PEIRTA Newsletter

Prince Edward Island Retired Teachers' Association

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From the President

Welcome to our first newsletter in 2014. I am hoping you and your families had a blessed holiday season and that this –34 degree wind chill is soon over!

We have a fabulous executive working on your behalf for the next two years, and we are pleased to announce that the group includes Vice-President Joyce McCardle, Past President Pat McCardle, Secretary Ernie Arnold, Treasurer Ann Ledgerwood, Prince Rep. Leah Harris, Queens Rep. Maureen MacNeill, and Kings Rep. Ron McIntosh. Chairpersons of our committees are Marg Stewart (newsletter), Bill Oehlke (website), Joyce McCardle (membership), John Rowe (pension), and Kimball Blanchard (group insurance). We can't say thank you enough for the contributions of Pat McCardle, Jim MacAulay, Sherrill Barwise, and George Knox over the previous two years and more. Wishing them all the best.

This past year has been a very challenging one with new policies being brought in by Government. Our Past President, Pat McCardle, has spent many hours on letters and meetings with politicians in P.E.I. She has kept our relationship with UPEI and Holland College strong and has attended many events and breakfasts or lunches with retired teachers' groups all across the Island. These are BIG SHOES to fill-in more ways than one way!!!!!

Our AGM held at the Rodd Royalty was our most successful in terms of numbers and in feedback on the day. We only hope that we can continue to build and grow. We will be heading to the Summerside area next November, 2014, so start getting your car pools ready now! We are hoping to continue to include a guest speaker as Ann Cairns was very well received, and it is important to have pertinent information for us "retired folk".

President Sheridyth MacNeill

Please note in this and future newsletters and in local newspapers the dates and locations of the county socials and the next AGM.

Hon. Wes Sheridan gave a presentation on pension changes at our 2013 AGM. Then Pat McCardle and Joyce McCardle attended other presentations by Mr. Terry Hogan. They were both very pleased with how he went over everything and answered everyone's questions at the end. It is important to understand that the pensions retirees are currently receiving

See **President**, 3

Visit our website at www.peirta.com

INSIDE THIS ISSUE

From the Editor

First of all, thanks to Pat and outgoing executive—Jim, Eric, George, and Sherrill. These people have given freely of their time to act as a voice for retirees. Pat, as president, has for the past two years driven many miles, attended many meetings, written many reports/letters/emails, and eaten many breakfasts and lunches in our name. Thanks, Pat. And welcome to new executive who have committed their next two years to represent our interests.

All of you know by now that changes have been made to public sector pension plans. Many of you were at the AGM when Minister Sheridan addressed the issue, and some of you have attended public meetings on the subject. However, I thought it might be useful to provide some details for those who may have missed them. You will find highlights on page 4. We have not addressed changes that affect active teachers except those that are related to maintenance of the funded status of the plan.

Should we be happy about these changes? Not really! But if the existing plan is truly unsustainable (and a good deal of evidence suggests that it is), we should be happy that we are doing something about it even if we deplore the necessity. Is this the best way to address the problem? Who knows? Government seems to think so, and argues that it is a better plan than some adopted elsewhere, and better than any other proposals discussed over a 16 month period. Will we be dramatically affected? It depends! If this government or future governments decide that they are unwilling or unable to make the promised contributions (as per the promissory note, and as related to funding levels) on a go-forward basis (although the promise is enshrined in legislation, we all know that legislation can be changed with the stroke of a pen), and/or investments tank, the fund could become truly unsustainable and we could face complete loss of indexing, decreases to our base pensions, and/or loss of other benefits. If, on the other hand, everyone follows through, investment returns meet projected needs, and we really are indexed 80% of the time, as projected by Government, the impact will depend on the level of indexing—and could be minimal. If we receive full cost of living four out of five years, we could be better off. If we receive less than the current caps, we will surely be worse off.

I am personally more concerned about changes to DCAP tabled in our legislature just before Christmas, and then passed with little or no informed debate and no media coverage. Making the Province the payer of last resort has huge implications for private plans in general, and for our plan in particular. Please read Kimball's article on page 5.

PEIRTA Executive does not necessarily agree with opinions expressed in material authored by those other than official representatives of the PEIRTA, and information about opportunities offered by others is for information only—no endorsement is implied.

Next issue early June. Submit material to margstewart@pei.eastlink.ca.

If you wish to read this newsletter online instead of receiving a hard copy, send me an email and I will let you know when each issue should appear on our site and on the PEITF site.

Letters to the editor should be a maximum of 200 words, must include a one-line bio, and may be edited for length..

PEIRTA Executive and Officers 2014-2016

President: Sheridyth MacNeill (892-4440) e.macneil@pei.sympatico.ca

Vice-President: Joyce McCardle (436-6960) joyce.mccardle@pei.sympatico.ca

Past President: Pat McCardle (892-1915) patricia.mccardle@pei.sympatico.ca

Secretary: Ernie Arnold (583-2218) ernie13arnold@hotmail.com

Treasurer: Ann Ledgerwood (892-9366) aledgerwood@pei.sympatico.ca

Representatives by County

Prince: Leah Harris (859-2896) leahhrrs@hotmail.com

Queens: Maureen MacNeill (628-8970) moemacneill@hotmail.com

Kings: Ronald C. McIntosh (687-2996) ronniemcintosh@hotmail.com

Membership Chair: Joyce McCardle (436-6960) joyce.mccardle@pei.sympatico.ca

Pension Committee Representative: John Rowe

Group Insurance Representative: Kimball Blanchard

PEIRTA Webmaster: Bill Oehlke oehlkew@islandtelecom.com

Newsletter Editor: Marg Stewart margstewart@pei.eastlink.ca

President (cont'd from 1)

will not be reduced. Retirees will, however, see a change in how and when they are awarded future cost-of-living adjustments, commonly known as indexation. We sent letters in December to Hon. Wes Sheridan and Deputy Minister David Arsenault requesting that we have a representative on the Teachers Superannuation Fund Commission being revamped in the new year. For details on the pension changes, please read carefully the article on page 4.

With regard to our health insurance, Kimball Blanchard is our capable RTA representative and he, Pat, Michel Plamondon and Jim MacAulay met with Hon. Doug Currie. Not much information seemed to be available at this meeting. Later Kimball, Michel, and Pat met with the Deputy Minister of Health, Dr. Michael Mayne, concerning the DCAP program. At that point final details were unavailable. Kimball will fill you in on page 5. Please take the time to read his article carefully because it concerns you!

In closing, I want to say that I am looking forward to the next two years and I hope many of you will consider being a part of this great group and someday also offer your services on the executive level. The rewards and friendships made are many!!!!!

Address Changes

If your address changes, or if you know anyone who has had a change of address and/or is not receiving this newsletter, please have him or her notify our membership chair (contact info on page 2).

You Didn't Ask, but... Joyce McCardle

Off the Bucket List

Happy New Year to one and all; I hope you have a healthy, prosperous 2014.

The festive season is over for another year; the money has been spent; the decorations have all been stored awaiting Christmas 2014. Everyone has probably made the resolution "again" to cut back on the holiday brouhaha this year.

My resolution for 2014 is to remove a Christmas shopping bus trip to USA from my bucket list. This implies absolutely no negative thoughts about the tour company; they were wonderful. It has to do with my age and mostly my needs. When you don't need anything and don't know what you want, it makes it very difficult to find it.

On Nov. 1, 2013, I eagerly waited for the bus to begin my big shopping spree. We left Borden at 9:30 AM and arrived at our hotel in North Conway, NH, at 10:00 PM. We had lovely accommodations, but I was so tired I could hardly wait to unpack my pj's. How can one be exhausted just sitting? The next morning we were off to Settlers Green Outlet Stores.

I quickly came to the realization that there were no stores here that catered to old, fat people!! I contented myself with a couple of purchases at the Kitchen Collection Store; they fit. Everyone came back to the bus with bags and bags of treasures; I was a failure because I hadn't seen one bargain. We were transported back to the hotel at 5:00 PM and told we had twenty minutes before we left for the next store. I declined and went straight to bed. What a wimp!!!

After 12 hours sleep, I was rarin' to go on Sunday. I did find some clothing, but not at bargain prices. It was at the Maine Mall that one of our travellers was dubbed a scammer!!

AND she is one of our own retired teachers!! We were given a list of stores where Target Tours were to get a 20% discount. Armed with the list and a card identifying us as Target passengers, we all set out to shop. When Elaine (no last name here) gave her card at FYE (For Your Entertainment), she was accused of trying to pull a scam, and the cashier called mall security. What can I say? There's a black sheep in every family. Elaine's sisters and the rest of the travellers got a tremendous laugh out of this. It's always easier to laugh when it happens to others. The good news is we didn't have to leave Elaine in the Maine lock-up!!!

To end this bucket list tale: I have discovered that the greatest distance I'll travel to shop in the future will be Halifax. Mind you, I think I was the only wimp on the bus; everyone else found lots of "stuff" to buy and seemed to have an abundance of energy. Good shopping to future Christmas shoppers. I will stay home and write cheques.

What has been done to our pensions?

Editor's note: Content of the following article has been vetted and approved by Terry Hogan, Manager, Pensions and Benefits.

The Teachers' Superannuation Plan (TSF) is currently (December 2013) just under 80% funded. The funding level is an issue for Government for two reasons:

- as per generally accepted accounting principles (GAAP) Government must report unfunded pension liabilities as part of the provincial debt; and
- the level of funding affects the ability of the fund to continue to pay promised pensions.

In spite of an additional $460m in special payments from Government (above payroll matching) over the past 20 years and a recent increase in contributions by active teachers (matched by Government), Government believes that without changes, the teachers' pension plan is unsustainable.

While the TSF has never been fully funded, the funded level has fluctuated over the years. There are several reasons:

- missed government matching contributions prior to the 1980s (missed contributions, plus interest, have, according to Government, been fully covered off by the $460m in special payments mentioned above);
- changes to benefits and teacher contributions;
- volatile investment returns; and
- an increasing draw on the fund.

Government cites changing demographics (dramatically decreased number of active teachers contributing to the retirement fund relative to the number of retirees, earlier retirements, and increased life expectancy) and the historical inability of investment returns to close the funding gap as the main threats to the plan's sustainability.

Hon. Wes Sheridan at 2013 AGM

KEY CHANGES

- Government has committed by way of a promissory note to making whatever special payments are necessary to ensure that the TSF is funded at 122% effective January 1, 2014. A valuation at January 1 will determine the exact amount required, and the first payment, including accumulated interest, is legislated to be paid by December 31, 2014. The note is to be paid off in equal annual installments over the next twenty years.
- Since the early '90s we have been indexed at 60% of the cost of living to a maximum of 4%. After 2016 guaranteed indexing of our pension will be removed, along with existing caps. Removal of the guaranteed indexing eliminates approximately 12% of the fund's liability, which in turn reduces Government's pension liability.
- In 2014, 2015, and 2016 pensions will be indexed at .9%, a figure based on indexing for 2013. Beginning in 2017, whether or not pensions are indexed will depend upon the ability of the plan to pay (i.e. funded level).
- As long as the fund is 110% funded, we will receive some level of indexing, the level to be determined by the funds available. This process will be monitored by the Teachers' Superannuation Commission. We are optimistic that retired teachers will be represented on this commission. The potential exists for indexing to be greater than the current caps allow, up to full cost of living, or to be less.
- If the funding level drops below 110%, retirees will receive no indexing, employees will pay an additional 1% of pay, and Government will pay an additional 2% of payroll until such time as a valuation shows the plan funded at 115% or more.
- If there is no indexing in a given year, it is possible that indexing could be awarded later—if the funded level goes above 118%.
- Once indexing has been applied, the increase will become part of the base pension. Government promises that base pensions will be protected and will not be reduced.
- If the funding level drops below 100%, active teachers will lose their indexing and Government will make additional contributions equal to 4% of payroll until the funded level returns to 105%.
- If the measures described above are not sufficient to return the plan to at least 100% funded within five years, Government is required to make additional special payments to do so.
- Premier Ghiz reportedly believes that these changes will make our pension plan sustainable for at least 50 years.

Group Insurance

~ by Kimball Blanchard

DRUG COST ASSISTANCE PLAN

Two years ago there was a line item in the provincial budget indicating that the Province would become the second payer under the Drug Cost Assistance Plan (DCAP), and somewhat later the Minister of Health and Welfare indicated in a news release that the Province would save $4m by adopting this approach to the program that provides assistance to Islanders over 65 when they fill prescriptions. DCAP covers about 3200 drug numbers. What the Minister did not say was where the $4m would come from. We now know who will pay.

During the fall sitting of the Provincial Legislature, one that Premier Ghiz described as mainly a housekeeping session, the Government introduced a bill to change the DCAP. The legislation was passed in December with little discussion and no media coverage. As recorded in Hansard, the official record of legislative debate, the opposition asked a couple of insignificant questions and one Government member suggested that it was great that the rich insurance companies would be held accountable for the $4m, as they could well afford it.

The new legislation, which was signed into law by the Lt. Governor at the adjournment of the fall session, states that any person who is currently covered by DCAP and who has a private health plan will be affected. At the present time, in our plan (and not all plans are alike), when a member acquires a prescription, if the drug is covered by DCAP, the government plan pays for the cost of the drug, our plan pays the remainder, and the member has no out-of-pocket expenses. With the change in legislation the payments could be reversed, or plan holders could be faced with a co-pay. While we have no idea when the new legislation will be implemented, Regulations which will outline the exact way in which the new program will work will probably not be completed before the end of January and then will need Cabinet approval. Changes will have to be made in software programs, so, according to information received from the Deputy Minister of Health and Welfare, the startup date will not likely be before March 1.

When we met with officials from the Department of Health and Welfare there seemed to be an assumption that there will be no change in premiums for people with private individual or group health plans. The nature of the insurance industry would seem to suggest, however, that if there is an annual $4m increase in claims, that amount would have to be recovered somehow, and the usual way would be to pass the cost on to the consumer. It's impossible to predict with any certainty what will happen in the general market; in a best-case scenario, Government's assumptions will be correct and the insurance companies will absorb the cost.

What we **do** know is how the legislative change will affect **our** health plan. As you know, our plan is fully insured on a retention basis, making it a pay-in, pay-out plan. We pay Johnson Inc. and Medavie Blue Cross approximately 6% in administrative fees, and we pay approximately 3% of our premiums in taxes. The remainder of the premiums collected are used to pay claims. As Trustees we attempt to break even each year, with no surplus or deficit.

Without knowing the details of the Regulations which will serve as guidelines for the new DCAP, it is not possible to determine exactly how we will be affected. However, preliminary figures indicate that our annual costs could rise by $400,00 to $450,000 a year. Approximately 700 members of our plan are over 65 and will be affected by the changes. Maintaining our program as it presently exists would require a rate increase of $400 a year for those with single coverage and $800 a year for those with family coverage. Until the legislation is enacted and the full details are known, we don't know what action will be taken by the Group Insurance Trustees, but something will have to be done.

In our meetings with Department of Health and Welfare officials we attempted to point out the inherent unfairness of the changes. For example, our 700 members over the age of 65 will be paying about 10% of the total $4m the Provincial Government is planning to save. Many of our retirees have lost thousands of dollars in pension because of the 7.5 % cutback in the nineties. The guaranteed indexing has been removed from our pension, and while the new approach may work, there is no guarantee that it will. Like all Islanders we have been affected by the HST which has increased Government revenue by millions of dollars, money which had to come from our pockets. Many retirees are paying a substantial portion of their pension for health insurance, thus reducing the burden on the health system in the province. None of these comments were received with a great deal of sympathy.

One of the most disturbing things about this whole issue is that amendments to the legislation have been passed without any public participation, without any media coverage, and without any press releases from Government. The Deputy Minister indicated that companies and trusts that provide coverage have been informed, but it is doubtful whether most people in PEI who have earned and paid for private health plans are aware of what is happening. Possibly the MLAs who approved the legislation were not aware of the full implications of the legislative changes. Members of group plans may be able to make some adjustments in their plans, but one has to be concerned about people who have individual plans with private carriers and who have no bargaining strength.

As Trustees we are awaiting further developments. Dale Weldon, our →

Johnson representative, is working with Medavie Blue Cross to keep up to date on developments.

What can you do as RTA members? Contact your local MLA and ask about the fairness of the new legislation. Government recently announced with great fanfare a new, badly needed, catastrophic drug program for the people in PEI. It now appears that the new program will be paid for by the people over 65 who have a private health plan. Possibly Government will listen if people speak up.

COUPONS, COUPONS

Our health plan, like most health plans, operates in a market where normal economic factors do not seem to determine prices and costs. Inflation rates are usually considerably higher in the health care market than in the general economy. Media reports would indicate that the proposed Canada-European Trade Agreement may cause drug costs to rise in Canada by 10 to 20 percent. Recent legislation changes in the Drug Cost Assistance Program in PEI will cost our plan several hundreds of thousands of dollars a year. As trustees of our health plan we are continually looking for ways to maintain or reduce costs so the programs can remain affordable. One way to try to accomplish this was to adopt a policy of “generic first” for prescriptions. Prescriptions will be filled with generic drugs unless there is a known intolerance and the doctor writes "no substitution." It is estimated that .4% of people cannot take generic drugs, with the lack of tolerance often attributed to fillers as opposed to the medicinal ingredient. If "no substitution" is written on the prescription, then the actual drug will be used and our plan will pay for the drug in the normal manner. The province has also put regulations in place to deal with generics and this policy is common in most health plans as a method of cost control.

Brand name pharmaceutical companies have found a way to respond to the increased use of generic drugs and its effect on their normal market. They have begun to issue coupons which can be obtained online, from doctors, or from other sources. These coupons can be used at the pharmacy when a person is having a prescription filled and the coupon will pay all or part of the co-pay normally paid by the plan member. The coupon can only be used if the actual pharmaceutical company’s drug is used and not the generic form of the drug. The doctor must have written “no substitution” on the prescription. In 2012 the insurance industry estimated that over 3 million of these certificates were issued and over 1.2 million were actually used.

Here is an example of how this program can affect our health plan. Without the coupon, assume that the normal co-pay for a prescription is 20% of the cost of the drug up to a maximum of $10.

Brand Cost	$100	Generic Cost $25
Co-pay	$10	$5.00
Client pays	$10	$5.00
Plan pays	$90	$20.00

Now, with a coupon, assume that the brand name company pays all of the co-pay.

Brand Cost	$100	Generic Cost $25
Co-pay	$10	$5.00
Company pays	$10	$0.00
Client pays	$0	$5.00
Plan pays	$90	$20.00

In this example, the client benefits from the coupon because his/her cost at the pharmacy for a brand name drug is $0.00, while if the generic form of the drug is used the client pays $5.00 The catch is that our plan, in this example, would be paying $90 when the prescription is filled with the brand name drug, whereas if the generic form is used our plan would be paying $20.00. Extensive use of programs like this will place an additional burden on any health plan and will eventually cause premiums to increase for plan members.

Pharmaceutical Companies often have programs which will assist clients when very high priced drugs are required and they are to be lauded for this. But in the normal drug market plan holders in any health plan must take a careful look to determine if the short term gain is worth the long term pain. Every participant in our health plan must play a part in controlling costs as our plan is a pay-in, pay-out plan. As costs rise, premiums will necessarily rise as well.

Source: International Foundation Seminar: Great-West Life Assurance Company

Life Insurance Reminder

Are you approaching 65? Giving any thought to life insurance?

- At age 65 the term life insurance under the PEITF Group Insurance Plan automatically is reduced to $15,000.
- Your coverage can be converted to a private plan with the same carrier without evidence of insurability. Apply within 31 days of turning 65.
- You may purchase an amount equal to your present coverage, or a lesser amount.
- Before your 65th birthday, so you will be prepared to make the decision that best suits your situation, you should check to find out whether you are insurable, and investigate market rates for the amount of insurance you may wish to carry.

Questions? Call Johnson at 902-628-3537 or 1-800-371-9516, or visit their office at 111 Kent Street in Charlottetown.

Prince Edward Island Teachers' Federation

Gilles Arsenault

I would like to start by wishing each and every one a Happy New Year! I hope that 2014 will bring you joy, health and prosperity. I trust that everyone had a wonderful holiday season and that some of you are anticipating a trip or two down south to avoid this wintery weather, if you aren't already there. For those of you travelling this winter, safe travels; and for those of you staying on this beautiful Island these winter months—well, happy shoveling!

At PEITF, many activities are ongoing and many new initiatives will arise in 2014, but one thing that remains the same is the fact that the Teachers' Federation is always happy to collaborate with the RTA to help in any way we can. I want to commend Pat McCardle, your past-president, for a job well done, and I would like to congratulate Sheridyth MacNeill on being elected as your new president. To all executive members, congratulations on taking on this important task of representing retired teachers. I am looking forward to working with the RTA again this year.

We have been busy on many fronts but the most recent major activity we were involved in was the pension issue. We worked hard and long to get the best bang for our buck. As you would have noticed, we weren't the most vocal group on this issue as our strategy was to keep meeting with government for as long as we could in order to get the most for our members. I feel that we have come out ahead of the other unions with our strategic approach to these changes. We did all we could to minimize the impact on teachers. We raised the funding level of the plan from 117% to 122%. This amounts to about an extra 35 million dollars in our pension plan. I know and I understand that this was not everyone's preferred way of operating, but as a Federation we felt this was the most beneficial way of attaining our goals.

Once again, Happy New Year, and don't forget to take time to enjoy life!

Pension Roll-Back

If you have experienced a roll-back to your pension and haven't already spoken to Pat, please contact President Sheridyth MacNeill.

2014 Spring Socials

1:30-3:30

Prince—May 1

Venue to be announced later in newspaper ad

Queens—May 8

Jack Blanchard Centre, Charlottetown

Kings—May 15

Venue to be announced later in newspaper ad

2014-2016 RTA Executive and Officers

Back Row, left to right: Pat McCardle, Past President; Maureen MacNeill, Queens; Joyce McCardle, Vice-President; Ron McIntosh, Kings; Ernie Arnold, Secretary

Front Row, left to right: Sheridyth MacNeil, President; Ann Ledgerwood, Treasurer; Leah Harris, Prince

Holland College Award

Chantelle Stewart, 2013 recipient of the PEIRTA Holland College Award, with then–President Pat McCardle

Ann Cairns, pharmacist at Sherwod Drug Mart, addressed 2013 RTA AGM. Ms Cairns provided a wealth of useful and important information on issues related to prescription drugs and supplements. Hon. Wes Sheridan also addressed the meeting, and there was a tribute to deceased members.

Out-of-Province Travel Medical Insurance

A reminder that changes have recently been made to our out-of-province travel medical coverage. The most significant change is to the section on the stability period and the definition of stability as it relates to a pre-existing condition. From the amended section:

A pre-existing condition is considered Stable if you, in the 90 days before the departure date (or 90 days before the booking date for Trip Cancellation coverage), have not:*

- *been treated or evaluated for new symptoms or related conditions;*
- *had symptoms that increased in frequency or severity, or examination findings indicating the condition has worsened;*
- *been prescribed a new treatment or change in treatment for the condition (generally does not include reductions in medication due to improvement in the condition, or regular changes in medication as part of an established treatment plan);*
- *been admitted to a hospital for the condition; or*
- *been awaiting new treatments or tests regarding the medical condition. (does not include routine tests).*

The above criteria will be considered by Medavie Blue Cross collectively in relation to the overall medical condition.

If you have any questions, please contact Johnson Inc.

***Trip cancellation insurance coverage is not currently included in our policy.**