

**CLAIMS of the RETIREES : JUST PART of PENSION SURPLUS and HEALTH PLAN**

Dear colleague of the APRUO,

**For your information, please find (below) the texts of the letter and resolutions addressed to each person responsible for the administration of our Pension Plan and to other interested persons.**

Members of the following groups appear on the sending list : *Board of Governors, Pension Fund Investment Committee, Guests, Pension Plan Committee, Guests, Pension Fund Investment Contacts, Pension Plan Administration Contacts, Actuaries, University of Ottawa – Senior management, Treasury Committee, External Auditor, Auditors of the Pension fund, SPECIAL LIST, Surveillance Committee of the APRUO, Members of the Administrative Committee of the APRUO and Other consultants and contributors, Senior administrators under the authority of the Vice-president, Mr. François Houle, especially the deans, Movers and seconders of the resolutions of the APRUO*

Ottawa, August 31, 2009. Viateur Bergeron, president

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Ottawa, August 15, 2009

*Name and address of each person*

**Subject: Resolutions of the APRUO, May 27<sup>th</sup>, 2009**

You are a participant in the management of our Pension Plan. In your capacity as fiduciary, you should be aware of the opinions of the retirees. With this purpose in mind, we submit to you the two resolutions adopted at the Annual General Meeting of the Association of Professors Retired from the University of Ottawa (APRUO) on May 27<sup>th</sup>, 2009. The retirees are seriously wondering about the place that they occupy at the University of Ottawa.

We the retirees have a soft spot in our hearts for this institution where our active lives came to a close. However, we must tell you that many of us have a heart that is bleeding and are very disappointed that the 3<sup>rd</sup> tranche promised to us by the reform of the Pension Plan in 2000 was not granted. We are also displeased at the refusal of the University to create a health plan for those who retired before 2001 and with the arbitrary changes that were made to the life insurance plans of the retirees which in effect have increased the income tax that each one of us must pay each year.

In the appended resolutions we submit two initial remedies to re-establish the equity and normal consideration that an employer of the quality of a university should have towards its retirees. The retirees with their families and friends constitute a community that is special and important to any institution. These persons promote their university or if they are aggrieved keep an eloquent silence or may on occasion refuse to recommend it or indeed they criticize it. The importance of the retirees is well established since there will always be retirees from the University of Ottawa and the treatment that they receive from the administration determines the reciprocal relations to be expected in the future.

As President of the APRUO and in the name of all the retired professors that I represent on the Pension Plan Committee, I ask for answers that will be favourable to all retirees.

Sincerely yours,

Viateur Bergeron

enc'l: Resolution of the APRUO reiterating its claim for a just part of the Pension Plan surplus for retirees, May 27<sup>th</sup>, 2009

Resolution pertaining to the creation of a health plan for all retirees, May 27<sup>th</sup>, 2009

***These resolutions will be posted on the APRUO's website***

## **APRUO**

### **RESOLUTION OF THE APRUO REITERATING ITS CLAIM FOR A JUST PART OF THE PENSION SURPLUS FOR RETIREES**

#### **Annual General Meeting, May 27, 2009**

On May 27<sup>th</sup>, 2008, a resolution was unanimously adopted at the annual general meeting of the Association of Professors Retired from the University of Ottawa (APRUO). Herewith the conclusions of this public resolution that was communicated in two languages to the administrators of the Pension Plan and all the retirees.

*"CONSEQUENTLY, the Association of Professors Retired from the University of Ottawa requests that the trustees act pursuant to the principles of fundamental justice and equity. They should quickly take the necessary steps to identify the surplus that rightfully belongs to the retirees and the employees, taking into account that the employees have already received \$6,600,000 in 2007-2008 thanks to their contribution holiday. They should determine the amount due to each retiree and employee of the University of Ottawa, and remit this sum as soon as possible.*

*IN CONSEQUENCE, it is moved by Bernard Philogene and seconded by H. Albert Hubbard*

*That this resolution be adopted and be made known to the fiduciaries, (the members of the Board of Governors), the actuaries, the auditors of the pension plan and the members of the Pension Plan Committee of the University of Ottawa. We request that action be taken without delay. Adopted unanimously. "*

On August 7<sup>th</sup>, 2008, 52 personal letters were posted to the administrators mentioned above. On September 19<sup>th</sup>, 2008, a letter was addressed to Viateur Bergeron, President of the APRUO and signed by madame Louise Pagé-Valin. Herewith a few extracts from this letter and our comments.

*1. "Please consider the present letter as the official response of the University of Ottawa acting as the spokesperson and administrator of the Pension Plan."*

This letter does not refer to any resolution of the trustees of the Pension Plan nor to any decision by the Board of Governors. With all due respect to madame Louise Pagé-Valin, we do not consider this response to be the official response of the University of Ottawa.

2. "In order to favour the financial well being of the Plan, the University effects actuarial evaluations each year instead of every third year is the proposed minimum. This allows a greater certainty to the retirees and active members that the funds required for the financial health of the Plan are sufficient to satisfy the obligations of the Plan."

This policy must continue. An actuarial evaluation was done each year from 1998 to 2008, except for year 2006, which is a crucial year for the retirees to whom the 3rd payment was not made. In that year, the actuaries did not submit a signed evaluation for approval to the Board of Governors, nor was an evaluation submitted to the Pension Commission of Ontario. This action allowed the University to avoid contributing the sum required to cover the past deficit and to effect the 3rd payment. The trustees favoured the interests of the employer over the interests of the retirees to whom this 3rd payment had been promised in 2000.

IN CONSEQUENCE, it is moved by John Trent and seconded by Joseph Lloyd-Jones

That we reiterate our request of May 27th, 2008. In view of the present financial crisis, the University of Ottawa and the trustees of the Pension Plan would have five years to effect this 3rd payment. They should do so as soon as a surplus permits it. This 3rd payment could be executed in one or more tranches, at the latest the 31st of December, 2014.

The present resolution should be transmitted in the same manner and to the same groups of persons as for the resolution of 2008 which is an integral part of this resolution.

**Adopted, 3 abstentions.**

**See below the 2008 resolution**

### **RESOLUTION OF THE APRUO REQUESTING ITS SHARE OF THE PENSION PLAN SURPLUS FOR THE RETIREES**

#### **May 27, 2008**

The value of the pension fund as of January 1, 2007, according to the actuaries employed by Mercer was \$1,207,202,000. The surplus ratio was about 12% or \$133,000,000 (*Mercer, page 6 \*\*\**). The University administration took a contribution holiday from 1 June 2007 to 31 December 2007 and gave a contribution holiday to all employees from 1 September 2007 to 29 February 2008. (The numbers have been rounded).

For the University of Ottawa, this contribution holiday represented a saving of \$14,400,000, 7/12 of the contribution forecast by the actuaries for 2007, which was \$24,700,000. For the employees, their contribution holiday was equivalent to a general increase in revenue of \$6,600,000 in the salaried mass, 7/12 of their contribution which was \$11,370,000 (*Mercer, page 15*). **As for the retired members, they received nothing.** In fact, the pension plan funds were severely reduced by these contribution holidays, causing prejudice to present and future retirees.

WHEREAS the ultimate objective that justifies creation of a pension plan is to assure the retirees the means to live the last years of their lives in a secure environment, by providing a style of life approximating that which they had during their working years. **In short, it is for the retirees that the pension plan was established.**

WHEREAS the employer and the employees must contribute according to their agreements except as these are prohibited by law. **The surplus should be distributed in an equitable fashion between the employees and the retirees. It is for them that the plan exists.**

WHEREAS, in the present case, we submit that it was not obligatory for the employer to take a contribution holiday. "At the request of the University, the solvency liabilities used to determine the solvency of the plan exclude a portion of future plan indexation. Including all future plan indexation would result in solvency liabilities of \$1,308,639,000. If all future indexing had been excluded, the plan would have ... a solvency excess of \$251,839,000" (*Mercer pages 9 and 16*). The criteria chosen by the administrators of the pension plan could have created a surplus or a deficit. Their choice created a surplus of \$133,000,000. WHEREAS the employees and the retirees of the university are equal owners of the assets of the pension plan, it follows that the surplus ought to be shared between the two groups and among members in a just and equitable way. The employer has no right to the assets that generate the surplus. Therefore the employer may cease contributing only if the law formally forbids it.

WHEREAS in 1988 the fiduciaries (the members of the Board of Governors) distributed the surplus to employees and to retirees and (note well) the employer continued its annual contribution of 8.5% as specified by the pension plan.

WHEREAS the reform of 2000 divided the amount owing to the retirees and employees in three (3) installments as promised before the vote on the reform. The 3<sup>rd</sup> installment, representing about eight (8) million for the retirees and about twelve (12) million for the employees was not paid. The reason given was that at 1 January 2006, the 6% surplus requirement was not met according to the criteria chosen by the Administration and applied by the actuaries. Other criteria could have been used such as those adopted by the Canadian Institute of Actuaries (\*\*\*\*).

WHEREAS at 1 January 2007, according to these new criteria, the surplus was 12%. On the simple basis of equity and justice, the fiduciaries should have paid the 3<sup>rd</sup> installment according to the actuarial evaluation made for 2006, using the same criteria. The surplus would have been 8.13%, *i.e.* 2.13% more than the 6% required to justify the 3<sup>rd</sup> installment. The surplus of 2.13% represented a sum of 21.5 million, thus the 3<sup>rd</sup> installment would have cost about 20 million.

WHEREAS the members of the Board of Governors, fiduciaries and ultimate administrators of the pension plan, have the fiduciary obligation to distribute to the retirees and the employees the excess funding. This excess funding was generated by the contributions made to the pension plan by the employees and the retirees during their employment. The employer has always considered its contributions as being part of employee remuneration. Consequently the employer should not profit from the surpluses derived from the funds which are part of the remuneration of present and past employees, funds established to ensure their remuneration after their retirement.

CONSIDERING all these facts, we submit that the retirees have not been treated in a fair and equitable manner in the distribution of the surplus. At the university's request the surplus was calculated according to criteria such as to create a surplus in the pension plan as at 1 January 2007. The university corporation took advantage of this and favoured the employees while neglecting the retirees. The surplus should have been shared first by the

retirees and employees. The contribution holiday for the employer is acceptable only if the law forbids it to contribute.

**CONSEQUENTLY, the Association of Professors Retired from the University of Ottawa requests that the trustees act pursuant to the principles of fundamental justice and equity. They should quickly take the necessary steps to identify the surplus that rightfully belongs to the retirees and the employees, taking into account that the employees have already received \$6,600,000 in 2007-2008 thanks to their contribution holiday. They should determine the amount due to each retiree and employee of the University of Ottawa, and remit this sum as soon as possible.**

IN CONSEQUENCE, it is moved by Bernard Philogene

And seconded by H. Albert Hubbard

that this resolution be adopted and be made known to the fiduciaries, (the members of the Board of Governors), the actuaries, the auditors of the pension plan and the members of the Pension Plan Committee of the University of Ottawa. We request that action be taken without delay. **Adopted unanimously.**

\*\*\* The University of Ottawa Retirement Pension Plan, Report on the Actuarial Valuation for Funding Purposes as at January 1, 2007, by MERCER.

\*\*\*\* A new Canadian Institute of Actuaries Standard of Practice For Determining Pension Commuted Values ("CIA Standard") became effective on February 1, 2005 (Mercer, page 5)

## **APRUO**

### ***Association des professeurs retraités de l'Université d'Ottawa Association of Professors Retired from the University of Ottawa***

#### **RESOLUTION PERTAINING TO THE CREATION OF A HEALTH PLAN FOR ALL RETIREES**

**Annual General Meeting, May 27, 2009**

Each year, the auditors of the financial statements of the Pension Plan at the University of Ottawa state that the net assets are the property of the Pension Plan. This fund, property of the retirees and the employees, is comprised of contributions from the employees and the University. Fringe benefits are part of the remuneration of the employees. The most important fringe benefit is the contribution of the employer to the Pension Fund. It is unacceptable that this fund become a source of financing for the employer by utilizing episodes of contribution holidays.

Our part of the net assets of the Pension Fund is our mandatory savings account that assures the payment of our needs at the time of our retirement. We are then at an age when the basic needs, housing, food, health services and other are often more expensive than during our active life. The demands for health services for retirees are undeniable. Presently, the retirees of the University of Ottawa are poorly provided in this domain and the resources are of unacceptable inequality.

The Pension Fund is founded on a conservative and prudent basis at the level of the annual payments to the retirees. It is normal, according to this philosophy of administration, that surpluses materialize and accumulate. But this surplus belongs to the members of the Pension Plan, namely the retirees and the employees. The members of the Plan expect to profit from these surpluses. The fiduciaries must effect an equitable distribution of the surplus, as was done in 1988. See mention of this in the resolution of May 27<sup>th</sup>, 2008:

ΔWHEREAS in 1988 the fiduciaries (the members of the Board of Governors) distributed the surplus to employees and to retirees and (note well) the employer continued its annual contribution of 8.5% as specified by the pension plan.@

When retirement occurs, fringe benefits disappear, health plans in particular. The retirees must then devote too great a part of their budget to their health care. During our active periods health plans offer identical benefits for all employees, regardless of their roles. The same should have been done for the retirees, which is not the present case. The professors who retired after May 1, 2001 receive a sum each year as well as do the members of the support staff who retired after May 1, 2002. Without stripping these benefits from those who enjoy them, the same should have been done for those who get nothing. A prudent portion of the surplus should serve for this purpose. Equity and good sense demand equality for every one in this matter, since the costs of health care are the same for everyone.

In consequence, it is moved by Gaston Sauvé and seconded by Robert Pelletier

That the surplus shall also serve to nourish a health plan. To this end, a committee should be constituted composed of representatives of the APRUO, the SSRA and one person from Human resources. This committee should table a report of the situation and propose solutions that are for the benefit of all retirees. **Adopted unimously.**