

Pension Information



September 2015

Teachers' Pension Plan (TPP) Fast Facts

- *The Plan serves over 91,000 active (44,800), inactive (12,000) & retired members (34,600)*
- *Members include teachers, vice-principals, principals, directors, assistant superintendent, superintendents from public school boards across the province*
- *The Plan holds assets of over \$23 billion, is the ninth largest defined benefit pension plan in Canada, currently holds no unfunded liabilities and has roots going back to 1919*
- *The TPP is (since 2001) a jointly trusted pension plan agreement between two partners, the BCTF and the provincial government, and share equally in the governance and administration of the plan*
- *The TPP board of trustees may amend the [Pension Plan Rules](#) as long as changes can be funded by pension fund surpluses or are cost-neutral to the plan. Plan rule changes that result in contribution rate increases must be approved by the partners*
- *Detailed information about The TPP, including governance, policies, plan particulars, publications, resources and investments, can be found on the [Teachers' Pension Plan](#) website*

Pension Plan Consultations: Why design change considerations?

- *Trustees, plan partners and plan members are proud of our strong defined benefit pension plan, one that has been recognized internationally for its effective structure and management.*
- *Pension plan design analysis is a crucial pro-active element that can ensure necessary financial security in retirement based upon appropriate responsiveness to changing society and member dynamics.*
- *Pension plan re-design focuses on “modernization” of the plan such that it can better meet the needs of plan members by enhancing & improving the current plan and ensuring long term viability of benefits.*
- *Certain demographic trends have become prominent: members are entering the profession at a later age, working longer and living longer. Such changes generate differing member needs.*
- *Potential changes to the way pension values are calculated and the current integration with the CPP may increase Plan benefits for members while providing equitable access to benefits.*
- *Plan partner guiding principles; preserving the pension promise, focus on sustainable indexing, focus on future service, no additional costs, along with the values of equity and fairness, serve to guide the vision around plan design considerations, analysis and potential re-design.*

“Plan changes would be for “future service” only, meaning any member-earned pension benefit is unaffected up to Jan 1, 2018. If you remain working and active in the pension plan after this date, prior earned pension benefits are untouched and there may be improvements to lifetime pension.”

What has happened thus far?

- *TPP initiated discussions with the BCTF on possible plan design change (2012)*
- *Plan member partner (BCTF) discusses with Plan employer partner (Government)*
- *Principles for changes agreed upon by both partners*
- *Potential Plan options selected by both partners with TPP Board input*
- *Consultation and education process initiated for Plan members*

What are the purposes of Plan member consultations?

- *To educate members about their pension plan (features and pension income)*
- *To educate members about the changes in retirement behaviour and demographics*
- *To educate members about possible changes to the pension plan*
- *To engage members in a dialogue about possible changes for the plan*

Average life expectancy for a 65 year old

Canada	Male - 83.5	Female - 86.6
BC TPP 1999	Male - 86.0	Female - 88.1
BC TPP 2014	Male - 88.5	Female - 91.1

What are the major considerations for potential Plan changes?

Integration or links with the Canada Pension Plan (CPP): accrual

- Currently the method used to determine the pension build-up rate (accrual) is linked to the Federal Government's "yearly maximum pensionable earnings" (YMPE). The YMPE for 2015 is set at \$53,600 with the accrual rates being 1.3% under the YMPE and 2% for earnings above that level.
- The Federal Government has been giving consideration to further changes to the CPP that could impact the benefits of members of the TPP. De-integration from the government established YMPE brings a higher level of certainty to Plan "drivers".
- A flat (across the board percentage) accrual rate effectively de-links from the CPP. A flat accrual rate, if high enough, will generate a larger lifetime pension and is easier to calculate than the split accrual rates associated with the YMPE.

Integration or links with the Canada Pension Plan (CPP): bridge benefit

- Currently the "bridge" benefit is a temporary mini-pension paid to members (no beneficiary entitlement) retiring prior to age 65. At age 65 the member no longer receives the bridge benefit and continue to receive the lifetime portion of their pension.
- The "bridge" benefit was introduced in 1966 to support the transition for those able to elect earlier retirement (prior to age 65 which was the age that the CCP started at that time). Effectively one would receive a 2% pension until 65 and then dropped to a lifetime pension of 1.3%.
- The "bridge" currently benefits only those members of the Plan who elect or are able to retire prior to the age of 65 and thereby could raise "equity" or fairness issues. This scenario also needs to be understood in the context of the trend for later retirement.
- The proposed options would 'fold' the bridge benefit into the lifetime pension (with beneficiary entitlement) with an increased lifetime pension of either 1.80%, 1.85% or 2.0% depending on the option being selected.
- The CPP remains outside of the TPP to be collected when the member is eligible and elects to access it.

No Factor 90 calculations and "Reduction Points"

- Currently a member where age plus length of "contributory" service equals 90 is eligible for an unreduced pension. There is a pension reduction of 3% per year for each year less than age 60, or 3% per year less than the Factor 90, whichever is less. The real cost per year of early retirement is closer to 6%.
- With TPP members entering into the profession at a later age and the strong trend towards later retirement, fewer members will be able to take advantage of Factor 90. In 2001 77% of retiring members were under the age of 60 and by 2014 that number dropped to 47%. This trend is expected to continue.
- The Early-retirement Reduction Factor (ERF) is currently 3% but can be adjusted to enhance the accrual rate, thereby delivering a higher lifetime pension. The options identified contain ERF rates ranging from 3 to 5% and ERF ages ranging from 60 to 62 years of age.

Numerical Summary of Proposed Options*

Scenario	Accrual Rate	ERF Rate	ERF Age
Option a	1.80%	3.00%	61
Option b	1.80%	3.50%	61
Option c	1.85%	4.00%	61
Option d	1.85%	3.00%	62
Option e	2.00%	5.00%	62
Option f (current)	1.30% \ 2.00%	3.00%	60

*calculations do not reflect the 2012-2014 actuarial report

Understanding potential implications for Plan members?

- *Plan members are encouraged to attend one of the scheduled [Pension Consultation Meetings](#) to acquire the depth of understanding required to meaningfully contribute to the consultation process.*
- *Plan members are encouraged to review the resource materials that have been made available by the Plan Partners and the Trustees. Direct online links are provided throughout this document to facilitate understanding of Plan design challenges, options and impacts.*
- *All service earned in the plan prior to January 1, 2018 will not be effected by plan design change. Potential Plan changes would become effective January 1, 2018 on a go forward basis. So if a member began their career on January 1, 1990 and retires as of December 31, 2020, they would have 28 years of service under current rules and 3 years of service under the new rules (based on assumption that the member has worked full time during this duration).*

Pension Contribution Rates as a percentage of salary

* below \ ** above YMPE	Current Plan	Options
Member	12.50* \ 14.00**	range from 9.5 - 11.0
Employer	14.63* \ 16.13**	range from 13.6 - 15.2
Total Range	27.13* \ 30.13**	range from 23.1 - 26.2

*calculations do not reflect the 2012-2014 actuarial report

Key resources to facilitate further understanding:

- TPP Trustee powerpoint that provides a brief history of your [Plan](#)
- TPP Trustee powerpoint facilitating understanding of key components of your [Plan](#)
- BCTF, the Plan partner has a [draft powerpoint](#) that is anticipated to be used during the consultation process. This powerpoint explores the options being considered in some detail.
- A series of [charts](#) have been created to facilitate comparison of the options and impact upon members.
 - There is a YouTube video that assists with use of the “[break-even](#)” data tables
 - There is a YouTube video that supports understanding annual [pension calculations](#)

Additional resources:

- A copy of the 2014 Annual Report for the Teachers' Pension Plan can be found [here](#)
- Pension Terminology clarified [here](#)

Timelines...

- September to December 2015, consultation and education process throughout province for plan members provided by the Plan Partner BCTF ([site link](#))
- October, BCPPVA guide document shared with members
- October, BCPVPA education session for CAC
- November 21st Plan Design presentation at Chapter Council (video to be posted on web site)
- **Fall 2015, member survey** to be completed after pension design session and education, ([survey link](#))
- January 2016, report and recommendations to BCTF EC
- March 12-15, BCTF AGM pension option selected and voted upon
- Spring 2016, partners inform Trustees of option selected
- January 1, 2018, implementation date



Notes:

Pension Info Update #2



February 2016

BCTF executive plan design recommendations to their AGM (March)

- *Delinking from the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE)*
- *A single 1.85% accrual rate (rate at which you build up pension benefits while an active member of the Plan based on service and salary) applied to Pensionable Service*
- *An Early Retirement Factor penalty (ERF) of 4.5% from age 61 (the penalty)*
- *Removal of the 35 year Pensionable Service cap*
- *An unreduced pension for those with 35 years of Contributory Service*

Previous plan design change announcements:

- *Removal of the 90 factor and age 60 retirement dates for un-reduced*
- *Removal of the "Bridge" (folded into the Plan for all members)*
- *Implementation of 'new' rules effective January 1, 2018 on a go forward basis (pro-rata between time of service under the older rules and the new rules)*

BCTF pension plan design consultation & survey feedback

- *BCTF consultations, including a review of survey results were shared with the BCTF Winter Representative Assembly (RA) on Jan 29-30, 2016 via a [powerpoint](#).*

Survey Highlights:

- *Approximately 4700 online responses were submitted*
- *41.7% of respondents were in the 45-54 years of age range*
- *58.9% of respondents were female whereas over 70% of all educators are female*
- *43.7% of respondents had more than 20 years in the public system in BC*
- *54.6 % of respondents selected their first choice of the six options as being retention of the current plan with no changes (option 'F')*
- *26.9% of respondents selected their first choice as 2% accrual, 5% (ERF) before age 62 (option 'E')*
- *The top second choice option (36.4%) was 1.8% accrual, 3% (ERF) before age 61*

BCPVPA

Understandings & Perspectives

Understandings...

- *Pension plan design analysis is a crucial pro-active element that can ensure necessary financial security in retirement based upon appropriate responsiveness to changing society and member dynamics. Pension plan review ensures guiding principles are being maintained.*
- *Plan partner guiding principles; preserving the pension promise, focus on sustainable indexing, focus on future service, no additional costs, along with the values of equity and fairness, serve to guide the vision around plan design considerations, analysis and potential re-design.*
- *The plan partners have agreed upon an actuarial cost limit of 22.8% for plan premiums for employer and employee that will need to be associated with the design option being recommended.*
- *The Plan re-design process affords a significant opportunity for a comprehensive education of all Plan members regarding the impacts of proposed changes and the attributes of the Plan.*

Perspectives...

- *The BCTF recommendation going before their AGM in March is a hybrid option derived from consultation feedback, emails, survey results, actuarial feedback and analysis. The inclusion of an unreduced pension after 35 years of contributory service and the removal of the 35 year cap on Pensionable Service are positive directions helpful to all Plan members.*
- *The BCTF AGM “vote” is not a factor bringing a plan design recommendation to the government plan partner and ultimately to the TPP Board for implementation.*
- *Although option “F” received the most survey votes, it is not a legitimate option given that the Plan will have significant benefits from some of the changes being recommended. Option “E” was also not a legitimate option as the cost of implementing this option would have exceeded the total actuarial cost limit that had been agreed upon by the plan partners.*
- *The consultation process has been seriously flawed insofar as it has not afforded equal opportunities for all active members of the Plan. The inequities associated with the consultation process are not acceptable and do need to be made whole. Responsiveness to, and acknowledgement of these issues have thus far not been appropriate and therefore the BCPVPA & BCSSA have jointly retained legal counsel in this matter.*
- *The potential impacts of transition during implementation of “new” rules requires significant analysis and clarity of representation such that members can understand the implications for their circumstances.*
- *Further Plan member education and support on design-change impacts will be necessary.*