

# **York University Retirees Association [YURA]**

*101 Central Square; 416-736-2100 e.70664*

A Newsletter for Members of YURA – No 6 November 2004

Published by the  
York University Retirees Association

---

## **York University Pension Plan October 2004**

Report by John A. Heddle, YURA Nominated Trustee

The York Pension Fund has passed a milestone this year, now being worth more than \$1,000,000,000, one Giga-buck, or, in current parlance, a billion. Another milestone, passed a few years ago, is that the fund is now paying out more in benefits to members than it gets from contributions. The difference comes, of course, from investment earnings.

You probably know that the Pension Fund bounced back last year from a 4% loss in 2002 to a 14% increase in 2003. The current year is unfinished, but the fund has returned about 4% so far. Unfortunately, it is most unlikely that it will do well enough for there to be an increase in the pensions of retirees. The ability of the Pension Fund to provide retirees with increases is a matter of great concern both to us, the retirees, and to the Trustees of the York Pension Fund, like me. This is in addition to the question of the ongoing dispute between YUFA and York University on the application of the indexing formula, of which more later.

The pensions we are receiving are based on the assumption that the Fund will return 6% annually. Rather than buy an annuity from a Life Insurance Company, or elsewhere, the York Pension Plan is

self-annuitized and for this assumes 6%. In some years past, members were able to withdraw their funds and buy an annuity with the same terms offered by the Plan but at a higher rate, say 8%, so their pensions were higher, though they would not be indexed in any way. In other years, such as the present, a retiring member probably could not buy a 6% annuity anywhere in Canada, even without indexing. Naturally in the long run, the Fund has got to return 6% to pay for the annuities (i.e., the pensions) it is providing to retirees. And it has to earn more than 6% if there is to be any indexing. The problem facing the Trustees is that few professionals in the investment field think that it will be at all easy to earn more than 6% and thus provide indexing, at least not without running greater investment risks. The fund is currently very diversified and quite conservatively managed overall.

Surprisingly, we have not yet had a decision on the indexing formula in the dispute between YUFA (on behalf of all retirees, present and future) and York University. You may remember that YUFA takes the position that whenever the formula for indexing is positive, retirees will get that amount. For example, if the average of the most recent four years (technically, the geometric mean) were 7%, we would get a 1% increase in pensions. When the four year average is less than 6%, we do not have our pensions reduced because of the non-reduction guarantee. But the position of York University is that if the four-year average produces less than 6%, this creates a nominal pension that is less than the pension being paid.

For example, if the most recent four-year average had been 4%, then your nominal pension would be 2% less than what you are getting now. The damage comes when an increase follows a decrease. YUFA maintains that the text of the Pension Plan requires the increase (the rolling average less 6%) to be applied to the existing pension. York University maintains it should be applied to the nominal pension, which YUFA has been calling *the*

**“shadow pension”**. Roughly, if a 2% decrease were to be followed by a 3% increase, York University would say you get 1% and YUFA would say you get 3%. This could be quite a large difference over a period of time if the fluctuations were large or frequent. The body that oversees pensions in Ontario, The Financial Services Commission of Ontario (FSCO) (regulates insurance, pensions, credit unions, caisses populaires, cooperatives, mortgage brokers and loan & trust companies) is to rule on this issue, having been formally notified of it by YUFA last year. A decision is expected soon.

The Trustees have also been very active in reviewing the governance of the Pension Fund. I think they are doing a great job and that we have one of the best run funds anywhere. (This is NOT the same as having one of the best retirement plans, it is about how the investments are managed, not the entitlements retirees have). We can thank our own representatives and the members of the Board of Governors who sit as Trustees and give a lot of their time, energy, and expertise to the Board of Trustees.

As in ISO14001 certifications, one of the important conditions is that self-examination be a permanent part of the process. One of the current issues is ***the voting the shares*** owned by the York Pension Fund. This is a complex issue, not merely a financial one, as I am sure you appreciate after the stories of a Canadian mining company funding, albeit indirectly, a war in Africa. For Trustees, being fiduciaries, it is not proper to do “the right thing” if it bears a financial cost. Many years ago, when the issue of investing in South Africa when Apartheid existed, the solution was to ask the members of the plan to approve withholding funds from South Africa even if it risked a reduction in the returns generated by the fund. Members agreed in a vote, thereby freeing the Trustees from their fiduciary shackles on this one issue. Clearly this is impractical as a general procedure for all the many issues that exist for a one-billion-dollar fund, which is what we have. There are

hundreds of investments, most of them held very indirectly through fund managers who invested in index funds, et cetera. A policy is required because there are many decisions to be made by shareholders that do have financial impacts, such as the granting of stock options.

Previously, the fund managers voted the shares in accordance with their own policies, though they could have been instructed by us. Effective Jan. 1, 2004, this authority was withdrawn from the Canadian equity investment managers, and Fairvest was hired to act as our proxy voting agent for the holdings in the Canadian equity portfolios. One of the concerns is that company managers ought not to be running their companies primarily for management's own benefit. You can read more about Fairvest at <http://www.fairvest.com/>. The voting of shares is one of the ways in which the governance of the York Pension Plan is being improved. Others are being examined, but generally the Plan is being operated in a manner quite close to the current ideal model.

Finally, you will be delighted to know that Mort Abramson has agreed to become a trustee. Few of you will have forgotten his outstanding letters when he was a YUFA representative for several years. I expect most of you still have them. Anyway, I have asked to be replaced as I am moving west and Mort has agreed to take my place as soon as the Board of Governors formally approves his appointment. Goodbye and thanks for all the coffee.

John A. Heddle

## **The Ontario Graduate Scholarships**

*The YURA OGS recipients this year were:*

Bipasha Baruah - Environmental Studies  
Travis Fast - Political Science  
Laura Fenton - Sociology  
Angela Joya - Political Science  
Gregory Kennedy - History  
Ian Mosby - History  
Pandora Syperek - Art History

Approximately \$17,500 of YURA gifts in 2003/4 were designated to the Ontario Graduate Scholarship Program. These gifts were matched 1:1 by the York University Foundation and then 2:1 by the Provincial Government, providing \$15,000 scholarships to seven graduate students at York.

## **Pension Returns on Investments, 2003**

A February 2004 newsletter showed the percentage returns on eight investment funds in the York Pension Fund. The gross returns varied from 6.5% [TD Asset Management -- Canadian bonds, passive] to 30.8% [Sceptre Investment -- Canadian equities, active]. The total fund earned 15.1% gross; 14.6% after investment expenses were paid. However the 4-year average as of 31 December 2003 was 5.3603% – less than the 6% minimum necessary to fund an increase in pension benefits. Year 2003 was only the second year in the history of the York Pension Plan when there has been no increase in pension payments to retirees.

**Benefits for University Teacher Retirees** *from the ARF Newsletter - the Association of Retired Faculty and Librarians, York University*

The January 2004 Newsletter carried an extract from a report prepared by the Canadian Association of University Teachers (CAUT) comparing health, dental, vision and life insurance coverage provided by 18 different Canadian universities. Most of the institutions [12 of the 18] require some monthly payments from retirees for this coverage ranging from \$34 to \$180 per month. A copy may be obtained from the YURA office.

**In Memoriam - Recent Deaths**

Donald Bean, Mathematics, started in 1964

Henry B. M. Best, died April 9, 2004, filled various academic administrative roles under President Murray Ross. He left the History Department of Atkinson College in 1977 to the Presidency of Laurentian University, Sudbury.

Leonard Birchall, died Sept. 10, 2004 at 89 years of age, Executive Officer, Administrative Studies from 1967 to 1982, Air Commodore (Retired), "Saviour of Ceylon", past Commandant of the Royal Military College, Kingston, Ontario, LL.D. [York] 1982.

Michele Campanaro, Caretaking, started in 1990

Dorothy Crerar

William Coleman, Atkinson, started in 1966

Eileen Daniel, Frost Library

Barbara Duncan, Health services, started in 1969

James Fulton

Anthony Farrugia, Psychology, started in 1970

Samuel Geller

Shirley Gourzong, Academic Affairs, started in 1971

George Green, Physical Plant, started in 1970

Marian Howell

Irma Krumins

Florence Knight

Alison Meikle, started in 1971

Angelo Moscardelli, Caretaking, started in 1991

John Newton

Eleanor Pearson

Laura Rice, Psychology & CDC

Gerda Schmitt, Office of the Dean, Arts, started in 1974

Margaret Sampson, Music, Fine Arts

Miriam Dworkin Waddington, died March 3, 2004, one of Canada's leading poets, died in Vancouver at 86 years of age. Born in Winnipeg and initially a social worker in hospitals, prisons and children's agencies, she joined York's English Department and taught until her retirement at age 65 in 1982. An excerpt from one of her poems is on the new \$100 Canadian bank note.

Phyllis White, started in 1974

## **The YURA Executive for 2004-2005**

Contact any of the executive for more information about the YURA.

- Albert Tucker, President, 416-921-1887;  
atucker@gl.yorku.ca
- Ken Thomson, Past President, 416-241-6331;  
kthomson@yorku.ca
- Pearl Kroll, YURA Communications Co-ordinator  
**[Available during the day at the YURA Office - Ext. 70664]**; 416-496-0261; pkroll@yorku.ca
- Frances Bukovec, Information Officer, 416-633-2225,  
fbukovec@yorku.ca
- Cynthia Dent, 416-488-7087, cdent@yorku.ca

- Alex Murray, 416-924-1588; [amurray@yorku.ca](mailto:amurray@yorku.ca)
- Catherine Ng, Treasurer, 416-638-0737; [ngc@yorku.ca](mailto:ngc@yorku.ca)
- Susan Lanoue, 705-445-8135, [slanoue@yorku.ca](mailto:slanoue@yorku.ca)
- Michael Lanphier, 416-961-7236, [lanphier@yorku.ca](mailto:lanphier@yorku.ca)
- Mildred Theobald, Secretary, 905-669-0664, [theobald@yorku.ca](mailto:theobald@yorku.ca)
- Barbara Tryfos, 416-494-1709, [bjtryfos@yorku.ca](mailto:bjtryfos@yorku.ca)
- David Wood, 705-458-9894; [jdwood@yorku.ca](mailto:jdwood@yorku.ca)

***Ex Officio:***

- Morton Abramson, nominee to the Pension Board of Trustees [effective Dec 2004], 905-764-7674, [abramson@mathstat.yorku.ca](mailto:abramson@mathstat.yorku.ca)
- Al Stauffer, rep to the All University Comm. on Pensions, 905-707-7179, [stauffer@yorku.ca](mailto:stauffer@yorku.ca)
- John Becker, newsletter; 416-932-1754; [jbecker@interlog.com](mailto:jbecker@interlog.com)

The Executive is always interested in find new members to help carry on the work of the Association. Please volunteer. Call the office and leave your name.

**Benefits and the Annual CURAC Conference**  
*by Albert Tucker*

The second annual conference of CURAC (*College and University Retirees' Associations of Canada*) was held at the University of



Winnipeg last May 27-29. YURA and ARF were both represented by Cynthia Dent, Cathy Ng and myself. As a member of **CURAC**, **YURA** benefits from information communicated at the national level, and from direct dialogue with retired representatives from other Canadian universities. At UBC, for example, the retiree organization is made up only of retired faculty, much like that at the University of Toronto. At Waterloo, New Brunswick, Memorial and Manitoba all retired employees are joined in one association, similar to the arrangement at York.

Once outside of Toronto, or even of Ontario, we have also learned more about the ease with which university retirees, especially in western Canada, relate to non-university retiree organizations; about the problems of Benefit programmes, and about relations with the insurance industry. This year we were confirmed in our apprehensions that university administrations across the country are seriously reducing their financial participation in Benefit plans for retirees. Some are simply ending whatever contributions they have made in the past.

For retirees at York, this may well affect attempts to raise the lifetime cap on those medical and hospital expenses that fall outside of standard coverage by OHIP. Currently, retired faculty and librarians have a cap of \$50,000; all other retirees are limited to \$25,000.

As an added, more specific focus into our Benefits at York, Cynthia Dent has completed a very detailed, comprehensive study, which compares the Benefit plans at all universities in Ontario. Cynthia made a presentation of this study at the Winnipeg conference, and it will provide a valuable basis for further investigation of our Benefits at York. Meanwhile, all members of YURA should be thinking about insurance plans of their own before they reach the age of 70, since most companies will not insure retirees who apply after that age.

## **Parking**

*by Albert Tucker*

The new system based on twelve free vouchers per member seems to be working reasonably well. It still does not, however, satisfy the needs of those who continue for a few years after retirement, to continue research at the university and to direct graduate students voluntarily. Last February, the YURA Executive submitted the report of a small committee which recommended that those few retired faculty who need to come to the university on a more regular basis, be permitted to buy access cards that would enable the Parking Authority to record the costs (without requiring payment), so that drivers could be informed of the amount of their taxable benefit.

Mr. Gary Brewer, Vice-President Finance and Administration, has recently responded in a formal letter, from which I quote the following excerpts:

*“I ...cannot agree to provide complimentary parking to retirees, beyond the voucher system.... It is not just a matter of taxable benefit. Parking is an ancillary business of the University that...must recover the costs of building and maintaining parking facilities, as well as the costs of operating the parking service....We are not in a position to subsidize parking for retirees when students and employees...are expected to pay.”*

The letter suggests that where an arrangement exists between a volunteer and a department or program, some reimbursement might be made for parking expenses. The YURA Executive will continue to discuss the problem and will consider any further constructive suggestions that members would like to make.

## **Awards and Bursaries**

The names of the two undergraduate students who have been selected for the following two awards that have been endowed by YURA member contributions:

Ms Reale Forbes - The William Small Award  
Ms Gloria Hope - The Mature Student Bursary

## **Reflections on the August 2004 “Pension at York Newsletter” by John Becker**

### ***Basic Concepts behind a Pension Mortality Table***

Mortality tables used by the York Pension Plan are recommended by the actuary and include a mix of factors. Using longevity statistics, mortality tables are determined separately for men and women. These are then combined using factors of 70% males and 30% females in the overall York employee group to establish a “unisex mortality table” because the law specifies that mortality tables used by pension plans must be gender-neutral. The actual mortality factor applicable to any one individual will differ depending on their age, marital status, age of spouse, and benefit option chosen.

### ***Mortality Table Changes as of 2006***

An updated mortality table will be used for plan members retiring as of January 1, 2006. These changes will not impact current retirees. They only impact future retirees. By taking account of increased longevity the starting pensions paid after 1 January 2006 will be slightly reduced if compared to what the amount would have been using the out-of-date mortality table. However it does not change the value of the total pension received. This is done to

achieve a better “match” between the funds set aside to pay each pension and the actual pension paid throughout a member’s retirement. This will also contribute to solving the deficit problem going forward. Further periodic, or regular, changes can be expected to the mortality tables to address the continued gains in life expectancy.

### ***Pension Fund Deficit Announced***

On average most existing pensioners are enjoying increasing life spans, an event not accounted for in the mortality table currently in use. Therefore the York Pension Plan will pay out more money than was predicted when one retired. When mortality is underestimated (as it was), the money available will "run out" while the pensioner is still alive. The shortfall is further increased when investment earnings fall below the projected average of 6% pa (as it has) since the no-reduction policy freezes pensions paid regardless of fund earnings. These factors contribute to the annual deficit which is close to \$11 million for 2003. This situation will continue and require further ‘special payments’ from the university in the future.

### ***The "shadow pension"***

The "shadow pension" concept is one way the university hoped to avoid a deficit in the plan should earnings drop. These decreases have now occurred. (See description in Prof. Heddle’s report.) A successful challenge by some York retirees to provincial regulators disputing the legitimacy of this concept could be interpreted to mean that the pension liabilities have been miscalculated in all years back to the start-up of the York Pension Plan. Significant (many \$millions) additional contributions would be required (but not from the current retirees who are protected because they are already retired) to cover this escalating deficit. The future sustainability of the plan will be seriously threatened.