

## Questions and answers

1. I know that the markets have not done well this year. Is my pension safe?  
Your basic lifetime pension is secure. The Teachers' Pension Board of Trustees issued a communiqué, which can be found at the following url that will help explain the effect of the market downturn.  
[bctf.ca/uploadedFiles/Salary\\_Benefits/Pensions\\_Committee/TPPMemoPensionsSafe20081016.pdf](http://bctf.ca/uploadedFiles/Salary_Benefits/Pensions_Committee/TPPMemoPensionsSafe20081016.pdf)

2. What is a pension valuation?  
Each British Columbia pension plan employs an actuary to perform funding valuations to assess the plan's ability to honour its pension promises. By law, these valuations must be conducted every three years and filed with the provincial regulator.

The Plan's funding valuation is a snapshot of its current financial position projected over the lifetime of all pension plan members. The valuation compares the value of the Plan's assets (money currently invested plus future contributions and investment earnings) with its liabilities (the value of all pensions promised) to ensure that the pension promise is properly funded.

If the assets match the liabilities, the Plan is fully funded. If the assets are greater than the liabilities, the Plan has a surplus. If the liabilities are greater than the assets, the Plan has a deficit or funding deficiency.

3. Suppose the valuation shows a deficit? What happens?  
If the actuarial valuation shows a deficit, the Partners (BCTF and Government of British Columbia) must take steps to bring the assets and liabilities back into balance. The Joint Trust Agreement requires an increase in contribution rates or a reduction in future benefits in order to rebalance the Plan.

4. I'm retired, how will any benefit changes affect me?  
Quite simply, they won't. The *Pension Benefits Standards Act* [RSBC, 1996] (*PBSA*) protects members who are retired from any changes to their pension benefits (*PBSA* Section 59.1.a). While it may be confusing, the use of the word "benefit" in the *PBSA* refers to the basic lifetime and bridge payment amounts, **not** to health benefits or indexing. Your pension payments, including indexing already granted, will continue; however, future indexing and health benefits are not protected.

5. Why is indexing of pensions in trouble?  
The amount of money allocated to the Inflation Adjustment Account (IAA) has never been sufficient to provide full cost-of-living increases into the future. When the number of active teachers greatly exceeded the number of retired teachers, the lack of adequate funding was not an issue. Recent years have seen a huge increase in the number of retired teachers. It is currently projected that the IAA will run out of money in about 2027.

6. Is indexing of pensions likely to be eliminated?  
The Inflation Adjustment Account provides for the provision of indexing. What it does not provide for is the promise of full annual indexing. There are a number of options available to provide some ongoing measure of inflation protection, such as increased

funding and reduced cost-of-living increases. That is the challenge facing the Teachers' Pension Board of Trustees and all members.

7. I have heard that the "actuarial assumptions" could be adjusted by the Teachers' Pension Board of Trustees to help solve the funding problem. Are you playing with numbers to get the answer you want?

Actuarial science is the mathematics of risk. Actuaries use a number of assumptions to project the Plan's financial state far into the future. For example, they consider salaries and projected salary increases, mortality rates, interest rates, inflation rates, and other factors to predict what will happen to the pension fund.

At this time, the assumption having the greatest effect is the predicted interest rate. The lower the rate, the more cash will be required to generate the income required to pay each pension. We are at historical lows with regard to interest rates. Are they likely to stay this low over the foreseeable future? Historical trends would indicate that they won't. When determining assumptions, the Pension Board of Trustees its consulting actuary will work to ensure that the assumptions are neither too conservative, nor too risky.

8. I'm not a member of the BCTF, but I am a member of the Teachers' Pension Plan. Who looks out for me?  
A Teachers' Pension Plan Advisory Committee has been established by the BCTF, the BC Principals and Vice Principals' Association, the BC School Superintendents' Association and the Retired Teachers' Association. This committee meets four times a year to receive information from the BCTF appointed trustees and to provide advice to the Plan Member Partner (the BCTF).
9. Where else can I find information on the plan?  
You have a number of choices:
  - the BCTF website: *www.bctf.ca*
  - the BCTF Income Security Division
    - Arnie Lambert, Director—*alambert@bctf.ca* ph: 604-871-1931
    - Rob Taylor, Assistant Director—*rtaylor@bctf.ca* ph: 604-871-1949
  - the Teachers' Pension Plan website: *www.tpp.pensionsbc.ca*
    - In Victoria phone 250-953-3022
    - In Vancouver phone 604-660-4088
    - In BC phone 1-800-665-6770