

To: All plan members and employers, unions and associations  
From: College Pension Board of Trustees  
February 14, 2014



## The College Pension Plan is being simplified and modernized

The College Pension Plan (plan) was designed almost 50 years ago and the world in which it operates has changed. Canadians are living and working longer; men and women in BC have the longest life expectancy in the country. The plan's members earn an average of 20 years of service; their average retirement age is 62; and their average pension is in pay for over 20 years.

The plan partners—the BC Government and Service Employees' Union, the Federation of Post-Secondary Educators of BC, the Post-Secondary Employers' Association and the provincial government—are committed to keeping the plan sustainable and modern. The plan partners have proposed plan design changes to address evolving issues such as life expectancy, retirement ages and employment patterns. The College Pension Board of Trustees (board) support sustainability and modernization, and have accepted these changes.

*These changes will only affect future benefits. They will not affect the benefits members earn up to the implementation date.*

### What is happening?

The College Pension Plan is changing. This will not affect the benefits members earn up to January 1, 2016.

#### **Effective January 1, 2016:**

- Active members' lifetime pension will be calculated at 2 per cent per year for all service earned after December 31, 2015. For service earned prior to January 1, 2016, active members' lifetime pension is calculated at 1.7 per cent per year below the year's maximum pensionable earnings (YMPE), with a temporary 0.3 per cent bridge benefit, which is only payable until age 65 (or death of the member). There is no change to the benefit accrual on salary above the YMPE.
- In order to fund the increase to 2 per cent, the age at which early retirement reductions apply is changing. The early retirement reduction will shift from 3 per cent per annum below age 60 to 3 per cent per annum below age 65.

#### **Effective April 1, 2014:**

- The plan is putting in place a mechanism to strengthen the long term health of the account for cost-of-living adjustments\*. For every annual pay increase of 1 per cent or larger, one twentieth (or 5 per cent) of that increase will be contributed to cost-of-living protection by employers, matched by the employee.

\* Cost-of-living adjustments are not guaranteed; however, once granted, cost-of-living adjustments become part of the lifetime pension benefit.

## **How will these changes affect members?**

### ***Active members***

If a member retires or terminates employment before January 1, 2016, this is only good news because the changes strengthen inflation protection.

Depending on the member's highest average salary, if they retire at age 62 their lifetime pension will stay approximately the same, if they retire after age 62 their lifetime pension may be slightly larger, and if they retire before age 62 their lifetime pension may be slightly smaller.

If a member retires soon after January 1, 2016, these changes will have little impact on their lifetime pension.

### ***Retired members***

If a member is already retired this is only good news because the changes strengthen inflation protection. There are no other impacts to their pension.

## **What do members need to do?**

No action is required by members. More information will be available closer to the implementation date.

## **Why is it happening?**

- It has been almost 50 years since the plan was designed. These changes simplify and modernize the plan.
- The plan is evolving to address changes such as life expectancy, retirement ages and employment patterns.
- Through the changes the plan is proactively maintaining its value and sustainability.
- The changes preserve the overall value of the basic pension benefit and strengthen inflation protection.
- The changes to the lifetime pension calculation do not change the money required to fund the plan or the funded status of the plan.

## **When will I find out more?**

More information will be available closer to the implementation date. The website will be kept up-to-date with current information. No action is required at this time.

**College Pension Board  
of Trustees  
Pension Board Secretariat**

PO Box 9460  
Victoria, BC V8W 9V8  
CPBT@pensionsbc.ca  
Fax: 250 387-4199