

CUPE 561

Moving to the Municipal Pension Plan (MPP)

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Presentation and Ratification Meeting

- CUPE 561 has reached a tentative agreement to transfer CUPE members who are active employees in SD43 to the Municipal Pension Plan (MPP)
- Three meeting dates: January 16, 25 and 27 for members to hear about the agreement
- All CUPE members employed by SD43 in attendance can vote on the agreement

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Ratification Required by Three Parties

- CUPE 561 members employed by SD43
- The Board of Education of School District 43 (Coquitlam)
- British Columbia Public School Employers' Association (BCPSEA) in conjunction with Public Sector Employers' Council (PSEC)

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Non-Teaching Pension Plan (NTPP)

- Your current pension plan
- Unique to K-12 in British Columbia
- A "Single Employer Pension Plan"
- All other school districts in B.C. participate in the MPP

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Regulations and Requirements by Law

- Pension Benefits Standards Act (PBSA) imposes strict pension funding obligations on employers
- Must pay sufficient amounts into the Plan to ensure it can pay all of the pension promises that have accrued

Regulations and Requirements by Law

- The NTPP must also fund the Plan as if the District might disappear tomorrow (solvency funding)

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Regulations and Requirements by Law

- The NTPP must also fund the Plan as if the District might disappear tomorrow (solvency funding)

GOOD? YES ✓

Provided payments are up-to-date, members get promised pensions even if SD43 disappears tomorrow and the Plan is terminated.

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Regulations and Requirements by Law

- The NTPP must also fund the Plan as if the District might disappear tomorrow (solvency funding)

BAD? YES ✓

The continuing low interest rate environment means solvency funding payments are very high (close to \$50 million).

Large impact on District's budget and operations

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Indexing/Cost of Living Adjustments

- Low interest rates also make it challenging for the NTPP to earn enough return on its investments to regularly pay indexing
- In 2016 the NTPP did not provide indexing to pensioners (for service since 1997)

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**For pension plans,
bigger is
often better.**

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Indexing/Cost of Living Adjustments

**Indexing =
COLA =
Cost of Living Adjustment**

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The Municipal Pension Plan

- More than 900 employers in the MPP
- Representing 320,000 members from school districts, cities, districts, towns, villages and regional districts, health and colleges
- \$46.4 billion in assets as of December 2016
- Lower investment management and administrative costs than the NTPP

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Indexing/Cost of Living Adjustments

- Helps preserve your buying power throughout your retirement by regularly (annually or otherwise) increasing pensions to keep pace with inflation
- Similar to a pay raise while working that helps offset increases in the cost of living

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The Municipal Pension Plan

- Provides Cost of Living Adjustment (COLA) increases to pensions through its Inflation Adjustment Account
- Although not guaranteed, the MPP has an excellent history of providing COLA
- Has provided COLA in each of the last 35 years, except in 2010 when B.C. had no recorded inflation

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**Why move to the
Municipal Pension
Plan?**

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Letter of Agreement – Key Terms

- 4% wage increase
- “Hour for hour recognition” of NTPP retirement and pensionable service in the MPP
- “No Worse Off” guarantee if you retire within 5 years after transferring to MPP
- Target effective date of transfer is January 1, 2018, but we don’t expect the actual transfer to take place until later in 2018

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4% Wage Increase

- All CUPE members employed by SD43 who participate in the NTPP will transfer to the MPP and will receive a 4% increase to their Base Pay Rate
- Includes casuals and part time employees who have not met the eligibility requirements for entrance into the MPP at time of transfer

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A “No Worse Off” Guarantee

- If you retire within 60 months after the transfer to the MPP and at the time you retire the present value of your MPP pension is less than the present value of the pension you would have received from NTPP if the transition had not happened, SD43 will pay a taxable lump sum equal to the difference or an equivalent annuity*

*annuity: a monthly payment from an insurance company

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4% Wage Increase

- The NTPP requires you to contribute 4.9% on the first \$55,900 (YMPE*) you make, and 6.6 % on any earnings above \$55,900
- MPP requires you to contribute 8.5% on the first \$55,900 you make, and 10% on any earnings above YMPE (\$55,900)

*YMPE = Yearly Maximum Pensionable Earnings for 2018

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A “No Worse Off” Guarantee

- This comparison will take into account any difference between the early retirement provisions of the two plans (e.g. 80 factor under the NTPP vs. 90 factor under the MPP)

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4% Wage Increase

- Increased contributions you will be required to make into the MPP will be covered by the 4% wage lift you will receive once the transfer to the MPP is completed

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Retirement Age

- The NTPP more flexible than the MPP regarding age of retirement – permits retirement as early as age 50 for members with 10 years or more of service in the plan (with reductions as applicable)
- In the MPP, the earliest age you can retire is age 55 (with reductions as applicable)

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Hour for Hour Recognition

- If for example you have 10 years and 3 months of pensionable service in the NTPP, you will be credited with 10 years and 3 months pensionable service in the MPP

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The Municipal Pension Plan

- As a member of the MPP, any overtime wages you earn will still be pensionable
- As a member you will also have access to the “My Account” portal of the MPP website

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NTPP Retirees

- ◉ All existing retirees and deferred pensioners will remain in the NTPP
- ◉ The NTPP will be amended to provide that pensions payable from the NTPP for post-1996 pensionable service, will be indexed at the fixed rate of 1.05% per year after April 1, 2018

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MPP Health Benefits

The Municipal Pension Plan offers coverage for MSP, Extended Health Plan and Dental

- ◉ MPP subsidizes MSP premiums based on your years of service
- ◉ The Extended Health Care Plan is provided by Pacific Blue Cross and is subsidized by the MPP based on your years of service

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NTPP Retirees

- ◉ The first cost of living adjustment under the new provision will occur on April 1, 2019
- ◉ If the NTPP does not provide a COLA on April 1, 2018 the April 1, 2019 increase will cover the period of January 1, 2018 to March 31, 2019

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MPP Health Benefits

The Municipal Pension Plan offers coverage for MSP, Extended Health Plan and Dental

- ◉ Two optional dental plans are offered
- ◉ Copies of information regarding coverage and premiums are available at this meeting

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Post Retirement Group Benefits

- ◉ As the District has decided to close the Post Retirement Group Benefits (PRGB) Plan to new members as of December 31, 2017, future retirees will no longer have access to the PRGB plan, with one exception.

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Disclaimer

- ◉ These slides are a summary of the provisions of the Letter of Agreement reached between CUPE 561 and SD43 and are intended to assist you in understanding the impact of the proposed changes to your pension arrangements
- ◉ If you have questions or need clarification, copies of the Letter of Agreement are available
- ◉ CUPE 561 and its representatives cannot provide you with individual financial advice

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PRGB Exception

- ◉ Non-active employees of SD43 (i.e. are on an unpaid leave of absence, are in receipt of LTD benefits, etc.) will remain in the NTPP until they return to work
- ◉ Those individuals who never transfer to the MPP because they do not become active employees by returning to work, will have access to the PRGB upon retirement

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Thank you

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