

To all plan members and employers, unions  
and associations  
From Municipal Pension Board of Trustees  
January 07, 2008



## Contribution rates unchanged following latest actuarial valuation

A valuation of the Municipal Pension Plan was undertaken following the 2006 year-end and presented to the Board in November, 2007.

The valuation shows a change in actuarial position for the Basic Account from an unfunded liability of \$789 million as at December 31, 2003 to a surplus of \$438 million as of December 31, 2006. This change is primarily the result of the contribution rate increase implemented July 1, 2005.

Because the Plan has surplus, there is no need for a contribution rate increase.

Member contributions will remain at 6.99% of salary below the Year's Maximum Pensionable Earnings (YMPE) and 8.49% above the YMPE.

The details of the change in actuarial position are set out on pages 11–12 of the Report on the Actuarial Valuation as at December 31, 2006, which is posted on the Plan website under Board Policies and Documents (click on About the Plan, then Board Governance, then Board Policies and Documents).

Under provisions of the *Pension Benefits Standards Act (PBSA)* and the Joint Trust Agreement (JTA), the Municipal Pension Board of Trustees is required to hire an actuary to conduct an actuarial valuation of the pension plan at least every three years. In undertaking the valuation, the actuary must follow the requirements of the PBSA and other legislation, and is guided by professional standards set by the Canadian Institute of Actuaries.

This valuation was also conducted in accordance with the Board's Funding Policy, which you can also find on the Plan website. The purpose of the Funding Policy, which was approved by the Board in March 2007, is to set out principles that will guide the Board and the Actuary in managing the financial position of the Plan and maintaining a balance between assets and liabilities.

The purpose of the valuation is to ensure that there will be enough money in the pension fund to pay pensions in accordance with the Plan Rules. As such, the valuation projects the **liabilities** of the plan (the obligation to pay pensions to current and future retirees) and the **assets** available to deliver on that pension promise (investment returns and employer and employee contributions). Based on these projections, the actuary determines whether contributions are sufficient to meet the requirements or whether they must be increased.

There will also be no change in the contribution rate structure for employers. The current contribution rate structure for employers is complex but the main features can be summarized as follows:

- As with member contributions, the employer contribution rates below the YMPE are reduced by subtracting 1.5% from basic rates, to reflect integration with Canada Pension.
- Employer contribution rates are higher for members whose normal retirement age is 55 (Group 2)<sup>1</sup> rather than 60 (Groups 1 and 4).
- There are differential contribution rates based on gender for Group 1 (males) and Group 4 (females).
- Finally, there are differential rates based on the age of plan members. For Groups 1 and 4, the basic contribution rate for members who have reached age 50 is double the rate for members who have not reached age 50. For Group 2, doubling occurs at age 45 (reflecting the earlier normal retirement age for members in this group).

**Employer Contribution Rates effective July 1, 2005 (s. 6(1) of the Plan Rules)**

		Group 1	Group 2	Group 3	Group 4
Under YMPE	Under 50/45*	4.39%	7.99%	5.09%	4.89%
Under YMPE	Over 50/45	9.29%	16.49%	10.69%	10.29%
Over YMPE	Under 50/45	5.89%	9.49%	6.59%	6.39%
Over YMPE	Over 50/45	10.79%	17.99%	12.19%	11.79%
On full salary		1%	1%	1%	1%

\* The age for “doubling” of employer contribution rates is 50 for Groups 1 and 4, and 45 for Groups 2 and 3. Group 1 includes males other than police and firefighters. Group 2 includes male and female firefighters. Group 3 is a closed group of seven females. Group 4 includes females other than police and firefighters.

The Pension Corporation annually assigns one or more employer contribution rates to each employer based on the rates set out in s. 6(1) and the demographics of their respective employee populations. These rates may change from year to year as the employee mix changes in terms of age and/or gender. However, the contribution rates in the Plan Rules (shown above) will not be increased.

As noted after the 2003 valuation, the Plan Actuary has also reported that the employer contribution rates for Groups 1 and 4 and Group 2 are “out of balance.” Employer contribution rates for Groups 1 and 4 are less than their theoretical (actuarially determined) cost. Employer contribution rates for Group 2 are higher than their theoretical cost. The table on page 16 of the valuation report illustrates this imbalance.

The Board is continuing to consider changes to the rate structure. These changes would be revenue neutral to the Plan, although there would be a redistribution of costs among the groups and, therefore, among employers as a result:

- blending the employer contribution rates for male and female members into a single rate;
- rebalancing the employer contribution rates among the various groups within the plan to ensure that employers are making the appropriate contribution to long term costs; and

1. Group 3 is a closed group with very few members. For this reason, we refer only to Group 2 but would apply any necessary contribution rate increases to Group 3 in a manner consistent with Group 2.

- eliminating the differential in rates between older and younger employees (referred to as “doubling”).

**These changes will not affect the rates paid by plan members.**

The Valuation Committee is now a standing committee of the Board and has been directed to review the options and impacts and make recommendations to the Board. Any recommendations that the Board endorses will be brought to the Plan Partners for their consideration.

The “Plan Employer Partner” is the Provincial Government and the Union of British Columbia Municipalities. The “Plan Member Partner” is the Municipal Employees’ Pension Committee, which represents:

- British Columbia Nurses’ Union;
- Canadian Union of Public Employees, B.C. Division;
- Health Sciences Association of British Columbia;
- Hospital Employees’ Union, also known as the Healthcare Division of the Canadian Union of Public Employees, B.C. Division;
- British Columbia Federation of Police Officers;
- British Columbia Professional Fire Fighters’ Association; and
- other unionized Plan Members, as represented by the Council of Joint Organizations and Unions.

If you would like to comment on the options being considered by the Municipal Pension Board of Trustees, please write to the Board % the Municipal Pension Board Secretariat.

**Municipal Pension Board  
of Trustees  
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