

Bulletin 09-01
January 27, 2009

To All Members

RE Changes to the College Pension Plan and VCCFA/FPSE Responses

VCCFA General Meeting
Thursday, February 19, 2009
2:30 pm
Room 112, (Theatre)
Downtown Campus

College Pension Board Changes -- The Board* recently distributed a flyer on three important changes:

Premium Increase

1) As of September 1, 2009 premiums will increase 0.25%. The colleges will also increase their premium by 0.25%. For reference, at top step that quarter percent increase will be an additional \$17.35 monthly deduction; at bottom step it will be about \$10.80 a month. All of the increase will be applied to the Inflation Adjustment Account *.

End to Benefit Subsidy

2) As of September, 2009 pensioners/retirees will lose their subsidized extended health and dental plans. The money that had gone to this subsidy will go to the inflation account. There will be an opportunity for them to purchase benefits through a new group plan.

Cap on Inflation Protection

3) 2010 will be the last year for a full inflation adjustment. For 2011 and the years following there will only be a partial inflation adjustment, set at a cap determined on a triennial basis. It is anticipated that the cap could be maintained at close to 2%, which why the Board is calling this level of protection "sustainable."

Using the adjustment for 2008 as an example, inflation was 3.4%. This January, that full amount was added to all pensions. For 2011 and thereafter, the Board is projecting that no inflation adjustments would be more than about 2% even if inflation was higher.

VCCFA Commentary

These pension board decisions will have a very significant impact on retirees. Besides the direct cost of benefits, losing out on full inflation protection can really have a cumulative effective after a number of years. As an illustration, after 7 years of 4% inflation, which would mean annual two percent losses if there's a cap of 2%, one's pension would lose almost 15% of its buying power. Put another way, a \$25,000 annual pension would be worth less than \$22,000.

Previous Preparations for 2010

Presidents' Council has regularly had the pension plan and inflation protection on its agendas since at least 2007. Presidents' Council thought it was on course to propose a major push during 2010 bargaining to have dealing with pensions and inflation protection as a core priority.

In the fall, and as a followup to 08-10 bargaining where the issue had been stonewalled, FPSE President Cindy Oliver led the discussions and pushed the decision to increase premiums by 0.25 per cent in order to further fund inflation protection. Achieving this in a post-bargaining year was considered a bit of a coup.

The VCCFA thought that its next task was to prepare members for dealing with the issue of potentially significant premium increases that might result from working on inflation in 2010. If government was to contribute more, members would have to contribute more. We would need to know how much of an increase members were prepared to tolerate.

Everyone knew the 0.5 percent combined increase in September would not be enough to resolve the issue but Presidents' Council felt it should help demonstrate a serious commitment if the Pension Board had any doubts.. President Oliver had also recently been successful in getting an unprecedented early commitment from government that in 2010 we would be able to set up a "table" to "bargain" pension issues that would be connected to collective agreement bargaining. All in all, we thought we had a workable strategy.

One Week's Notice

It was only on January 16th that Presidents' Council learned that the Pension Board had already made a decision to end benefit subsidies and cap inflation protection and was going to announce it on the 23rd.

There was an opportunity to question two FPSE – appointed trustees on their decision. What we heard from the trustees as to the necessity for acting immediately on these issues was not convincing. There did not seem to be an immediate need to fail long-standing FPSE policy. We learned that the college plan will be the first and only public sector plan in BC to have a cap on inflation protection. We were also greatly concerned that the fact of an established inflation cap and the elimination of benefit subsidy would make it more difficult to negotiate on both issues in the future.

Rescind or Suspend

VCCFA then supported a Presidents' Council motion asking the Pension Board to rescind its decisions. There were numerous communications during the week leading up to January 23rd. As it became clear the Board would not entertain rescinding, the VCCFA and others pushed unsuccessfully for a suspension of the implementation so that all the parties could meet face to face and explore alternatives.

VCCFA Response

These points have been shared with the VCCFA executive, which is very troubled at what the Board has done. It is very supportive of the efforts to convene a meeting of the Partners and then the Board to discuss alternatives.

Co-incidentally, FPSE's standing Pension Advisory Committee is meeting at the end of January. VCCFA Executive unanimously passed the following motion of support for the efforts of FPSE Executive and Presidents' Council. Our rep, Brian Haugen, will present it at the PAC meeting:

As: The Pension Board has announced changes to retiree benefits and inflation protection that do not comply with FPSE policy goals,

Move that: PAC support all efforts by FPSE Executive and Presidents' Council to

- 1) improve communication between the Pension Board and Presidents' Council*
- 2) explore alternatives to cutting retiree benefits and capping inflation protection*
- 3) work with the pension partners to find alternatives and better outcomes than those the Pension Board has announced*
- 4) work with other unions in the public sector to push for regulatory changes in pension financing*

We will do what we can to keep members informed of developments.

Commentary from FPSE President Cindy Oliver (attached)

Cindy calls the Pension Board decision "regrettable." She reports that it went ahead despite a call from the FPSE Presidents' Council to rescind it and allow for a meeting of the Plan Partners so that other options could be considered.

General Meeting

We have a general meeting scheduled for Thursday, February 19th at 2:30 pm, Downtown Campus, room 112 (Theatre). Amongst other issues, we will have an update on this issue and are inviting President Oliver to speak to it.

Frank Cosco
President

** The complicated nature of plan governance provides that government, employers, faculty and administrative employees in the system are to work as "Pension Partners" to fund the plan and influence its direction and policy. They each appoint trustees to an evenly-split union-government, ten-member Board that directly governs the operations of the plan. Three Board members are appointed directly by FPSE. A retired faculty is jointly appointed by FPSE and the BCGEU (the GEU also appoints one of its own active faculty members.) The Board operates at arm's length from the Partners.*

- *The Inflation Adjustment Account is kept separate from the main account which funds everyone's basic pension amount.*

**VCCFA General Meeting
Thursday, February 19, 2009**

**Room 112 (Theatre)
2:30 pm
Downtown Campus**

Pension changes raise concerns

January 23, 2009 -

- [President's Comment](#)

The College Pension Plan has announced that it will stop subsidizing extended health benefits for retirees and will also cap inflation protection in the near future. The announcement follows a decision by the College Pension Plan Board to press ahead with these changes despite an appeal from Presidents' Council to give Pension Plan Partners the opportunity to meet and consider other options.

The decision to cap inflation protection and cut the subsidizing of extended health benefits to retirees is certainly regrettable. FPSE has a long history of pushing for and negotiating provisions that ensure our pension plan provides quality benefits and protection to our members. This decision reduces many of the gains we have been able to achieve over the many years that our plan has been in place.

There is no question that today's extraordinary economic conditions have added new complications to many pension plans. However, those extraordinary conditions also mean that there needs to be a more extensive level of communication between the College Pension Plan Board and our Presidents' Council to ensure that, whatever changes are made, we have had an opportunity to canvass alternatives. We know, for example, that other public sector pension plans are facing similar problems and that part of the solution to these problems may well be to revamp regulations governing pension plans rather than simply cut benefits or cap inflation protection.

Despite this latest announcement, FPSE plans to meet with Pension Partners as soon as possible to work on alternatives to what the Pension Plan Board has proposed. With these changes taking effect later this year, we want to use the intervening months to find better outcomes than what has been drafted to date. We also plan to work with other unions in the broader public sector to push for regulatory changes that will help plans like ours maintain benefits despite short term uncertainties.

Our collective resolve has always helped us through tough times. I'm confident it will help us prevail on this issue too.