

PRESIDENT'S BULLETIN

Your Pension & You ~ July 20, 2017

Welcome to the President's Bulletin

The Dalhousie Faculty Association's Bargaining Team continues to prepare for negotiations that will ramp up at the end of August. To help you understand some of the issues that are important to our Members, I will be periodically sending to you a *President's Bulletin*.

During consultations with DFA Members last fall, we heard that protecting our pension is one of the most important issues in this upcoming round of collective bargaining. Therefore, the subject of this first issue is our pension plan. These comments have been prepared with the help of DFA Members Faye Woodman and Jonathan Shapiro, both from Dalhousie's Schulich School of Law, who represent the DFA on Dalhousie's Pension Advisory Committee (PAC).

Contributions to the pension

This year, you will contribute approximately 8% of your pensionable salary to the pension plan.

The Dalhousie Administration matches that amount and makes additional contributions to ensure the health of the pension. In total, the Administration contributes approximately 12.5% of the total salary budget to the pension fund. For example, if your salary is \$100,000 a year, you contribute approximately \$8,000 to your pension each year and the Administration contributes approximately \$12,500 each year on your behalf.



Dalhousie's pension is healthy, funded at 99% on a going concern basis.

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Dalhousie's pension is healthy

Our pension is in good shape. An official report available this fall will show the plan has improved compared to last year. Because of higher interest rates, we anticipate the pension will be 99% funded on a going concern basis, up from 94% last year. The *going concern* health of the plan assumes the plan will continue to operate indefinitely.

The *solvency* of the plan is a second measurement of the health of the pension plan. Solvency supposes that Dalhousie will close its doors and must pay out all pensions owed to employees. For practical reasons, this indicator is less important than the going concern as it is not likely that Dalhousie will cease operating tomorrow. The plan is approximately 80% solvent, up from 74% last year. Solvency is calculated according to the cost of purchasing annuities with which to fund pension obligations. Therefore, we anticipate this number will improve over the coming years as long-term interest rates are expected to increase.

Indexing of the plan

The structure of the Dalhousie Pension Plan is unusual because it contains two funds: the Pension Trust Fund (PTF), to which active Members contribute, and the Retirees Trust Fund (RTF), which pays out retirement benefits and is funded by transfers from the PTF when a Member retires. Retirees receive *indexing*, or increases in benefits to account for lower purchasing power due to inflation, in two circumstances:



If the average rate of return over three years of the RTF exceeds 5.05%, retirees receive indexing up to the cost of living.

1. the average rate of return over three years of the RTF exceeds 5.05%, retirees receive indexing up to the cost of living, unless the plan has lost money in previous years that must be replaced; and,
2. Additional indexing may be awarded to make up for shortfalls caused by inflation in previous years. The amount awarded cannot exceed half of the surplus in the RTF for that year.

It is expected that the RTF will have a surplus in 2017, so cost of living indexing and additional indexing may both be awarded.

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Where we go from here

As Members of DFA, we have a strong and healthy pension. Faye Woodman has recently retired from Dalhousie and we thank her for her service representing DFA on the PAC. Jonathan Shapiro will continue to represent us on the committee, and will be joined by another DFA representative who will be named in the coming weeks. I encourage you to visit <https://www.dal.ca/dept/pension.html> to learn more about your pension, and support us in our commitment to protecting our plan in upcoming negotiations.

Sincerely,

Darren Abramson
DFA President, 2017-2018



Dalhousie's plan contains two funds: The Pension Trust Fund and the Retirees Trust Fund.

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