



BCTF

Executive Committee Recommendation on Pension Plan Change



Background

- 2012 Teachers' Pension Plan (TPP) initiated discussions with BCTF on possible plan design change
- Plan Member Partner (BCTF) agrees with Plan Employer Partner (Government) on principles for change
- plan options selected by both partners with Teachers' Pension Board input
- consultations to guide BCTF in discussions with Plan Employer Partner in selecting option
- EC recommendation supported by Plan Partner, BC School Superintendents Association, and BC Principals' and Vice-Principals' Association.

Changes in member demographics

Factor 90 benefit – Teachers' Pension Plan

- Today, members start later, retire later, and live longer.
- Factor 90 (F90) is an early retirement subsidy paid for by all members.
 - Early-retirement Reduction Factor (ERF) 3% per year under age 60. Actual cost is 6.7%.
 - 2001: 77% of retiring members were under age 60.
 - 2014: 47% of retiring members were under age 60.
 - Fewer members take advantage of Factor 90.
 - This actuarial trend is expected to continue.

Rationale

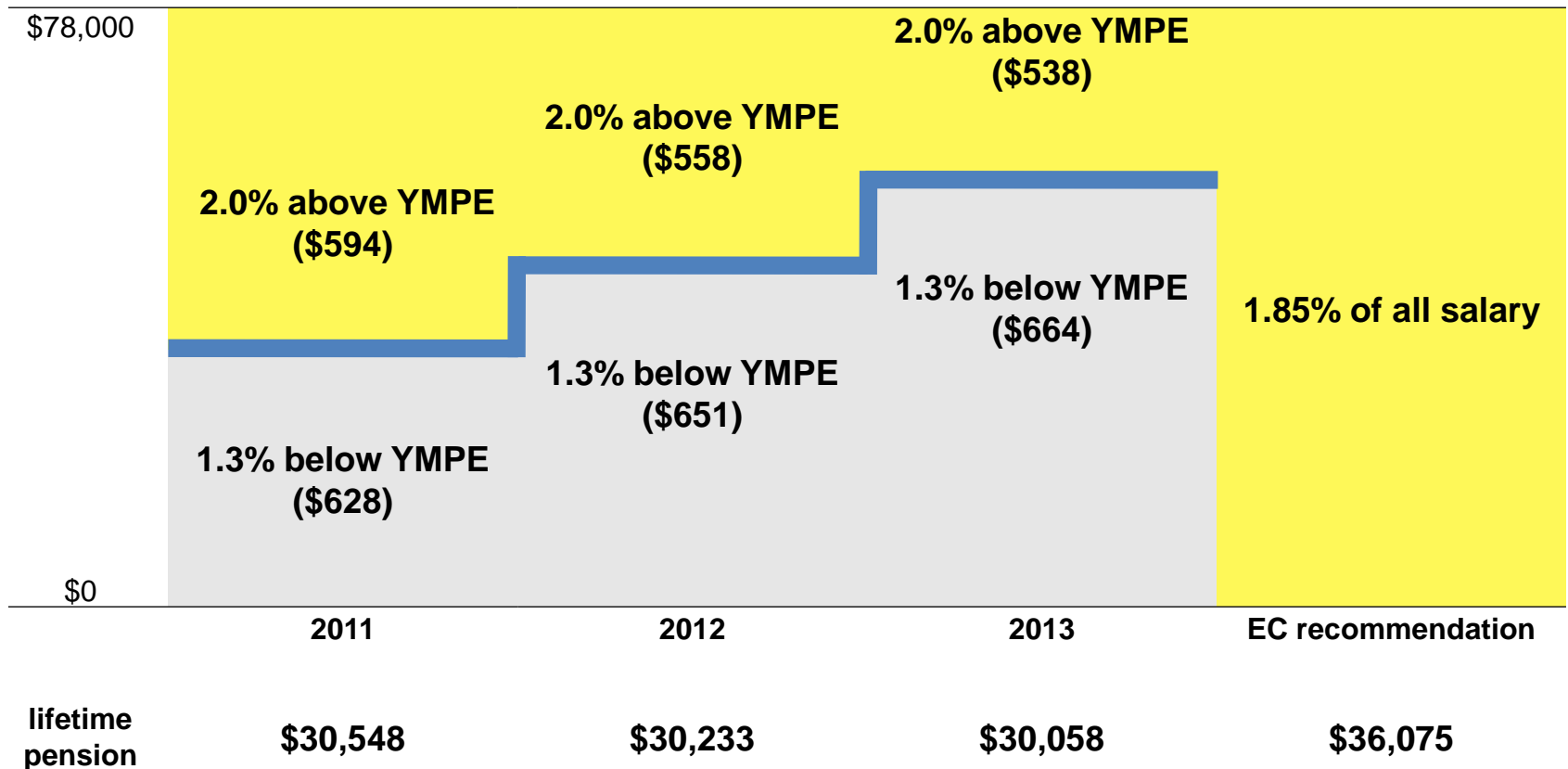
- Canada Pension Plan's (CPP) number: Year's Maximum Pensionable Earning (YMPE)
 - \$54,900 for 2016
- used as the maximum salary contributions in CPP calculations
- 1966 TPP calculation formula using YMPE causing erosion of everyone's pension
- split pension build up rate system disadvantages TTOC, part-time, and low income earners.

Pension consultation sessions: Erosion of pension

Calculated value of lifetime pension

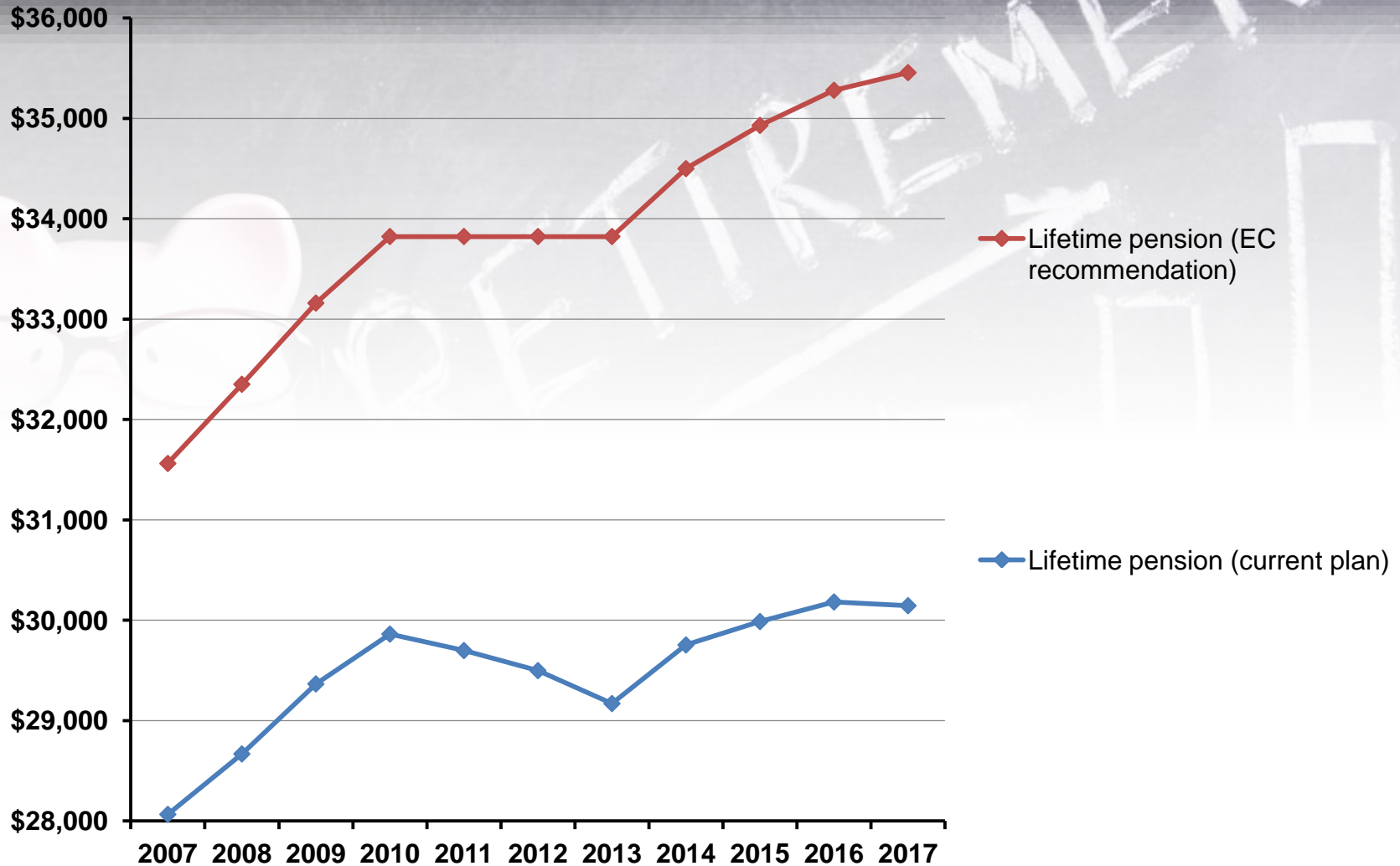
Assumptions : HAS - \$78,000 with 25 years of service

— YMPE amount



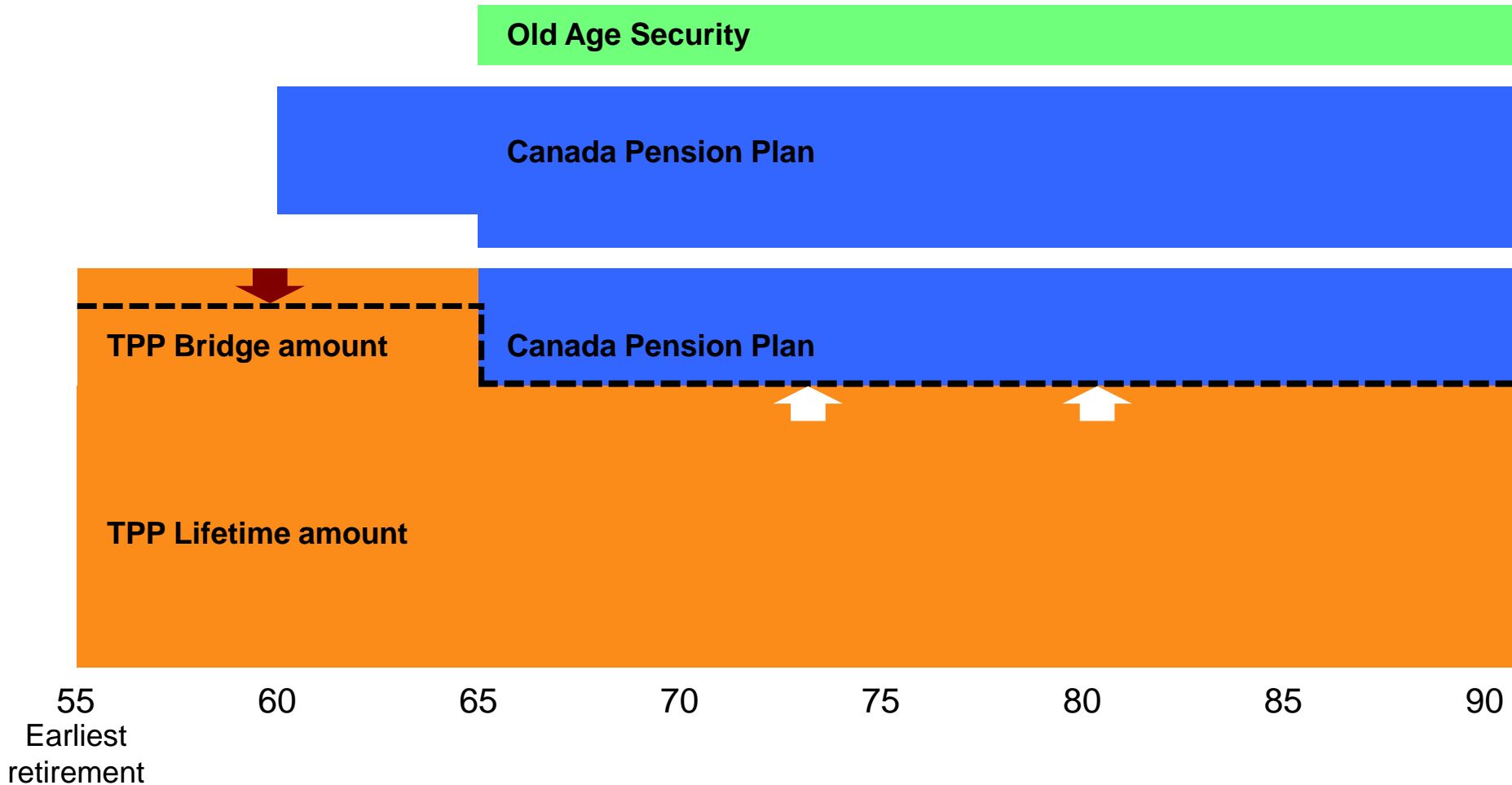
YMPE changes affecting pension calculations

TPP lifetime pension—current plan vs. EC recommendation



Retirement income

Summary



Future service



**Pension before
January 1, 2018**



**Pension as of
January 1, 2018**

new plan starts January 1, 2018

new service only for:

- new pension build up rate
- new reduction rate
- 35-year package

The BCTF Executive Committee recommends to the 2016 AGM:

That the Teachers' Pension Plan design change of the pension formula include:

1. delinking from the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE)
2. a single accrual rate of 1.85% be applied to Pensionable Service
3. an Early-retirement Reduction Factor of 4.5% at age 61
4. removal of the 35-year Pensionable Service cap
5. an unreduced pension for those with 35 years of Contributory Service.

Changes starting January 1, 2018

A closer look:

1. delinking from the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE)
 - current plan based on 1966 formula
 - increases in YMPE causing significant erosion of our pension
 - using the YMPE forces us in a split rate system.

Changes starting January 1, 2018 (continued)

A closer look:

2. a single accrual rate of 1.85% be applied to Pensionable Service
 - highest pension build up rate possible within current cost
 - high lifetime pension for plan members
 - equity: same rate applied in pension calculations for all members
 - bridge benefit in current service still paid at retirement to 65
 - bridge value in new service folded into increased lifetime pension.

Changes starting January 1, 2018 (continued)

A closer look:

3. an Early-retirement Reduction Factor of 4.5% at age 61
 - applies only to new service
 - current plan reduction rate 3% for every year under 60, but should be 6.7%
 - a subsidy but not everyone able to benefit
 - move some subsidy into higher pension build up rate
 - now everyone can benefit.

Changes starting January 1, 2018 (continued)

A closer look:

4. removal of the 35-year Pensionable Service cap
 - every day worked builds pension
 - employment restriction removed.

Changes starting January 1, 2018 (continued)

A closer look:

5. an unreduced pension for those with 35 years of Contributory Service
 - recognition of long service before age 61
 - buy-back of service has full value
 - child rearing credit has full value
 - equity for TTOC, part-time work, maternity and parental leaves.

Summary statement

The goal of the BCTF Executive Committee is a revised pension plan design package that:

- is the best possible option for the current and future membership as a whole.
- addresses the concerns of members.
- does not exceed the cost parameters agreed upon by the two plan partners.