

Consultation with Members

the future is now

Consultation with Members

The BCTF, as plan member partner, wants your input.

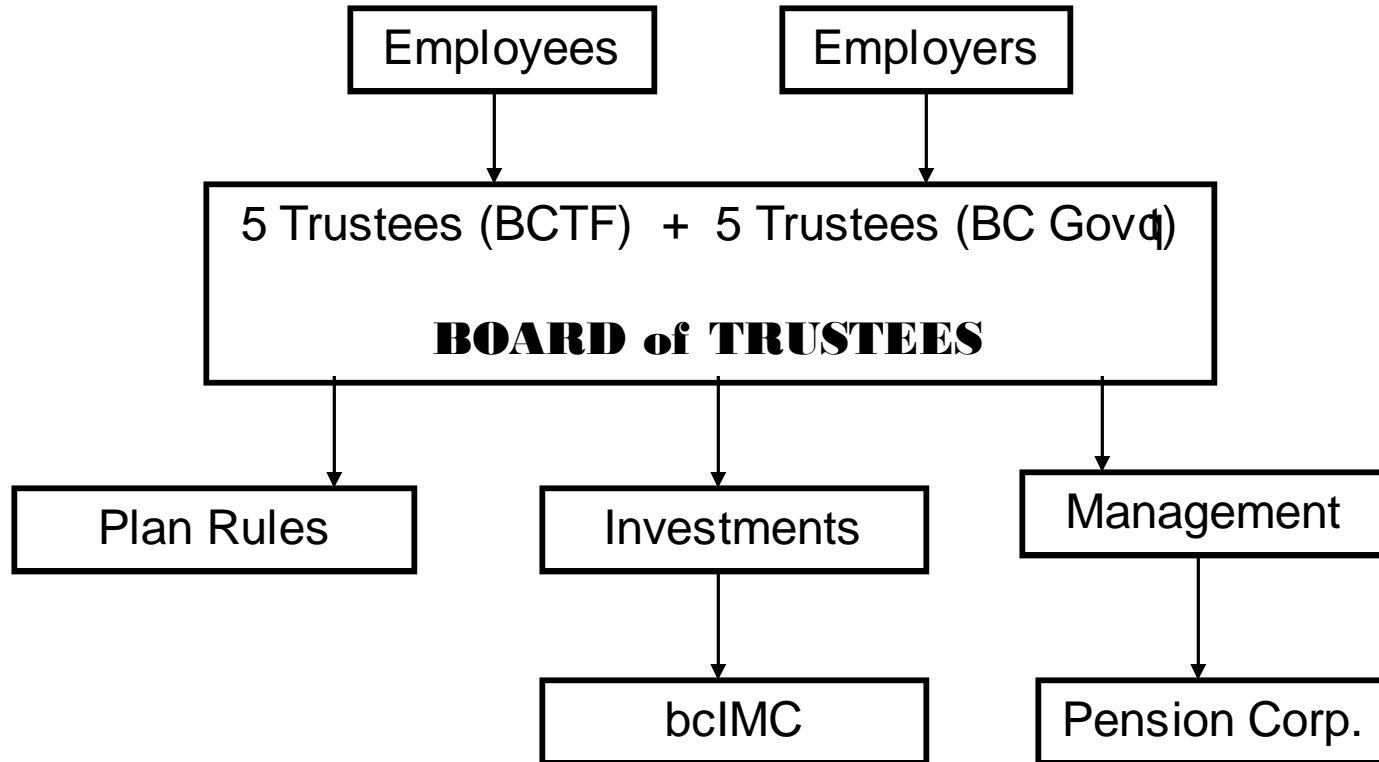
The BCTF Pensions Committee will be organizing consultation meetings thru-out the province this fall.

Your BCRTA pension reps. will be involved

Objectives

- “ To understand the challenges facing our pension plan and the provision of indexing through the Inflation Adjustment Account.
- “ To gather feedback regarding ways of meeting these challenges.

Pension Plan Governance



Funding

Contributions from employees & employers

Salary up to YMPE:	7.16%	11.16%
Salary above YMPE:	8.66	12.66
Inflation Account:	2.00	1.13

Total above YMPE = **24.45%** of payroll

(YMPE is currently \$46,300)

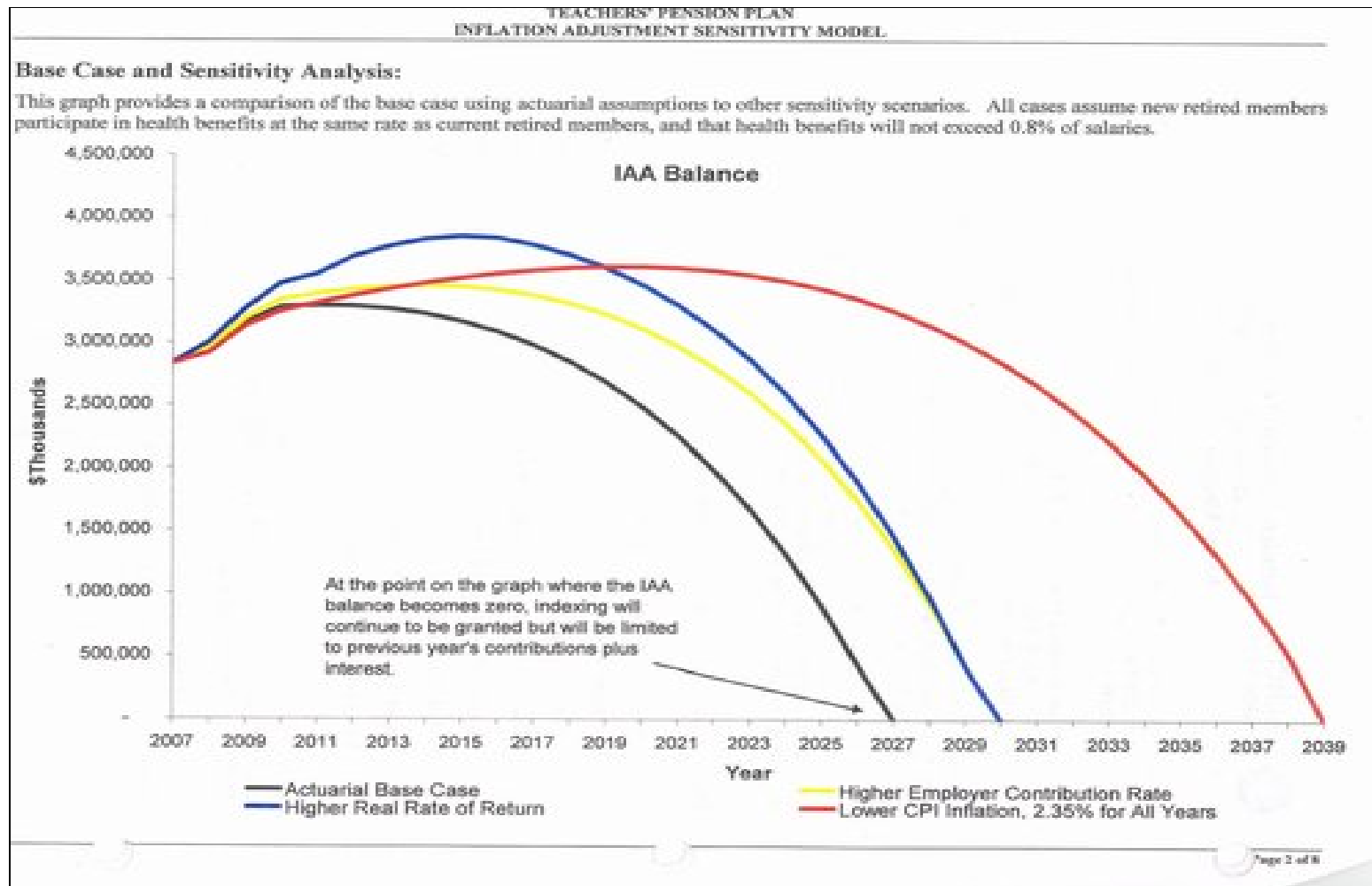
Funding

Investment returns

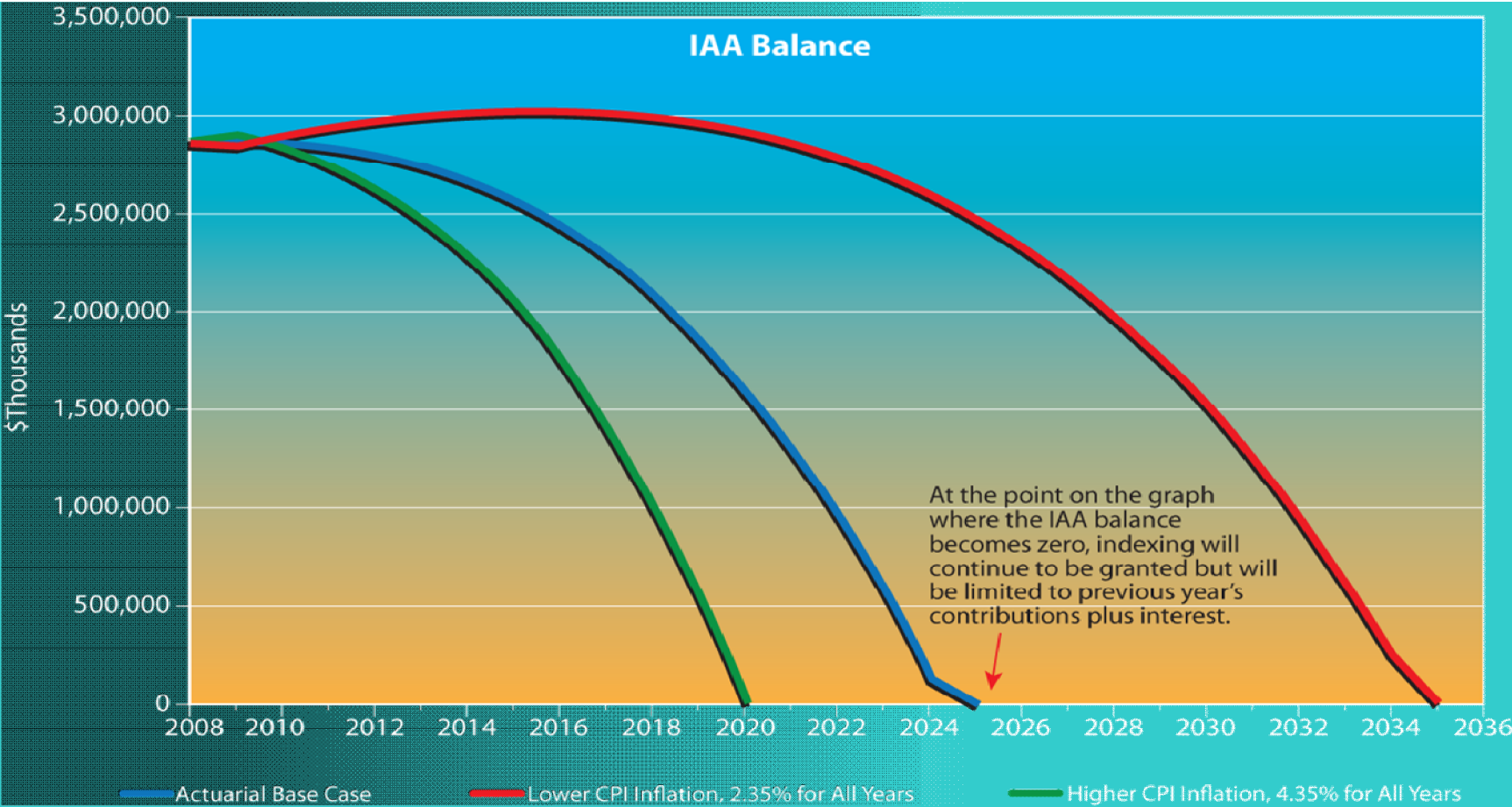
1998	9.7%
1999	14.4
2000	7.0
2001	-2.1
2002	-5.5
2003	13.0
2004	10.4
2005	12.9
2006	16.2
2007	4.0
2008	-12.8

Investment returns
provide approx. 85% of
the value of a pension.

Inflation Account . Cash Flow



Inflation Account . Cash Flow

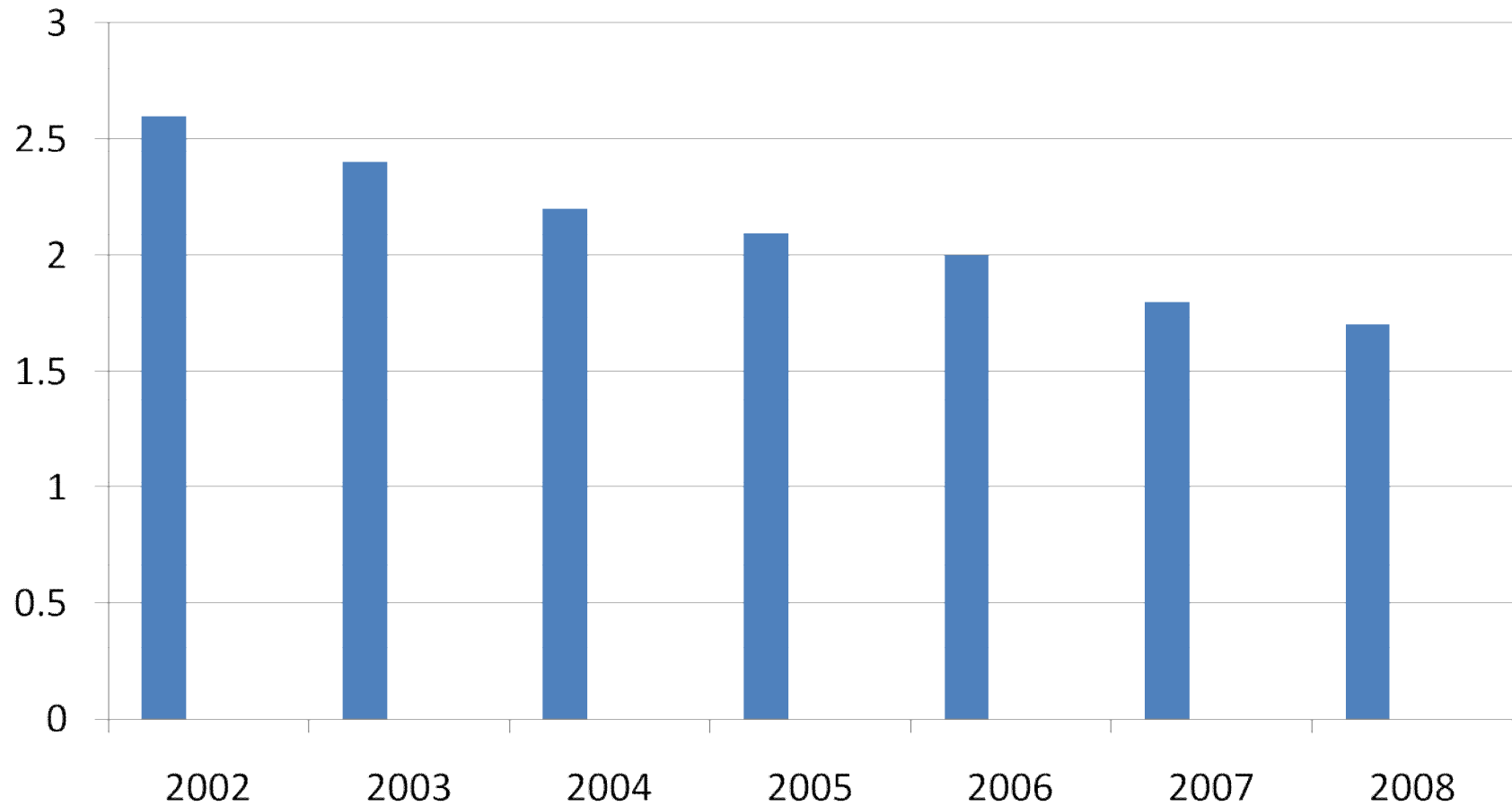


Why the pressure ?

- “ Demographics
- “ Cost of inflation indexing
- “ Increasing cost of Extended Health Care
- “ Volatile investment returns
- “ Inadequate funding

Demographics

Ratio of active members to retired members



Demographics

Life Expectancy

Age	Canada	Canada	BC Life	BC Life	Teacher	Teacher
	Male	Female	Male	Female	Male	Female
55	80.01	84.11	81.20	84.84	85.21	87.17
60	80.84	84.72	81.98	85.41	85.72	87.52
65	81.98	85.52	83.01	86.16	86.51	88.12

Cost of indexing

Year	Indexing	Cost
2000	2.6%	\$78,000,000
2002	2.6%	\$94,000,000
2006	3.4%	\$170,000,000
2008	3.4%	\$241,000,000

Cost of Extended Health Care

- “ Costs are rising 7% per year as a result of increase in number of retirees.
- “ Costs are rising 10% per year due to the rising costs of drugs (Drugs costs are 80% of the cost of EHC).

Inadequate Funding

- “ Contribution rates may be negotiated within the Joint Trust Agreement.
- “ Currently rates: 3.13% of payroll.
- “ Maintaining indexing would require an increase of approximately 4% each from employees and employers.
- “ Not all contributions are currently used for indexing - some pay EHC premiums.

Options for dealing with the indexing problem

- “ Increase contributions to the IAA
 - . full indexing = 8% increase in contributions
- “ Sustain indexing fund by limiting indexing
 - . cap indexing e.g. index up to 1.5%
 - . pay indexing as a % of inflation e.g. index up to 50% of CPI
 - . combination e.g. index at 50% of CPI up to 1.5%

(Capping etc. could be re-evaluated every three years to determine the level of indexing for the next period.)

 - . Index only a portion of the pension

Options for dealing with the indexing problem

- “ Remove subsidy to health benefits
 - . Current cost would be approximately \$50 per month per retiree.
 - . Retirees would continue to have access to EHC and Dental plans at group rates.
 - . Dropping the health benefit would generate an approximate increase of .28% per year in indexing

Options for dealing with the indexing problem

- “ Index only a portion of the pension
 - . Discontinue indexing of bridge benefit
 - . Discontinue indexing of temporary annuity
 - . Indexing a limited dollar amount of a pension.
 - . Provide no indexing until age 60

What have other plans done?

“ BC College Pension Plan

- . Removed health benefit subsidies
- . Increased contributions to the IAA by 0.25% each
- . Moved to cap indexing

“ Ontario Teachers Pension Plan

- . Pension credit earned before January 1, 2010 guaranteed up to cap of 8%.
- . Pension credit earned after December 31, 2009 guaranteed 50 . 100% indexing, based on ability to pay.

What have other plans done?

- “ Saskatchewan
 - . Lesser of 3% and 80% of CPI with ad hoc increases
- “ Manitoba
 - . Based on CPI but limited to the ability to pay from their supplemental account
- “ New Brunswick
 - . CPI up to 4.75%
- “ Prince Edward Island
 - . 60% of CPI

Input Request

- “ BCTF to hold similar workshops around the province this fall.
- “ Active and retired plan members urged to attend.
- “ Discussion.
- “ Paper input paper at meetings.
- “ Electronic feedback also available.