

REPORT of YURFL BENEFITS TRUST to ARFL AGM, May 2016  
from Fred Morgan in consultation with Margo Gewurtz

The basic message of Margo Gewurtz's reports of 2014 and 2015 remains the same. The "dental top up" of \$300.00 added to the \$950.00 from the employer for a total of \$1,250.00, incorrectly presented as part of the employer's provision, cannot be met by the earnings of the YURFL Benefits Trust. In fact only about ½ of the needed funds can be met by the current earnings. Why? The increase in the number of retirees plus the increased costs of standard dental procedures ballooned from around \$30,000 four years ago to over \$70,000.00 for the past few years. That would require an average earning of over 4% on our capital of about \$1,600,000 . The current market return for prudent investments that protect capital is much below that. Moreover, as those investments that did produce 4% mature they cannot be replaced with investments at a comparable rate. In order to remain prudent with capital and get a better return the Investment Trust Committee placed a substantial fraction of that capital in preferred shares. However the recent rate reset of the ManuLife preferred shares dropped that return to less than 2%, almost ½ of the previous return. It is likely that subsequent resets from other investors will follow a similar path. These difficulties of The Benefits Trust Committee have been made abundantly clear both to the ARFL executive and the ARFL membership as well as to YUFA. In the past two years YUFA has covered the shortfall by using earnings from its own YUFA Benefits Trust.

The agreement that provides the dental "top up" is between YUFA and the University, not with ARFL nor YURFL Benefits Trust. We are unsure of how YUFA plans to meet the \$300 "top up to the employer's \$950.00" feature in the most recent agreement. **IT IS NOT POSSIBLE TO DO SO WITH THE BENEFIT TRUST'S CURRENT INVESTMENTS.** To do so would require investing in common shares with the greater risk of losing capital. An equally undesirable approach would use existing capital to provide the shortfall. Clearly that would lead to a downward spiral that ends in the demise of the Trust Fund's capital. So, at the moment we await a decision on the part of YUFA as to what the role of the YURFL Benefits Trust should be. Any changes will be brought to the membership for consideration.