

To: Plan members, employers, unions and associations
From: Municipal Pension Board of Trustees
July 6, 2017



Changes to actuarial assumptions may affect pension amounts for some members who retire on or after January 1, 2018

Following the report from the last actuarial valuation, the Municipal Pension Board of Trustees (board) has reviewed and decided to change the Municipal Pension Plan (plan) actuarial assumptions to keep pension factors and option tables current with actual pension costs.

Pension factors and option tables regularly change following an actuarial valuation. During the most recent plan actuarial valuation, as at December 31, 2015, there was a change in assumptions—and as a result, the variables used to determine optional forms of pension and convert special agreement balances to additional pension also need to change. Therefore, option tables will change on January 1, 2018.

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 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?

Changes to the option tables will **not** affect

- retired members receiving a pension,
- members who choose the normal form of pension (single life) at retirement,
- members who take their special agreement balance as a lump sum payment.

Who is affected?

Changes to the option tables will affect

- members who choose an optional form of lifetime pension at retirement,
 - members who choose an additional temporary annuity at retirement, and
 - members who choose to convert special agreement funds to additional pension at retirement.
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Members: when you retire, you will choose a pension option that is right for you and your family. You will choose between a single life option and a joint life option. There are different reasons for choosing each option; Choose your pension option can help you make that choice. View the guide on the plan website: mpp.pensionsbc.ca

When the new factors and option tables go into effect January 1, 2018:

- If members choose an optional form of pension, their monthly pension may be higher
- If members choose to purchase a temporary annuity, their monthly pension may be higher (as the reduction in lifetime pension required to purchase the annuity may be lower)
- If members convert special agreement balances to additional pension, the pension amount purchased with the special agreement balance may be lower

What do the changes mean for a member planning retirement?

The option tables do not affect how a member’s single life (normal form) pension is calculated. The lifetime pension is just that—an amount the plan pays to a member every month for the rest of their life. However, members may also want to provide for their spouse or another beneficiary(ies) to receive a pension—either for a set period after the member’s death (through an option such as single life, 10-year guarantee), or for the spouse’s lifetime (through an option such as a joint life pension). When a member selects one of these optional forms of pension, the lifetime portion of the member’s monthly pension is reduced to pay for it.

The option tables help determine the amount of pension a member receives, based on the option they choose at retirement.

Here are two examples to show how changes to the option tables could affect a single life, 10-year guarantee option:

Member age 55

Normal form monthly	Current	Jan. 2018	Change
\$1,000	\$ 993	\$ 994	\$1
\$1,500	\$1,490	\$1,491	\$1
\$2,000	\$1,986	\$1,988	\$2
\$3,000	\$2,979	\$2,982	\$3
\$4,000	\$3,972	\$3,976	\$4

Member age 60

Normal form monthly	Current	Jan. 2018	Change
\$1,000	\$ 985	\$ 990	\$ 5
\$1,500	\$1,478	\$1,485	\$ 7
\$2,000	\$1,970	\$1,980	\$10
\$3,000	\$2,955	\$2,970	\$15
\$4,000	\$3,940	\$3,960	\$20

Here are two examples to show how the changes could affect a joint life option:

Member age 55—spouse age 55

Normal form monthly	Current	Jan. 2018	Change
\$1,000	\$ 893	\$ 911	\$18
\$1,500	\$1,340	\$1,367	\$27
\$2,000	\$1,786	\$1,822	\$36
\$3,000	\$2,679	\$2,733	\$54
\$4,000	\$3,572	\$3,644	\$72

Member age 60—spouse age 57

Normal form monthly	Current	Jan. 2018	Change
\$1,000	\$ 852	\$ 874	\$22
\$1,500	\$1,278	\$1,311	\$33
\$2,000	\$1,704	\$1,748	\$44
\$3,000	\$2,556	\$2,622	\$66
\$4,000	\$3,408	\$3,496	\$88

Do you have a special agreement?

Please read Member News *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*, published July 6, 2017.

Are you considering retiring soon?

- If you choose an optional form of pension or temporary annuity, your pension may be higher if you retire on or after January 1, 2018
- If you convert special agreement balances to additional pension, the pension amount purchased with the special agreement balance may be lower if you retire on or after January 1, 2018

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

**Municipal Pension Board
of Trustees
Pension Board Secretariat**

PO Box 9460
Victoria, BC V8W 9V8
MPBT@pensionsbc.ca
Fax: 250 356-6245