DFA General Meeting September 30, 2020

Closed Captioning Transcript

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>>> Good evening, everybody. It's 7:00. I want to address a sound feedback issue. Just one. I'll try that again. Hi, everybody. It's shortly after 7:00. Welcome, I'm Dave Westwood, current President of the faculty association. I think you've received one or two e-mails from me, at this point, so in case we haven't met face-to-face, this is what my face looks like. Course being 2020 we have technical issues in the form of a large power outage across at least the peninsula and Halifax and maybe other areas. You would have received another e-mail and our power just blinked momentarily. We are pressing ahead as indicated from the e-mail from Kristin a few moments ago and we are intending to rebroadcast the show tomorrow night at 7:00 and likely it will be live, but we are also recording tonight's presentation in the event folks aren't able to join. This is very important information. We want to make sure every member has access to it in as much detail as possible. On the screen, there are some housekeeping details there. I'm just going to get the recording started, so just stand by for a moment.
It looks like the recording now started. I'll begin with a territorial acknowledgement recognizing we are in the unceded territory of the Migma people and we are all treaty people, and in our obligations under truth and reconciliation. I would encourage folks to put your mics on mute. I think there are one or two that are not muted yet. You're invited to turn your video off, although that's up to you for bandwidth issues. We are recording the presentation. When we are the Q&A session we will stop reporting so people can feel free to express whatever is on their mind, but we'll be recording the presentations from myself, Ray Larkin and Paul Chang and uploaded to the members-only section of the website we believe some time tomorrow. Questions will be held until the very end in the interest of keeping things moving along. When we get to the Q&A session, our President elect, when is currently in Martins River will be hosting the Q&A and using the hand function on the participant's window within Zoom. So put your hand up and Tara will call you and we'll try our best to get an answer for you.
Okay. Next slide. Yeah, so folks have probably seen some of this. You may recognize some quotes as being your own voice. These are some of the responses that DFR ran about a week and a half, two weeks ago and shared with the bargaining team as well as the President directly and we've been using some of the quotes as part of the social media campaign to help folks understand exactly what it's been like in the past six months as a DFA member. We've been carrying the institutional. It's you, it's me, members of the DFA that has been delivering Dalhousie University to the students. It's affecting your life and health and these are some of the things folks have said and I want to remind everybody if this is how you're feeling, you're not alone. It doesn't make it right, but we're in this together. It's a difficult time for everybody, and it's one extra layer of stress I appreciate in the collective bargaining process to come to this stage entering consilliation with the board being so inrasient on some of there proposals and it's not our intention to add to your stress level and also not a time to back down, but now's the time we need to be strong and demonstrate we're not prepared to give. It's not the time to giveaway your future just because the board feels this is the year they want to do it. So I won't read too many of the quotes but I want to thank everybody to the huge response to the survey. Some of these things would have been difficult, but I think it means a lot to your colleagues

feeling others feeling the same way and I thank all of you and I feel for you.

Next slide. Okay. I'll just introduce some key folks. Most of aware of the DFA bargaining team. Ray Larkin is chief negotiator to give an update on the state of the proposals, and Patti Doyle-bedwell, and Elizabeth Kay-raining Bird, and Shelley McKibbon, and Barbara McLennan, and Lynn Purvs, administrative officer. And we'll move in to the committee as a whole, and not taking any minutes, into the committee of the whole. The first presentation for this evening will be to give an update on the Dalhousie pension plan, something near and dear to our heart, something DFA has been fighting to protect for many years and you've heard about it in previous bargaining rounds and it's one of the key issues at the center of why we are entering consilliation at this time. Two of the proposals we've talked about at length in previous messages to you, one we referred to generally as the cessation of transfers proposal, as how many moves of the subcomponent of the pension plan is at stake and has some implications for the index of future retirees. The second proposal relates to how the pension relates to the Canada pension plan and this notion of the two becoming integrated, which is not currently the way. Right now our pension adds with the CPP to give you a combined benefit so to help understand some of the nuances and details, our independent actuary, Paul Chang is will be first up to give you an overview and some of the key details. I'll turn the camera and microphone over to Paul.

>> Thank you, Dave. So what I want to do tonight is talk through a little bit about CPP. And CPP integration specifically and what the university has proposed. And secondly, I want to talk through the proposal, the cessation of transfers, no RTF transfer. I've added some material in the very back of the presentation that I referred to as reference material. I'm not going to cover that specifically, but it's there for your reference should you need to reference it. So with respect to CPP integration, I just want to talk a little bit about CPP itself before I jump in to what the changes are and what the integration would mean potentially to members.

So, CPP is the Canada Pension Plan, both employees and employers contribute to the CPP at equal amounts over their working lifetime. And you can start CPP as early as aim 60 or wait until age 65 or later to get unreduced benefits and in fact, if you start after age 65 you would have increases to your benefits.

Maximum CPP right now is about $14,000 per year. And so if you've contributed enough years and you've earned enough, you would receive $14,000 per year when you retire from CPP at age 65. A few years ago, the government decided not enough people were covered by pension plans and they made improvements to the CPP benefits. Those improvements would improve the plan payable by about 50%. Now you need to be in the CPP for 40 years to get the maximum increase, but for those of you who are contributing under the new CPP, you will still get increases.

So, for example, if you contribute under the new CPP for about ten years, your pension will be about 12 1/2% higher than it other wide would have been under the old CPP. These improvements to CPP benefits are going to come at a cost to both members and their employers. What's happening is contributions are increasing between 2019 and 2025. And by 2025, the maximum contribution for both members and employers will be about 32% higher under the new CPP program than it was under the 2018 version of the program. This table here shows the contribution rates for employees and the employer contribution rate is exactly the same. In the case of members of DFA, most members will be earning larger than the earnings on which you're required to contribute to CPP on, and so if we go to the very far right column, the three far-right columns, the new maximum CPP contribution rate for 2020 is 2,898, and if there had been no changes to CPP, you would have been contributing $2,732. So, what that means is you're contributing about $166 more this year than you would have under the old program.

Your employer is also contributing $166 to the new CPP this year as a result of these changes.

So you can see in that table, we've made an estimate of future CPP -- future YMP rates and what you will see in that table is by the year 2025, when all of the changes have been integrated in to CPP, that you'll be contributing about $1,000 more to the new CPP than you would have, had there been no changes. Under your current plan as Dave mentioned, you have a 2% plan and when you receive CPP, that's payable in addition to the CPP. So, it's payable in addition to the overall pension income that you receive from the pension plan. We call this a stacked plan.

The other type of plan that exists is what we call an integrated plan or CPP integration. What plans who have integration do is they're aiming for a total accrual for each year of service. Let's say that that's 2% for most plans. What those plans do is they take in to account that you are earning CPP benefits, and so in order to get to that 2% benefit, your plan has to pay less and then when you add that to the CPP benefit, you get an overall benefit of 2%. And to take in to account that CPP starts unreduced at 65, they provide a bridge benefit, which is a portion of a pension payable only to age 65. And so your benefit would be -- consists of a lifetime benefit payable for your whole life, a bridge benefit that's pay I can't believe between retirement and age 65, and then of course CPP benefits, which they assume you will start at 65 or when you retire. When the bridge drops off, your CPP benefit is meant to be a -- almost exact replacement of that bridge benefit. And so CPP in fact, is integrated to your benefit so that there is no change to your income pre and post age 65.

What's important to note at the very on set is that if you do have CPP integration, it would not impact any of the benefits that you've earned before the amendment date. This is not to suggest that we're in favor of integration or anything, but when people hear about CPP integration they worry about CPP integration, they worried about their accrued benefits. Any change would not affect your accrued benefit. The last point I just wanted to make is the majority of pension plans are integrated with CPP. Your pension plan has never been integrated with CPP.

So, CPP integration can be quite a large range. It can go from what we call full CPP integration, and integration enhancements. By CPP enhancements we're simply talking about that part of the benefit, which has just recently been improved under the Canada Pension Plan. So, full CPP integration in the case of a full career, means that your plan plus the CPP would typically provide an accrual rate of 2% per year, so if you are working over a 35-year period, you would have a 70% pension when you take into account CPP and your plan benefits. If you have a 30-year career, then it's a 60% pension.

Integration with the CPP enhancement means that we're taking into account that CPP benefits are increasing by 50% for somebody who has a 40-year career, and we're reducing the plan benefit by that incremental improved benefit.

This is the only option where your benefits under the new plan, plus the CPP is the same under the pre-CPP changes, which would be the old plan and the old CPP. So there is no overall loss to members if you integrate with just the CPP enhancement. If you integrate fully, there is a significant loss in potential value as a rough number for somebody earning under $65,000, the value of the benefit that they're giving up for each year of service if you integrate fully, is about 40%. For somebody earning about $130,000, the value of the pension benefit that you're giving up for each future year of service would be about 20%.

So really, full CPP integration is not -- it's not a really great option for members, but that's I think the current bargaining position of the board. The next graph here, we're just going to illustrate what your current plan looks like and what full CPP integration would look like. On the left of the screen, the very first blue bar there, that is your current pension plan, and this assumes that this is somebody starting pre-65. That blue bar represents the lifetime pension payable per year up to age 65. The next bar over, the ones that have the brown, the green, and the blue, shows what your pension would be after age 65. As you can see, the blue section is unchanged. So that's your current situation, where the pension plan pays the same before 65 as it does after 65.

CPP is added on top of your lifetime pension and old-age security is added in addition to that. Some of you may not be eligible for old-age security, or have it mostly clawed back, but I've include today for completeness. On the very right of this screen, is what we're calling full CPP integration pre-age 65, assuming your career is fully integrated. If you retire before age 65, the full blue bar shows your lifetime pension. The light blue shows the bridge that would be payable from the plan on a temporary basis up to age 65. The further right bar there shows that CPP kicks in at 65 or is assumed to kick in at 65, at which point your pension plan bridge stops. That CPP is supposed to be payable under the bridge under your plan so it's replacing the pension plan bridge. And again OAS, you may not be eligible for that, but I've shown it for completeness. So in this situation what you get from CPP and the plan is the same over your lifetime. In the case of professors you're starting your pension after age 65, you're just focused on the very far right bars on these two sections. Your lifetime pension under full integration with the CPP would be equal to your current pension, your current lifetime pension from the plan.

This chart here, shows your current plan with only integration with the CPP enhancements for somebody with a full career. The graph on the left part is the same graph that you saw on the prior chart. On the right, what we're showing here is that pension plan bridge under the integration with CPP enhancement is exactly equal to the CPP enhancement portion only. And only old CPP is still payable in addition to the CPP enhancement. So if you look at the bars on the left side and the right side, you'll see that total benefit is still the same with integration with the CPP enhancement only.

The next couple of charts will talk a little bit about the accrual rate, as well as give you some sample dollar amounts. This here, chat here, shows the accrual rate under the pension plan and so under your plan, you are earning a lifetime benefit of 2% per year of service on all earnings. You'll see there, in the middle column, there is a 0% number, that's the bridge that you're earning. There is no bridge payable under the Dalhousie Pension Plan, and that's because you're getting a 2% full benefit for your lifetime.

If you were to move to an integration with the CPP enhancement only, what would happen is your accrual rate on a lifetime basis would be 1 . 8% per year, up or the YMPE, 65,006 hundredor, or between 65,000 and $75,000, and above $75,000, it would stay at the 2% accrue at rate, and a bridge earning. The bridge in lifetime, will add up to 2%. Before age 65 you get the full 2%, and after 65, the CPP enhancement value is approximately equal to .2% on earnings up to the YMPE and in the middle, YMP to the YAMPE. Without going in to details about the CPP changes, which we can do at a future date, if we feel that that's necessary, what's happening with the CPP changes is there is a small improvement on earnings up to the YMPE and the YMP and the YAMPE is a brand-new benefit, and that's why there is such a large difference between the first trench and the first trench of accruals there. The next chart, provides an example of something who has 15-year the service under the original formula and if there is a new formula based on the integration with the enhancement.

In this example, we assume that the final average earnings of the members is $120,000, and YMPE 3 of 70,000 and YMPE of $80,000 at retirement. The very first line is the benefit payable from the old formula, for 15 years. And if we just focus on the $36,000, that's simply 15 years times 2%, times $120,000. So it's 30% of $120,000 equals $36,000.

Under the new formula, that's the 1.8% lifetime up to the YMPE, and then the 1.1% lifetime between the YMPE 3 and the YMPE 3 and 2% above that. So you can see there is a slight change for the same 15 years instead of $21,000, you would get $18,900 under the new formula. In the middle tier, you go from $3,000 to 1,650. And in the last tier, there is no change in the accrual rate, so there is no change in what you've earned for the second 15 years.

So where you earn $36,000 on the first 15 years, on a 2% formula, under a formula that's based on a integration with enhanced CPP only, you would earn a lifetime benefit of $32,550 for those 15 years of service. For a total of $68,550. And if there had been no benefit changes you would have earned $72,000 over those 30 years.

Below there, you can see that I've also calculated the bridge benefit under the new formula, and the bridge benefit $3,450 for the second 15 years that you've worked. And what you'll note of course is that if you added total 68,550, to the 3450, you'll get $72,000, which is what you would have earned had you stayed under the old formula for all of your service.

Of course what happens here is that that bridge would, under CPP stops at age 65 and the value enhancement under under the full CPP would kick in, but what's important is to compare the enhancement value of the bridge and I've tried to do that here and estimated the CPP enhancement portion would be the 3450 you're getting as a bridge approximately.

So I've done the exact same example here for somebody who is earning $160,000. What I've done, as well as I've assumed the max pension is greater than $3200. The actual maximum pension is just under $3,100 per year, so this is still reasonably accurate. So the numbers are similar here. I just wanted to show this for members who are at a later stage in their careers and have the higher earnings to show what this would mean in terms of their benefit. Under this 15 old 15 new, you would get 92,550, whereas if there were no change, you would get $96,000. And again, the bridge and the CPP enhancement, they're the same numbers as the prior example. Of course if you are retiring sooner than 15 years, if there is a few formula, it would have less of an impact on your pension plan benefit. The key here, I think, is that your total benefit with CPP integrated with CPP enhancement only starting the same as it was before all the changes.

So, that was a lot of information, but it's not all. There are some additional issues to consider depending on whether this does or does not go ahead. The board has come in and said we basically want you to have CPP integration, full integration, is what they've asked for, but not a reduction to the full employee contribution rate if there was some form to go ahead so there would be -- certainly DFA would want to have a conversation about what that employee contribution looks like. As you can see early on in the presentation, your contributions are increasing by $1,000 to the CPP as a result of the changes. And so if they're asking you to now reduce the value of the benefit you're receiving from the plan, I would think as a reasonable person, you should benefit from some savings as a result of that.

The next point is the CPP changes are actually occurring over a 7-year period from 2019 to 2025. And the changes are somewhat complex, and so there is a question about if you're going to go ahead with these, when would you make these changes? The changes that I explained -- the benefit they explained to you are what's in effect in 2025, so if you agree to these changes too early, you are going to lose out, because in the earlier years, you're not getting the higher -- the full higher CPP benefits. So that's another issue that's out there.

In their proposals, for full integration, or even the middle tier for the integration with enhancement, they've suggested a lifetime benefit of 1.1% and a bridge of 0.9%. A 0.8% would be a better fit for the middle trench of earnings. So, again, that's another discussion point potentially if that's something the negotiation team decides to visit. The impact on other employees' groups is quite significant if it's full CPP integration. There is no impact if it's integration with the enhancement only.

And then there may be potential additional concessions. It's hard to say. Employer contributions to the plan would reduce as a result of these changes. At the same time we have to recognize contributions are also increasing by the same $1,000 to employees are paying. So these are additional issues that are related to the CPP integration, but at the present moment, on the proposal of full CPP integration, I don't think there has been a response to any of these issues because their position is quite significant -- quite -- would take quite a lot of money out of people's pockets, especially those earning under $65,000 . It's about a 40% reduction in the value they would be earning. So I'd just take two-second pause before I get into the next section, which is the cessation of transfer, or no-RTF transfer. This is something we spoke about a few months ago. Just a very quick reminder, you currently have two trust funds, the pension trust fund and the retirees' trust fund. When you're active, all your accruals, all the contributions, go into the pension trust fund. When you retire, all the money gets transferred retire ear's trust fund, and potentially if you get ad hoc indexing it's based on the surplus. There is some slides in the back about how the indexing works but I'm going to focus on the trust fund and the proposal tonight. The two trust funds are run independently. The PTF has a funded ratio of 95% and the 105% as of March 31st, 2019.

So why are we concerned with the existing two-fund system and why do we keep revisiting this. So in their view, you have to place a value on the amount that's transferred from the PTF to the RTF at retirement, and that's done using the PRIA interest rate. That interest rate is 4.55%. And in their view, it's too low, which means more money than is necessary is being transferred from the PTF, to the RTF. If you transfer more money than is necessary, to the RTF, it gives rise -- potentially gives rise to a surplus in the RTF while leaving the PTF in a slight shortfall. And so what can happen is as you can see in the funded ratio, one fund is 95%, and one funds at 105% and while discretionally from the RTF may have a shortfall resulting in special contributions required by the board. And finally, based on their view, the new Nova Scotia pension rules excess are Bates the situation in the way the PRIA rate has been interpreted by the board and the plan actuary. So, the board proposal is that no RTF transfers would occur after January 1st, 2021.

So what does that mean? The RTF would continue to exist and pay the pensioners who retired up to January 1st, 2021. The ability for RTF trustees to declare did you discretionary indexing would remain the same. For the members who are still in the PTF, when you retire, your money would stay in the PTF and for PTF retirees, both automatic and diccretionary funding would be based on -- I've put an asterisk their. And it redefines surplus. The redefined surplus is at higher threshold than those for the purposes of RTF. What that means is there is a higher hurdle -- there would be a higher hurdle in order to diccretionary indexing under the PTF. And we're still in early days for this, but I've noted that in the comments.

The board seems to have recognized that there may be an issue, because they do recognize that the funded ratio of the PTF is lower than the RTF, so as part of their proposal, a five year provision under the PDF would be no less than that provided under the RTF. But, it's subject to their being surplus available under the PTF period and in the last valuation report you're only 95% funded under the old rules. Under the new rules we don't have the results yet, but you're still going be underfunded under the new rules. It's kind of nice they thought of it, but the reality is there may not even be surplus A reliable to top off this discretionary cash indexing under the PDF if this were to go ahead.

The last point is that this no-RTF transfer is similar to the financial impact as changing PRIA from 4.55% to 5.05% they proposed a few years ago. And as part of this current proposal, they've predefined PRIA for purposes of PTF calculations for people who defer their pensions. And so this is very similar to that same proposal that members rejected a few years ago. So, on the surface, it doesn't seem like this would have an impact on pre-2021 retirees, but it does. But before I get in to that, I just want to note that if this change were to go ahead, members who retired pre-2021, and post-2021, would most likely receive different rates of automatic indexing, as well as discretionary indexing. That's because the automatic indexing is based on the rate of return of each of the PTF and the RTF if this were to go ahead, and based on sort of all the practice, the investments were made differently between the PTF and the RTF. If the RTF is closed to new money, or new pensioners, in other words, the average age will increase over time and the total value will decrease as pension know yours are paid out. As a trustee member, your goal is to make sure that money is there to pay pensioners and you're likely to make investments more conservative over time if you have a dwindling fund and as your retirees age because you have a shorter period to make up any losses in the plan.

So instead of investing partly in equities and partly in bonds, this plan would likely invest in a higher proportion of bonds and typically expect a lower rate of return over time, which means you're less likely to return the hurdle rate of 5.05%, which is required to receive automatic indexing. Similarly, because you're earning less over time and taking less risk, you're going to generate less surplus, and so the likelihood of ad hoc or discretionary indexing will be less for the pre-2021 retirees if you agree to the no cessation -- to the cessation of transfers of the no RTF transfer.

Just to be clear, pension indexing is basically every year, retirees can receive an increase to their pension equal to changes in consumer price index, so that they can keep up with the cost of living. And that enables them to maintain their standard of living.

As a side note, Canada Pension Plan is fully indexed, as is old-age security. And so the government programs recognize that it's important that these benefits are indexed so that the value keeps up with inflation. This change would reduce the expected amount of indexing provided to pre-2021 retirees relative to the current situation. What's the impact on future retirees? Well, plans with younger members and a longer period of time over which they plan to pay out tend to invest a bit more aggressively than plans to have to pay out everything in the short to mid-term. However, with the new pension funding rules and regulations under the provencial government, it's hard to predict how it will impact the overall investment PTF decisions. The reason is if the plan is overly aggressive, the current rules is higher fund contribution is required from the university. So because of that, it's unlikely the university would, as a result of having a longer term horizon, it's not necessarily obvious they would take advantage of that and invest more aggressively. If they are more aggressive relative to the RTF investments under the current situation then there is a higher likelihood of automatic indexes. The current RTF investment, then it's going to be less likely that there will be indexing. Also for the foreseeable future, it's less likely discretionary indexing could be granted.

What's the impact on the board if this were to go ahead? Under the funding rules and the plan's actuary, it's important to note that this is a reporting issue, there is no new money coming in to the PTF or the RTF and the plan rules haven't changed really because of any of these changes. PRIA has changed, but no new money, and no significant rules change. It's simply a value for reporting purposes. Reporting a better financial position potentially reduces the board's short-term contributions. And so that's why the board is interested in cessation. Impact on active members before retirement, there is no clear direct impact. The change won't impact your current employee rates. If the plan does much better in the future, with or without these changes T might increase the possibility of negotiating a lower employee contribution rate, but who is to say?

I know there is some skepticism about this, but maybe they would open up their pockets for collective bargaining if they were able to get this change. But just for completeness I've made these notes and you have been in is this situation much longer than me and you know kind of how this plays out. So that's the end of my presentation. The rest of the material that I've included is for reference purposes.

[Speaker is muted]

>> You're muted.

>> We got it. Okay. Hello, everybody. All right. I really admire as a communicator, it's very hard to follow him. I was asked to go first, but I was told to go last. All right. If we go to the next slide. On September 18th, which was a week ago Friday, the board representatives presented a comprehensive package for renewal of the collective agreement, and the shorthand version of that comprehensive package is that they proposed that there be three years in which there would be zero increases in any of the salary-related provisions, essentially the IMC and CDI and a full integration with the county plan and a cessation of transfers. So we can go to the next slide. And I wanted to put that package proposal in context by going back over material that you're probably already familiar with. But this very strange thing happened to us on June 15th.

We were invited to a town hall meeting, and CFU representatives were invited, as well and the President and administration representatives described a very dire financial crisis because of the Covid-19 pandemic. And they explained to us that the crisis required reducing the salaries of Dalhousie employees and reducing the cost of pension benefits. On June 23rd, they issued a fiscal update with a budget deficit of $18.3 million after using up all of their reserves. In the next slide I'm not going to take you through it, but if you really are interested in understanding this stuff, is go and look at the fiscal update. This is the page on the fiscal update that describes the revenues and expenditures and at the very bottom you'll see a shortfall of $18,288,000. More or less. Okay. So, the important thing to understand is -- and as we were told when we attended the town hall, is that this fiscal update was premised on a 29% increase from the enrollment in 2019.

Decrease. Yes. Okay. Thank you. Someone's listening. 5,302 less students. This 29% decrease in enrollment, and the total revenues -- and I don't really see the whole slide here. I'm going to look at my own paper here. Excuse me. The total revenues from tuition were expected to be $184 million odd -- bear with me if you don't mind. Yes. The total revenues were going to be 184 odd million dollars, but that was -- let me just go back. Following Paul is so impossible. He's so clear. In 2019-'20, the university got $185 million or so in tuition revenue, but with a 29% reduction in enrollment, they expected to only get $146 million. In this current fiscal year, now, the other thing that you'll see when you look at the fiscal update, it projected -- or not projected. It budgeted the expenditures of 4$40 million odd, and when you -- in terms of the explanation that was provides, there were certain things that were increased in the expenditures and certain things that were decreased. It's worth having in mind when you look at the table, now things haven't turned out the same way. I'm betting that they're going to readjust those expenditures. So for example instead of taking $10 million out of building maintenance, I would expect they would put it back in expenditures. But just acting on the basis of what they were prepared to live with at the end of June, the expenditures had various increases and decreases. Now one of the interesting things is that 321 odd million dollars was allocated for -- basically the academic mission. And that includes compensation for everybody, including the President. 87% of that amount was for compensation, salaries, pension contributions, all Dalhousie employees and senior administration, and that $321 million, and the $319 million. One of the interesting things is I never understood accounting. They put in an expenditure rather than receive new loss of $6.1 million and the loss of specialized programs. About $12 million resulting from Covid they put in as losses within the expenditures.

So, I know that because it's important to keep in mind, that we're going to hear all kinds of excuses on the expenditure side, that basically we're all taking into account of in the way the expenditures were sorted out last summer. Let's go to the next slide. So the result of -- in the fiscal statement was a shortfall of $30,495,000 and left a deficit of $18.28 million and the collective bargaining for what they call a wage adjustment of minus 5% in 2021 and a wage readjustment of 0 in 2021-'22 and major cuts to the pension benefits that we've been discussing this evening. So if we could carry on from there. When we met with them to begin bargaining in July -- first off we advised them we couldn't respond to their demands for decrease in salaries until we knew what the enrollment was going to be in September and whether the problems would provide financial relief and the proposal that we made, the DFA proposed was a one-year agreement with a -- I'm categorizing as a modest 1.25% IMC. A CDI/step of 2703 for all members my multiplied -- increased by the IMC and it works its way to maximum salaries and so on. And we wanted harmonization with the health spending account for excluded administration employees. Let me explain where we were coming from on the 1.25%. You may say what are you doing proposing something as low as 1.25%? That was the amount of the IMC in the last year of the contract that's expired. And during that year, when we received the CPI increase, it increased about 0. Even though 1.25 sounded kind of low, it put us ahead of inflation for that year, so as we looked forward to this year, who knows what it is going to happen this year, so we proposed same thing as last year. It's work noting that inflation has continued to be around 0 in the first two months that had been report under the new contract. Who knows what it's going to be. I think one thing that's absolutely certain is the three years of 0s they're proposing, there is no possibility inflation's going to be 0 for the next three years, I would say. The economists in the room can correct me if I'm wrong.

Let's go to the next slide. We've made a zillion proposals that I'm not going to take you through. I just wanted to show you. And those are the monetary proposals and the next slide after that, the non-monetary proposals, that would usually be the case, we made a variety of proposals that would include the collect of agreement from the employee's perspective. There was a group of proposals that related to online teaching and there was a group of proposals that related to workload, and they're listed there. I won't take you through them because of the time this evening. And you'll see they don't said no to all of them. They did agree over the course of bargaining to three or four things and you'll see that article 2303 A is a new clause in the agreement and a very important one and we were very pleased to get it, which essentially guaranteed copyright protection for online lectures, course materials, examination, exclusively the right of the member that produced them. You can let anybody use them that you want, put they can't be used without your permission. The second one was a technical amendment related to the treatment of employees who were on sabbatical and end up taking a pregnancy or parental leave. It was not controversial and had been agreed before bargaining. The third is something reflecting the obligations is provide personal protective agreement to protect people in the workplace. They agreed to change the composition of the Library Systems Appointments Committee and the most substantive of all the items we discussed in bargaining was a Covid-19 Letter of Understanding initially proposed by the association board committee and ended upcoming back in terms of bargaining and most of that Letter of Understanding was agreed and was agreed before we entered bargaining. There was three things I want to draw to your attention because they are things that are modest improvements F I can put it that way. The first one, I've written, recognizing members are required to work remotely, that board would provide the necessary efforts to provide reasonable home office support to enable the completion of essential work tasks incurred since March 16th, 2020. So there is some room for compensation. I don't know about you, but when you went home and had to work, I had to buy this tablet we're talking about here. Who knows. There is a chance you get reimbursement for some of those things. The second item in the Letter of Understanding is the same matter we SDUBed that's going into the agreement to provide personal protective agreement at the board's expense, and the last change, in all members shall be granted an additional five days of vacation in the '20, '21, '22 '23 vacation year. It's very modest compensation for really off you've given up this year.

That's what they've offered and we accepted in terms of the Covid Letter of Understanding. Okay. On the pensions. The cessation of transfer, the DFA bargaining team has told the board committee we will not recommend that proposal to the DFA membership and that we won't recommend it because the proposal would reduce protection for current pensioners and future pensioners from the impact of inflation. I've summarized there in a way it doesn't do justice to Paul's more elaborate explanation. But our pension indexing protection from inflation has two parts, one part of it has to do with the -- if the returns on investment and the pension trust fund exceed a three year average, a 5.05%, quite a number of years, it doesn't, and in the materials that Paul provided, I think he's got the numbers set out there, but quite a number of years there is no return on investment that meets the requirement of the three year average, 5.05%, therefore no indexing for those years. The pension plan has a provision that allows the trustees to use surplus in the pension fund for catch-up index. Although that certainly isn't paid every year. Over a period of time, it has turned in to being significant amounts that have been allocated for discretionary indexing. The allocation of the two indexing is certainly less than indexing. In a pension plan, you have to get what you can afford, and a decision was made a long time ago when these things were agreed to that was a responsible and sustainable approach to having indexing, and as has been pointed out the board, since 200 has been trying to reduce that level of indexing. We fought in arbitration and won. It was on the bargaining table in 2011 and '12. Still the same proposal in our view it's not justified by the financial situation of the university. There is absolutely no reason if they accepted our proposal of a one year agreement, there is completely no financial reason to do it, and it may be that they think this an opportunity to get it out of us because of the Covid crisis. In fact, I think that's exactly what it is.

So the Canada Pension Plan Integration, I'm glad Paul went through how you could unstack the Canada pension, but it's important to be they aren't proposing that. They are proposing unstacking Canada pension, which would significantly reduce retirement income for members and over time these things take a long time to work their way through, but over time it will be very significant and our bargaining committee has said, we will not recommend that to the membership.

I also think there is advantages to the enhancement that's integrating the CPP integration as Paul took us through it, but only if the board agreed to reduce our contributions -- it's going to cost you more to pay for that enhancement by 2025 and if you took that out of the pension plan, which is what that means, I don't see why members would have to pay that. The board has never come close to suggesting that, and this is my view, I think with the bargaining team, is that it's premature in this round to settle these things out whether it's a one year agreement as we proposed or a three year agreement as they proposed, it's still premature. We don't see that being a proposal that can result in an agreement. So if we went to the next slide.

You-all have seen this on September 22nd, the President, circulate an e-mail reporting that enrollment increased not 29% less than last year, but 3.8% more, including 4.8% increase in domestic students and a slight increase in the international students. I don't know what the last thing about individual credits are, but the point is, if we go to the next slide, there is no reduction in the tuition of revenues of 51 million dollars. In fact, there is an increase in tuition because 3% has been added on the top, and no reduction in revenue add predicted in the fiscal update. If the expenditures remain the same, but if the expenditures remain the same as budgeted, there would be a surplus of at least $20 million. I've done a small calculation there about -- in relation to our proposal of an IMC of 1.25%.

If every Dalhousie employee, including the President got a 1.25% increase in their salaries, the costs would be less than $3.5 million. I've set out the calculation there. So the proposal to reduce salaries of course is ridiculous, but the proposal to have 0 increase is a choice that they've made that's not financially justified. All right. So, what we're facing -- what we were facing at our most recent meeting is the board provided a final -- not a final offer, you know, people can always move from a final -- from an offer, but comprehensive package for a settlement agreement with no IMC in a three year, no increases in the other various financial numbers that we usually increase by the IMC. The cessation of transfers issue, which will limit indexing and full Canada pension plan integration, and I think -- and you'll make up your own mind about this, none of which are financially justified by the circumstances of the university. Our proposal of a one year agreement with an IMC of 1.25% and what amount to some minor enhancements are absolutely unquestionably affordable. So where we go from here. The board has stuck to their idea the only thing to change is the Covid Letter of Understanding the no INC decreases, the pension decreases and they've rejected all of the things we've proposed, so that's why we've applied to go to conciliation. Here's what's more important. What we believe is that board seized upon the financial crisis that they foresaw as a pretext for their demands to the changes to the pension plan.

They've been seeking this cessation of transfer issues despite the almost sort of consistent universal rejection of DFA members and votes over the years. They continue to pursue that. And now despite the increased enrollment and the increased financial situation, in my assessment, they are firmly committed to forcing the DFA to accept the pension proposals that they've demanded. Certainly, the cessation of transfers on the Canada pension seems premature. One wonders whether they would stick to that until the end, but for now that's what we're facing. We've reached the conclusion the board is not likely to address those pension props unless they're faced with a possibility of a strike by faculty and they may be prepared to force DFA members to defend their pension benefits as has happened in the past. So what happens from here?

The minister's pointed A conciliation officer today. I spoke to the conciliation officer and he's going to be discussing dates with the board, but some time in the next few weeks we'll meet with the conciliation officer will try to reach an agreement and if no agreement is reached, the officer will reach out to the minister and will start a 14-day countdown and at the end of 14 days DFA members for a legal strike and the board is in a legal lockout position.

Our view is from everything that's been said to us at the bargaining table, and some things that have been said to me away from the bargaining table, is that the board will not settle a conciliation without an acceptance of the proposal and your bargaining team is not going to recommend the board's position. So what we have struggled with is how do we avoid the strike, and the conclusion we've reached is we can avoid the strike -- we can only avoid the strike if the DFA can demonstrate their members are willing to strike and the board needs to know we're not bluffing and bargaining, so we're recommending that DFA conduct a strike vote before we go to conciliation. If we go to conciliation, in our view, the threat of a -- credible threat of a strike is what drives collective bargaining and every indication to the board is that's the only thing that's going to move them. So we are proposing that there be a strike vote expected. The executive committee accepted that recommendation and David will talk about the mechanics of conducting the strike vote, and so with that mandate, we are going to try to negotiate an enhanced officer from the board, yet we fully expect there will be an improved offer from the board. Whether it's an improved offer we can recommend, or that we think you should accept, we'll try our best in bargaining to get an improved officer whether we can recommend it or not, we will bring it back for a final vote -- a final offer vote by members. So we're asking you to give us a strike mandate, but we're saying to you any final offer that we are presented in conciliation, you will vote on and you will either accept it or you won't. And I think that was over to David, in terms of where we go from here.

>> Thank you, everybody. I realize it's been a long evening. It's been a lot of information from Paul and pensions is complicated material. And Barb's expression is can put one to sleep at the wrong time of day. Details matter, but where we are as Ray tried to convey to you. When we go to the bargaining table we expect that board will be reasonable and listen to the arguments that are made about why we believe certain things are unsalable to our members and why three years of zero% contract are the financial reality. As Ray said since 2004 this is an issue we're told them over and over again our members are not prepared to accept. Our members come to DAL in large part because it has a great pension that offers a great rate of pension benefits and protection for indexing. It is a huge thing and we've been very clear with the board, this is a priority and we are not going to accept changes that would reduce those benefits. It's a concession. There is no other way. It's a reduction in benefits to members. Why would we rollover and take -- we're not going to take that. But they are not hearing the message at the table in a reasonable way. To raise point, entering conciliation, we don't expect them to be any more reasonable. They may sweeten the offer, at some point, that's possible. Consillators don't have the magic wand to page the board behave in a reasonable way. The whole bargaining mandate started with us being told they expected 29 fewer students. 29%. That was ridiculous at the time and we knew it, which is why we said we're not going to bargain on that basis. And as it's turned out, we're up 3% in students. That is a massive switch in the financial position of the university and there has been a modest, if any, change in the offer at the table. It's been very incremental.

That are not being reasonable how much money is A reliable and they're looking for more and as Ray said, we believe, which is I think despicable in my mind, they're using Covid as a cover to push through changes they've been after for years. It's not enough to be reasonable at the table. We believe the only way to make progress in consilliation is with a strike mandate and we have the authoritization of the DFA to go in to strike zone and that's what we're going to do and that's the main purpose of the meeting today. It's not unusual to take a strike vote before a final offer. It may seem a bit mature to take a vote, but this is not uncommon. A strike mandate is a signal we are not kidding around and our members are not going to give up on the pension and not going to accept CPP integration and if they know we are prepared for strike, that's the only hope having to demonstrate hour strong our resolve is. It's been sending a clear, unambiguous message to the board there are things we're simply never going to accept. They need to hear that loud and clear. The strike vote is the way to do that. Also no collective agreement can be enforced without a ratification of the membership. It isn't at this stage of bargaining this is your last opportunity to weigh in. It isn't. It's your chance to send a clear unambiguous message about your resolve on these issues. &%F0 in the background we've been hard at work preparing for a strike because this was always the possibility given the severity of the economic concessions on the table from day one. We've reached out and been approved a huge reserve over money gathered from the sister federations across Canada, and will release money to support strike benefit payments and offered a loan to corthe cost of the paying employee benefits in the event of a strike and they will cover pickets to support us in case we walk the line on strike. This is a huge commitment from the CAUT defense fund and I want people to know that provides with the financial reserves whether a strike if it's necessary. So you should have the confidence we have the money in our own reserves plus the CAUT defense fund to make this a feasible proposition. And of course we've been very careful managing money over time. The last time we had to strike was 2002 and developed a war chest of your money set aside for exactly this day, where it comes we'll have to walk the line and fight for something. What could you expect if a strike becomes required? Strike pay, we've arranged through a payroll company that we have an electronic system in place, where we can get money to members on a biweekly cycle. The amount that's been approve side a strike benefit of $840 per week paid on a by-weekly basis, so every two weeks. What that works out to is $3,600 per month based on a 30-day month. It's important to remember that month, although it's probably far less than what you're used to taking home does not have any text deductions and no other deductions come off the top. That's straight home money in your pocket. To earn strike pay of course there are expectations of engaging in picket duty and being in the Covid era, picketing is going to look a little bit different if necessary. There will still be physical picketing and some virtual picket options, as well. Details on this of course will follow in due course, but I just wanted to let you know what it would look like in the event a strike becomes required.

Your benefits will be paid by the DFA. We will pay health and dental premiums employee and employer contributions, but pension contributions will cease in the event of a strike or a lockout. So what are the mechanics of actually taking a strike vote? Historically, you would show up to the DFA office, cast a ballot in favor of a strike or not. Of course with Covid, we've -- and part of the reason we did an electronic voting test earlier a couple weeks ago, was to make sure our online secret ballot voting system is functional and ready to go. And it is. We've dealt with all the technical issues and we are confident we can collect that ballot vote. What will be happening over the next couple of days, it's been thrown off slightly because of the power outage that happened this evening, but sent out to the full membership tomorrow is the full set of information about the presentation from this evening, the video recording, the slides. They'll be a chance for some questions today. And that information will all be placed on the website so folks can look everything over ahead of time. The secret ballot vote will be initiated on Friday morning, this week, October 2nd. The exact time is yet to be determined. Probably activated early in the morning so when you wake up you'll have an e-mail inviting you to cast your vote through the platform and voting will stay open until Monday October 5th until the end of the day. We have to make sure all members are away and we'll be bombarding you with information to make sure you're on top of this because we need to have the full membership casting a vote to Sunday a clear message. This will be a legally binding strike vote. It's important to recognize we need to achieve a very clear signal to members you're willing to go on strike if the board will not come to the table and meet us on eliminating some of these acceptable proposals and demands.

We will return after I'm finished speaking to some questions. I know many of you have probably been sitting on your clicker buttons with lots of questions for Paul, Ray, and myself, and so we'll be turning over to that shortly. Tara will be administering the Q&A putting your hands up function through Zoom. We had planned tomorrow evening we'd offer an additional Q&A session through Zoom, but we're I think going to have to replace that time with an additional meeting of this kind for folks who weren't able to join because they lost power or made alternate plans. We'll let you know if there is going to be an additional Q&A session. Slides from the presentation, both Ray's and Paul's and my few slides will be available and an additional document that gives you many more frequently asked questions and answers about what a strike looks like to put your mind at ease we have the resources, the knowledge, and the capacity to make this happen. A strike doesn't have to be a scary threat from the perspective of, can we pull this off in the Covid era, we can, and you need to have that confidence and through the FAQs we'll reassure you we'll be able to get it done.

The e-mail invitation will be coming out on Friday and will stay open until the end of the day on Monday. That's it for the information and I want to reinforce the message our bargaining team has requested and we have authorized a strike mandate to help them achieve the best success possible in conciliation and I'm hoping you'll come to bat for them. With that said we'll turn over to the question and answer portion for the evening.

>> Are we going to turn off recording, Dave?

>> At this point, Kathryn is deactivating the record has now see hands coming up and she'll moderated question.