

CUPE BC Municipal Pension Plan Trustees' Report to Convention – April 2017

This report outlines the 2016 activities of CUPE BC's two Trustees to the Municipal Pension Plan.

In 2016, Brother Trevor Davies and I sat on the following committees:

- **Communications and Advocacy** - Responsible for communication to members, public and stakeholders
- **Valuation** - Responsible for determining the value of the plan
- **Interplan Web Design Review** - Responsible for working with other public sector pension plans on joint website design

These committees, along with Governance, Investment, Benefits and Appeals, form an integral part of the overall structure of the MPP and contribute to its ongoing successful operation.

In November, I attended my second ATMS (Advanced Trustee Management Standards) Quality Series Course sponsored by the International Foundation of Employee Benefits and Pensions. Both Trevor and I attended the IFEBP Annual Canadian Benefits Conference in November. At the close of our convention, Trevor will be taking the weeklong investment literacy course at the Wharton Business School.

2016 saw some significant changes for the MPP, including the restructuring of the retirees' benefit plan package and the plan valuation report.

Retiree Benefit Plans

Funding for group benefits comes from premiums paid by retired members and subsidies paid by the plan. In the last 5 years, the total cost of the extended health care (EHC) and dental program subsidies paid by the plan increased by 40%, but the premiums paid by retirees increased less than 10%. The Board engaged an independent group benefits company to do a thorough analysis of members' usage over

a three year period. This analysis, along with other real data provided to the Board, showed that changes were needed if the retiree benefits plan was to remain sustainable into the future. On January 1, 2017, the subsidized dental plan was replaced with a retiree only paid plan and changes were made to the Extended Health Plan in the areas of deductible and co-insurance. It's important to remember that retiree benefits are not guaranteed and are not pre-funded.

Valuation

The 2015 valuation of the MPP found that the plan is fully funded at 104.6%. The previous valuation in 2012 had an unfunded liability of \$1.37 billion in the basic account. The 2015 valuation shows a surplus in the basic account of \$2.2 billion. This is primarily the result of higher than expected investment returns. Because the plan has a surplus, there will be no member and employer contribution rate increases. Instead, the majority of the surplus (\$1.93 billion) will be put into a rate stabilization account to help offset future contribution rate increases. The balance of the surplus (\$297 million) is required to maintain the required contribution rates used now. As part of the valuation, the Board also determined that the level of sustainable cost of living adjustments (COLA) can be raised from 1.95% to 2.10% effective January 1, 2017 for the next three years.

Our 2016 Annual General Meeting was held on October 13th at the Anvil Centre in New Westminster. 310 people attended, including active members, retirees, and employers. There were also 42 trustees and service providers present. Most of the discussion and questions from the audience was around the changes to the retiree benefits plan. The audio recording and presentation slides are available on the MPP website. The 2017 AGM will again be held at The Anvil Centre on October 12th.

As at December 31, 2016 the overall assets of the MPP was approximately \$46 billion, an increase of almost \$2 billion from December 31, 2015.

We would also like to acknowledge Brother Gary Yee who served as the 2016 Vice-Chair and who will move into the Board Chair position for 2017.

As we move through 2017, Brother Davies and I will continue to work hard to ensure that the MPP remains a strong, healthy and sustainable plan for all CUPE members in BC.

We thank Brother Paul Faoro for his continued trust and support of our work with the plan.

In Solidarity,

Sister Patti Price
Primary Trustee

Brother Trevor Davies
Alternate Trustee

April 2017

