

To: Active plan members and employers
From: Teachers' Pension Board of Trustees
October 14, 2016



Your plan is changing: here's how and why

Earlier this year, the Teachers' Pension Plan (plan) partners—the British Columbia Teachers' Federation and the provincial government—reached an agreement on changes to modernize the plan and make it more equitable for members. The Teachers' Pension Board of Trustees has adopted these changes.

The changes come into effect January 1, 2018. Regardless of your retirement date, the benefit for all service earned before January 1, 2018, will remain unchanged.

Your pension at retirement will be based on two sets of rules: those in effect before January 1, 2018, and those in effect on and after January 1, 2018.

How is the plan changing?

For pensionable service earned **on or after** January 1, 2018,

- You will contribute a flat percentage of salary of 12.92. Your employer will contribute a flat percentage of salary of 13.23.
- You will earn a 1.85 per cent flat accrual rate and be able to earn more than 35 years of pensionable service. This means if you have 35 years of pensionable service, you'll start contributing again on January 1, 2018.
- You will be able to receive an unreduced pension
 - at age 61 if you have at least two years of contributory service, or
 - between the ages of 55 and 60 if you have at least 35 years of contributory service.
- If you retire before age 61 with fewer than 35 years of contributory service, your pension will be reduced 4.5 per cent for every year you are younger than 61, providing you have at least two years of contributory service.
- If you retire before age 65 with fewer than two years of contributory service, your pension will be reduced 4.5 per cent for every year you are younger than 65.
- The rule of 90 (unreduced early retirement if your age plus years of contributory service equal at least 90) will be removed. All contributory service earned on or after January 1, 2018, will still count toward the rule of 90 to determine the reduction on the benefit earned before 2018.
- Service earned on or after January 1, 2018, will count toward rule of 90 eligibility for service earned before 2018.

For all pensionable service before January 1, 2018, the bridge benefit **will** apply. The bridge benefit is a temporary benefit paid to retired members up to age 65 or death, whichever comes first. For service on or after January 1, 2018, the bridge benefit will **not** apply.

The effect of plan changes on your pension will depend on what portion of your total pensionable service at retirement is earned before January 1, 2018, or after December 31, 2017.

Why is the plan changing?

The changes will improve equity and modernize the plan. The changes will not affect the plan's health; the plan is fully funded and continues to be sustainable.

Improving equity

The design changes will make the plan more equitable for all members regardless of retirement age, earnings or work experience.

The changes will ensure members pay the same contribution rate—regardless of their salary—for the same benefit accrual.

In addition, an increased lifetime benefit will replace the bridge benefit for service earned on or after January 1, 2018; this is more equitable for members, regardless of retirement age.

Modernizing the plan

The plan's current design was created in the 1960s, when teachers generally started full-time work at a younger age.

Today, the work environment has changed. Teachers may spend a considerable portion of their early career in part-time work. The plan needs to adapt to reflect these shifts.

You may be aware of the proposed Canada Pension Plan (CPP) changes. Any pension benefits you accrue after January 1, 2018, will be unaffected by any changes to the CPP.

What do I need to do as a member?

There's nothing you need to do, other than be informed. You can learn more on the plan [website](#); watch for FAQs and updates as they become available.

If you have 35 years of service, you will recontribute and earn service in the plan starting January 1, 2018. The contributions will come off your pay automatically.

What do I need to do as an employer?

Changes to plan design will affect your reporting, and your system will need to be updated before January 1, 2018. Further information will be provided in the *Employer Instruction Manual* and the employer newsletter over the coming months.

How will these changes affect retired members?

The changes have no effect on the pension of retired plan members. They help ensure more equitable benefits for future contributors.

Summary of changes

Members with service up to and including December 31, 2017, and on or after January 1, 2018, will have two pension calculations to total their pension payment. For pensionable service up to and including December 31, 2017, the old rules, including any applicable bridge benefit, will be used to calculate your benefit. For pensionable service on or after January 1, 2018, the new rules will be used to calculate your benefit. All of your contributory service will be used to determine the rule of 90 when calculating your benefit up to and including December 31, 2017.

Here are the changes to the lifetime pension formula:

For pensionable service earned on or before December 31, 2017

Lifetime pension formula

$$\left(1.3\% \times \text{HAS}^1 \text{ up to YMPE}^2 + 2\% \times \text{HAS}^1 \text{ exceeding YMPE}^2 \right) \times \text{Years of pensionable service before 2018}$$

Bridge benefit (payable to age 65 or death, whichever comes first)

$$0.7\% \times \text{HAS}^1 \text{ up to YMPE}^2 \times \text{Years of pensionable service before 2018}$$

For pensionable service earned on or after January 1, 2018

$$1.85\% \times \text{HAS}^1 \times \text{Years of pensionable service after 2017}$$

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¹ Five-year highest-average salary

² 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. For 2016, the YMPE is \$54,900.