

# member news



## **IMPORTANT: Members with special agreement balances**

**Changes to actuarial assumptions may affect your pension amount if you convert a special agreement balance to additional pension on or after January 1, 2018**

Following the report from the last actuarial valuation, the Municipal Pension Board of Trustees (board) reviewed and decided to change the plan's pension factors and option tables to keep these factors current with actual pension costs. The actuarial assumptions do not change how basic pensions or special agreement balances are calculated.

Pension factors and option tables regularly change following an actuarial valuation. During the last plan actuarial valuation, as at December 31, 2015, there was a change in assumptions—as a result, the variables used to determine optional forms of pension and convert special agreement balances to additional pension also need to change. Changes to the option tables may affect some members with special agreement balances who retire on or after January 1, 2018.

Special agreements are negotiated for some members of the Municipal Pension Plan (plan), most commonly police officers and fire fighters. Special agreement contributions are held in a separate account for each member, earning the fund rate of return. These accounts grow like an individual registered retirement savings plan, and the accumulated balance is paid to the member as a lump sum or converted to additional pension at retirement.

### **What are option tables, and why are they changing?**

Option tables are used by the plan to calculate values for optional forms of pension. The single life option (the normal form of pension provided by the plan) is not affected by option tables; however, if a member chooses

**If you have a special agreement balance and are considering retiring, you can contact the plan for estimates.**

an optional form of pension—or chooses to convert a lump sum, such as a special agreement balance, to additional monthly pension—the option tables are used to determine the pension amount.

Economic conditions (such as expected investment returns) and demographic changes (such as life expectancy) affect the plan. The factors in the option tables are based on economic and demographic assumptions used in the plan's actuarial valuation; when those assumptions change, the option tables must also change.

### **Who is not affected?**

If you choose to take a lump sum payment of an accumulated special agreement balance, there is no change.

If you have a special agreement, your options at retirement depend on when your employer entered into the special agreement. If your employer entered into the special agreement:

- on or after January 1, 2007, you can only take a lump sum payment (transferred to a locked-in retirement savings vehicle);
- before January 1, 2007, you may take a lump sum payment (transferred to a locked-in retirement savings vehicle), or convert your special agreement balance to additional monthly pension.

### **Who is affected?**

Changes to the option tables only affect members who choose to convert their special agreement balance to additional pension. If you are eligible and planning to convert your special agreement balance to additional pension, changes to actuarial assumptions effective January 1, 2018, will affect your pension amount.

### **How will changes affect me?**

When the new factors and option tables go into effect January 1, 2018, special agreement balances converted to additional pension will yield a lower pension amount than balances converted on or before December 31, 2017. The change applies only to your additional pension. This may be somewhat offset by a higher monthly pension amount if you choose an optional form of pension.

Because changes to actuarial assumptions create fluctuations, members converting special agreement balances to additional pension on or after January 1, 2018, will receive a similar pension amount to what they would have received prior to January 1, 2015. In 2015, the change increased the amount of pension a member converting a special agreement balance would have received. The net effect of the 2018 change is a return to approximately the same pension amount as prior to the 2015 change.

For more information on how the change might apply to optional forms of your basic pension, please read Board Communiqué *Changes to actuarial assumptions may affect pension amounts for some members who retire on or after January 1, 2018*, published July 6, 2017.

**Are you considering retiring soon and converting your special agreement balance?**

If you choose to convert a special agreement balance to additional pension, the pension amount might be lower if you convert it on or after January 1, 2018.

**Here are two examples to illustrate how the change may affect your special agreement pension amount:**

**Retiring at age 55**

SA	Monthly payments		
	(Current)	(Jan 2018)	Change
\$ 50,000	\$ 271	\$246	\$ (25)
\$100,000	\$ 541	\$491	\$ (50)
\$150,000	\$ 812	\$737	\$ (75)
\$200,000	\$1,083	\$983	\$(100)

**Retiring at age 60**

SA	Monthly payments		
	(Current)	(Jan 2018)	Change
\$ 50,000	\$ 296	\$ 267	\$ (29)
\$100,000	\$ 592	\$ 534	\$ (58)
\$150,000	\$ 889	\$ 801	\$ (88)
\$200,000	\$1,185	\$1,068	\$(117)

Please note: the changes described in this article will not be reflected in pension estimates until January 1, 2018. If you have a special agreement balance and are considering retiring, you can contact the plan for more information and estimates.

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