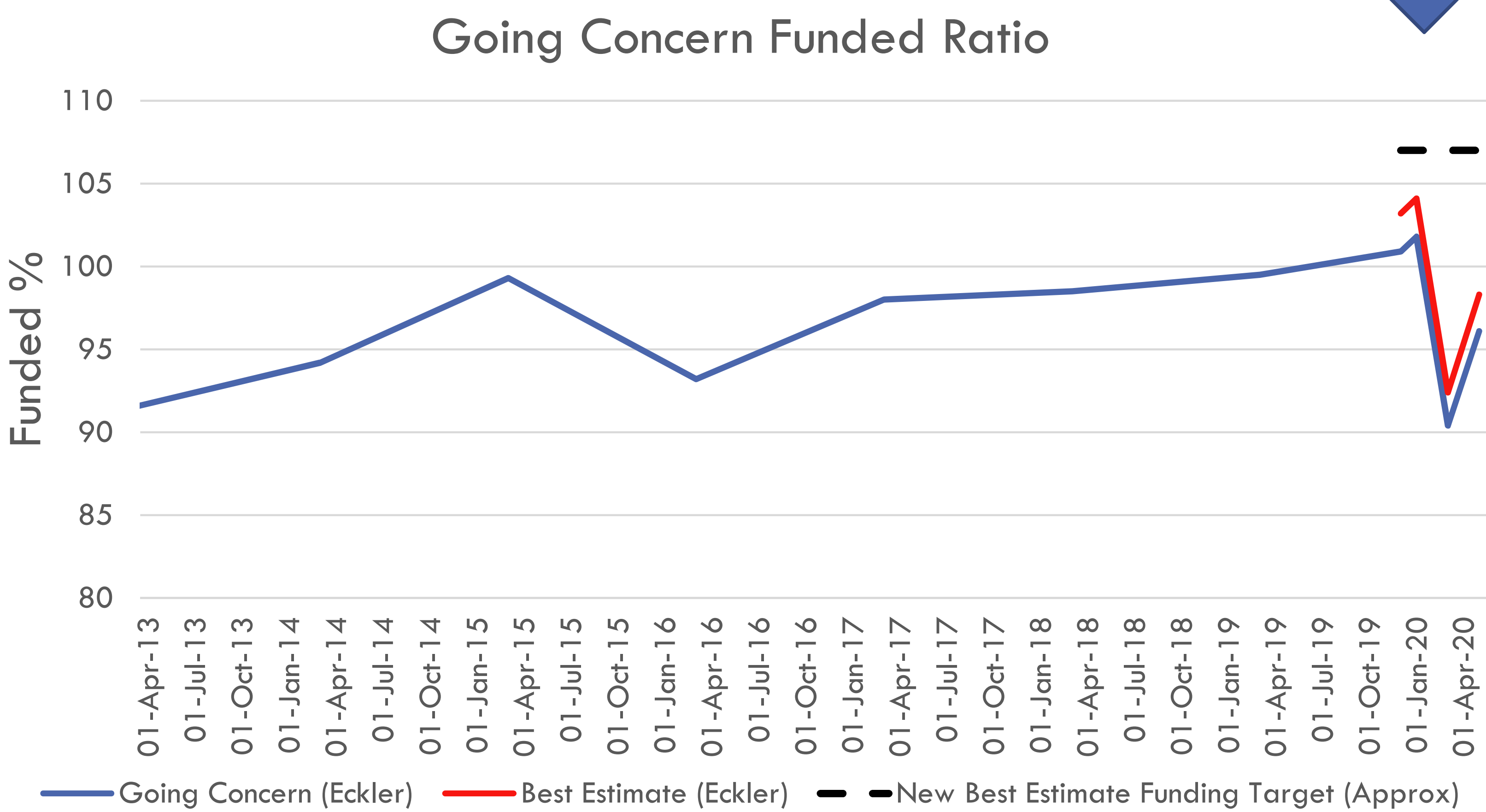
HIGHER FUNDING TARGET MEANS POSSIBLY HIGHER SHORT TERM CONTRIBUTIONS FOR DALHOUSIE

Item	Old Rule	New Rule	Impact
Going Concern Liability (GCL)	Best estimate actuarial assumptions with some conservatism	Best estimate actuarial assumptions	Report a better funded position; about a 2.2% improvement
Going Concern Funding Target	100% of GCL	104% -108%* of new GCL (actual % based on asset mix and can vary by valuation)	Potentially higher short term special contribution requirement for Dalhousie

* Approximately 102% – 106% of GCL determined under old rules.

NEW FUNDING TARGET

Estimated New Funding Target is about 107.7% per Plan Actuary. Ongoing dialogue about Target %.



SHORTER PERIOD TO PAY OFF SHORTFALLS MEANS POTENTIALLY HIGHER NEAR TERM ANNUAL CONTRIBUTIONS

Item	Old Rule	New Rule	Impact
Period to Pay Going Concern Shortfalls	15 years in respect of each identified shortfall	10 years consolidated every valuation	Shorter period to pay off shortfalls; <u>possibly</u> higher annual contributions

HIGH LEVEL COMPARISON OF NEW VS OLD RULES FOR DALHOUSIE PLAN

Item	Old Rule	New Rule	Impact
Current Service Calculation	Best estimate actuarial assumptions with some conservatism	Best estimate actuarial assumptions	Lowers required annual contribution for Dalhousie by about $1 million; no change for members

TRANSITION TO NEW FUNDING REQUIREMENTS OVER 5 YEARS

Perform valuation under both old and new rules

Period	Contributions Based on
Year 1 (Feb 1, 2020 to Jan 31, 2021)	100% Under Old Rules
Year 2	80% Under Old Rules + 20% Under New Rules
Year 3	60% Under Old Rules + 40% Under New Rules
Year 4	40% Under Old Rules + 60% Under New Rules
Year 5	20% Under Old Rules + 80% Under New Rules
Year 6 and Beyond	100% Under New Rules

NET TOTAL INCREASE ON DALHOUSIE CONTRIBUTIONS FOR NEXT 3 YEARS IS ABOUT $1 TO $3 MILLION

- Based on the new rules and the preliminary estimates provided by the Plan Actuary:
  - Each of the 2020, 2021, and 2022 contributions will be materially the same as the 2019 contribution adjusted for inflation
  - Total Dalhousie contributions will not be materially different for the next 3 years under the transitional rules vs the old rules. Approximate impact is $1-$3 (depending on Funding Target %) million on a circa $75-80 million Dalhousie contribution over the 3 years
- **The new rules <u>may</u> have a larger impact on Dalhousie's contribution rate at the time of the subsequent valuation scheduled for no later than Jan 31, 2023**

DALHOUSIE BARGAINING PROPOSALS – CPP INTEGRATION

CURRENT PLAN PROVIDES CPP STACKING

- Dalhousie pension is the same before and after age 65. There is no adjustment to take into account that CPP starts at age 65 and adds to member's overall pension income. CPP is stacked on top of the Dalhousie pension plan benefit.
- Increases to CPP benefits being earned and CPP contributions are being phased in between 2019 and 2025
- CPP integration means that the plan pension paid after age 65 would be lower than pension payable before age 65 to take into account all or part of the deemed CPP benefit earned during the same period as the plan pension was earned.
- Majority of pension plans are integrated with CPP

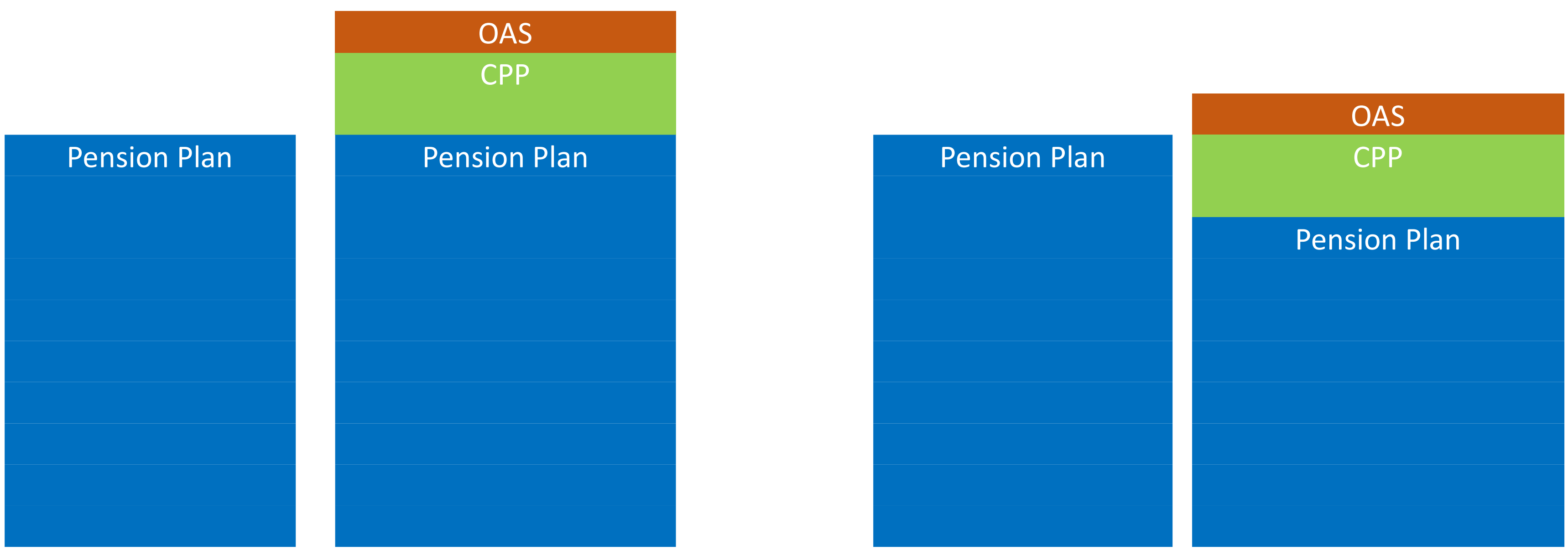
CPP STACKING VS CPP INTEGRATION

CPP Stacking Pre 65

CPP Stacking Post 65

CPP Integration Pre 65

CPP Integration Post 65

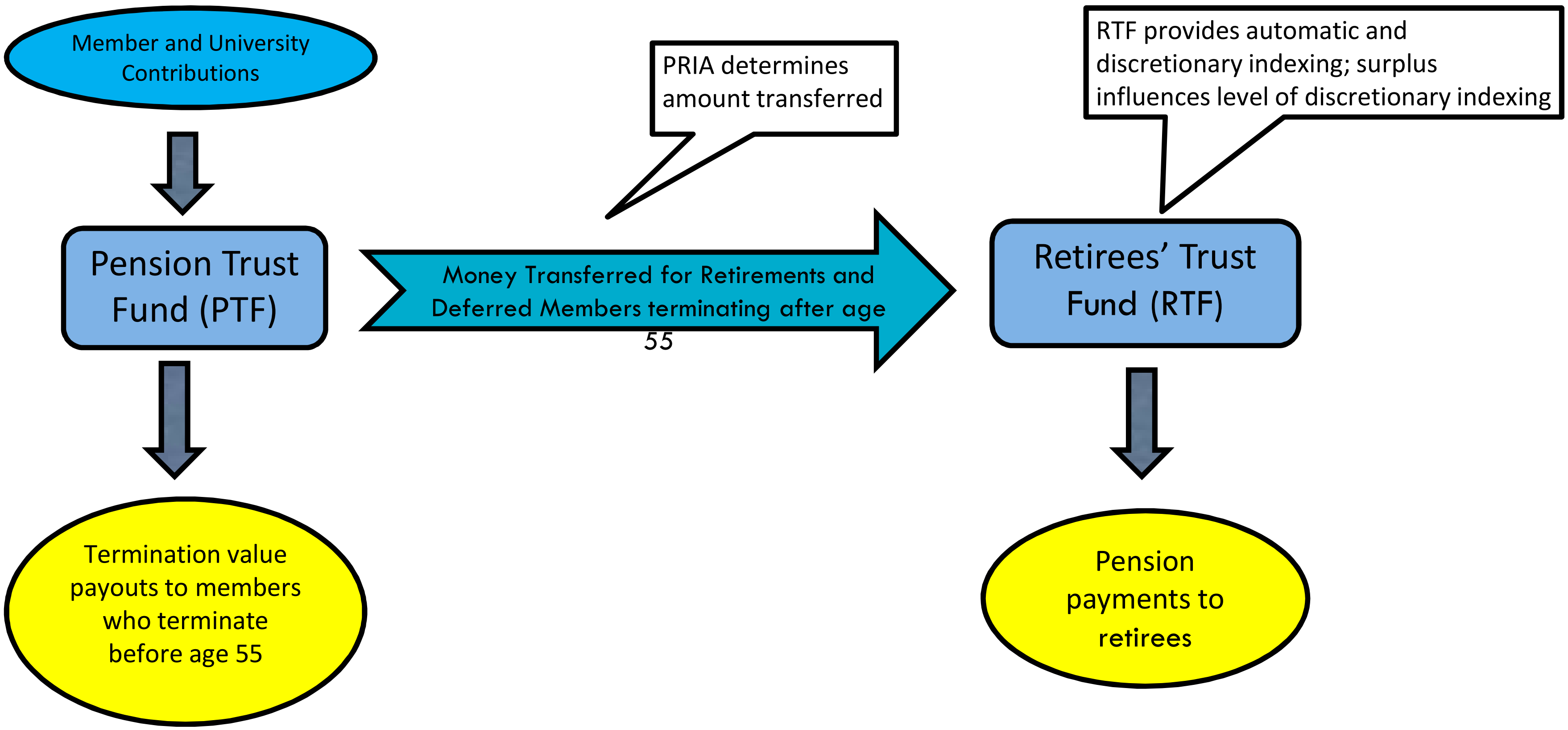


CPP INTEGRATION

- The introduction of CPP integration would reduce the pension earned from the Dalhousie pension plan for future service. It should also result in a reduced rate of contributions to the Plan for both Dalhousie and members.
- Note that any proposed change cannot reduce pension in pay or reduce pension benefits earned to date
- Dalhousie have advised that they are seeking CPP integration, but have not yet provided a proposal.

DALHOUSIE BARGAINING PROPOSALS – ONE FUND

DALHOUSIE PENSION PLAN CURRENTLY CONSISTS OF TWO TRUST FUNDS



PTF AND RTF FINANCIAL POSITION AT MARCH 31, 2019

	PTF ($000s)	RTF ($000s)	TOTAL ($000s)
Assets	727,614	661,653	1,389,267
Going Concern Liabilities	764,608	631,101	1,395,709
Going Concern Excess (Shortfall)	(36,994)	30,552	(6,442)
Funded Ratio	95.2%	104.8%	99.5%

RTF AUTOMATIC INDEXING

- Annual automatic indexing, up to the change in CPI, is based on RTF 3 year average fund rate of return in excess of 5.05% (subject to offset for years in which 3 year average return was less than 5.05%)
- Over the last 30 years:
  - Full indexing equal to the change in CPI has been granted automatically about 40% of the time.
  - Partial indexing (less than full change in CPI) was granted about 25% of the time
  - No automatic indexing was not granted about 35% of the time

RTF DISCRETIONARY CATCH-UP INDEXING

- Pensions in pay are eligible for discretionary catch-up indexing, as determined by the Trustees, from surplus. Discretionary indexing has been granted in the past. Some catch-up indexing can still potentially be declared.

- Current discretionary indexing decision is based on the RTF financial position only. This means that catch up indexing may be granted even when special contributions are required into the Plan (e.g. RTF is in a surplus, but combined plan is in a shortfall).

- **A higher funded position increases the likelihood of discretionary indexing.**

DALHOUSIE ONE FUND (TRUST) PROPOSAL

- While the Plan's reported financial position and Dalhousie's contributions have historically been based on the combined assets and liabilities of the PTF and RTF (i.e., as if they were one Fund), they are two separate trusts.
- Typically, assets (e.g., surplus) of one trust cannot legally be used to fulfill the obligations of the other trust. Combining for reporting purposes reduces Dalhousie's special contributions.
- Merging the PTF and RTF into one fund (trust) legally enables surplus in the RTF to offset the shortfall in the PTF and be congruent with the historical reporting method.

DALHOUSIE ONE FUND (TRUST) PROPOSAL

- Asset transfers from PTF to RTF would no longer be required.
- Discretionary catch-up indexing could no longer be declared while special contributions are required.
- Under the new funding rules and Plan Actuary's interpretation, this would improve the Plan's <u>reported</u> financial position (over and above what is explained in the prior slide) and reduces Dalhousie's short term contributions.
- Subject to implementation details, the one fund proposal could have the same or materially the same impact on Dalhousie's contributions as changing PRIA from 4.55% to 5.05%. The PRIA change was proposed in the prior negotiations.

IMPACT ON EXISTING AND FUTURE RETIREES

- Presumably, indexing rules based on 3 year rates of return would remain the same.
- Because combined financial position (99.5% at March 31, 2019) is worse than RTF (104.8%) on its own, all existing retirees and future retirees will likely receive a lower level of future discretionary catch-up indexing.
- Because Dalhousie short term special contribution are expected to be lower, future surplus levels would be lower and all existing retirees and future retirees will likely receive a lower level of future discretionary catch-up indexing.
- It may be possible to mitigate the above issues for existing retirees with the appropriate negotiated terms.

IMPACT ON ACTIVE MEMBERS

- One fund may provide more security to active members (99.5 vs 95.2% at March 31, 2019) if the University were to wind-up the pension plan <u>and</u> is unable to pay off any pension plan shortfall.
- No anticipated change to current employee contribution rate. <u>May</u> increase possibility of negotiating a lower employee contribution rate in the future.
- May result in a higher amount of money available for collective bargaining.

QUESTIONS