ARF Newsletter

Association of Retired Faculty and Librarians of York University

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1.From the President

Morton Abramson

Dear Colleagues in Retirement,

THE Association of Retired Faculty of York University (ARFYU or simply ARF) was formed in December of 1994. Regular membership is open to all retired full-time faculty and professional librarians of York while Associate membership is open to all full-time faculty and professional librarians of York who have reached the age of 55. This association is distinct from the York University Retirees Association (YURA) which is open to all retirees of York University. Of course, a Faculty member or librarian can also be, as many are, a member of both associations and I would welcome all retired Faculty and Librarians to join.

ARF is recognized as a component of YUFA, a representative of ARF sits on the executive of YUFA and formal negotiations for improvements to benefits, pensions and other issues are carried out by YUFA.

Improvements to benefits and other issues are now being brought forward to the JCOAA and the Contract Review Committee which is reviewing and compiling issues that have come to its attention from various constituencies. You are welcome to send to me by e-mail (abramson@mathstat.yorku.ca), or otherwise, any issues you are concerned with and I will bring them to the attention of our executive if we have not already dealt with them.

As most of you are aware by now, the net return of the York pension Fund for 2004 was 9.7569%. Although this is a good return that will benefit active members, for retirees on the York Pension Fund, this means that there will be no increase in their pension for 2005, the third year in a row there has not been an increase. This 0% increase would occur regardless of whether or not a "`shadow pension" is in effect.

Further, I anticipate no, or a very small, increase in pension payments for 2006. This is because, according to my calculations, even if the fund were to have a 12% return in 2005 then pension payments in 2006 would increase by 0% using a shadow pension, and increase by 1.5809% if a shadow pension were not assumed. A fund return of 20% in 2005 would result in a 0% increase using a shadow pension and a 3.3482% increase without a shadow pension.

The Administration is assuming that a shadow pension is in effect according to the York Pension Plan while YUFA claims that the concept of a shadow pension is not contained in the plan. This contentious issue of shadow pension is now before The Financial Services Commission of Ontario (FSCO) for a decision. However, regardless of the outcome I would hope that negotiations would take place to improve the indexing of pensions. ❑

SPRING MEETING

WEDNESDAY, MAY 25
12–2:30 p.m

Founders Senior Common Room
305 Founders

On the Agenda:

- **Report from the Chair on the Pension**
- **Developments at York and other Universities**

Lunch provided
Please Note the Date

2.The So-called "Shadow Pension"

Peter Harries-Jones

Editor's Note: The ARF Executive asked that we reprint Peter Harries-Jones's remarks on the "Shadow Pension" (from his "President's Column" the *Newsletter* of January, 2003). We think some more recent retirees will find this item of interest, and older retirees might appreciate a refresher on the topic. **Note** that there is also a 'setback' component of the shadow pension, as Mort Abramson shows above and Al Stauffer's article shows below, and especially under conditions of economic "stagflation" the pension setback attaches the present amount of money that we receive to the general financial constraints that pensioners do not deserve. Here is the earlier article:

THE issue [of the so-called "shadow pension"] is following quickly on an attempt by the Administration [in 2002] to reduce pension entitlement by 2.25 percent—a result of actual mortality losses of retirees at York being below the actuarially predicted outcome. Yes, fellow retirees, we live too long for the actuaries to be comfortable about our resilience! In fact, the Administration was able to reduce pensions by a full 2 per cent by the beginning of the year 2001 before acting on the additional .25 per cent reduction. The 2 per cent cut in pension entitlement fell under the rubric of permitted unilateral administrative procedures, but the additional .25 percent required a change in the language of pension plan itself. In spite of a campaign, one can call it by no other term, to get both active members and the retirees to agree to the additional cut, the Administration met unanimous opposition and decided to shelve its proposal, ARF hopes permanently. No sooner had the latter been shelved than the 'shadow pension' issue introduced the prospect of yet another cut in pension entitlement.

The term 'shadow pension' appears nowhere in the Pension Plan document. Its origin lies in matters of procedure. The Pension Office uses an estimate for all Money Purchase Accounts (the procedures do not affect pensions under minimum guarantee) based on the most recent end-of-year amount (December 31st of the year before a person retires) as an initial cut-off point. One's final pension entitlement is adjusted upward if the fund increases between December 31st and retirement date. In addition, final pension entitlement has a further adjustment generated by a four-year rolling average of fund performance. In the event of the fund's decreasing, the amount of pension does not decrease from the cut-off date and the four-year rolling average entitlement still applies.

The Administration intend to change these procedures in the case of decline in fund performance by calculating a 'shadow pension'—one that would have been 'the right one' had they taken the fund decline into account. This 'shadow pension' is not merely a bookkeeping exercise. The Administration's proposal is to use this amount, the 'shadow pension,' as the basis for any adjustment resulting in increases to pension entitlement generated by the four-year rolling average. Thus it may take several years for the four-year rolling average adjustment to increase the 'shadow pension' above the levels of the money purchase pension calculations for each retiring member, as currently guaranteed in the Plan document. The Administration's proposal would not give any actual increase to a new retiree during that interval, between 'shadow pension' calculations and pension entitlement, even if the four-year average index were positive.

All the above applies to people retiring this year [2003 and later], many of whom we hope will become ARF members. But there is a worrying component for all retirees as well. Should the Administration plan go through, then page 26 of the new Pension Booklet will apply, describing adjustments to the amount of pension in the following manner: if the moving four-year average fund return is below 6%, the "deficit" will be tracked (by creating a "shadow pension" amount) and future adjustments positive or negative will be applied to the reduced "shadow pension." This means that although your actual pension will not be reduced, if the fund returns are low in one year but over 6% in the next year, your actual pension will not go up in that next year, unless the "deficit is paid up," i.e. until the "shadow pension" finally exceeds your actual pension.

YUFA has challenged this statement which was arbitrarily—without any consultation—inserted into the new Pension Booklet and has decided to take this case to the FSCO (Financial Services Commission of Ontario) in order to have a binding resolution to resolve the dispute. It has asked other organizations to join in support of its action and ARF have been pleased to do so. The advice from YUFA's lawyers to take the case to FSCO has been unequivocal and YUFA is confident of winning. ❑

3. The Pension Deficit *Al Stauffer*

OUR Pension Plan has a non-reduction clause which means that once retired, our pensions never decrease, even if the pension fund earns less than assumed 6% per annum. However, the Employer insists on tracking the decrease to our pensions (the shadow pension), which would have occurred whenever the pension fund earnings fall below 6%. YUFA has challenged this interpretation as not allowed under out plan and the matter is still before the Financial Services Commission of Ontario (FSCO).

The pension fund failed to meet the earnings target in both 2001 and 2002. In fact, in 2002 it actually lost money. Since then we have had two relatively good years of returns so members may be under the impression that the deficit no longer exists. This is far from the case as the analysis below indicates. In part, this is due to the fact that increases (or decreases to the shadow pension) are based on a four-year rolling average of returns to the fund. Thus the effects of a bad year are felt for a total of four years. In the table below we show what happens to a model pension of $100 as of January 1, 2002. In order to project ahead, we have assumed the fund 'breaks even' for the years after 2005 (i.e. earns 6% per annum). Earnings above or below this rate will change the outcome but the four-year averaging means that any one year's earnings is only weighted by 25% so the effect is small.

The indexing factor is the amount by which our pensions increase if it is greater than one or the amount the shadow pension decreases if it is less than one.

Pension 1 is the pension we would receive under the Employer's model while Pension 2 is the amount under YUFA's interpretation of the plan.

Under YUFA's model, we would receive a very modest increase in our pension in 2006, the first in four years while inflation is running at more than 2% a year. This means that pensioner's spending power would have decreased by more than 8% over this time!

Under the Employer's model we would have to wait another two years before any increase since they apply any increases to the shadow pension. This means a spending power decrease of more than 12%!

This decrease can be serious for pensioners who expect their pensions to support them in retirement. This is why the decision of FSCO is so important to our retired members and will have important consequences for members who have not yet retired.

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Year	Indexing factor	Pension 1	Shadow Pension	Pension 2
2002		$100.00	$100.00	$100.00
2003	0.9785	$100.00	$97.85	$100.00
2004	0.9940	$100.00	$97.26	$100.00
2005	0.9911	$100.00	$96.40	$100.00
2006	1.0019	$100.00	$96.58	$100.19
2008	1.0286	$100.00	$99.36	$103.06
2009	1.0087	$100.22	$100.22	$103.97

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4. Further Information on Pensions and the Shadow Pension

FOR two articles on Pensions by Walter Whiteley, see his articles on the YUFA/Retirement webpages:
"Will Your Pension Increase After Retirement?"
http://www.yufa.org/retirees/pension.html (19 March '04)
"A Shadow Falls Between You and your Pension"
http://www.yufa.org/retirees/pension.html (19 Jan, 2003)

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5 . National Advisory Council on Aging

www.hc-sc.gc.ca/seniors-aines/naca/index.htm

NACA is part of the Ministry of Health and states that it wants to hear from you and to listen to your concerns and issues. NACA reviews the needs of seniors and recommends remedial action. On its website, there are interesting publications and press releases (such as on home care for seniors). If you click on research, you will find some material on various aspects of health of interest to seniors. If you click on research, you will find some material on various aspects of health of interest to seniors.

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6. The Back Burner

FROM time to time the Executive and the *Newsletter* bring to retirees' attention matters that have not yet come to the boil, or that have simmered for far too long. These items are important, but remain unresolved, or are neglected by the authorities entrusted with them. Here are a few items that are still not brought to a conclusion:

➽ A corrected, up-dated, and complete benefits booklet that covers the material listed in the "official" agreement that the Administration has with Great West. ➽ The state of the YUFA/ARF Trust Fund with respect to its being subject to tax. Currently it is awaiting official letters confirming tax-exempt status.

➽Agreement that we should be informed at least annually on the status of each of our lifetime $50,000. limitation.

➽ Individual ID cards – to use when travelling to indicate you are a person affiliated with York University,
or in the museums and libraries of France, Italy, Germany, Great Britain, etc. ❑

ASSOCIATION OF RETIRED FACULTY AND LIBRARIANS OF YORK UNIVERSITY

DUES FOR 2005/06 ARE NOW RECEIVABLE.
FIRST NOTICE
PLEASE CONTINUE TO SUPPORT ARF WITH YOUR MEMBERSHIP

Please mail to:

Association of Retired Faculty and Librarians, c/o YUFA
261 Health, Nursing, and Environmental Studies
York University
4700 Keele Street
Toronto, ON M3J 1P3

[ ] I wish to join ARF, to receive its mailings and support its activities
[ ] I wish to renew my membership in ARF
[ ] I am willing to undertake occasional work for ARF
[ ] I am not yet a retiree, but I want to become an Associate Member of ARF

Enclosed is my cheque for the period 1 July, 2005 to 30 June, 2006.
[ ] $25 Regular Membership
[ ] $10 Associate Membership (available for pre-retirees)
Plus $______as an additional contribution to help ARF
in its continuing work on behalf of York's retired Faculty and Librarians.

NAME (please print)____

HOME ADDRESS

Street ____

City_____________________________________ Province ______________________________

Postal Code ________________________________ Country ______________________________

Home Phone _______________________________ Campus Phone _________________________

E-Mail ____________________________________ Fax __________________________________

ASSOCIATION DES PROFESSEURS ET BIBLIOTHÉCAIRES RETRAITÉS DE L'UNIVERSITÉ YORK (APBR)

COTISATIONS 2005-2006
PREMIER APPEL
DEVENEZ MEMBRE DE L'APBR OU RENOUVELEZ VOTRE ADHÉSION
VOTRE SOUTIEN EST INDISPENSABLE

Veuil
lez envoyer votre cotisation à :

Association of retired Faculty and Librarians, a/s YUFA
261 Health, Nursing, and Environmental Studies
Université York
4700, avenue Keele
Toronto, ON M3J 1P3

[ ] Je désire devenir membre de l'APBR, recevoir ses bulletins et soutenir ses activités
[ ] Je désire renouveler mon adhésion à l'APBR
[ ] Je suis prêt(e) à participer à l'occasion aux travaux de l'APBR
[ ] Je ne suis pas encore à la retraite, mais je veux devenir membre associé de l'APBR

Veuillez trouver ci-joint mon chèque pour la période du 1er juillet 2005 au 30 juin 2006, au nom de ARF.

[ ] 25 $ membre titulaire
[ ] 10 $ membre associé

Plus ___________$ de contribution supplémentaire pour aider l'APBR à poursuivre ses travaux au nom des professeurs et bibliothécaires retraités de l'Université York.

NOM (en majuscules) ____

ADRESSE À LA MAISON

Rue ____

Ville ________________________________ Province ________________________

Code postal __________________________ Pays ___________________________

Téléphone (maison) ____________________________________

Téléphone (campus) __________________________________

Courriel ____________________________ Télécopieur ______________________________