

Frequently Asked Questions Regarding Pension Plans

Introduction:

SFUFA has for several years been exploring the question of retirement security. As reported previously, a joint committee made up of appointees by SFU and SFUFA considered a range of pension options, and has recommended that SFUFA and SFU consider joining the BC College Pension Plan (BCCPP), which the joint committee believes would provide the greatest benefit to the greatest number of members.

In the coming weeks, SFUFA members will be asked to vote on whether or not we ought to pursue membership in the BCCPP. Should members vote in favour, we will formally request that SFU make application to join the BCCPP, which would mean a transition away from the existing defined contribution plan (SFU Academic Pension Plan) on a going forward basis. Please find below an extensive list of questions and answers regarding the BC College Pension Plan (BCCPP). While we surely won't have anticipated every question, we have tried to answer as many questions as possible. We have linked to several pages on the BCCPP website, as there you will find more detailed information. This page will continue to be updated as new questions arise and answers become available.

1. What are the plans we are asked to choose between?

SFU's Academic Staff Pension Plan is a defined contribution plan in which the University contributes 10% of salary into a pension account for each member; the amount accumulated at your time of retirement can then be paid out to you in a number of ways. The second, the BC College Pension Plan, is a jointly trustee defined benefit plan. Both members and the employer are required to make contributions, and the benefit at retirement is based on a standard formula, and guaranteed.

A referendum will be held, by electronic vote and pursuant to our Constitution and By-Laws, from Nov. 13-27. The results of that vote will determine whether we formally request that SFU apply to join the BCCPP.

2. What is the difference between 'defined contribution' and 'defined benefit' plans?

A defined contribution plan mandates the contribution rate but not the pay-out. SFU currently has a defined contribution plan. The employer pays a set amount (10%) and members may choose to make additional voluntary contributions. Those monies are invested in individual member accounts, and either increase or decrease with the market. At retirement each member has a pot of money equal to the individual balance of their

account. There is no set amount any member is guaranteed on retirement. Depending on one's own decisions to make additional contributions, and depending on the performance of the market, one can do very well or very poorly. It is, in effect, not so much a pension, as we understand that word, as a retirement savings plan.

A defined benefit plan mandates the benefit you receive upon retirement. Contribution rates are what may fluctuate, as the plan's administrators conduct periodic assessments of plan health and set contribution rates accordingly to ensure that the plan has enough assets to meet all of its obligations. Rather than the individual-based accounting system of a defined contribution plan, a defined benefit plan pays according to a set formula based on salary, years of service, and benefit rate (called 'the accrual rate'). It means more secure benefits in the form of a monthly pension for life, but also mandatory contributions, paid for by members themselves.

3. What are the contribution rates of the two plans? How much do I have to pay?

Under SFU's current system, members are not required to make contributions to the pension plan. SFU pays 10%, and members may choose to make additional contributions, or may invest independently in RRSPs, or may take no action. The current pension plan in place does not cost you as an individual anything off your paycheck. If you are concerned about retirement, you can take additional steps at your own initiative to secure your future. Under the College Pension Plan's system, members pay a contribution only slightly less than the employer. Rates are set by the Board of Trustees at least every three years after an actuarial assessment, and whatever rates are established are binding on both employees and employers. When markets are difficult and numbers of potential retirees swell, required contributions can go up. When the market performs well and a significant surplus is accumulated, rates can decrease. Those decisions are not made by unions or employers or members, but only by the Board of Trustees of the plan. Current rates in the College Plan are 10.15% from employees and 10.25% from employers. Given the way pension contributions are deducted, members would not see a full 10.15% decrease in take-home dollars, but there most certainly would be an impact. Those who are currently making voluntary pension contributions or paying into RRSPs would off-set the paycheque deduction by ending or reducing those other payments, but anyone not making voluntary payments of any kind would be paying more – almost certainly for greater payoff in the future, to be sure – but at an immediate cost.

4. I am on a very tight budget, and don't think I can afford the member contributions that are a mandatory part of belonging to the BCCPP. What can be done?

We understand that joining the BCCPP would mean increased deductions from members' paycheques. However, there are other factors that we hope will mitigate the impact to members' take-home pay.

In the coming months, we will no longer have MSP deducted from our paycheques. There was also a General Wage Increase and a step award implemented on September 1st, 2018, and there will be further increases in 2019. These factors, combined with the after-tax impact of the contributions falling somewhere closer to 7% rather than 10%, will significantly mitigate the cost of the BCCPP contributions for individuals.

SFUFA has produced a spreadsheet members can use to see the real impact of these contributions in take-home dollars. Generally speaking, once other deductions and coming salary increases are taken into account, most members will reach or exceed current take home salary in less than 2 years - the period is shorter for those at lower salaries, longer for those closer to the top of the scale.

5. Under what circumstances would employee contributions to the plan rise, and what mechanisms would be in place to limit possible increases?

The College Plan Board of Trustees has the power to decide what steps to take in the face of a funding shortfall (i.e., increase contribution rates, decrease benefit accrual on a go-forward basis, or limit the indexing of benefits to inflation). The Board of Trustees is comprised of appointees from both the provincial government and union representatives, and requires a supermajority to change contribution rates, etc. This is a mechanism to ensure that such decisions are based on the health of the plan, and not on politics. Note that benefits can only be changed on a go-forward basis, e.g., if a member works for 10 years under one benefit formula and then the formula is changed and the member works for 10 more years, the member's benefits in retirement will be based on 10 years on the old formula, and 10 years on the new formula. Note that conditions that would lead to increased employee contributions (i.e., poor market performance over a sustained time-period) would also lead to poor gains in our defined contribution plans.

6. What are the benefits of the two plans in post-retirement income?

Comparing benefits between the current DC plan and the BCCPP is like comparing apples and oranges, as the former is not only more unpredictable but starts from an assumption of no member contribution rate. That is, the BCCPP requires that you pay into it, and so it is no surprise that its retirement payouts are better. Nonetheless, all we can compare are the basic requirements of the two plans; if you are making alternate retirement arrangements now, then do consider those in both the assessment of the BCCPP's costs and do factor those into the total retirement benefits you might currently expect. If you are not making

current voluntary contributions to the SFU plan, an RRSP, or another retirement vehicle, then the following will more accurately reflect your prospective retirement reality.

In 2012, the average accumulated pension savings of an SFU faculty member between 60 and 64 was \$245,199.

For members 65 years of age or older and still working, the average was \$420,630 – significantly higher, and this includes members who had retired but had not yet begun to make any withdrawals from their accounts.

In any event, at no point was the average account of a member approaching or at normal retirement age anything near \$500,000.

Now, market performance has improved in the years since, so let us presume that a member does achieve a \$500,000 savings by the time s/he wishes to retire. Retirement calculators estimate this would provide an annual benefit of approximately \$35,000 for the retirement years. To achieve a retirement income of \$50,000 with inflation protection you would require a balance of some \$750,000 in your account.

In defined contribution plans, members also bears the risk of outliving their investments and spending the final years of life without pension income.

Defined benefit plans generally operate on a formula: accrual rate X pensionable earnings X pensionable service. The formula is not completely straightforward, but in general terms the college plan's formula works out to roughly 2% X highest five years of salary X years of service in the plan. What does this mean?

- Have 35 years of service? Retire with a guaranteed annual income stream of 70% of highest average salary.
- 30 years of service – 60% of highest average salary.
- 25 years of service – 50% of highest average salary.

In dollars, that means a Senior Lecturer (without any salary supplement) retiring at top of scale after 35 years would earn a pension benefit of some \$84,000 per year; a full Professor (without any salary supplement) at top of scale would earn about \$106,000 a year in pension. And those are guaranteed dollars, and will receive inflation increments in future years.

This formula provides the total pension benefit for the individual member upon retirement. The BCCPP has a number of options for how this can be taken to provide for various guarantee periods and/or ensure pension benefits are paid to a spouse until their death. The option chosen will have an impact on the exact monthly value of one's pension benefits. Details of the options available can be found at:

<https://college.pensionsbc.ca/choose-your-pension-option>

There is also a pension estimator which allows one to calculate the rough difference in income between the various options, factoring in different guarantee periods and comparing single vs joint pension options. You can access the estimator by selecting the "I am considering employment with an employer in the Plan" option at:

https://www.pensionsbc.ca/portal/page/portal/general_pension_estimator/cpp_general_estimator/

SFU's current pension scheme has its benefits – it is no cost to the employee, it allows for additional contributions by those who choose to make them but mandates nothing, it is highly individualized, it is locally governed, providing substantial control to faculty members, and, if a balance remains at the end of the member's life, can be willed to beneficiaries.

A defined benefit plan such as the BC College Pension Plan is less flexible, less autonomous, and costs more to the individual member due to the required contributions. On the other hand, as one begins to contemplate retirement, a possible annual pension of \$30,000 looks pretty paltry compared to a guaranteed benefit of over \$90,000 a year (plus inflation increments). That's not free money – you pay for it. But you pay earlier, over the course of your career, in a large plan that can leverage more investment weight than we can on our own.

Further information on the two plans is available at the following sites:

SFU Academic Staff Pension Plan

BC College Pension Plan

7. What are the disadvantages of the BC College Pension Plan compared with our current plan?

A general disadvantage of the BC College Pension Plan is that it reduces flexibility in a number of ways. The most immediate example of this is that membership in the BC College Pension Plan requires contributions from members - currently 10.15% of salary, i.e. you are forced to save for retirement. While this contribution is offset somewhat by tax savings and salary increases, in the short term this will represent a decrease in take-home pay for members not currently saving 10.15% of salary for retirement.

There is also less flexibility in how you receive income in retirement. With our current DC plan, you might be able to live off the returns of your investments, leaving the principal intact to be left to your estate when you die. With the BCCPP, that is not an option. While there are optional guarantee periods (whereby your estate will continue to receive your pension for a fixed period after you retire, even if you die sooner) and joint life options

(where your spouse continues to receive your pension after you die), your estate does not receive a lump sum if you die after pension commencement in the way it might with our current DC plan. If you die before your pension starts, there are survivor benefits paid to your spouse or your designated beneficiary/ estate. Depending on your personal circumstances, having a lump sum to leave to your estate may be a greater concern than the risk of outliving your investments.

There is no flexibility in terms of investment choices (e.g., risk tolerance or divestment from fossil fuels, although the BCCPP does implement responsible investing principles, by being an active owner and an active participant in financial markets - see <https://college.pensionsbc.ca/responsible-investing>). Furthermore, SFU would not have direct representation on the board of the BCCPP.

Central features of the BCCPP are the pooling of investment risk and longevity risk. This risk pooling is considered an advantage to some, but a disadvantage to others. Pooling investment risk means that your retirement benefits won't be hit as hard by a stock market crash, but also means that you won't benefit as much if the market does really well. The BCCPP trades off some of your expected income in retirement for reduced volatility and uncertainty in that income. A report commissioned by SFUFA identified scenarios where our DC plan was expected to yield higher income in retirement than the BCCPP (<http://www.sfu.ca/wp-content/uploads/2014/07/actuarial-report-march-15.pdf>): generally speaking, situations where members join at a young age (~30) and under higher assumed rates of return.

Similarly, pooling longevity risk means that those who live longer will draw more from the plan, whereas those who die sooner will receive less. If you believe that you and your spouse have shorter than average life expectancies, you might expect that you and your estate would receive more from the existing DC plan since your pension contributions would not subsidize the pension benefits of those who lived longer than average.

The BCCPP is designed for people who plan to retire at around 65 years of age, and so is less favourable to those who leave the plan substantially before or after that age. For example, compared to retirement at 65, someone who retires at 70 will have accumulated an additional 5 years of service (and so will have a higher pension), but will expect to receive their pension for 5 years less on average.

8. Are benefits indexed to cost of living increases?

The short answer is yes. The Board of Trustees annually reviews CPI and funding available within the plan. There is a limit set on the maximum increase, but this limit has been above the actual increase in CPI since the 1980s, i.e., the indexing effectively matches CPI. The current cost of living cap is 2.07%. See either of:

<https://college.pensionsbc.ca/cost-of-living-adjustments>

<https://college.pensionsbc.ca/cost-of-living-adjustments-your-favourite-type-of-cola>

9. In the calculation of retirement benefits in the College Pension Plan, do the highest 5 years of salary include market differentials, and/ or salary supplements associated with administrative positions (e.g., Chairs, Deans)?

Yes. Note that the formula for calculating retirement benefits is based on the highest 5 years of salary, not the last 5 years of salary. Anything considered 'salary' by the University is included - which can include supplements for a specific term. Payments that are not deemed salary may not be factored in, but neither will they be included in assessing contributions. Only those portions that are factored into benefits are charged contributions and vice versa.

10. If we move to the BCCPP, what happens to the money in my current SFU pension account?

Should we join the BCCPP, existing faculty members would have a choice: you could leave the money currently in the DC plan where it is, and only contribute to the BCCPP on a go-forward basis. This would mean that at retirement, you would draw from both the BCCPP and your existing DC fund. Your second option would be to buy years of service in the BCCPP with some or all of the contributions currently being held in the SFU DC plan, exchanging dollars for "years of service" under the BCCPP formula. New faculty members would automatically join the BCCPP.

11. If I choose to convert my existing pension account into "years of service", what will be the cost?

The cost of buying back years of service depends on your age and salary. There is, then, not a standard price we can provide, and all issues related to buying previous years must ultimately be addressed if and when SFU applies formally to join the BCCPP. We anticipate no issues with providing for a buy-back option, and which would then involve additional calculations to provide precise amounts. No one would be required to make any decision about purchasing years of service until after those exact costs are known. To give a general idea, the College Plan has provided a table of rough estimates, below. The cost of buy back involves an estimation of your benefits in retirement, and therefore an estimation of your best years of salary based on your current salary. This estimation involves an assumption

about our salary scale, and so the BCCPP may revise costs of buy back based on our actual salary scales. The estimates provided will likely be more accurate at older ages.

Estimated cost in 2018 to purchase one year of past service

Salary	Age					
	40	45	50	55	60	65
70,000	11,197	12,423	14,027	15,992	18,170	19,549
100,000	15,995	17,747	20,038	22,846	25,957	27,927
130,000	20,794	23,071	26,049	29,700	33,744	36,305

12. I have built up a significant balance in my SFU DC plan. Do I have to transfer these funds to the BCCPP?

No. Faculty members are under no obligation to transfer money currently in the SFU DC plan into the BCCPP.

13. What sources of funds can be used to buy past years of service in the BCCPP?

Any money currently in any type of locked-in retirement savings account (RRSP, another pension plan, another locked-in retirement account). You can also buy past years of service with money not currently locked in to any retirement savings account penalty-free up to your personal RRSP contribution limit. After that, any non-locked-in funds used would be subject to a penalty.

14. What is the maximum number of years of past service that can be bought back under the BCCPP?

The precise terms of any buyback will have to be determined in discussions with the BCCPP after we decide to join. Generally, though, you can buy back as many years as you have worked at SFU, but cannot purchase more years than you have been here.

15. How are leaves, such as maternity and parental leaves, treated?

The BCCPP has provisions for members to buy back years on eligible leave of absence, such as maternity, parental or adoption leave. Costs are based on salary and duration of leave, and if members make their contributions, the employer will pay its share.

16. Up to what age can someone join the BCCPP?

Under Canadian law, you can join up to age 71. At that time pension contributions cease and you must begin to draw benefits, even if you continue working. This is a legal requirement, and applies to all plans.

17. Is there a minimum number of years someone has to contribute to the BCCPP in order to draw benefits?

No. As soon as you join the BCCPP you are eligible to access the post-retirement benefits. This is known as 'immediate vesting'.

18. How does CPP affect BCCPP? Does it cause the BCCPP pension to be adjusted?

The BCCPP is a non superannuated plan, which means you can collect your full CPP as well as your full BCCPP benefit.

19. What's the tax treatment if the total contribution exceeds the RRSP ceiling?

Revenue Canada allows total contributions to DB pension plans to exceed the RRSP ceiling, at their discretion. Employee contributions to a DB plan are fully deductible up to a gross salary of \$188,000 in 2018, to increase in future years.

20. I have been at SFU for over 30 years, and plan to retire in 2 or 3 years' time. Is the BCCPP of much benefit to me?

If you are near to retirement, and were hired at SFU prior to 2001, the BCCPP may be of interest as an attractive alternative to a traditional annuity purchased through an insurance company. (As explained later in this document, the purchase of past years of service by a person close to retirement is roughly equivalent to purchasing an inflation-indexed annuity paying 8% per annum.) However, there would be no obligation to buy back years of service in the BCCPP and members alternatively could, at their discretion, leave their existing funds in the current SFU DC Plan. In addition to any purchase of past years of service, you would contribute to the BCCPP for the last few years of work prior to retirement, which together would determine the pension you would draw from the BCCPP. You would also be able to access their post-retirement benefits, should you choose. The lifetime limit for post-retirement health benefits through the BCCPP is currently \$150,000 - <https://college.pensionsbc.ca/retirement-health-coverage> <https://onlineservices.greenshield.ca/publicbooklets/cpp.pdf> - vs \$15,000 with our current retirement benefits for people who joined SFU after 2001 <https://www.sfu.ca/human-resources/retirees-health-benefit.html>

21. The benefit formula for the BCCPP is based on the average of the best five years' salary. What happens for members who are close to retirement and only intend to be part of the plan for 2 to 3 years?

If you work for less than 5 years before retiring, your pension benefit amount would be based on the average salary of the number of years you work before retirement. Only years you worked while in the BCCPP will be used to calculate your best average salary. Salary supplements such as market differentials, retention awards, and any other salary supplement provided through SFU payroll is considered part of your best average salary calculation.

22. I am a mid-career faculty member who plans to work until at least age 65. How will the BCCPP likely affect me?

The immediate effect of joining the BCCPP would be that you would have to begin making retirement contributions to the BCCPP. If you are currently investing ~10% of your income into RRSPs, your existing DC account, or other retirement savings (above the contributions made by the university), this change would have little effect on your disposable income, as you would likely stop making your current contributions and switch to investing in the BCCPP. If you are currently saving less than 10%, the increased contributions to retirement would mean a decrease in your immediate disposable income.

If you are a mid-career member and intend to continue working at SFU for a number of years, you may have accumulated substantial savings in your SFU DC plan, and going forward would also accumulate moderate benefits through the BCCPP. As described above, you could choose to buy years of service with some or all of the funds in your SFU DC plan, or keep this as a separate fund. For instance, imagine that you have worked at SFU for 15 years, and intend to continue working here for another 15. If you do not buy years of service, you will accumulate 15 years with the BCCPP, and so upon retirement, your benefits will be $15 \times 2\% \times \text{average of best 5 years of service} = \text{annual pension of } 30\% \text{ of the average of your best 5 years}$, and you would also have the funds from the SFU DC to supplement your income. Alternatively, you could buy years of service. However, your SFU DC plan funds would not necessarily be sufficient to buy all 15 years of service that you had actually worked, and may need to be supplemented by savings in other registered plans.

23. What options are there for how the pension can be taken under the BCCPP?

When deciding how to take your BCCPP benefit, you'll have 3 options to choose from, as well as 3 guarantee period options.

A guarantee period determines how long your pension will be paid to a beneficiary. If you die within the guarantee period, the remaining benefit will be paid to your named beneficiary (or beneficiaries) until the guarantee period ends.

You can choose a guarantee period of 5, 10 or 15 years. A shorter guarantee period will result in higher monthly payments.

If you choose a single life pension option:

- If you die within the guarantee period, your pension benefit will be paid to your beneficiary (or beneficiaries) until the end of the guarantee period.
- If you live beyond the guarantee period, you will continue to receive your monthly pension for the rest of your life, but there will be no pension paid to your named beneficiary (or beneficiaries) when you die.

If you choose a 100% joint life pension option:

- Whether you die before or after the end of the guarantee period, your spouse will continue to receive 100% of your monthly pension for the rest of their lifetime.
- If you and your spouse both die within the guarantee period, your pension benefit will be paid to the named beneficiary (or beneficiaries) of the last survivor for the remainder of the guarantee period.
- If you and your spouse both live beyond the guarantee period, you will continue to receive your monthly pension for the rest of your lives, but there will be no continuing pension paid to your named beneficiary (or beneficiaries) when you die.

If you choose a 60% joint life pension option:

- If you die within the guarantee period, your spouse will receive 100% of your monthly pension until the guarantee period ends. After the guarantee period, your spouse's pension payment will be reduced to 60% for their lifetime.
- If you die after the guarantee period, your spouse will receive 60% of your monthly pension for the rest of their life.
- If you and your spouse both die within the guarantee period, your pension benefit will be paid to the named beneficiary (or beneficiaries) of the last survivor for the remainder of the guarantee period.

Note that the pension option chosen affects the pension amount, notwithstanding that all options are equivalent on an actuarial basis. Monthly payments are highest for the single life pension option and lowest for the 100% joint life pension option.

source: <https://college.pensionsbc.ca/web/college/choose-your-pension-option>

The BCCPP has a pension calculator that allows individuals to see the different options available and provides estimates of pension benefits specific to one's own demographic and financial information. Please find the calculator by clicking this link:

https://www.pensionsbc.ca/portal/page/portal/general_pension_estimator/cpp_general_estimator/

We have done a sample calculation below to illustrate how the standard formula translates into various options.

BCCPP Pension Options Example – gross monthly amounts

Single-life option	Member's Pension	Survivor's Pension
5 year guarantee	\$8,811	\$0
10 year guarantee	\$8,750	\$0
15 year guarantee	\$8,645	\$0
Joint-life option		
100% joint life guaranteed 5 years	\$7,934	\$7,934
100% joint life guaranteed 10 years	\$7,932	\$7,932
100% joint life guaranteed 15 years	\$7,926	\$7,926
60% joint life guaranteed 5 years	\$8,265	\$4,959
60% joint life guaranteed 10 years	\$8,240	\$4,944
60% joint life guaranteed 15 years	\$8,195	\$4,917

Assumptions: Member retires at 65 with 35 years of contributory service; best average 5 year salary of \$150k; spouse is also 65.

24. What happens to my BCCPP pension contributions if I leave SFU well before retirement age?

If you leave your job at SFU, you would have a number of options regarding your BCCPP contributions:

- Defer your pension and apply for it at a later date. If you only contribute to the BCCPP for a few years early in your career, this would mean drawing a small pension from the plan at age 55 or later.
- Transfer the commuted value of your pension to a locked-in retirement vehicle (if you are under 55).
- Apply for a monthly pension (if you are 55 or older). Your monthly pension benefit would be calculated based on your years of service and salary from your best 5

years, with reductions if you are under 65.

<https://college.pensionsbc.ca/apply-for-an-immediate-pension>

- Transfer your service to another public sector pension plan (if your new employer's pension plan has a transfer agreement with the College Pension Plan)
source: <https://college.pensionsbc.ca/leaving-your-job>

25. What happens if I die before retirement?

Please see: <https://college.pensionsbc.ca/death-and-your-pension>

26. I have a medical condition that means I likely won't live as long in retirement as a typical member. Am I disadvantaged under a DB plan such as the BCCPP?

There are a number of ways you can collect your BCCPP benefits that will allow you to tailor your benefits to your personal situation. For the different options, please see question 17.

27. Health benefits

All SFU faculty members have access to post-retirement benefits, regardless of the pension plan. These benefits are optional and premiums are paid either in part or in full by members. Members of the BCCPP also have access to post-retirement benefits.

For faculty members hired before 2001, the current SFU post-retirement benefits and the BCCPP benefits are similar and the premiums are comparable. For pre-2001 faculty, members pay 50% of the premiums and the lifetime maximum is \$150,000.

For faculty members hired after 2001, members pay 100% of the premiums, and the lifetime maximum is \$15,000.

In all cases, members can choose whether or not to participate in the post-retirement benefit plans available.

For a more detailed comparison of plans, please follow this link:

<http://www.sfu.ca/post-ret-benefits-table-r2018-1/>

28. Are the rates of return better with our current plan or with the College Pension Plan?

We have attempted to address this question with the actuarial report, which is available at <http://www.sfu.ca/current-issues/pensions/resources/>. In order to compare our current system with the College Pension Plan, the actuarial report has had to assume that members are putting 9% of salary into a retirement vehicle (above the employer contribution). This assumption allows the two plans to be more fairly measured against

one another, but likely does not reflect reality for many members. Comparing the two plans is difficult to answer because a) the current DC model has no standard, predictable benefit and b) the College Pension Plan requires a significant contribution from members that is not mandatory in our current system. The payout from a 10% employer contribution is never going to be comparable to a 20% contribution shared between both employer and employee. For members who make additional retirement savings outside of our current plan, the rates of return will depend on their investment decisions.

The key distinction between the plans is not which plan is expected to provide greater income in retirement – it is the nature of the risks in the two plans, and the amount of individual flexibility. The college plan provides more certainty of retirement income, because the risks of market fluctuations and longevity are pooled among many members. This is not to say risk is eliminated in the college plan, but moved – from the benefits side to contributions. The college plan requires that members share the cost of pension contributions with the university; if markets perform poorly for an extended period of time, members and the employer may be required to increase their contributions to the plan to maintain its sustainability. Of course, under the same scenario members of a defined-contribution plan such as our current plan might be wise to increase contributions to their retirement savings. The question of which plan is better is therefore not just about the numbers, but also one's tolerance to different kinds of risk, one's inclination and abilities to manage finances, as well as personal circumstances.

29. How stable is the BCCPP?

As with any investment, the BCCPP is subject to market fluctuations and world events. However, with that caveat, the BCCPP is very stable. Unlike some other DB plans, the plan is managed through a joint trust agreement between employers and employees, such that employers or government cannot unilaterally decide to reduce their contributions, or use funds for other purposes. The investments are managed professionally by the BC Investment Management Corporation - <http://www.bcimc.com>

The plan is pre-funded such that each generation pays in advance for its own benefits. An actuarial valuation is performed at least once every three years to ensure that the funds in the plan are sufficient to cover the expected future benefits. At the most recent valuation, in 2015, the funded ratio was 103.6 per cent, i.e., the fund contains 3.6% more assets than it needs to pay the expected future benefits (liabilities). If at any point this process were to identify potential shortfalls, the board (made up of employer and employee representatives) could decide to increase contribution rates (in which case members and employers share equally in rate increases) and/ or reduce future benefits on a go-forward

basis. However, the Plan is currently above fully-funded, and remained 99 percent fully funded through the 2008 financial crisis.

source: <https://college.pensionsbc.ca/facts-about-the-plan>

30. What is the investment track record of the BCCPP?

As of August 31, 2017, the plan had investment assets of more than \$4.6 billion. During the 2008 financial crash, the plan remained 99% funded. Currently, the plan is 103% funded. Below are the annualized returns and benchmarks over the last 25 years. In all cases the returns are above the corresponding benchmarks, and above the current assumed rate of return of 6.25%.

Period	Annualized Return	Benchmark
1 year	9.5%	8.3%
5 year	9.8%	8.9%
10 year	7.5%	6.7%
15 year	7.0%	6.4%
20 year	7.0%	6.4%
25 year	8.2%	7.6%

The investment returns are a good indicator of the investment agent's performance and of the quality of governance of the Plan. However, because this is a DB plan, members' pensions are not directly affected by investment performance. The lifetime pension a member earns is determined by their salary and their years of service, not by fund performance.

31. Fossil fuels, Sustainability, and Ethical Investment

While the BCCPP hasn't fully divested from fossil fuel investment, it does participate in sustainable investment practices, in particular, by using ownership to actively effect responsible change.

British Columbia Investment Management Corporation (BCI), the plan's investment manager, is a founding signatory to the United Nations-supported Principles for Responsible Investment, an international network of investors working together to put responsible investing principles into practice. These investment principles are founded on the belief that an economically efficient and sustainable global financial system is a necessity for creating long-term value.

BCI, with the support of the board, embraces responsible investing through three core activities:

- Integrating environmental, social and governance factors into investment analysis and decision making

- Being an active owner
- Being an active participant in the capital markets

BCI ranks among the top-performing investment managers globally in using the principles for responsible investment. BCI collaborates with other investors and organizations such as the Canadian Coalition for Good Governance, CDP (formerly the Carbon Disclosure Project) and the International Corporate Governance Network.

In 2016, BCI expanded its role in responsible investing by joining and serving as a steering committee member of the 30% Club Canada, an organization that advocates for companies to enhance gender diversity. BCI is also a member of the Sustainability Accounting Standards Board, whose mandate is to promote standards of sustainability reporting.

source: <https://college.pensionsbc.ca/responsible-investing>

32. How is the BCCPP structured?

The College Pension Plan is a segregated, jointly trustee defined benefit pension plan. The plan is governed and managed by a 10-person Board of Trustees, structured as follows:

Trustees are nominated and appointed by the four plan partners – the British Columbia Government and Service Employees' Union (BCGEU), the Federation of Post-Secondary Educators of BC (FPSE), the Post-Secondary Employers' Association (PSEA) and the provincial government.

The College Pension Plan Joint Trust Agreement sets out how the 10 trustees are appointed:

- The provincial government appoints four trustees (one nominated by PSEA)
- FPSE appoints three trustees
- BCGEU appoints one trustee
- The plan member partners appoint one trustee who must be retired and receiving a pension from the plan
- The plan employer partners appoint one trustee who must be an active member of the plan and not a member of either BCGEU or FPSE

As a new and relatively small member of the plan (~10% of the 12,000 current members of the plan), SFUFA and SFU would not immediately get seats on the pension board. However, SFUFA interests would be represented by trustees appointed by other academic staff employee groups (FPSE and BCGEU) and SFU interests would be represented by the provincial government trustees.

Trustees are responsible for governing the plan and managing the pension fund, which includes pension plan administration and investment of assets. They do this by making decisions and providing direction to:

- British Columbia Pension Corporation (the plan's administrative agent) on administration of the plan, including services to members
- British Columbia Investment Management Corporation (the plan's investment agent) on management of the plan's assets

The following service providers also play an important role:

- Eckler Ltd. (an independent actuary) assesses the plan's financial health every three years
- KPMG (an independent auditor) audits the plan's financial statements each year per Canadian generally accepted auditing standards
- Green Shield Canada provides voluntary extended health care and dental coverage for eligible retired plan members
- Lawson Lundell is the firm that provides legal counsel to the plan

Note that the structure means that half the Board is made up of representatives of employers, with the other half being representatives of employees. This contributes to the sustainability of the plan because the interests of employees (who want higher benefits) is balanced by the interests of the employers and the province (who don't want employer contributions to get out of hand).

Source: <https://college.pensionsbc.ca/organizational-structure-of-the-plan>

33. Who are the faculty who join the plan? If you switch to an admin role, do you leave the plan?

All SFU Faculty and Academic Administrators (Associate Deans and above) would belong to the plan. If you take a temporary or term administrative position, you will not leave the plan.

34. Would other bargaining units on campus (CUPE, etc.) be part of the transition to the BCCPP?

No. CUPE, APSA, and Polyparty belong to a separate pension plan.

35. Are other BC universities part of the plan?

At this time, Royal Roads belongs to the BCCPP, along with many colleges and teaching universities. UBC, UVic and UNBC currently have their own stand-alone plans.

36. Many employers are moving away from defined benefit plans to defined contribution plans. Why would we want to go the other way?

Employers have moved away from defined benefit plans because many traditional defined

benefit plans are employer-funded and so present a substantial financial liability (i.e., if markets do poorly or if the employer has not made sufficient contributions, the employer is still responsible for providing the promised benefits to retirees). The College Pension Plan is different in two important respects. Firstly, the employer is only responsible for contributions paid into the plan, and not for paying the benefits. As a result, there is a risk that contributions may increase, but because contributions are shared with employees, this risk is shared. Secondly, the College Pension Plan is strictly regulated to ensure its sustainability. Whereas an employer with a privately-funded plan might choose to "borrow" from its pension plan, or not make adequate contributions for whatever reason, the College Pension Plan may only adjust contribution rates every three years to ensure that there is no major shortfall. The move away from defined benefits plans has not occurred because they are perceived to be disadvantageous to employees.

37. What are the costs of transitioning to the BCCPP, and how are those to be paid?

In order to be fair to the BCCPP members currently in the plan, the College Plan would have to maintain its funded ratio at the same level before and after SFU joined. The transition cost has been estimated (using 2015 plan balances) by the BCCPP actuaries, Eckler, based on the impact to two separate accounts: the basic account from which pension benefits are drawn, and the Inflation Adjustment Account (IAA) from which post-retirement inflation indexing is drawn. These two accounts are affected differently should we join the College Plan. The impact on the basic account was costed as a lump sum of \$19,043,000, which could be amortized over 15 years at a cost of 1.27% of the total salary mass at SFU. On the other hand, Eckler determined that the SFU contribution to the IAA could be lowered by 0.57% of pay over the 15 year amortization period. The net cost would therefore be $1.27\% - 0.57\% = 0.7\%$ of total salary mass. How to manage these transition costs would need to be sorted out with SFU, so questions still exist in this regard; it is, however, a far more manageable issue than previously thought.

38. Where can I get individualized advice on my pension decisions?

Pensions are incredibly important financial decisions, both in terms of the amount of money at issue and because pension decisions are generally irrevocable. We recommend that members interested in obtaining advice consult an independent financial advisor or other qualified professional.