

# **NPSPA**

**NEWFOUNDLAND  
PUBLIC SERVICE PENSIONERS' ASSOCIATION**

**SEVENTH ANNUAL GENERAL MEETING**

**HOTEL ST. JOHN'S  
MAY 26, 1997**

## **MANDATE STATEMENT**

The Newfoundland Public Service Pensioners' Association exists to promote and advance the interests of its members by providing a medium for collaborative action on any matter affecting a pensioner's well-being.

## **PRIMARY GOALS**

To seek equitable pension increases, primarily through pension indexing based on a formula mutually agreeable with Government and the Association.

To represent membership interests with respect to maintaining a comprehensive insurance program which ensures adequate medical drug-care coverage for members, including those now residing outside the province.

## **OBJECTIVES**

To encourage our Public Service Pensioners to become members of the Association.

To promote the interests of Public Service Pensioners by providing a medium for collective action on matters affecting their well-being.

To represent Public Service Pensioners in addressing, with Government, the interests of its members, for the mutual benefit of all.

To promote, organize and take part in any other activity that is in the best interest of Public Service Pensioners.

## TABLE OF CONTENTS

AGENDA .....	3
ORGANIZATION.....	4
MINUTES OF 1996 ANNUAL GENERAL MEETING .....	5
BOARD AND PRESIDENT'S REPORT .....	14
COMMITTEE REPORTS	
GOVERNMENT INSURANCE COMMITTEE .....	16
PENSION ACTION COMMITTEE .....	18
PENSION INVESTMENT COMMITTEE REPRESENTATIVE .....	19
PUBLIC RELATION/MEMBERSHIP COMMITTEE .....	21
NOMINATING COMMITTEE .....	22
FINANCE COMMITTEE .....	24
TREASURER'S REPORT .....	25
AUDITOR'S REPORT .....	26
ROBERT'S RULES OF ORDER .....	30

## NPSA AGENDA

1. Call to order. ✓
2. Moment of Silence for deceased members. ✓
3. Adoption of Agenda. ✓
4. Introduction of Board of Directors. ✓
5. Introduction of Guest Speaker.
6. Adoption of Minutes of 1996 Annual General Meeting. ✓
7. Business arising from the minutes. ✓
8. Report of the Board of Directors. ✓ *Committee Reports*
9. Treasurer's and Auditor's Report. ✓
10. Nomination's Committee Report. ✓
11. Election of Board of Directors. ✓
12. Other Business. —
13. Adjournment. —
14. Luncheon & Election results. ✓

## ORGANIZATION

### BOARD OF DIRECTORS

President ----- Reg Gabriel  
1st Vice-President ----- Robert Langdon  
2nd Vice-President ----- Una Cook  
Secretary ----- Mary Codner  
Treasurer ----- Gordon Withers  
John Bambrick  
Gordon Breen  
Clarence Randell  
Eric Sturge  
Augustus Vaughan  
Bruce Winsor

### FINANCE COMMITTEE

Gordon Withers, Chairperson  
Gordon Breen

### PR/MEMBERSHIP COMMITTEE

John Bambrick, Chairperson  
Una Cook  
Bruce Winsor

### PENSION ACTION COMMITTEE

Clarence Randell, Chairperson  
Eric Sturge  
Gus Vaughan  
John Bambrick

### GOVERNMENT INSURANCE COMMITTEE

Gordon Withers, Chairperson  
Bruce Winsor

### CONSTITUTION COMMITTEE

Robert Langdon, Chairperson

### SPECIAL PROJECTS COMMITTEE

Robert Langdon, Chairperson  
Gordon Withers  
Reg Gabriel

### SOCIAL COMMITTEE

Mary Codner, Chairperson

### NOMINATING COMMITTEE

Robert Langdon, Chairperson

### REPRESENTATIVES

John Bambrick - Pension Investment Committee  
Reg Gabriel - Proposed Newfoundland Council on Ageing  
Gordon Withers - Government Insurance Committee

### PERSONNEL

Maureen Hogan - Administrative Assistant

**NEWFOUNDLAND PUBLIC SERVICE PENSIONERS' ASSOCIATION  
ANNUAL GENERAL MEETING  
MONDAY, MAY 27, 1996  
10AM  
HOTEL ST. JOHN'S, KENMOUNT ROAD**

**1. CALL TO ORDER:**

The meeting was called to order by the President, Reg Gabriel, at 10am, with 67 members present. A warm welcome was extended to all present. Mr. Gabriel stated the meeting would be conducted according to "Roberts Rules of Order" as outlined in back of the Annual Report. Also, please add to the Government Insurance Committee, Page 3, the name of Doug Whitten.

**2. ADOPTION OF AGENDA:**

The agenda was adopted on a motion by Ern Shute, seconded by Eric Sturge.

**3. INTRODUCTION OF BOARD OF DIRECTORS:**

Members of the Board of Directors were introduced by Reg Gabriel. Absent was Bruce Winsor (out of Province).

**4. INTRODUCTION OF THE GUEST SPEAKER - MR. PHIL WALL:**

Mr. Phil Wall, Deputy Minister of Finance, was introduced by Mr. Reg Gabriel. Mr. Wall brought greetings from Mr. Dicks, Minister of Finance and Mr. Peter Kennedy. He then spoke to the members on the purpose and activities of the Government Investment Committee.

**PUBLIC SERVICE PENSIONERS ASSOCIATION ADDRESS**  
**MAY 27, 1996**

**INTRODUCTION**

Let me start by bringing you greetings from the Minister of Finance, the Honourable Paul Dicks, as well as from my counterpart in Treasury Board, Peter Kennedy, whom I understand spoke to you last year.

It is indeed a pleasure for me to have the opportunity to address you. Many of you I know personally, and I have worked with you in the past. I can honestly say that I am looking forward to joining your association in the not too distant future.

Today I will talk about the Public Service Pension Plan, the Pension Investment Committee, and how and where our pension fund is invested. I expect you may be concerned about the lack of indexing and I will also address that issue.

## PENSIONS INVESTMENTS

As you are no doubt aware, since 1980, all contributions of employees and their employers are placed in a separate fund managed independently from Government operations under the provisions of the Pensions Funding Act. Prior to 1980, our contributions were directed into the Government accounts and used to fund ongoing Government expenses and operations.

At 31 December, 1995 the PSPP portion, which amounted to \$785.8 million, was invested in marketable securities, including stocks (equities) 67.9%, bonds and debentures 27.3%, short term notes (Treasury Bills) 3.5%, and some real estate 1.3%.

For the year ended 31 December, 1995, the Fund earned 16.7% on its investments, and for the four years ended on that date the average annual return amounted to 11.4%. The ten year return for the fund was 9.9%.

The Pension Fund is administered by a Pension Investment Committee which is responsible to the Minister of Finance as trustee.

The Committee is comprised of 13 members being representatives from the Department of Finance and Treasury Board, the NTLTA, various Government unions, one independent businessman, and quite recently a pensioner representative, Mr. John Bambrick. I can say to you, that your representations, and especially to Peter Kennedy last year, had a lot to do with the inclusion of one of your members.

The Committee administers all aspects of the Fund including the hiring of various managers to invest the assets, a custodian to hold the securities for safekeeping and provide record keeping for purchase and sale transactions (Royal Trust), and an international consulting firm (Frank Russell Limited) to advise the Committee on matters pertaining to the investment managers.

I can say that Government has not interfered at all with the PIC and all our decisions with respect to the investment of funds and the hiring and replacement of Fund managers have been 100% supported.

At present there are one of the most senior investment management firms in the industry responsible for various segments of the investment portfolio:

### **Canadian Equity**

R.T. Capital (small cap)\*

Mullvihill Capital (small)

Beutal Goodman (large)

Gryphon Investment (large)

### **Foreign Stocks**

Sprucegrove Investments (global)

Independence Investments (U.S. index)

### **Bonds**

R.T. Capital\*

J.R. Senecal & Associates

### **Real Estate**

R.T. Realty Advisors

## **Fleming Canada (global)**

This much expanded investment team has been developed from just one manager during the 1980-84 period. The group provides diversification, and the risk is shared such that no one investment manager's decision can seriously hurt the overall Fund's performance.

Each manager's performance is monitored on a quarterly basis against other pension fund managers, and market indexes like the TSE, and the various bond market indexes.

### **INDEXING**

Historically, pensioners used to receive annual "ad hoc" cost of living increases which were granted by Government but charged to the Pension Fund. This program was in place for some 20 years and ceased in 1989. The last cost of living increase amounted to 2.5%.

In 1989 the Commission of Enquiry on Pensions was established to review all aspects of Government pension plans, including indexing.

That Commission recommended that no indexing should take place until all plans were 50% funded, or if it did go ahead, it should be accounted for and funded separately.

In 1990/91 Government circulated a formal indexing proposal which would have provided for indexing of 60% of CPI for all pensioners over age 65.

The cost of this program amounted to 3% of payroll to be shared equally between employees and their employers.

This proposal was deferred for the following reasons:

- (a) Due to the economic conditions in the 1990's no increases were given to employees and in some years compensation reductions took place.
- (b) It would be difficult to justify giving pension increases when public service salaries were frozen.
- (c) Also, it was felt inappropriate to provide additional benefits until the financing of the past service unfunded liability of \$1.1 billion had been addressed. This must be the top priority as the actuarial projections are that the Fund will be exhausted by the year 2019 unless action is taken.

### **COMMINGLING OF TPP AND PSPP FUNDS**

Another matter which I should touch on very briefly is the idea of commingling of the TPP with the PSPP.



As you may know, the TPP is in a very serious financial situation and it is projected to run out of money by the year 2005.

While some people have indeed asked me about this, I can say that as part of the analysis of alternatives to address the unfunded liability of the TPP and PSPP, the commingling of the two funds is not being considered.

Teachers, like public servants, are set against such an action. Indeed, I can tell you that I would also be against it.

Such an action would not address the unfunded liability issue but would put the PSPP at risk as its Fund would be exhausted sooner than the 2019 projection date. Most public service representatives would strongly resist such an action, unless there was ample demonstration that both plans were moving to full funding and the "cash crunch" would be avoided.

While the earlier 60% of CPI indexing proposal has been deferred, Government will be asked to consider the proposal once the unfunded liability issue has been addressed and normal collective bargaining has resumed.

In the recent Budget Speech, the Minister of Finance made reference to the concerns of Government with regard to its unfunded liabilities and stated its desire to have Government and its employees work towards a solution.

### **SUMMATION**

In summary, your concerns with regard to indexing have been deferred until Government and its employees address the unfunded liability of \$1.1 billion so as to avoid the assets running out by the year 2019. Reference to this has been made in the 1996 Budget Speech.

There have been no discussions with Government, the NLTA or the various Public Service Pension Plan unions to consolidate the Teachers' Pension Fund into the Public Service Pension Fund. In my opinion, such an action would be resisted by both major groups and would not address the unfunded liability problem.

The Pension Fund is being invested professionally, independent of Government, by a sophisticated team of senior pension investment managers who are among the foremost firms in their industry.

The Pension Fund is invested in an aggressive fashion and the returns have been in excess of the long term actuarial assumptions. These excess returns have helped to push off the year in which the Fund is expected to run out of money.

Excess returns however are not enough to ensure that the Fund will remain financially sound. Additional contributions must be made.

The fact of matter is that the Government must deal with the unfunded liability, either unilaterally or in cooperation with its employees.

I will be doing whatever I can to convince the Government that they must act now.

**QUESTION PERIOD:**

**ERN SHUTE:** If a committee of Government, and Government employees is formed - re the unfunded liability. I hope consideration will be given to us, the Pensioners who are affected by that fund, and a representative by us will also be on that committee.

**MR. WALL:** I can't give any commitments, but in the terms of the unfunded liability, there are two issues: The teacher's pension plan which runs out in 2005 and the Public Service Pension Plan that runs out in 2019. The main thing for Government at this point is the fiscal constraints, and the outlook for the next couple of years are very difficult. The efforts will be to convince the Premier and Minister of Finance that they have to be prepared to provide financial resources to go towards reducing the unfunded liability. Plans have been made and will be presented to the Government and Premier that the fund can be brought up to the 50% level in the future, but it will require additional contribution from the employees of Government, in both cases, from teachers and public employees. If there is a committee set and I am not sure there will be, I will take your advice and try to have a representative on that Committee. As I guess the two most important issues for the pensioners are, increase in Pensions and indexing. I cannot commit but will take it under advisement.

**CARL SMITH:** First Phil, I would like to thank you for the assistance you and Gilbert Gill afforded us when we formed the Public Service Pensioners' Association in 1989, you gave us all the support we could hope for. The pension fund balance at the end of 1995 was 785 million. I noticed that in the statement for 1994, the increase in the pension assets was 2 million 578 thousand and I thought that was a small increase seeing that the average increase from 1986 - 1993 was something like 60 million per year, yet the increase for 1994 was a mere 2.57 million. Trying to analyze what happened to the asset investments, the change for the period 93-94 was a decrease of \$114 million than in 1993, the current period change the same period for 1994, the current period change was a decrease of 35 million so combined overall decrease form 93-94 was 114 million. Would you please enlighten us why this would be?

**MR. WALL:** Some years we get high returns for our stocks. 67% of our assets are invested in the stock market. In 1995, we got 16.7% return. The four year period return was 11%. 1994 return was down to 1%. Some years there are high returns, other years low returns. A couple of years they were low, but on an average there are more high years than low years. So we made a decision to invest heavily in the stock market because we want to get better returns. We have found that to be better than bond markets and short term market etc.

**CARL SMITH:** For the benefit of those people who want to know that this may only be a paper loss, because you did not dispose of the stock, maybe the next year it will show an increase above the average.

**MR. WALL:** These stocks may be on the market for \$100 but because of the down turn of the economy, if you value that stock not sold might be down to \$90. so you have lost \$10. on paper, but you have not lost that because you have not sold the cash. The next year it went up 16.7%. The last four years even with a bad year when we only had between 1-2%, over four year period was 11.4%.

**CARL SMITH:** Yes, because you compare the returns on the investment and equities. 1994 equities comes to 57 million, yet, the revenues earned only comes to 34%. Bonds and debentures was 27%, but the revenue coming from these sources was 65%. We did well on bonds and investments in 1994, but not so well on equities.

**MR. WALL:** Yes, 1995 the sources in the stock market did well. We try to have a certain portion of the fund in all markets. My goal while I am Deputy Minister - that Government take action to put extra funds into the pension fund, so as to bring it up to the fund level. When we get it up to the 50% level, we will be prepared to look at indexing, we are at about 39% level now.

**CARL SMITH:** In your presentation you mentioned about the fund being fully funded. But other plans in other provinces - most plans are never fully funded.

**MR. WALL:** Other than government plans, any private plans are required by law to be fully funded. Public Sector Pension Plans which are controlled by the government are, as a rule, never fully funded. Most have liabilities such as ours. Up until 1980, our funds went into general revenue. If it had been put into the fund since 1967, we would be up to the 70% level.

**ERN SHUTE:** The unfunded liability is 2.7 billion and what rate of interest, if any, are we getting? As regards to the unfunded liability, what do the fund have as a guarantee against that unfunded liability?

**MR. WALL:** We are not receiving any interest on that at the moment. We are going to approach government to put a plan in place to fully fund the fund. Two ways this be done: To get government and employees to increase their contributions by 1% or the government replace all the money it took before 1980. At present there is no money been paid into the pension fund, but we are calculating the amount of interest is owed to the pension fund. We are hoping a plan can be put in place to start paying back the unfunded liability and interest.

Regarding the guarantee against the unfunded liability. If the fund runs out of money, the government has to contribute a large amount, 200 million. I think the government will soon have to put extra money in the fund. The government also wants to get the teachers plan under control and they will not deal with one without the other. The guarantee is there and in legislation but something must be done now.

**CARL SMITH:** The province made one special contribution of 28.9 million to the teacher's plan a couple of years ago. Can you comment on that?

**MR. WALL:** A couple of years ago the province found its self in a favourable financial position. Some revenue had been received from the Federal Government and it was suggested it should be put into one of the pension funds, and this the Teachers Pension Fund, as that fund was in the worst position. I don't think the government will deal with the Public Pension Plan until they have something done with the Teacher's Pension Plan.

As question period had ended, Vince Rossiter, on behalf of the Public Service Pensioners' Association thanked Phil Wall for his presentation.

#### **5. ADOPTION OF 1995 ANNUAL GENERAL MEETING MINUTES:**

The minutes of the 1995 AGM were adopted on a motion by Carl Smith, seconded by Vince Rossiter.

#### **6. BUSINESS ARISING FROM MINUTES:**

Carl Smith referred to number 8, page 7. If any action had been taken re assignment of pensions?

**Answer:** Not as yet, but it has been referred to the Pension Action Committee but because of other priorities, it has not been acted upon.

#### **7. REPORT OF THE BOARD OF DIRECTORS INCLUDING SOME COMMITTEE REPORTS:**

The Report was presented by Reg Gabriel. It was adopted on a motion by Ruby Driscoll, seconded by Carl Smith. Carl Smith commented on the Boards work during the year. He stated that this is a voluntary group and should be thanked for conducting the affairs of the Association on behalf of the pensioners, and should be given an applause. Reg Gabriel thanked Carl and the audience for same.

#### **8. TREASURER'S AND AUDITORS REPORT:**

The Treasurers and Auditors Report including the financial statements were adopted on a motion by Gordon Withers, seconded by Bob Langdon. Gordon Withers thanked Nick Murphy, a member of the Association, for the Auditors Report.

**QUESTION:** Carl Smith - page 23 under accounting policies, the revenue is recorded when received, back to the balance sheet on page 21, there is interest receivable, if that is interest receivable, what do you credit?

**GORDON WITHERS:** Exactly, you are right. In case of interest, we did make the year-end adjustment.

**CARL SMITH:** In the President's Report, the contingency fund of \$25000, was this created before or after the end of the year? I can see no reference to it.

**GORDON WITHERS:** We had not set it up yet. This is still in the hands of the Committee.

Carl Smith thanked Gordon for an excellent job as Treasurer.

## **9. CONSTITUTION COMMITTEE REPORT AND PROPOSED AMENDMENT:**

The report was given by Vince Rossiter. The proposed amendment had to be approved by two-thirds of the members attending. The following amendment to the second sentence of Section 12, Article V1, by replacing it with the following:

"Retiring members of the Board of Directors who have served two(2) consecutive two(2) year terms shall not be eligible for re-election for at least two (2) years."

Moved by Vince Rossiter, seconded by Bert Price.

Discussion: Ern Shute did not agree with it. Carl Smith wondered why it was necessary. Reg Gabriel responded to Carl Smith. Motion Carried.

## **10. NOMINATING COMMITTEE REPORT:**

Vince Rossiter presented the report of the Nominating Committee. Six members had been elected in 1995 for a two year period, namely, Reg Gabriel, Bruce Winsor, John Bambrick, Eric Sturge, Robert Langdon, and Nat Mullett. Nat Mullett was unable to fulfil his commitment, therefore, there are now seven vacancies on the Board. The following candidates are hereby nominated to fill the vacancies:

Gordon Breen	Clarence Randell
Mary Codner	John Slade
Una Cook	Gus Vaughan
William Cook	Gordon Withers

As you are aware, the purpose of the nominating committee is to ensure that at least one qualified candidate is available to fill each vacant position on the Board. It is not intended in anyway to preclude any nomination from the floor.

It was also explained that Mr. Mullett had one year left to serve, so the person elected in the 7th position, with the least amount of votes, would be for one year only.

Moved by Vince Rossiter that the Report be accepted, seconded by Eric Sturge. Carried.

## **11. ELECTION OF BOARD OF DIRECTORS:**

The election of Board members was conducted by Bert Price.

Nominations from the floor:

Daral Murphy nominated by Susanne Hill (accepted)

Ross King nominated by Mary Codner (declined)

Charlie Earle nominated by Eric Sturge (declined)

Catherine Fagan nominated by Eric Sturge (accepted)

John Slade who had been nominated for a position on the Board stated, if elected, he could only serve one year.

Scrutineers for the election were Bob Rex and Carl Smith.

The following names appeared on the ballot and this was the outcome after voting:

Una Cook ----- 61 votes

Gordon Withers --- 59 votes

Gordon Breen ---- - 52 votes

Clarence Randell -- 52 votes

Mary Codner ----- 50 votes

Daral Murphy ----- 47 votes

Gus Vaughan ----- 45 votes

John Slade ----- 36 votes

Catherine Fagan --- 20 votes

William Cook ----- 13 votes

Elected to the Board of Directors for 2 years were

Una Cook            Gordon Withers

Gordon Breen      Clarence Randell

Mary Codner        Daral Murphy

Gus Vaughan was elected for one year term, to fill the vacancy left by Nat Mullett.

## **OTHER BUSINESS:**

Some confusion arose as to the debate on the Committee Reports. The President explained that the reports had been placed in the manual, so they could be read and commented on if necessary. An opportunity was then given for any comments on the Government Insurance Committee and the Pension Action Committee Report. There was no discussion from the floor, so Reg Gabriel moved that the reports be accepted as reported. Seconded by Eric Sturge. Carried.

Reg Gabriel expressed his thanks to the four members retiring from the Board, namely, Susanne Hill, Vince Rossiter, Ern Shute, and Vern Simmons.

Tom Sandland, one of our members, wondered if this Association would consider something in memory of our departed members instead to standing for a moments silence for someone we do not know. He would like to suggest that we do something more to recognise our departed members such as adoption of spot in the city for beautification for the 500 Anniversary next year, such as the grounds of the old Holloway School, Longs Hill. Reg Gabriel thanked Mr. Sandland for the suggestion and it will be considered by the Board of Directors.

Doug Simmonds - Thanks to Nick Murphy for his service, free of charge, for auditing our books, seconded by Vince Rossiter. Carried.

Bert Price enquired if the newly elected Board would be getting together after the meeting because, as the Photographer, he would like to get a picture of the new Board of Directors. Answer, Yes. immediately following lunch. Reg Gabriel extended an invitation to all members to stay for lunch.

Ern Shute would like the assurance that the brief he had done, while on the Board, would not be forgotten and points that he raised would be addressed by the new Board and acted upon. Reg Gabriel responded and assured Ern that the views he had expressed had not been lost or set aside. They will be used by the Pension Action Committee as needed.

Motion to destroy ballots by Bert Price and seconded by Susanne Hill. Carried. Reg Gabriel declared the meeting adjourned at 12:15pm.

Respectfully submitted by

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Susanne Hill  
Secretary

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Reg Gabriel  
President

### **President's Report on behalf of the Board of Directors to the Association's 7th Annual General Meeting**

In terms of financial accountability the Association's reporting year is the same as a calender year. In keeping with tradition, however, the Board's working year generally covers the period from late September of one year to early June the next year.

During the period being reported on here, September 1996 to June 1997, the Association's business was conducted by way of the following. There were nine each Board meetings and Executive Committee meetings. In addition, the Board's standing and specially appointed committees met on a number of occasions. Individual reports from most of those committees are included herein. There is no report from the constitutions Committee because there was no perceived need for any review during the past year.

A Special Projects Committee was struck during the year to address issues, suggestions or concerns which should have special attention; but which did not come within the purview of any of the Association's standing committees. A separate report of its activities is not included because its work with respect to several initiatives remains incomplete.

It can be noted, however, that that Committee has been successful in obtaining Government's tentative agreement to have a memorial erected on behalf of deceased Public Service Workers on the grounds of the Confederation Building. Impetus for this Project grew out of a suggestion by Association Member, Mr. Tom Sandland. The Committee is also exploring opportunities to secure reduced commercial insurance cost options and other benefits for Association members.

At the beginning of the year the Board set forth a number of goals which it hoped to achieve. The first was to continue to raise its profile before Government, and its goal to achieve pension indexing. Activities in this regard were undertaken mainly by the pension Action Committee. However, given the prevailing environment of cut backs, lay offs and threatened pension funds (Teachers) it is fair to say that our cause was of minimal concern to Government.

We also intended to increase the Association's membership by convincing Government to allow us to enclose with the life certificates information about the Association for the attention of those who are not yet members. This endeavour continues. Here too, Government's cooperation is required if we are to achieve this goal.

Efforts to produce an information resource booklet, including a membership application form was successfully completed by the membership committee. It will serve as an information source in responding to enquiries from prospective members, and a ready reference for new members.

The Association used other opportunities to promote its interests and to acquire information that could be beneficial for the membership. A written brief was submitted to the Human Rights Commission as part of its review of the Human Rights Code. The Association pointed out that the code makes little or no mention with respect to the protection of human rights for persons aged 65 years and over.

Board representatives were invited by the Canadian Drug Manufacturers' Association to attend an information session in St. John's, and subsequently a conference in Montreal, to learn about the issues related to the availability of generic drugs versus brand name drugs. One fact is especially clear. Health insurance programs are costing more because generic drugs are either not readily available, or not being used. This will lead to pensioners paying even higher premiums for health care insurance if inexpensive, generic drugs remain unavailable.

Increasing drug costs is an issue which affects all tax payers including older adults, whether they are retired pensioners, part of organized groups or dependent on universal, government pensions. It is an example of an issue which should have the support of a collective, seniors' voice in lobbying for corrective measures. Toward this end, a steering committee has been working to form a Newfoundland Council on Ageing. It is proposed that such a council could become an umbrella



organization which would represent all seniors, their organizations and other groups working for or on behalf of the elderly. The NPSPA has had representation on the Committee, and has indicated its support for the formation of a Newfoundland Council on Ageing.

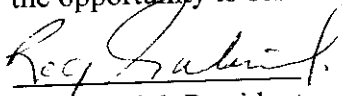
The Board also made representation to the Minister of Finance, regarding Government's policy of not rehiring Government Pensioners. The Association indicated that it supports the Policy; and that it should be applied equally to all, rather than permitting any exceptions.

Over the past few years the same question has been raised periodically regarding the Association's ability to reach out to its membership. Strangely enough, the question has usually been raised within the St. John's area, and usually by incoming members of the Board.

In response, the Board decided to hold an Executive Committee Meeting and an information session in each region, on a rotating basis, beginning with the Western Region. The Western Region meeting, scheduled for 30 April 1997, was cancelled due to travel being interrupted by a severe, late spring storm. It is being rescheduled to a later date. Based on preliminary responses from the Western Region in anticipation of the scheduled meeting, it is evident that there is a good deal of interest in this effort to reach out to the Association's membership.

I wish to take this opportunity to thank the Board Members, including the Committee Chairs and Members, for their voluntary support and dedication to the work of the Association during the past year. I wish to also thank Mrs. Maureen Hogan, our Administrative Assistant, for her support, dedication and tireless effort and follow-up in responding to the variety of enquiries received at the Association's Office.

I should like to express appreciation to the Association's Membership and the Board for having had the opportunity to serve as your President during the past year. It has been a privilege, thank you.

  
Reg Gabriel, President

## **GOVERNMENT INSURANCE COMMITTEE**

The Government Group Insurance Committee is comprised of representatives of all employee groups and retirees covered by the Government Plan as well as Treasury Board. The Chair of our internal committee for the Group Insurance Program represents the Association on the Government Committee.

The Association was represented at all Committee meetings for the fiscal year 1996-97. The main business of the meetings was to consider the renewal presentation of the Program Underwriter Blue Cross of Atlantic Canada. The renewal date of the program was 1 April 1997.

## **Renewal Results:**

### **Health Plan**

Premiums for the main Health Plan which includes the drug prescription plan have not increased for this fiscal year.

The main change occurs in the area of Supplementary Health benefits. Pre-authorization is now required for the rental and/or purchase of all durable equipment and all nursing care/home care benefits. Pre-approval for these services may be obtained by calling the toll-free number for Blue Cross of Atlantic Canada which is 1-800-667-4511. This change was made to ensure cost containment due to increased utilization and projected cost increases.

### **Dental Plan**

As of March 1997, this optional plan had a significant estimated deficit. Blue Cross indicated that the deficit resulted from increased utilization as well as coding changes by the Canadian Dental Association for the scaling and polishing procedures. This Plan will require an increase of 20.9% effective April 1, 1997. This represents an additional \$1.31 for single coverage and \$2.88 for dependent coverage per pay period.

The Committee was not in favor of reducing benefits to reduce or eliminate the deficit.

### **Travel Benefit**

There are significant changes in the Travel Benefit Program.

Past contribution rates charged by Blue Cross were \$0.44 per month single and \$0.88 per month family. The plan had no maximum on the number of days covered per trip or on the number of trips per year. The Travel Program had the same coverage and rate structure as when Blue Cross was awarded the Government Group Insurance contract.

Blue Cross stated in its renewal presentation that the experience on the travel plan has been that it has continually deteriorated since inception, and losses were incurred in the last four rating periods. The loss ratio for the retiree section was over 300 per cent before administration.

Blue Cross requested that the unit rates be increased to \$0.82 per month single and \$1.64 per month family to maintain the same coverage.

Government was not prepared to provide any additional contribution for this benefit. Therefore Blue Cross was requested to provide the level of coverage that could be purchased at the current contribution rates.

This means that the Plan will now provide coverage for a maximum of thirty (30) days per trip. (No

*limit on number of trips per year*). Coverage commences from the actual date of departure. If coverage in excess of thirty days is required it will have to be purchased individually at full cost.

Several other options for different periods of coverage were also presented by Blue Cross but again there were additional costs involved in which Government was not prepared to participate.

Your Association's board of Directors fully appreciates that the thirty day maximum does not meet the needs of some of our members considering the open ended coverage that we have enjoyed for a number of years.

Even though this benefit reduction effects some retirees more than other plan participants we continue to achieve our objective of ensuring that benefits available to retirees are consistent with those available to other participants at the same cost.

This objective will continue to be the main thrust of the Association's participation in the activities of the Government Group Insurance Committee.

Respectfully submitted by

---

Gordon Withers, Chairperson

## **PENSION ACTION COMMITTEE**

Since the last Newsletter in October 1996 your committee has been extremely active. Four meetings of the committee were held, and in addition the Chairperson met privately with the Deputy Minister of Finance, Mr. Phil Wall, as well as other senior pension staff in the Department of Finance.

The committee recognizes that formal indexing of pensions is still not in the immediate plans of Government. This objective of the Association is negatively impacted by a number of factors, particularly by:

- a) the current large scale reduction in the Public Service;
- b) the absence of salary increases in the service for the past seven years;
- c) the extent to which the past service liabilities of Government Pension Plan are unfunded.  
(Government stated, in response to our brief last year, that they are not prepared to consider further indexing until all Government plans are at least 50% funded).

We are pleased to report that the Public Service Pension Plan is now funded well in excess of 40% of past service liabilities. This has resulted from very good returns on the funds currently invested.

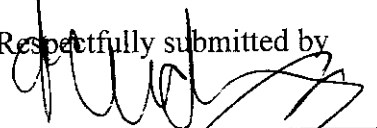
Despite the current depressed state of Government financing, the Pension Action Committee will continue, on behalf of the Board and membership, to place our concerns and our objectives before Government at every opportunity.

In this regard, meetings have been scheduled this month with officials of the Department of Finance, Pensions Division, to review the current state of investments, and as well to review possible other benefits to pensioners that could have minimal impact on the financial resources of Government.

A meeting has been planned in the next two weeks with a senior member of the Federal Pensioners' Association, to make comparisons and possibly identify other areas we can explore with the Provincial Government.

Finally, with the approval of the Board of Directors, your Action Committee has applied to Human Resources Canada, for financial assistance to hire a 2nd or 3rd year university student with a suitable background in statistical analysis. The intent is to hire this student for the upcoming work term to compile detailed information on Pension Benefits in all provincial jurisdictions and may even include the Federal Government Pensions. This information when compiled would be carefully analysed and compared with our Pension Benefits. Again, the principal intent would be to generate much needed information to strengthen our approach in presentations to the Government of Newfoundland and Labrador.

Respectfully submitted by

  
Clarence Randell, Chairperson

## **PENSION INVESTMENT COMMITTEE**

The Newfoundland pooled Pension Fund is comprised of the Public Service pension Fund, the Teachers' Pension Fund, the Uniformed Pension Plan and the MHA Pension Plan.

The Fund's asset loss exposure as compared with the asset mix policy at year end was as follows:

	Asset Mix at Market	Asset Mix Policy
Canadian Equities	43.7 %	40.0 %
Foreign Equities	22.8 %	20.0 %
Real Estate	1.1 %	10.0 %
Bonds & Debentures	25.1 %	30.0 %
Short Term Notes	7.3 %	0.0 %

Pensions totalling \$178.7 million were paid from the fund during the year 1996. A total of 2,080 refunds amounting to 14.0 million was paid out of the fund for the same year.

During the year there was a total cashflow shortfall of 46.7 million. Cash deficits for the Public Service Pension Plan in 1996 were as follows:

Employee and Employer contributions -----	\$ 80.0 million
Pension, refunds and administrative costs -----	<u>\$102.2 million</u>
Cash Shortfall	\$ 22.2 million

In 1996, the Pooled pension Fund experienced a decrease in the number of active employees and a net increase in pensioners as follows:

	<u>Active Members</u>	<u>Pensioners</u>
Number, beginning of year	32,218	11,171
Additions (reductions)	(1,436)	907
Number, end of year	30,782	12,078

Employee and Employer contributions to the Pooled pension Fund, totalling \$143.7 million for 1996, decreased by \$0.4 million for 1995. Employee and Employer contributions to the public Service Pension plan of \$80.0 million are \$1.0 million (1.3%) greater than 1995 contributions of \$79.0 million. This increase is due to the reinstatement of 100% employer matching of employee contributions, effective April, 1996. During the fiscal year ending March 1996, the employer reduced its contributions by 1.05% of payroll.

Expenditures in 1996 for the Pooled Pension Fund increased by \$15.5 million (8.5%) over the previous year. This increase is the result of \$20.0 million increase in pension payment and a \$4.5 million decrease in refunds. The main factor attributing to the decrease in refund payments is that in 1995 expenditures included an amount of \$11.0 million paid to former employees of Nf & Lab. Computer Services which was privatized in that year.

Administrative costs decreased in 1996 by \$87.0 thousand (1.5%) for a total cost of \$5,512.0 thousand. This decrease is the result of the following factors:

- an increase of \$374.9 thousand in investment management fees;
- an increase of \$82.1 thousand in custodial costs;
- a decrease in salary costs of \$360.0 thousand. Salary costs in 1995 were higher than normal because of a one time provision for the initial recording of severance and vacation costs totalling \$327.0 thousand. The remaining reduction of \$33.0 thousand represents actual salary saving in 1996 as a result of downsizing;
- a decrease in actuarial consulting fees of \$158.0 thousand;

- a decrease in medical assessment fees and other expenses of \$21.0 thousand.

#### INCREASE IN NET ASSETS

Investment Income	\$34,551
Gain on sale of investments	66,798
Current period change in market value of Investments	<u>63,368</u>
	\$164,717

Employee Contributions	42,048
Employer Contributions	<u>37,951</u>
	\$244,716

#### DECREASE IN NET ASSETS

Pensions	\$87,137
Refunds with interest	11,106
Administrative costs	<u>3,947</u>
	\$102,190

Total increase in Net Assets \$142,526

Net Assets available to Public  
Service Pension Fund at  
Year End, 1996 \$928,348 \*

\* This figure represents 71% of the Total Net Asset Fund

Respectfully Submitted by

---

John Bambrick, Representative  
Pension Investment Committee

### **PUBLIC RELATIONS/MEMBERSHIP COMMITTEE**

There were three Newsletters published in 1996-97. The Newsletter is our best means to communicate new information to our membership. Much of the information was provided through reports prepared by the Chairpersons of the various working committees. While there has been minimal feedback received from our members in response to our Newsletter, we must assume that the paper serves a meaningful purpose.

We conducted a survey to try and determine whether a specific name should be applied to our Newsletter. Such a name might be the Communicator, The Signal, The Highlighter etc. However, no response was received from our membership, even though an award was offered for recommending the name selected. This name for our Newsletter may now be considered at a later date. If you should have a suggestion for our Newsletter name, why not pass it on to our business office. Also, any comments or recommendations you may wish to offer which might improve the Newsletter will be appreciated.

Since the last Annual General meeting held May 1996, membership increased by 233 new members. Membership to date is approximately 3400. Over the next couple of years, our Public Relations/Membership Committee will consider means to develop a higher profile of your Association.

The brochure for new members referred to in last years Annual General Report has been completed. It answers the type of questions that pensioners may have as to whether or not they should join the Newfoundland Public Service Pensioners' Association. It outlines the purpose, goals, objectives etc., of the Association and is now being supplied to retiring employees. In fact, this very comprehensive brochure is an excellent source of information for all pensioners as well as those who are about to retire. An application card is supplied as part of the new brochure.

We encourage all retirees under the Public Service Pension Plan to join the Association. If you happen to know of any friends who have not enrolled, we ask that you likewise encourage them to join.

I wish to express my sincere thanks to Una Cook and Bruce Winsor for their generous support in working with the Committee. A Special thanks are extended to Maureen Hogan, our Administrative Assistant.

Respectfully Submitted by

---

John Bambrick, Chairperson

## **NOMINATIONS COMMITTEE REPORT**

As you are aware, the purpose of the Nominations committee is to ensure that there are candidates available to fill the vacancies being created on the Board. As Chairperson of the Nominations committee, it is my privilege to submit for the consideration and approval of the members attending this Annual General Meeting a slate of candidates who have signified their willingness to serve on the Board of Directors of the Association.

In addition to bringing forth a slate of candidates who have indicated their intention to seek election to the Board, the Nominations Committee also invites nominations from the floor of this Annual

General meeting.

Six members of the current Board of Directors were elected to serve a two year term. Those members are Gordon Breen, Mary Codner, Una Cook, Daral Murphy, Clarence Randell and Gordon Withers. Daral Murphy was unable to complete her two year term and her position was declared vacant.

One member of the current Board was elected for a one year term at the Annual General meeting of May, 1996, namely, Gus Vaughan. He completed the two year term for the position vacated earlier by Mr. Nathaniel Mullett.

This year, seven positions become vacant due to the completion of their two year term by John Bambrick, Reg Gabriel, Robert Langdon, Eric Sturge, Bruce Winsor; and the one year term by Gus Vaughan. The seventh position is that vacated by Daral Murphy who was unable to complete her term.

Of the above seven positions, six will be filled for a two year term; the seventh will be filled for one year, to complete the term vacated by Daral Murphy.

The constitution provides for the election of twelve (12) members at large to run the affairs of the Association during the forthcoming year. As indicated above, five members are serving the balance of their two year terms. Therefore, the following candidates are hereby nominated to fill the remaining seven (7) vacancies on the Board of Directors. It should be noted that the person elected with that number of ballots placing him or her in seventh position will serve for a period of one year.

John Bambrick	X Robert Langdon	Gerald Conran	Bruce Peckford	Anne Kieley-Ryan
X George Fiander	Eric Sturge	Reg Gabriel	Gus Vaughan	X Ed Langdon
				ERIC SALTER

In my capacity as Chairperson of the Nominations Committee, and on your behalf, I would like to acknowledge the services rendered and the commitment made to our Association by the retiring Board Members who are not seeking re-election at this time.

Respectfully submitted by

---

Una Cook, Acting for Robert Langdon



*note  
in 4  
shunt*

## **FINANCE COMMITTEE**

The Finance Committee is responsible for overseeing the Association's financial management and for advising the Board on all related matters.

Our mandate is carried out by ensuring that the Association's accounting and control procedures, record keeping and financial statements provide the Board with the timely information needed to make meaningful financial decisions.

The Committee reports to the membership that the financial condition of the Association continues to be strong.

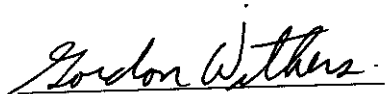
Our current assets consisting of cash and investments totalled \$57,000 at 31 December 1996, an increase of \$12,000 from the previous financial year.

Some of our activities during the year to accomplish our mandate are as follows.

- Budgetary projections for our revenue and expenditure for the 1997 financial year were prepared and approved at a meeting of the board of Directors. Our estimated revenues for 1997 totalled \$43,000 with estimated expenditures of \$40,000.
- Detailed financial statements, reflecting all revenues and expenses were prepared on a monthly basis and presented for the review and approval of the Board.
- Details of the Association's monthly payments were presented for Board review and approval.

Our current position as stated in our 1996 audited financial statements together with our 1997 budgetary projections indicate that the Association's financial position will remain strong.

Respectfully submitted by



Gordon Withers, Chairperson

## TREASURER'S REPORT

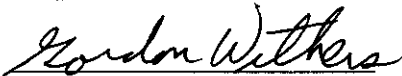
The Auditor's Report and our Audited Balance Sheet at 31 December 1996 and Statement of Revenue, Expenditure and Members' equity for the year ended on that date are presented for your review in this section of the Report.

Our 1996 excess of revenue over expenditure totalled \$14,820 comprised of revenue totalling \$42,178 and expenditure of \$27,358. This represents an increase of \$5,310 over our 1995 operating results.

Our total actual revenue and expenditure results for 1996 were within our approved budgetary projections.

We take this opportunity to express our appreciation to Association Member, Mr. Nick Murphy for offering his services once again this year to conduct our annual audit. It is evident from his report to the Board that Mr. Murphy has carried out a very professional review of the Association's accounting records.

Respectfully submitted by

A handwritten signature in cursive script that reads "Gordon Withers".

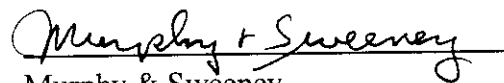
Gordon Withers  
Treasurer

**CHARTERED ACCOUNTANTS**Telephone: (709) 753-0880  
Facsimile: (709) 753-3608**AUDITORS' REPORT****To the Members of the Newfoundland Public Service Pensioners' Association**

We have audited the balance sheet of the Newfoundland Public Service Pensioners' Association as at December 31, 1996 and the statement of revenue, expenditure and members' equity for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Newfoundland Public Service Pensioners' Association as at December 31, 1996 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.


St. John's, Newfoundland  
May 5, 1997  
Murphy & Sweeney  
Chartered Accountants

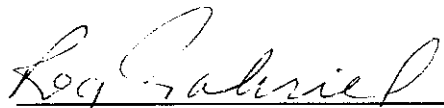
**NEWFOUNDLAND PUBLIC SERVICE PENSIONERS' ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 1996**

	<u>1996</u>	<u>1995</u>
<b><u>ASSETS</u></b>		
<b>CURRENT</b>		
Cash	\$ 14,737	\$ 3,326
Investments	41,682	40,020
Interest receivable	<u>720</u>	<u>1,591</u>
	57,139	44,937
<b>CAPITAL ASSETS</b>		
Office equipment	<u>9,214</u>	<u>6,596</u>
	<u>\$ 66,353</u>	<u>\$ 51,533</u>
<b><u>EQUITY</u></b>		
<b>MEMBERS' EQUITY</b>	<u>\$ 66,353</u>	<u>\$ 51,533</u>

See accompanying notes

Signed on behalf of the Association:

  
Gordon Withers  
Treasurer

  
Reg Gabriel  
President

**NEWFOUNDLAND PUBLIC SERVICE PENSIONERS' ASSOCIATION  
STATEMENT OF REVENUE, EXPENDITURE AND MEMBERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 1996**

	<u>1996</u>	<u>1995</u>
<b>REVENUE</b>		
Membership fees	\$ 40,154	\$ 37,476
Interest	<u>2,023</u>	<u>2,394</u>
	<u>42,177</u>	<u>39,870</u>
 <b>EXPENDITURE</b>		
Advertising	177	608
Annual meeting	879	1,233
Bank charges	54	44
Insurance	280	280
Office supplies/services	1,553	847
Postage	3,114	6,379
Printing	2,846	4,273
Rent	6,356	4,173
Salaries	9,344	9,974
Social committee	464	611
Telephone	<u>2,290</u>	<u>1,938</u>
	<u>27,357</u>	<u>30,360</u>
 <b>EXCESS OF REVENUE OVER EXPENDITURE</b>	 \$ 14,820	 \$ 9,510
 <b>MEMBERS' EQUITY - beginning of year</b>	 <u>51,533</u>	 <u>42,023</u>
 <b>MEMBERS' EQUITY - end of year</b>	 <u><u>\$ 66,353</u></u>	 <u><u>\$ 51,533</u></u>

See accompanying notes

**NEWFOUNDLAND PUBLIC SERVICE PENSIONERS' ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1996**

**1. ACCOUNTING POLICIES**

Revenue is recorded when received except for interest on investments which is accrued to year end.

**2. CAPITAL ASSETS**

Capital assets are recorded at cost and are not depreciated.

**3. OTHER**

The Association was incorporated under The Corporations Act on December 29, 1994. The Association has no share capital.

## **Robert's Rules of Order**

1. The meeting shall be called to order at 10:00 a.m., Monday May 26, 1997.
2. Members wishing to speak shall, after recognition by the Chair, state their name.
3. If a member, while speaking, be called to order, he shall, at the request of the Chair, take his seat until the questions of order has been decided.
4. Should two or more members rise to speak at the same time, the Chair shall decide who is entitled to the floor.
5. A member shall not speak more than once upon a question until all who wish to speak have had an opportunity to do so.
6. Any member who, for information purposes, may request the motion under discussion to be re-read, except when a delegate is speaking.
7. Any member who, upon request from the Chair, refuses to take his seat, shall be subject to suspension for the remainder of the meeting.
8. Any motion presented becomes the property of the Association and may be withdrawn only with the consent of the assembled members.
9. Speeches shall be limited to three minutes, including moving a motion.
10. Questions shall be decided upon by a show of hands except where the Chairman is in doubt, then a roll-call shall be ordered.
11. A motion to reconsider shall not be entertained unless made by a member who voted in the majority and the motion received a majority vote.
12. When a roll-call has been ordered, no adjournment shall take place until the results have been announced.
13. The Chairman shall be entitled to debate on the subject after calling a Vice-Chairman to the Chair.
14. When provision is not made in the RULES OF ORDER and it is not in conflict with the constitution, Roberts Rules of Order shall apply.