SFUFA and the BC College Pension Plan

Fall 2018
For all but a handful of SFUFA members, the SFU Pension Plan is a Defined Contribution (also known as a Money Purchase) Plan. Under this plan, SFU contributes just under 10% (excluding an initial CPP offset) of your basic salary to the SFU Academic Pension Plan. This money is invested under the direction of the Pension Trustees in the Balanced Fund or into a set of investment options under your direction. When you decide to take retirement, your contributions and investment returns on these earning provide a (locked-in) lump-sum whose subsequent withdrawals of principal and further investment income provide a retirement income stream.

A breakdown of the amounts currently held by members in the Plan in June 2012 and in April 2014 are shown below (figures provided by SFU):

<table>
<thead>
<tr>
<th>Age Class</th>
<th>Number of members</th>
<th>Average balance ($ '000)</th>
<th>Number of members</th>
<th>Average balance ($ '000)</th>
<th>10th percentile ($ '000)</th>
<th>90th percentile ($ '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 - 29</td>
<td>8</td>
<td>8</td>
<td>13</td>
<td>15</td>
<td>3</td>
<td>63</td>
</tr>
<tr>
<td>30 - 34</td>
<td>53</td>
<td>19</td>
<td>46</td>
<td>25</td>
<td>3</td>
<td>63</td>
</tr>
<tr>
<td>35 - 39</td>
<td>148</td>
<td>46</td>
<td>130</td>
<td>58</td>
<td>8</td>
<td>117</td>
</tr>
<tr>
<td>40 - 44</td>
<td>190</td>
<td>66</td>
<td>174</td>
<td>102</td>
<td>23</td>
<td>182</td>
</tr>
<tr>
<td>45 - 49</td>
<td>175</td>
<td>80</td>
<td>167</td>
<td>122</td>
<td>21</td>
<td>222</td>
</tr>
<tr>
<td>50 - 54</td>
<td>203</td>
<td>122</td>
<td>183</td>
<td>188</td>
<td>61</td>
<td>362</td>
</tr>
<tr>
<td>55 - 59</td>
<td>211</td>
<td>135</td>
<td>163</td>
<td>278</td>
<td>65</td>
<td>505</td>
</tr>
<tr>
<td>60 - 64</td>
<td>151</td>
<td>235</td>
<td>143</td>
<td>389</td>
<td>45</td>
<td>812</td>
</tr>
<tr>
<td>65+</td>
<td>125</td>
<td>421</td>
<td>118</td>
<td>551</td>
<td>92</td>
<td>1042</td>
</tr>
</tbody>
</table>

a 2012 count includes members who have “retired” from SFU but have not withdrawn their funds from the Plan; 2014 count is only active members.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

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
WWW.BIPARTISANPOLICY.ORG
BC College Pension Plan

Benefit formula
2% × years of service × 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

<table>
<thead>
<tr>
<th>Age</th>
<th>40</th>
<th>45</th>
<th>50</th>
<th>55</th>
<th>60</th>
<th>65</th>
</tr>
</thead>
<tbody>
<tr>
<td>70,000</td>
<td>9,929</td>
<td>11,059</td>
<td>12,509</td>
<td>14,320</td>
<td>16,293</td>
<td>17,684</td>
</tr>
<tr>
<td>100,000</td>
<td>14,185</td>
<td>15,799</td>
<td>17,870</td>
<td>20,457</td>
<td>23,275</td>
<td>25,263</td>
</tr>
<tr>
<td>130,000</td>
<td>18,440</td>
<td>20,538</td>
<td>23,231</td>
<td>26,594</td>
<td>30,258</td>
<td>32,842</td>
</tr>
</tbody>
</table>

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.