

# Proposed Plan Design Changes

What it means for retired members of the Municipal Pension Plan

September 2020



**Municipal Pension Plan  
Partners' Redesign**

Moving forward together

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**Municipal Pension Plan  
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# BACKGROUND

- BC's Municipal Pension Plan is one of the largest pension plans in Canada.
- The plan has not had a comprehensive review in 50 years.
- The MPP redesign is an initiative being led by the plan partners who are the plan sponsors.
- The plan is a joint trusteeship, meaning plan members and employers share oversight of the plan.

# GUIDING PRINCIPLES

The plan partners' have been guided by the following principles:

- improving equity for members,
- aligning benefits with how the majority of members use them,
- setting a strong foundation for the long-term sustainability of the plan, and
- staying within the current cost envelope. This means not increasing costs for the plan as a whole.

# IMPORTANT CONSIDERATIONS

- These are proposed changes.
- The plan partners will make a final decision in Spring 2021.
- Proposed changes would apply to future service only (after January 1, 2022) except where stated otherwise.
- The changes would be adopted as a package, not individually.

# WHAT IT MEANS FOR RETIRED MEMBERS

The proposed changes will:

1. Increase the long-term sustainability of the plan
2. Improve cost-of-living adjustments (COLA)
3. Support a new health benefit trust

# 1. INCREASE THE LONG-TERM SUSTAINABILITY OF THE PLAN

- The future surplus priority will be used to pay current unfunded liabilities.
- Plan Partners looked at innovative ways to gain investment income to add funding to post-retirement group benefits.
- A new benefit trust will be seeded with an initial investment of \$100 million to support funding post-retirement group benefits

## 2. IMPROVE COST-OF-LIVING ADJUSTMENTS

- The proposed new terms of the Joint Trust Agreement (JTA) will include provisions that future surpluses will be used to support the IAA & RSA as first priorities for use of surplus until they reach target funding levels.
- The IAA supports cost-of-living adjustments (COLA) on pensions currently being paid.
- The plan partners previously established a sustainable indexing policy to ensure equity in indexing for current and future retirees, and increased contributions to the IAA in 2019 by 1.06% to increase the sustainable level of indexing. (Sustainable indexing is recalculated at each valuation).

## 3. SUPPORT A NEW HEALTH BENEFIT TRUST

- A benefit trust is proposed for the provision of post-retirement group benefits.
- Seed money of about \$100 million and ongoing funding will support the funding of post-retirement group benefits.
- Ongoing funding refers to 0.6% of payroll contributions from employers and members premiums.
- The seed money and unused contributions will be invested for the benefit of retirees.
- The management structure of the trust will ensure retirees have a greater voice in post-retirement group benefits.

## 3. SUPPORT A NEW HEALTH BENEFIT TRUST

Although the final structure of the trust has not yet been determined, there is commitment to ensuring there is meaningful input from retired members.

# HOW DECISIONS WILL BE MADE

- Plan Partners and the HEABC must reach consensus on the package of design changes following consideration of the feedback received through the engagement process.
- Plan Partners will take a final agreement to the Board of Trustees in Spring 2021.
- After ensuring the agreement aligns with their fiduciary responsibilities, the Board will implement the agreement.
- Communication about the changes will begin in Spring 2021.
- New rules will be effective January 1, 2022.

# TIMELINES FOR DECISION MAKING

Sep/Oct 2020



Member & employer communications and outreach

Oct/Nov 2020



Plan Partner engagement with Principals

Spring 2021



Final agreement to Board of Trustees

Spring/Fall 2021



Advanced communications

January 1, 2022



Effective date

# FOR MORE INFORMATION AND TOOLS:

- To learn more visit: [www.mppredesign.ca](http://www.mppredesign.ca)
- Examples of information:
  - Explanation of proposed changes
  - Background about the plan redesign
  - Why the changes are being proposed
  - Information about plan partners
  - Effects on members