

**Notes of the Mount Royal Faculty Association**  
**Meeting date: November 26, 2013**

**Call to order:** A General Meeting of the MRFA was held in Mount Royal University, Calgary on November 26, 2013. The meeting convened at 4:09pm, President Gerry Cross presiding.

**Members in attendance:**

See attached Attendance Sheets

**Order of the Day, 4:00pm**

Guest: Doug Short, ACIFA President

Doug Short is ACIFA's representative on the LAPP stakeholders group. His [presentation](#) and the recent ACIFA [LAPP update](#), available [online](#), outline the current situation and the proposed changes to LAPP.

Who is LAPP

LAPP is a large pension plan and faculty members make up a very small part of it: the educational sector is the smallest sector of LAPP. Within ACIFA we have about 7000 members in LAPP.

LAPP is quite healthy in terms of retirees and active members relative to other pension plans.

What is the Defined Benefit

Defined contribution is when you put your money into savings such as RRSPs. The risk in a defined contribution is in the total amount you are going to get in the end. The risk in a defined benefit plan, such as LAPP, is the contributions you need to make. Defined benefit plans determine the benefit that will be received and define the contributions based on that. The fixed obligation in the future is determined in relation to CPP. The defined benefit of LAPP is 2% per year based on the employee's best 5 years of employment while contributing to the plan. If you are making \$100,000 and have been in for 25 years then this works out to a pension of \$50,000 per year.

- The number of years of service is important. Every year adds 2%.
- People get to the 85 factor with 20-25 years of service and see that it is not enough of a pension, so they decide to stay longer to increase their pensions.
- People retire with the 85 factor, but usually work beyond the year in which they got it.

Guaranteed inflation protection

- The annual pension allotment is currently guaranteed by being multiplied by 60% of the Alberta Price Index.

Early retirement incentives

- The 85 factor is an incentive because the pension is not reduced.
- If you retire before age 65 without the 85 factor, your pension will be reduced by 3% per year. This reduction is not adequate as it subsidizes those who retire early. CPP reduces it by 6%, which is more appropriate based on actuarial evidence.

Commuted value

- On your pension statement, there is a commuted value which defines the amount of the pension in the future based on an actuarial estimate of when you may pass away. If you decide to leave the pension plan, they use a different assumption and the commuted value is quite a bit higher than it is for those who stay in the plan.
- They have made some adjustments to this in the new proposals, but have not addressed all the concerns.
- People who leave the plan should not be subsidized.

What has happened

Several factors have led to an unfunded liability in the plan which needs to be addressed.

- Average age at retirement has moved from about 60 years to almost 62 since 1996. People are retiring later.
  - o There was a downturn in the market which also caused many people to retire later.
  - o For faculty there is a relative delay in accumulating pensionable earnings because we start working later and so retire later.
- Lengthening life expectancy: money paid out by the plan has increased as a result.

LAPP has an unfunded liability of \$5 billion. This is causing concern. They are dealing with this by increasing contribution rates and making some changes to the plan. If this goes well, the unfunded liability will be paid off in 2026. These increased rates are, including employee and employer contributions, are getting to be quite high (see chart).



### Contribution Rates

	2013	2014	2015
Employees' Rate up to YMPE	9.43%	10.39%	10.39%
Employees' Rate Over YMPE	13.47%	14.84%	14.84%
Employers' Rate up to YMPE	10.43%	11.39%	11.39%
Employers' Rate Over YMPE	14.47%	15.84%	15.84%
<b>Total</b>	<b>21.78%</b>	<b>24.16%</b>	<b>24.16%</b>

### Assumptions

- Contribution rates and changes needed are based on several assumptions (see chart below). If these assumptions change, the contribution rates would be changed.
- The assumptions will change because the mortality tables are outdated and based on American tables. Canadians live two years longer, which will put more pressure on the contribution rates.
- The assumption of what they can earn on the assets is 5.75%. This is lower than other pension plans, which is good. Based on this, bonds come in at 2-3% and equities at 5-6% above inflation. If we had half in bonds and half in equities, we would get about 5% and so the investment return assumption is the right range. If we do not get 5%, then contribution rates would have to increase.



### Assumptions

Investment Return	5.75%
Price Inflation	1.5% per year for three years, increasing back to 2.5% thereafter
ITA Limit/YMPE Escalation	2.0% p.a. in 2013, grading to 3.75% in 2019
Salary Escalation	3.3125% in 2013, grading to 3.75% in 2019 + merit & promotion
Mortality	UP94 with projections for mortality improvements on generational basis (Scale AA)
Post retirement pension increases	0.90% per year for three years, increasing back to 1.5% thereafter
Married at Retirement	80%
Spousal Age Difference	Male 3 years older

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### LAPP performance

LAPP is comparable to other Alberta pension plans. LAPP is investing more in stable long term bonds and in alternatives: the investments have been diversified because the plan is maturing. As the age of people in the plan increases, the investment mix is shifted towards bonds. With less return on these investments, contribution rates need to increase. This can cause an unfunded liability, and is also the problem with the commuted value.

### Cost of administering the fund

- This has increased recently: it is 0.59%. However, this is a lot better than the cost of investing in mutual funds or exchange traded funds (1-3%).
- The base cost of LAPP is 13.29%, but the other features bring the cost to 17.08% (the chart shows that COLA is the largest).



### **Current Service Cost Component Breakdown (Approximate)**

	Component Cost	% of Total Current Service Cost
LAPP pension accrual (1.4%/2.0%)	13.29%	77.8%
Five year guarantee	0.04%	0.2%
Subsidized early retirement (3% from 65)	0.93%	5.4%
Unreduced pension at 85 points	0.75%	4.4%
COLA (60% of AB CPI)	2.07%	12.2%
Total Current Service Cost	17.08%	100%

### How is LAPP Changing

To reduce the unfunded liability and ensure that the plan is sustainable into the future, LAPP needs to make some changes to the plan. These changes will affect people differently based on how long you have been in the plan.

An actuarial study determined how certain changes would affect contribution rates.

### Changes

- Currently the COLA is a guarantee of 60% of the inflation rate, but this will disappear in 2016. However, there is a proposed obligation to set contribution rates under the assumption of meeting 50% of COLA.
- 65 retirement age
  - o This will become the standard age. If you retire sooner, there will be a reduction in the amount you get. This reduction will be from 3% to 6% per year, depending on your age at retirement.
- The 85 factor will be removed.
  - o Years of service up to 2016 will always contribute to the 85 factor, but years after that will not.
  - o If you have the 85 factor before 2016, it cannot be taken away even if you choose to retire after January 1, 2016.
  - o If you retire before you reach the 85 factor, but do not draw your pension until you reach the 85 factor based on increased age then your pension would not be reduced.
- How this works for accumulated service [example]:
  - o Individual has 25 years of service until 2016, 5 years afterward, total 30 years
  - o 60% of inflation is guaranteed on 25/30 pension, 5/30 is subject to an annual decision
  - o Same process for 85 factor; 25/30 of pension not reduced
- Members will be able to contribute to the plan beyond 35 years. Every year of service added will add 2% to the value of your pension.
- The government also wants a contribution cap in the regulations. If the government decided to lower the cap below 24% and market returns were poor, it might be necessary to cut benefits. With joint sponsorship, we would help define the cap of contributions.

### Related Considerations

- The subsidies for early retirement are costing the plan and the contributors.

- Currently, if you retire with the 85 factor at age 55 your annual pension would be the same as if you reached the 85 factor at age 65, even though you would be collecting the pension for 10 more years.
- If the 85 factor is removed in 2016 and half the pension is in the old rules and half in the new rules, then a weighted average would give you credit for service to the 85 factor prior to 2016.

#### What are other LAPP Unions doing in response?

- Some unions believe it is affordable at the 24% contribution rate.
- Some unions think that LAPP is sustainable in its current form.
  - o But the figures show that it is not sustainable.
  - o One of the biggest worries is that if we do not deal with the issues now and they get worse, then the pensions of retirees will have to be cut. People who are retired would have a difficult time adjusting.
- We need to shift to a pension plan that is neutral in its treatment of when you want to retire.
- We should support the defined benefit plan.

#### Union actions

- Hiring an actuary to build a calculator (the government is going to do this after they pass the legislation)
- New lobbyists and advertising campaigns
- Constitutional legal challenge is possible (this will cost \$500,000)
  - o We should not be supporting this

We have been invited to comment on the proposed changes

- We should reinforce our commitment to the defined pension plan, our support for neutralizing subsidies, and move quickly on joint sponsorship (this would mean that as 50% contributors we should equally share in the decisions). Possibly by 2021, as joint sponsors, we could make changes and increase inflation protection above 50%.
- The trustees could be members of the program who have access to training opportunities and really be experts.
- Doug will be putting this in a letter to the minister by the end of the term.

#### Discussion:

Q: This is the proposed ACIFA response: will members get to vote on it?

A: The letter is to be sent to ACIFA Presidents for input and it is up to the Presidents to provide input or decide to vote on it.

- If you want to respond in another way, the MRFA President would have to bring it to Presidents' Council.
- Individuals can write to the minister on these changes as well.

Q: Have you done a costing for someone with the 85 factor who chooses to retire and then return to the workforce? Wouldn't you be better off doing that?

A: The problem here is that people who leave and come back to the same job are not replaced with new contributors. Also, additional years of service contribute to your plan so doing this may not be financially beneficial.

- If you already have the 85 factor, then you do not need to work to 65 and you will always have the 85 factor after 2016.

Q: What of the penalty for retiring before you are 65?

A: In the future the pension reduction for early retirement will be actuarially determined. If we take the example of CPP, it would be 6% per year.

Q: It seems the government is trying to extend the working period of people who have already contributed to the economy and shut out younger people who would contribute to the economy. This will affect the demographics of employment.

A: One of the benefits of joint sponsorship is that these decisions would be made by employees and the employers.

- If you do not deal with the unfunded liability and the high contribution rates, then you pass the problem onto people in the future. The change is that you do not get a subsidy for retiring early: it is not really a cut.
- People who stay in the plan and do not use the 85 factor are paying for people who leave early.

Q: Would we be able to put more money in RRSPs because of the saving based on decreased contributions to LAPP?

A: Yes, but we are not certain what that amount would be.

- The maximum pension is being removed.
- The federal law is that you need to start drawing your pension at age 71.
- There will be a calculator on the LAPP website once the legislation has been passed. You will be able to use it figure out the effects on your pension.

Q: Some of the changes really make sense, but the COLA part is really concerning. The MRFA needs to survey its members to figure out what our position is. Maybe there are different tweaks or other things that could be considered.

- The MRFA could vote on this on a point by point basis.
- Inflation protection is one thing we should vote on.
  - o We could only accept these changes if there will be joint sponsorship.
- The government is going to do this and they have the support of the Wildrose party.
  - o We need to make an impact by trying to change what we can.
  - o Joint sponsorship would put more control in our hands.
- The inflation protection had the biggest impact on contribution rates so it might be difficult to remove that change.

Q: Regarding the earlier slide about the actuarial statement that the unfunded liability would be paid off in 14 years if we maintained the current status quo: why do we not just do that?

A: There are other factors involved that would increase the unfunded liability and cause increased contribution rates (e.g. life expectancy in the mortality tables has increased).

Q: Every department wants to talk about the changes to LAPP. This may be ACIFA's response, but members at different institutions may want a different response. Some people may want to pull out of LAPP. People are upset and frightened. It is frustrating that ACIFA has had this information since March and the response is due in a week and we are getting this information now.

A: There have been communications coming through ACIFA during this period.

Q: What would happen if we chose to say no and others said yes?

A: Then the MRFA would make its own response.

Q: What if ACIFA does not have consensus?

A: The government has a majority. They have the support of the opposition. It will proceed regardless of our submissions if they are conflicting. We can hope that they will consider our input and make beneficial changes accordingly that have the least impact and neutralize the benefits regardless of when you choose to retire (i.e. removing the subsidy for those who retire early and making the commuted value more equitable).

Q: Is the government fearful that many will retire and collect more from LAPP and cause contributions to increase?

A: There is nothing in the proposed changes to make it more likely for someone to leave at the 85 factor. Your pension is based on your years of service.

- The only reason that this would trigger leaving early is taking your money out at the commuted value. Financial planners may advise this because it is in their interests to manage your money. With the commuted value, you would get a higher value by taking your money out now.
- If you stay in the pension plan, you add value and with the changes will be able to contribute for more than 35 years.

If you have further questions or comments you can email Doug Short. ACIFA has done its best to inform people of these changes and is responding in a way it considers to be the most productive. There are certain things we can have an impact on and we should focus on those.

**Agenda:** Approved

**Approval of minutes:**

Motion was made by Gerry Cross to approve the minutes of the October 25, 2013. **Motion carried.**

**Officer's reports**

1. President's Report

There is a review of our tenure and promotion criteria, standards and processes. Jenn Pettit and Marc Schroeder are the MRFA representatives on the Review Steering Committee. The MRFA Executive Board is preparing a response to the initial survey, and an individual survey will be sent to all faculty in the beginning of the Winter term.

2. Vice President Negotiations Report

People are concerned about pension plan changes and the changes to the benefits. Neither of these things are part of our negotiations structure, but we will take them into account as we develop our positions on our overall benefits packages. The negotiating committees are engaged in IP and have meetings scheduled through the rest of the term to develop this article.

Discussion:

- Is the Negotiating Committee going to take up increments on maternity leave? This is important to faculty.
  - o It is something the committee has been hearing in areas of the institution. We are aware of it and it will be part of the survey going out to all faculty.
  - o We tried to get movement on this in the last round of negotiations but did not get anywhere.
  - o We do not know at this point what our specific goals will be.
  - o This is something that may require multiple attempts.
  - o The Diversity Committee is preparing a brief on this that will go through the Executive Board to the Negotiating Committee. Gerry is optimistic that we may make progress in this area.
  - o This has been standard practice in Ontario for the past 30 years. It is incredible that we are having this discussion.
    - The Board should agree to resolve this and fix it retroactively.
    - It is a huge equity issue and it also affects pensions. There are a lot of implications.
    - There is also only a 3 month EI top up from the institution. This is a lot less than provided by other institutions.
  - o This should be taken seriously and, if not, then we should consider a class action lawsuit.

3. Vice President Policy and Grievance Report

One grievance recently ended at step 1. This was involving a member declared redundant. The redundancy letter contained inaccuracies and the redundancy decision was made based on course allocations that failed to adhere to the Collective Agreement in relation to the order of termination in the redundancy article. The member is glad that the inaccuracies in the letter have been fixed.

There is another grievance moving to step 2 regarding a department's lack of adherence to its definition of relevant accumulated experience.

**New Business**

1. Strategic Plan Committee, Scott Murray MRFA Representative

This committee was struck to develop a strategic plan for the University. Since MRU has new

academic and student plans it will be good to have an overarching strategic plan. The committee is engaged in scenario planning. The goal of these sessions is to imagine the challenges and the landscape of PSE in 15 years. The committee will develop the strategic plan based on four possible scenarios.

Discussion:

- There was a discussion at Chairs' Assembly on how this fits with program prioritization.
  - o Strategic planning is supposed to come first in this process.
  - o Program prioritization has not been mentioned at the strategic plan committee.
  - o The timeline for the committee is tight. The scenario planning being done now will produce a framework and a plan to be developed by the New Year.
  - o If program prioritization does come up Scott will represent the interests of faculty.
- Those declared redundant are not being told about open positions until May. There is a role for the MRFA to play in how to handle this.
  - o We are raising these issues on a regular basis, but are limited in our ability to effect change.
  - o Academic Affairs has been thinking about it and has agreed to discuss it further in the near future.

## 2. Online Student Evaluation of Instruction Pilot

Guest: Val Kinnear, Chair of the Ad Hoc eSEI Implementation Steering Committee

The committee was formed earlier this semester under the direction of the new Provost. She wants to ensure that this moves forward in an appropriate manner. Last year OIAP looked at online SEIs as one way to save money. At that time they asked Bissett to pilot it in Fall 2013 and Bissett agreed. With the cuts made in the winter there was more pressure for cost savings; so, OIAP decided to move faster, but Kathy has slowed it down. We are now making sure that we are doing this properly. The committee is meeting every two weeks. They are working with the pilot. The Bissett tenured faculty and ACCN online faculty and some clinical practice faculty as well as Geoff Owens are piloting it.

- We are piloting the ability to add specific questions if instructors are interested in doing so. We are not doing this with credit SEIs so that it is the same instrument being used in a different delivery environment.
- Another benefit of the online SEI system is that it allows you to analyze the data better.
  - o First you need to ensure that this would not permit knowing which student made which response.
  - o You would be able to see how responses differ based on the gender or even the 'seniority' of the student responding.
  - o We are not going there now but this is possible future functionality.
- The downside is response rate.
  - o We are at 72% response rate with the paper SEIs.
  - o We need to be aware of possible reductions to response rates and how it would affect actual scores.
- The volume of comments increases and someone will still have to vet them.

The committee is looking at how to effectively implement this transition. Members are reviewing and summarizing articles on this topic and considering how we are going to evaluate response rates. The November 2013 report of the committee is available [online](#).

Members of the committee will be coming around to Faculty Councils asking for tenured faculty to participate in this pilot next semester. Assuming that goes well then more information on how this will happen will come out in January.

Discussion:

- What is the cost of paper based SEIs?
  - o Valerie does not know the figure. It is expensive to hire the casual staff.
- The additional functionality is good in the formative role of SEIs but how would this apply to the summative use of SEIs?
  - o We need to be aware of the promises of the benefits of the software in relation to the actual benefits.

- Is there an opportunity to look at faculty teaching more than one section of a course to give the electronic SEI in one section and paper SEI in another section?
  - o There are different ways of doing this and it is possible.
  - o The other way of doing this is looking at a course done in the fall and the same course in the winter.
- For the winter pilot the committee will maintain the same format in terms of delivery to have a basis of comparison. Will students be able to do an SEI on handheld devices in the classroom? This is a good change and some may be willing to do that.
  - o That is happening this semester. The committee is asking faculty if they did this to see if it impacted response rates.
  - o So faculty could set aside class time and it would be recommended that faculty leave the room to do this.
  - o With the online SEIs students have from Nov 18 to Dec 9 to respond.
- Is there interest in evaluating all courses? So it will not be selected courses being evaluated?
  - o The software allows for this and it would not be much more expensive to do so. But, there is no way that this would be required.
- It was surprising to see that the message going out to students went to their preferred email addresses not their mymru emails.
  - o This was a mistake and it will be sent to the mymru email in the reminders
- Is there any institution that has made this transition that reported on its success?
  - o Yes there is a lot of such information and the committee is reviewing it.

**Adjournment:** The meeting was adjourned at 6:10pm.

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 Communications Officer  
 Mount Royal Faculty Association

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 Date of approval