

Pension & Retirement Issues Annual Report

Selkirk College Faculty Association

Submitted by Ross Bates

April 2005

On behalf of the SCFA, I attended the two FPSE Pension Advisory Committee (PAC) meetings in October and January. I also responded to the many inquiries about pension and retirement issues raised by individual SCFA members throughout the year. Below I report on some things that may be of interest to a wider audience.

At the October PAC meeting one of the major business items was a review of the Actuarial valuation of the College Pension Plan as at August 2003. This is an important document that is produced by the actuary for the plan every three years. It is as a result of this valuation that we saw an end to our “contribution holiday”, an increase to our pension contributions, and smaller take-home pay for all. The committee members wanted to understand the assumptions that went into the valuation better, and asked to meet with the actuary at the following PAC meeting. If you have questions about this complex issue, please see me personally and I will do my best to brief you on the matter. The second day of the meeting consisted primarily of an education session and discussion on the basics of financial planning, and the financial planning needs of faculty/staff given by Financial Planner David Shymko.

At the January PAC meeting we met with Jack Levi, who is the actuary for the College Pension Plan. He presented an informative overview of the Plan, the actuarial assumptions, and the implications of those assumptions. Pension legislation requires that the liabilities in the College Pension Plan must be fully funded. In this low interest rate environment, higher contribution rates are needed than in the past, particularly as the plan matures and the ratio of retirees to working members continues to rise. I came away with the impression that in the year after the next actuarial valuation of August 2006, contributions rates are likely to increase again. SCFA members should plan accordingly.

An area of great interest to both our members and the PAC committee is how to incorporate pension income into some type of phased retirement plan, where a member approaching retirement could gradually reduce their workload while maintaining their income. The current structure of the College Pension Plan, along with pension legislation makes this impossible. A number of possible changes to the plan structure have been suggested that would allow for phased retirement to work. Unfortunately these changes require the consent of all partners in the plan, namely the employer, the government, FPSE and BCGEU. Early/phased retirements currently create a liability for the plan, because the retiree’s pension is reduced by less than the true actuarial cost. If large numbers of us start taking phased retirements, this in turn could require an increase in contributions to cover the added liability. The employer/government is likely to veto any increase to their costs. On the other hand, if the reductions for early/phased pensions were to equal the actuarial cost (similar to the current Canada Pension Plan), then this would remove the additional liability issue and pave the way for some creative solutions. This is not something that will occur in the short-term. It will take

years to work out the details. I urge you to learn what you can about this issue and help to shape the future of your College Pension Plan. Ultimately it is the membership (and the partners) who will decide to make changes or stick with the current structure.

The membership is reminded that when returning from an unpaid leave of absence, the purchase of “pensionable service” is simpler from a tax perspective if it is done by April 30th of the year following the year in which the leave ends.

Selkirk College retirees are now eligible to join the BC Retired Teacher’s Association. The BCRTA serves as both a service and a lobbying organization for retired educators. A number of benefits such as group rates on insurance programs will be of particular interest to those planning to retire. I have brochures for those who want them.

The membership is reminded that an improved online pension estimator is now or will soon be available preloaded with up-to-date data instead of the current situation which has data frozen as of the previous August.