

SFUFA and the BC College Pension Plan

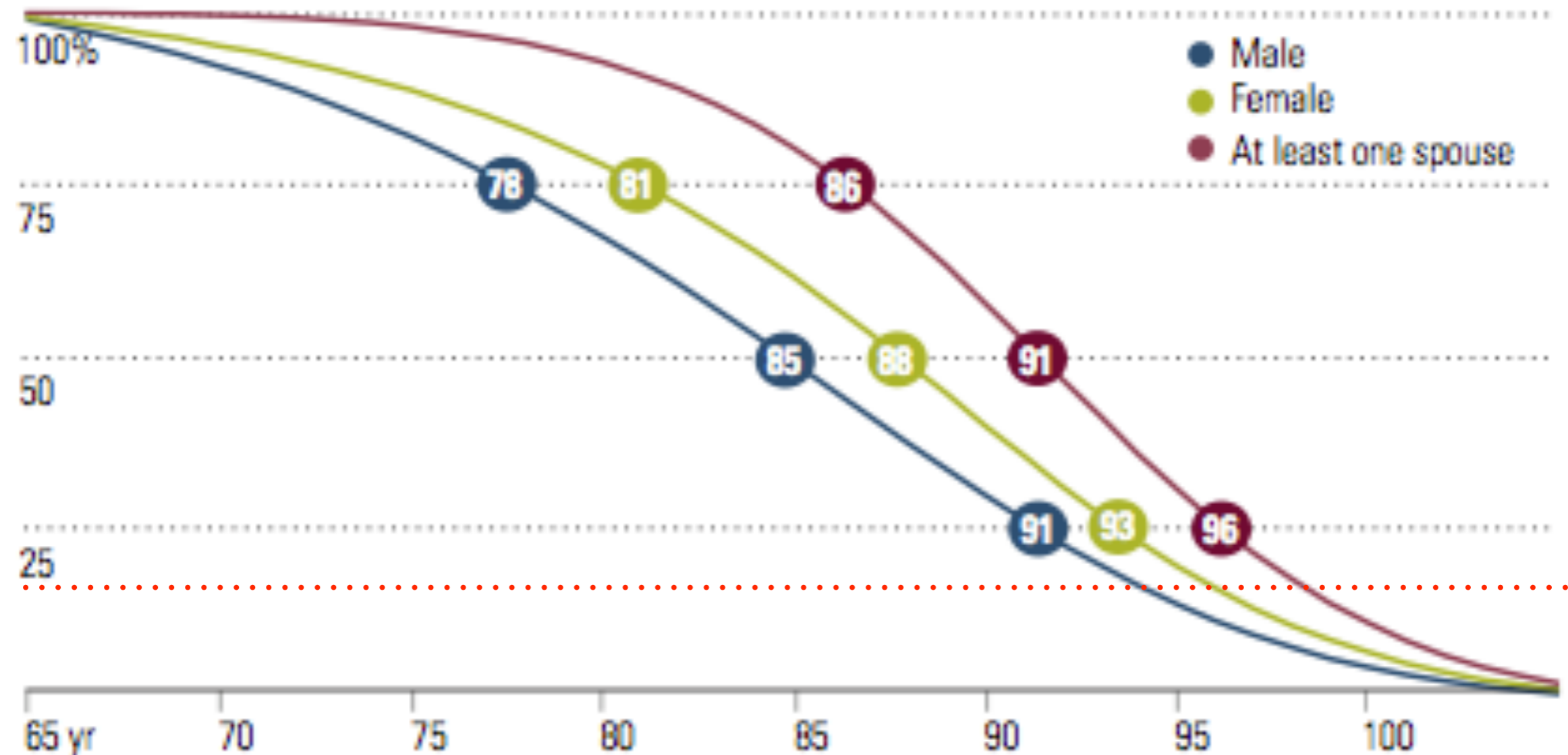
Fall 2018

DC plan balances in 2014

Average fund balance (EXcluding voluntary contributions) for Academic Plan members as of June 2012.			Average fund balance (INcluding voluntary contributions) for Academic Plan members as of April 2014.			
Age Class	Number of members ^a	Average balance (\$ '000) ^b	Number of members	Average balance (\$ '000) ^b	10 th percentile (\$ '000) ^b	90 th percentile (\$ '000) ^b
20 - 29	8	8	13	15		
30 - 34	53	19	46	25	3	63
35 - 39	148	46	130	58	8	117
40 - 44	190	66	174	102	23	182
45 - 49	175	80	167	122	21	222
50 - 54	203	122	183	188	61	362
55 - 59	211	135	163	278	65	505
60 - 64	151	235	143	389	45	812
65+	125	421	118	551	92	1042
^a 2012 count includes members who have “retired” from SFU but have not withdrawn their funds from the Plan; 2014 count is only active members.						
^b 2012 excludes voluntary contributions; 2014 includes voluntary contributions. The 2013 Academic Pension report indicates that voluntary contributions formed less than 3% of plan balances.						

Longevity risk

Retirees should plan for a long retirement¹
Probability of a 65-year-old living to various ages



Source: Annuity 2000 mortality tables—transactions, Society of Actuaries, 1995–1996 reports.

Investment risk

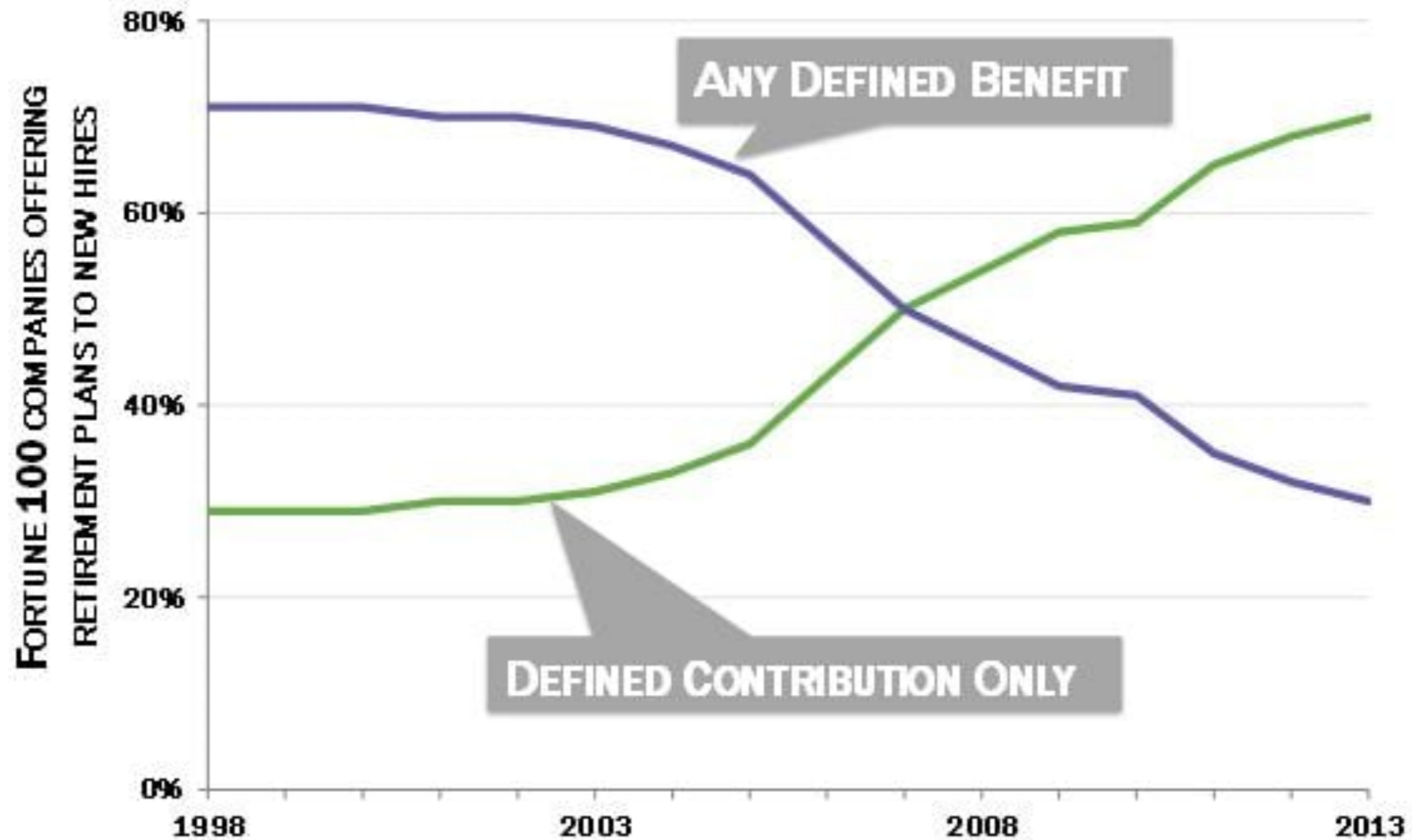
In a DC pension scheme all risk/reward is transferred from the employer to the individual employee.

In retirement, the employee must either purchase an annuity on the open market, or continue to manage their own investments.

How good a fund manager are you?

Pension trends

A SHIFT TO DEFINED CONTRIBUTION PLANS



Source: Towers Watson

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BC College Pension Plan

Benefit formula

2% x years of service x best 5 years average salary

Inflation indexing in retirement

CPI up to 1.75% (currently)

Contribution rates

~10% employer

~10% employee

**shared
risk**



History

Initial discussions in 2014 indicated that it should be possible for SFU faculty to join BCCPP on an *individually optional basis*.

A subsequent referendum of members gave SFUFA a mandate to explore this possibility with the university.

This could not be resolved during the 2016 bargaining round for two reasons:

- BCCPP now insisted on “all or nothing”
- up-front transition costs were estimated to be \$30M

Joint pension committee

In 2016 a letter of agreement was signed to break the pensions discussion off from bargaining, with the formation of a joint SFU–SFUFA pension committee.

Aon-Hewitt actuaries were commissioned to explore all options consistent with the principles in the LOA, but were instructed to exclude DB pensions.

Aon-Hewitt returned with an early recommendation that BCCPP was such an attractive option that it should be kept on the table, despite the high initial estimate of the transition costs.

Joint pension committee

Based on input from Aon-Hewitt, the joint committee unanimously agreed on the following ranking:

- 1** – BC College Pension Plan
- 2** – Enhanced DC Plan (c.f. UBC)
- 3** – Target Benefit Plan
- 4** – University Sector Multi-Employer Plan

In parallel, BCCPP actuaries Eckler carried out a full calculation of the transition, resulting in a net cost of \$10M, much lower than \$30M initial estimate. This could be amortized over 15 years at a cost of 0.7% of payroll.

BCCPP now seems a viable option, but only if members support a compulsory mandate.

Process moving forward

Educate members on the advantages and disadvantages of a transition to the BCCPP.

In fall 2018, we will hold a referendum of members on whether to move forward.

If a mandate is received, SFU will be asked to begin formal discussions with BCCPP.

Transition costs are likely a topic for bargaining.

Price of buying past years of service would be individually costed by BCCPP.

Estimated buy in cost – 2014

Estimated cost in 2014 to purchase one year of past service

Age

	40	45	50	55	60	65
Salary						
70,000	9,929	11,059	12,509	14,320	16,293	17,684
100,000	14,185	15,799	17,870	20,457	23,275	25,263
130,000	18,440	20,538	23,231	26,594	30,258	32,842

Cost of buying past years of service depends on members' individual circumstances: age; salary.

Past years can only be bought using DC balance, registered funds, or cash (RRSP headroom).

Buying past service at age 65 is equivalent to an inflation-protected annuity paying 8% per annum.