Plan Design contribution rate for members

What is happening?

Starting January 1, 2016, a single, simplified contribution rate will replace the current two-tiered contribution rates for members and employers.

Members and employers will also see further contribution rate changes in 2016 as a result of wage increases negotiated between member unions and employer associations (as directed in the plan design changes).

The contribution rates may also change in 2016 as a result of the valuation conducted as at August 31, 2015. See section below titled, "2015 Valuation contribution rate change."

What are contribution rates?

You and your employer both contribute to the plan. The amount of these contributions is based on a percentage of your salary. Your contributions to the plan are automatically deducted from your salary. They are a separate part of your overall compensation, and your employer remits them directly to the plan along with your contributions.

Below you will find three sections within the FAQs regarding each of these contribution rate changes.

Plan Design 2016 single, simplified contribution rate

When will my contribution rate change?

Starting January 1, 2016, all members will pay a single, simplified contribution rate of 9.86 per cent on all their salary; this will replace the current two-tiered contribution rates.

Your Plan Partners

The College Pension Plan has four plan partners:

- BC Government and Service Employees' Union
- Federation of Post-Secondary Educators of BC
- Post-Secondary Employers' Association
- Provincial government

Each of the plan partners appoints trustees to the College Pension Board of Trustees (board).

The plan partners proposed plan design changes to keep the plan sustainable and modern. The board supported and accepted these changes.

Why is my contribution rate changing?

The member and employer contribution rates are being simplified as a result of the plan design changes announced by the College Pension Board of Trustees in February 2014. As of January 1, 2016, members will earn a full 2 per cent pension benefit on all their earnings, and so will pay the same contribution rate on all their earnings as well.

Currently in the two-tiered system, members earn a pension benefit of 1.7 per cent below the year's maximum pensionable earnings (YMPE)[1] and 2 per cent above the YMPE; this is reflected in the two-tiered contribution rates paid on members' salaries below the YMPE (9.60 per cent) and above the YMPE (10.35 per cent).

Contribution rates as a percentage of salary

Below YMPE	Member (%)		Employer (%)	
	Current	Effective Jan. 1, 2016	Current	Effective Jan. 1, 2016
Basic*	8.22	8.39	8.32	8.49
IAA**	1.38	1.47	1.38	1.47
Total	**9.60**	**9.86**	**9.70**	**9.96**

Above YMPE	Member (%)		Employer (%)	
	Current	Effective Jan. 1, 2016	Current	Effective Jan. 1, 2016
Basic*	8.97	8.39	9.07	8.49
IAA**	1.38	1.47	1.38	1.47
Total	**10.35**	**9.86**	**10.45**	**9.96**

* Members and employers both contribute to the basic account to provide for the member's retirement pension.

** Members and employers also contribute to the inflation adjustment account (IAA) to provide for cost-of-living adjustments, which are not guaranteed.

As part of the larger plan design changes, these contribution rate changes simplify and modernize the plan while proactively maintaining the plan's value and sustainability.

How will the contribution rate change affect purchasing service for a leave of absence?

The purchase of service calculation is based on a member's full-time equivalent salary and member and employer contribution rates at the time of application. Currently, purchases of service are based on the below and above YMPE contribution rates. As of January 1, 2016, all purchases of service will be calculated using the new single, simplified contribution rate. This may increase or decrease the cost of purchases of service for some members, so if you have a period of service that can be purchased you should consider doing so before January 1, 2016.

All service and salary credited to a member's account will be allocated to the year it would have been earned in. For example, if you are purchasing service for a leave of absence prior to January 1, 2016, the purchased service will be credited to you based on the old, two-tiered pension formula of 1.7 per cent for salary up to the YMPE and 2.0 per cent for salary above the YMPE.

1 The YMPE is a salary amount set by the federal government each year for the purposes of determining the maximum annual contributions to the Canada Pension Plan.

Plan Design inflation adjustment account (IAA) contribution rate increases

What is the inflation adjustment account?

The inflation adjustment account (IAA) is an account into which a portion of member and employer contributions are deposited and earn investment income. The IAA funds the cost-of-living adjustments (COLA) that may be granted on top of retired members' monthly pension income to help offset the effects of inflation. COLA is not guaranteed, but once it is granted, the adjustment becomes part of the retired members' basic pension.

When will my IAA contribution rate increase?

Your IAA contribution rate will increase when the annual pay increases negotiated between the unions and the Post-Secondary Employers' Association is one per cent or larger. This increase will apply to all plan members, unionized and non-unionized.

The plan design changes have put in place a mechanism to strengthen the long term health of the IAA. As of April 1, 2014, for every annual pay increase of one per cent or larger, one twentieth (or five per cent) will be applied to the employers' IAA contribution and the remainder (95 per cent) will be allocated to the plan members' salary. The plan members' contribution to the IAA will be increased by a further 0.05 per cent of salary. In any year, in which there are two or more pay increases, the total increase in that year will apply. For example, if there are two separate pay increases of 0.5 per cent (one per cent in total), the member and employer IAA contribution rates will increase by 0.05 per cent of salary.

Why will my IAA contribution rate increase?

Your IAA contribution rate will increase to strengthen inflation protection for all members.

Member and employer contributions to the IAA, as well as investment income earned by this account, fund the COLA that may be granted on top of retired members' monthly pension income to help offset the effects of inflation. COLA is not guaranteed, but once it is granted, the adjustment becomes part of the retired members' basic pension.

If I don't get a raise, do I have to pay the IAA contribution rate increase?

Yes, all members must pay the increase because all members will benefit from the strengthened inflation protection the additional IAA contributions will provide for their pension.

Member and employer contributions to the IAA, as well as investment income earned by this account, fund the COLA that may be granted on top of retired members' monthly pension income to help offset the effects of inflation. COLA is not guaranteed, but once it is granted, the adjustment becomes part of the retired members' basic lifetime pension.

Do we increase contributions when an individual employee receives a wage increase of one per cent or larger due to a change in their step on the salary scale under our collective agreement?

No. The IAA rate increase is based on annual pay increases across the sector, and is only applied when wage increases of one per cent or larger have been negotiated between member unions and employer associations. The board will inform plan members and employers when such a rate increase occurs through a Board Communiqué.

2015 Valuation contribution rate changes

What is a valuation?

An actuarial valuation is an in-depth analysis of the financial condition of a pension plan. A valuation determines two things: the funded position of the pension plan and the level of contributions that, together with the existing assets, will be sufficient to pay the pension benefits as they come due.

Contribution rates are adjusted periodically to ensure the plan remains financially healthy.

How will the 2015 valuation affect contribution rates?

Until the actuarial valuation is conducted and presented to the College Pension Board of Trustees, we do not know if or how contribution rates will be affected. However, any changes that may occur are not related to the plan design changes.

An actuarial valuation is conducted every three years to ensure there are sufficient funds available to meet the pension promise for plan members. The last valuation was conducted as at August 31, 2012. The next valuation will be conducted as at August 31, 2015. The board will receive the valuation results in spring 2016.

When will we know if the contribution rates will be changing as a result of the valuation?

The board will receive the valuation report in spring 2016. After reviewing the report the board will announce any resulting change to the contribution rates through a Board Communiqué.

What do you need to do?

No action is required by you. A Member News will be sent to you via your employer this fall to remind you of the new single, simplified contribution rate in effect January 1, 2016.

For more information

More information on the plan design changes is available on the Modernizing the plan website, which is kept up-to-date with current information and resources to help members and employers understand how the changes may affect them.

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