DFA
Dalhousie Faculty Association

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Dalhousie's Current Pension Plan

During the summer break in negotiations, we thought we would take the opportunity to explain some of the issues that have been raised regarding possible changes to the Dalhousie pension plan. This bulletin will serve as a basic primer on the pension plan as it is presently configured.

The pace and direction of negotiations so far have been determined by the Board team's premise that there is a problem with the governance model of the Dalhousie pension plan. Their team has insisted that their issues concerning the pension plan's structure must be resolved before any discussion of salaries can take place. We disagree with their premise and reject their ultimatum on how bargaining is to proceed, and will provide several bulletins on the pension plan in order to explain our disagreements.

One of the Dalhousie University Pension Plan's strongest features is that it is a defined benefit plan, which means that at retirement the employee's pension benefit is guaranteed, based on the following formula:

Basic annual pension = Average best salary over three years x Years of service x .02

The pension is guaranteed by the plan sponsor. At Dalhousie, the sole sponsor of the plan is the Board of Governors. DFA Members contribute 6.04% of their salaries to the pension plan. This 6.04% is matched by the Board. They also pay the plan's current service costs, which amount to 3.5%. In their role as plan sponsor, the Board is also required to make any special payments, as necessary to guarantee your pension benefits.

At least every three years, a defined benefit plan must undergo an actuarial evaluation, in which the plan's assets and liabilities are evaluated. As part of this evaluation process, two "solvency tests" are applied. If the pension plan is found to be in deficit under either solvency test, the plan sponsor, the Dalhousie Board of Governors, must make up the difference.

These solvency tests are:

1. Going Concern: the assets are compared to the liabilities on the assumption that the plan will continue indefinitely. At present, the going concern deficit requires an additional 2.77% contribution by the Board.

2. Wind-Up: the assets are compared to the liabilities of the plan as if it were to cease operating. The wind-up deficit would require 4.08% from the Board.

The Board of Governors' focus has been on the wind-up test. (For a refresher on the nature of the wind-up test, please consult the *DFA Dialogue* Pension Advisory Committee Report.) As was stated in the Pension Advisory Committee Report, "It is highly unlikely that the University will be required because of its financial position to cease operations." Even members of the Dalhousie administration have acknowledged this issue of applicability, having pointed out at pension town hall meetings that Dalhousie University was founded in 1818, and is unlikely to cease operations.

It is worth noting that universities in Alberta, Manitoba, Quebec, New Brunswick, and Newfoundland and Labrador are permanently exempt from the wind-up test. Over the last two years, the employee groups at Dalhousie (NSGEU, NSUPE, and DFA), along with the Board of Governors, have lobbied the Nova Scotia government to grant permanent exemption from the wind-up test. These lobbying efforts have resulted in a temporary exemption to be in effect until March 2013. This exemption has meant that the Board does not have to pay the 4.08% wind-up deficit amount, mentioned above.

The Board has insisted that the plan must be changed to a jointly sponsored pension plan (JSPP), which means that the employees and the employer will share in the administration and costs of the plan.

The next pension bulletin will attempt to describe the nature of a JSPP.

DFA Negotiating Team
Kevin Grundy (Chief Negotiator--Chemistry)
Barbara MacLennan (DFA Professional Officer)
David Mensink (Counselling Centre)
Laurene Rehman (Health and Human Performance)
Pierre Stevens (Mathematics and Statistics)