

To: Members, employers, unions and associations
From: Municipal Pension Board of Trustees
November 26, 2018



We are reallocating your contributions to strengthen the plan's inflation funding

The amount you contribute to your Municipal Pension Plan (plan) is not changing, but the percentage of that contribution going into the inflation adjustment account (IAA) will increase effective January 1, 2019.

- Contributions to the basic account, which pays lifetime monthly pensions, will be reduced by 1.06 per cent.
- Contributions to the IAA, which funds cost-of-living adjustments (COLAs), will go up by the same amount.
- Employers and members will each share 0.53 per cent.

This change is part of the Municipal Pension Board of Trustees (board) and plan partners' actions to keep COLAs sustainable.

How will this work?

For example, a member who earns \$50,000 a year and is not in Group 5 currently contributes 8.50 per cent of total salary annually, or \$4,250, to the plan. From that amount, 1.00 per cent of total salary, or \$500, goes into the IAA. The remaining \$3,750 goes into the basic account.

Beginning January 1, 2019, that member will still contribute a total of \$4,250. Of that amount, 1.53 per cent of total salary, or \$765, will go into the IAA. The remaining \$3,485 will go into the basic account.

Why make the change?

The basic account is healthy and your basic pension is secure. We know this because an independent actuarial valuation occurs every three years to ensure the basic account is fully funded on the basis that current contributions continue.

The board has a duty to govern the plan in a way that is fair and equitable to all plan members; it is important that future retired members have access to COLAs, as current retired members do now. This change will be a benefit to working members, because it provides additional funding to the IAA to support the long-term sustainability of COLAs.

What do I need to do?

Members

You do not need to do anything. Your employer automatically deducts your pension contribution from your paycheque. The total amount you contribute to your plan is not changing.

Employers

You must continue to submit contributions by electronic remittance as usual. You have received your blended rate for contributions effective January 1, 2019. This rate includes the final phase of employer contribution rate simplification, which eliminates gender- and age-based differences in your contributions and makes it easier and more stable to budget pension contributions.

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