

STAFF PENSION PLAN UPDATE



Newsletter published by the Pension Board for members and beneficiaries of The University of British Columbia Staff Pension Plan.

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Building a better pension plan: Read about changes to the Staff Pension Plan

Dear Plan Members:

We have exciting news for this issue: after a year of review and planning, the UBC Staff Pension Plan (SPP) Board is announcing planned changes to improve your pension plan. The objective of the redesigned plan is to be fair to all members and provide improved and more secure pension benefits.

To help you understand the proposed changes to your plan, we're offering a number of resources. The pages inside describe the changes and tell you where to find more information on the SPP website. As well, we're offering several information sessions where you can get detailed explanations and ask questions. The dates and times for those are listed inside – we encourage you to sign up!

In September we consulted your staff representatives to get their feedback. We would also like to hear from you. There are several ways you can give us your feedback or ask questions, and they're all listed inside.

The Pension Board will make its final recommendations on the proposed changes to the Board of Governors once it has taken your feedback into consideration. The redesigned plan is expected to be approved by the fall of 2008, and the changes will apply to future service.

This is your opportunity to learn more about your pension plan and talk to us about it. We hope you'll take advantage of it.

Sincerely,

Brian Evans
CHAIR

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This material has been compiled by the Staff and Pension Board Members of The University of British Columbia Staff Pension Plan from information provided to them and is believed to be correct. If there is any inconsistency between the contents of this newsletter and the pension plan trust or legislation, the trust and legislation will prevail.

Improving your pension plan

The changes we are planning are designed to make the SPP more equitable for everyone.

They include:

- An improved benefit formula
- A higher contribution rate
- One “normal form” of your retirement benefit
- A new minimum pension benefit

This newsletter explains these terms, the changes that will be made, and how they’ll show up in your retirement benefits and on your pay cheque.

Why are we changing the SPP?

The decision to change the SPP was made by the Pension Board, with the support of the University, after a review of the plan that began in 2006.

The Pension Board wanted the redesigned plan to improve the pension plan in five areas:

Equity

Providing a better pension plan that is fair to all of its members is important to the Pension Board and the University. The contribution and pension formulas used in the plan now result in lower pension benefits for each dollar of contributions for some plan members. The changes will correct these inequities.

Improved pension benefits

With the changes, the amount of pension provided to most plan members will increase, while long-term costs will stay the same and the security of your benefits will improve.

Simplicity

The changes will include a flat formula to calculate your pension benefits and contributions, making it easier to understand your benefits and contributions and plan for your retirement.

Offering a competitive benefit

The redesigned SPP will be an attractive benefit that forms a valuable part of your overall compensation.

Security

With the changes, the likelihood that your short- and long-term benefits are paid as promised will be improved. The Pension Board wanted to make sure that any changes would result in a pension plan that continues to be as secure as it is today.

We hope to make a decision on the benefit and contribution rates by the end of this year. Over the next year, we will be working on changing our administrative system to deal with the changes, and finalizing details. We expect the changes to take effect in mid-2009.

The heart of the matter: Your benefits and your contributions

The Staff Pension Plan was set up to provide you with retirement income. During the review of the plan over the last year, the Pension Board found that changes to the plan would improve the amount of retirement pension for most members. It also found that the contribution and benefit formulas used now result in imbalances in pension benefits. Members with lower incomes receive less pension benefit for each dollar of their contributions than

members with higher incomes. And, single members receive a lower benefit than married members. To improve your benefits and to make the plan fair to all members, the Board plans to change the way your contributions and your benefits are calculated.

The table below shows the way your benefits and contributions are calculated now, and how they will be calculated in the redesigned plan.

	Existing Plan	Redesigned Plan
Your benefit formula	1.3% of your average earnings to the YMPE plus 2% of your average earnings above the YMPE	Flat formula – a percentage of your average earnings related to the contribution rate chosen.
Your contribution rate	5% of your earnings to the first \$3,500 plus 3.2% of your earnings from \$3,500 to the YMPE plus 5% of your earnings above the YMPE	Flat rate – a percentage of your earnings which hasn't yet been decided – it could be 5%, 5.5%, 6% or 6.5%

What is the YMPE?

It stands for Year's Maximum Pensionable Earnings, and it is a number that is set by the Canada Revenue Agency each year. Your Canada Pension Plan benefits are based on this number.

What are average earnings?

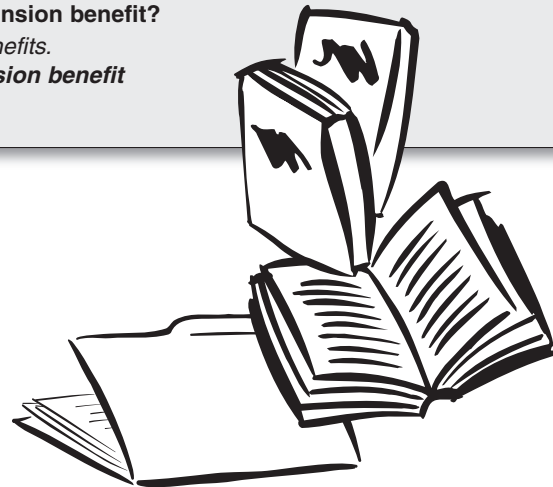
When we talk about your pension plan 'average earnings', we mean the average of your earnings during the three years that they were highest.

What's the difference between benefit formula and pension benefit?

*The benefit formula is used to calculate your pension benefits. For example, if your **benefit formula** is 1.65%, your **pension benefit** will be 1.65% x average earnings x your years of service.*

You'll notice in the table above that we haven't yet chosen the percentage of your earnings that will be used to calculate your contributions. Four different percentages are being considered by the Pension Board: 5%, 5.5%, 6% and 6.5%. Each percentage will result in a different amount of pension benefit and contribution.

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Example

If you contribute 5% of your earnings to the pension plan, your benefit formula will be 1.65% of your average earnings. If you contribute a higher percentage of your earnings, your benefit formula will also be higher.

Contribution Rate	Benefit Formula
5.0% of earnings →	1.65% of average earnings
5.5% of earnings →	1.70% of average earnings
6.0% of earnings →	1.75% of average earnings
6.5% of earnings →	1.80% of average earnings

The charts below show your contributions and benefits at different contribution rates for earnings of \$35,000 and \$60,000 under the existing plan and redesigned plan.

Existing Plan		
Earnings	Contribution Rates	Benefit Formula
	<i>5% x earnings to \$3,500 + 3.2% x earnings to YMPE + 5% x earnings above YMPE</i>	<i>1.3% x average earnings to YMPE + 2.0% x average earnings</i>
\$35,000	\$1,183/year	\$455/year
\$60,000	\$2,276/year	\$894/year

Redesigned Plan								
Earnings	Contribution Rates				Benefit Formula			
	<i>5.0% x earnings</i>	<i>5.5% x earnings</i>	<i>6.0% x earnings</i>	<i>6.5% x earnings</i>	<i>1.65% x avg. earnings/yr of service</i>	<i>1.70% x avg. earnings/yr of service</i>	<i>1.75% x avg. earnings/yr of service</i>	<i>1.80% x avg. earnings/yr of service</i>
\$35,000	\$1,750/yr	\$1,925/yr	\$2,100/yr	\$2,275/yr	\$578/yr	\$595/yr	\$613/yr	\$630/yr
\$60,000	\$3,000/yr	\$3,300/yr	\$3,600/yr	\$3,900/yr	\$990/yr	\$1,020/yr	\$1,050/yr	\$1,080/yr

Note: These calculations use the 2007 YMPE of \$43,700.

There are examples on the SPP website (www.pensions.ubc.ca/staff/) of what your contributions and benefits would be at different rates.

Contributions from the University
UBC also contributes to your pension plan. That contribution will not change. It will continue to be:
10% of your earnings up to the first \$3,500 plus 8.2% of your earnings from \$3,500 to the YMPE plus 10% of your earnings above the YMPE

What's 'normal'?

Explaining the redesigned normal form of pension

The 'normal form' is the pension benefit that is calculated by the pension formula. All other forms of pension are called optional forms and are equal in value to the normal form.

The current normal form for single members is a lifetime pension with a minimum 10-year guarantee. A minimum 10-year guarantee means that if you die before 10 years of pension benefits have been paid, the plan will continue to pay pension benefits to your beneficiary until the pension has been paid for a minimum of 10 years.

For a member with a spouse at retirement, the current normal form of pension is what is called a Joint and Survivor pension – the pension is reduced on the death of the member or the spouse to 60%, and has a minimum guarantee period of five years.

The redesigned plan will have one normal form for both single members and members with a spouse. The new normal form will be a single life pension with a minimum 10-year guarantee. Members with a spouse will still receive Joint and Survivor pension benefit options that are equal in value to the single life pension.

How the SPP stacks up against similar pension plans

One of our objectives is to offer an attractive benefit. The table below compares the SPP with similar pension plans.

Plan	Member Contribution Rate (below YMPE* / above YMPE)	Benefit formula – % of average earnings (below YMPE / above YMPE)
UBC (now)	3.2% / 5.0%	1.3% / 2.0%
UBC after changes	One of the following: 5.0%, 5.5%, 6.0% or 6.5%	1.65%, 1.70%, 1.75% or 1.80%, depending on contribution rate
University of Victoria	4.78% / 6.53%	1.7% / 2.0%
Municipal Pension Plan	6.0% / 7.5% (plus 0.99% for deficit funding)	1.3% / 2.0%
Universities of Alberta Pension Plan (UAPP)	Group 1: 6.72% / 9.115% ** (plus 2.46% for deficit funding)	1.4% / 2.0%
	Group 2: 6.22% / 8.615% *** (plus 2.46% for deficit funding)	1.4% / 2.0%

* YMPE stands for Year's Maximum Pensionable Earnings

** UAPP Group 1 includes the Universities of Alberta, Calgary and Lethbridge, the UAPP Trustees' office and professional staff at UofC Faculty Association

*** UAPP Group 2 is Athabasca University and the Banff Centre

As you can see, contribution rates in similar plans are higher than the contribution rate of the SPP now, and in the same range as the rates we are considering for change.

The current SPP formula for benefits is slightly lower for the portion of earnings below the YMPE than similar plans. After the formula is changed, the pension benefit will be comparable to or higher than other public sector plans.

Your new minimum pension benefit refund

The SPP provides, and will continue to provide, the option of a pension or a lump sum payment when you terminate employment with UBC or retire. The current minimum pension benefit is two times your contributions. The new minimum pension benefit will be 1.5 times your contributions.

At termination or retirement, another calculation is done called the 'commuted value' calculation. The commuted value is the lump sum value of the pension that has been earned to the date of your termination or retirement. This value will be higher

than the new minimum pension benefit under most economic conditions.

Under the redesigned plan, if you choose a lump sum benefit when you retire or leave the University, you will receive either the commuted value, or 1.5 times your contributions, whichever is more.

We plan to increase contributions to provide a better pension benefit. However, if we don't change the minimum pension benefit, we cannot provide the improved retirement benefit.

Security in retirement

What the redesigned plan means to SPP retirees

One of the most important goals of changing this plan was to keep or improve the long-term security of members' benefits. 'Members' benefits' means all members, active, deferred and retired. The planned changes to the SPP are designed so that the balance between benefits and funding does not change over the long term. Under the redesigned plan, increased contributions will pay for the increased benefits. For retirees, this means the changes will result in more security of their pension benefits.

UNDERSTAND PENSION PLAN CHANGES



The Pension Board will be holding information sessions where you can **get more details** on the changes and **ask questions**. The sessions below have been scheduled. More can be held if needed.

- Friday, November 23 1:30 – 3:30
- Monday, November 26 12:30 – 2:30
- Wednesday, November 28 12:00 – 2:00
- Friday, November 30 10:30 – 12:30

To attend, please contact the Pension Administration Office by email: spp@hr.ubc.ca or by phone: **604-822-8100**. When you sign up, your location will be confirmed.

LET US HEAR FROM YOU!

What do you think of the changes? What benefit and contribution rate would be best for you? You can give us your thoughts on the changes by:

- Attending a scheduled information session (See 'Understand Your Pension Plan' above)
- Completing the feedback form on the back page and faxing it to the Pension Administration Office (**604-822-9471**).
- Emailing (spp@hr.ubc.ca) or phoning (**604-822-8100**) the Pension Administration Office.

Frequently asked questions

Why is the SPP changing?

To make it a fair plan for all members. Formulas used in the plan now result in differences in benefits between higher and lower paid members and single and married members. The planned changes will also improve the pension benefits of most members, and will be easier for you to understand and the Pension Board to administer.

What is a flat contribution rate? How is it different from what we have now?

Under a flat contribution rate, members contribute a constant percentage of their base earnings. The percentage hasn't been chosen yet – it could be 5%, 5.5%, 6% or 6.5% of your salary. The contribution formula we have now requires three different percentages to calculate your contributions.

Does going to a flat contribution rate mean I'll get more pension benefits when I retire?

Most members will receive higher benefit levels, partly because their contributions will increase. More importantly, however, going to a flat contribution rate means the plan will be more equitable for everyone. Higher earners may receive a lower benefit once the plan is made more equitable.

Does going to a flat contribution rate mean more will be deducted from my pay cheque?

Yes, for most people. Don't forget, however, that most members' benefits will also increase.

Does a change to the normal form of benefit mean that married members, like me, won't be able to choose a Joint and Survivor pension?

No. Although the same normal form of pension will apply to all members, you will still have a full range of Joint and Survivor options.

I've been working here for 10 years – when I retire, will the new benefit formula be used to calculate my pension for those 10 years?

No. The new rates we plan to put in place will only apply to future service. When you retire, the benefits you earned under the 'old' formula will be calculated and added to the benefits you earned under the 'new' formula.

I've been receiving a pension for several years. Will these changes affect me?

Yes. It will improve the security of your pension.

Can the plan offer a 5% contribution rate and a 1.80% benefit formula?

No. Each flat contribution rate being considered is tied to a flat benefit formula. For example, at a flat contribution rate of 5.0%, the benefit formula would be 1.65%. If the contribution is 6.5%, it would be matched by a benefit of 1.80%.

Will I have a choice of contribution rate and benefit formula?

No. We are seeking your input to help us finalize the one contribution and pension benefit formula combination that will apply going forward. That is why we want you to attend a session and answer the feedback form later in this newsletter.

YOUR TURN – Feedback form

Before the Pension Board chooses the benefit and contribution rates to use in future, we would like to hear your thoughts.



The four options being considered are listed below. Please check the box beside the choice that would be best for you and **FAX** it to the Pension Administration Office at **604-822-9471**.

Would you prefer:

- A benefit formula of 1.65% of your earnings and a contribution rate of 5.0% of your earnings
- A benefit formula of 1.70% of your earnings and a contribution rate of 5.5% of your earnings
- A benefit formula of 1.75% of your earnings and a contribution rate of 6.0% of your earnings
- A benefit formula of 1.80% of your earnings and a contribution rate of 6.5% of your earnings

Do you have other comments or questions?

