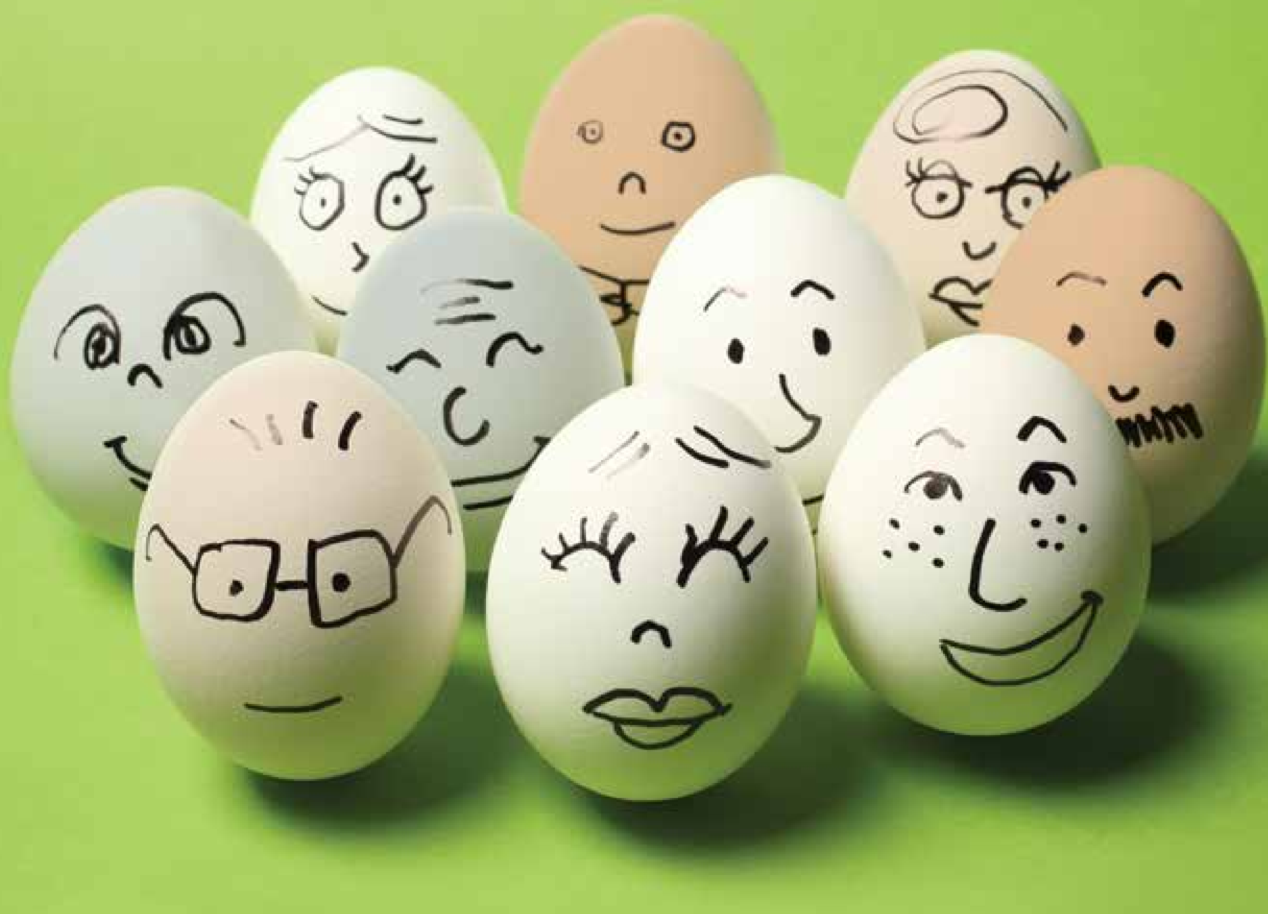
TEACHERS' PENSION PLAN

2018 REPORT TO MEMBERS

Grade A valuation

What that means for you and your future



APRIL 1, 2019, MARKS THE 90TH ANNIVERSARY OF THE *BC TEACHERS' PENSION ACT*. THE ACT WAS THE FIRST IN BC TO PROVIDE PENSION BENEFITS TO TEACHERS AND IS PREDECESSOR OF THE CURRENT PENSION PLAN.

Victoria High School
School District 61

FROM THE TRUSTEES:

Your plan: healthy and strong at 90

April 1 marked your Teachers' Pension Plan's 90th birthday, but the plan celebrated early with a number of positive changes announced in 2018.

In March 2018, we told you about the preliminary valuation results. These preliminary results led to an improved accrual rate, which is the rate at which your pension grows, and other enhancements for your pension. (Read the *2017 Report to Members* on the plan website for more details.)

Then in October 2018, with the final actuarial valuation results showing a strong surplus, we announced a reduction in contribution rates for both members and employers effective January 1, 2019.

Member and employer contribution rates (% of member salary)

	Before January 1, 2019	On and after January 1, 2019
Member	12.92	**11.17**
Employer	13.23	**11.30**

In short, you will pay less money to the plan: for every $1,000 of salary, members will pay $111.70 (a reduction of $17.50) and employers will pay $113.00 (a reduction of $19.30).

WHY ARE THE CONTRIBUTION RATES BEING REDUCED?

The most prominent factor that allowed us to reduce contribution rates was the plan's strong investment returns. The valuation showed the plan's basic account has actuarial assets of $26.8 billion and actuarial liabilities of $26.2 billion, meaning the plan is 102.5 per cent funded as at December 31, 2017, with a surplus of $644 million. These figures consider all the plan improvements announced in both March and October.

The surplus will make up a new rate stabilization account (RSA), created in accordance with the *Pension Benefits Standards Act* rules about plan surpluses. Funds in

1929: British Columbia's *Teachers' Pension Act* was passed; retiring teachers could receive an annual pension of $25 for every year of service.

the RSA will help mitigate any significant increases to contribution rates that may result from future valuations.

You may wonder why employer contribution rates decreased more significantly than member contribution rates. When there is a valuation surplus, the Teachers' Pension Board of Trustees—which is made up of trustees appointed by the British Columbia Teachers' Federation (member partner) and the provincial government (employer partner)—acts on specific instructions outlined in the Teachers' Pension Plan Joint Trust Agreement (JTA), a document jointly managed by the partners.

The JTA requires the plan to use this surplus toward balancing employer and member contribution rates—a goal of the JTA. With the new rates, employers now contribute the same as members toward the basic account but still contribute 0.13 per cent of salary more than members toward the plan's inflation adjustment account, the account used to fund cost-of-living adjustments for retired members. The JTA considers this 0.13 per cent to be exempt from the balancing provisions.

WHAT IS A VALUATION?

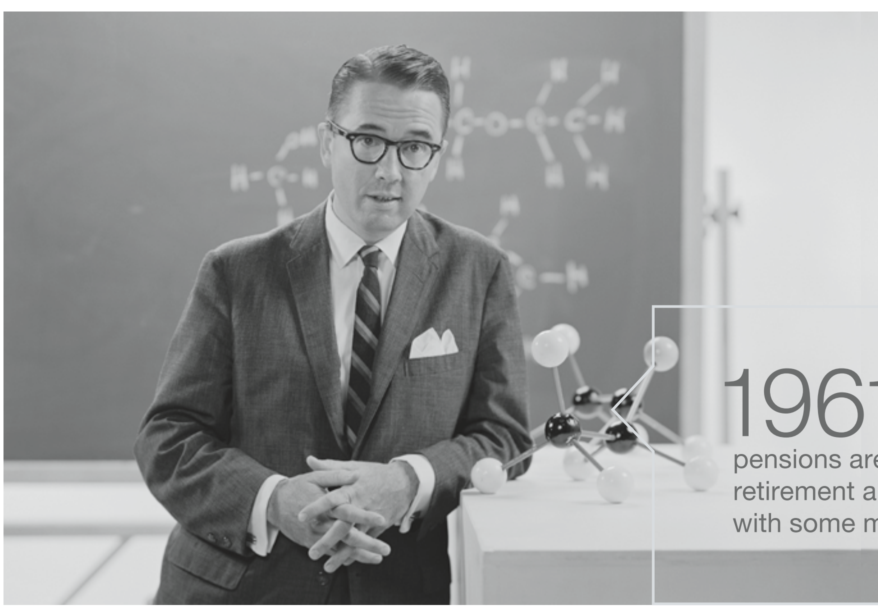
A valuation is the most important measurement of plan health. It determines, using a series of economic and demographic assumptions, how much money the plan needs to pay current and future pensions. An independent actuary—a professional with specialized training in financial modelling, laws of probability and risk management—performs a valuation at least every three years.

AND …HAPPY BIRTHDAY, TEACHERS' PENSION PLAN!

We take pride in helping your plan age well so it will provide for you in retirement. The plan has changed a lot in the past 90 years!

Look for key milestones scattered throughout this report to learn how your plan has evolved through changing demographics, political shifts, and union and employer collaboration. You can also find out more by searching "history of the plan" on the plan website.

Today, your Teachers' Pension Plan is one of the largest and healthiest pension plans in Canada, and is well positioned for the challenges and opportunities of the future.



1961: Plan changes are made; members' pensions are now based on years of service, age at retirement and average salary—a formula which, with some modifications, continues today

6 brilliant ways to use My Account

Claudia Jay
Hillcrest Elementary School
Greater Victoria School District 61

Real members. Real life. Volunteer to be a model for a day! Contact memberphotos@pensionbc.ca

— and make your pension experience easier.

From your desktop computer on a rainy evening at home, your phone during your morning bus ride or your tablet while awaiting lunch at your favourite cafe, you can sign in to My Account anytime, from anywhere. You can use My Account to help you with several important steps as you make your retirement dreams a reality. It's all available at **tpp.pensionsbc.ca**.

1966: Teachers' Pension Plan is integrated into the newly established Canada Pension Plan (CPP)

Here are six brilliant ways you can make My Account work for your pension:

1. TAKE THE NEXT STEP IN LIFE: RETIRE ONLINE

You can take the next major step in your life at your own pace, in the comfort of your own home. Sign in and complete the online application as early as 90 days before your pension effective date.

2. LEARN WHAT YOU'LL GET WHEN YOU RETIRE: ESTIMATE YOUR PENSION

The personalized pension estimator will show you monthly pension payment amounts for various pension options based on your salary and years of service. You can enter different retirement dates and see how working longer—or retiring earlier—will affect your pension.

3. MAXIMIZE YOUR PENSION: ESTIMATE THE COST OF BUYING SERVICE

Just back to work from parental leave? Spent time supporting a sick family member? You may be able to increase your future pension by buying service for the time you took a leave of absence from work. In My Account, you can estimate the cost of buying that service.

1982: The first supplementary allowances (now known as cost-of-living adjustments) are granted under provincial legislation; though the adjustments are not guaranteed, a member who retired in 1981 would have seen their pension keep up with inflation for more than 35 years

2001: Teachers', College, Municipal and Public Service pension plans move from being statutory plans to jointly-trusteed plans; members gain an equal voice in their pension

4. PROTECT LOVED ONES: NAME A BENEFICIARY

If you have a spouse, they are automatically your sole beneficiary unless they waive their right to your pension, but you can use My Account to assign an alternate beneficiary in case your spouse dies before you.

If you do not have a spouse or your spouse has waived their right to your pension, you can assign a beneficiary.

5. SMOOTH OUT THE PROCESS: UPDATE YOUR SPOUSAL INFORMATION

Getting married? Add your spouse to your record by supplying their date of birth and uploading a marriage certificate or other identification. Keeping your spousal information up to date will make your retirement process go more smoothly when the time comes.

6. STAY INFORMED: VIEW YOUR *MEMBER'S BENEFIT STATEMENT*

Each year the plan provides you a copy of your *Member's Benefit Statement*—a snapshot of your account that shows estimates of what your monthly pension payment may be when you retire. It's always available online, so you can always have it handy for visits to a financial advisor or your bank.

PLAN RULE CHANGES
AND UPDATES

Plan changes

[EFFECTIVE IN 2017, 2018 OR 2019]

2018: In response to evolving demographics and major adjustments to the Canada Pension Plan (CPP), the plan partners and trustees approve changes to the plan that modernize it, delink it from CPP and improve its equitability

CHANGES TO MEMBER AND EMPLOYER CONTRIBUTION RATES [EFFECTIVE JANUARY 1, 2019]

As a result of the December 31, 2017, actuarial valuation, contribution rates were reduced effective January 1, 2019. For more information, please read the trustees' message in this report or search for the term "board communique" on the plan website.

How will this affect you?
In short, you now pay less money to the plan.

CHANGES TO ACCRUAL RATE AND DEFAULT PENSION OPTION [EFFECTIVE JANUARY 1, 2019]

Last spring, the Teachers' Pension Board of Trustees announced significant upcoming changes to the plan, including improvements to the accrual rate and default pension option. In addition, the account that funds non-guaranteed cost-of-living adjustments for retired members was strengthened effective January 1, 2019.

How will this affect you?
If your pension is effective on or after January 1, 2019, it will be higher than it would have been before the improvements were made. For more information, read the *2017 Report to Members,* at **tpp.pensionsbc.ca**.

PLAN MODERNIZATION AND EQUITABILITY FOR MEMBERS [EFFECTIVE JANUARY 1, 2018]

In 2016, the board first announced changes to modernize the plan and make it more equitable for members. The changes came into effect January 1, 2018, and include new contribution rates, updated reduction rules and a new accrual rate.

How will this affect you?
Your pension will be affected for pensionable service earned on or after January 1, 2018. The changes will mean different things to different members. For full details, read the *2016 Report to Members* at **tpp.pensionsbc.ca**.

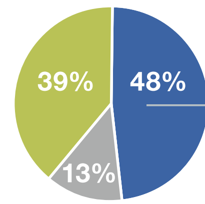
In addition, the following administrative changes were made to the plan rules:

- Updates to align terminology with the *Pension Benefits Standards Act* (PBSA) definition of "pension" as a lifetime benefit [EFFECTIVE DECEMBER 4, 2018]
- Updates in response to changes in BC's *Employment Standards Act* [APPROVED DECEMBER 4, 2018; RETROACTIVELY EFFECTIVE MAY 17, 2018]
- Improvements to clarity, and updates to terminology and references to BC's *School Act* and PBSA [EFFECTIVE JANUARY 1, 2018]
- Amendments to the board's criteria for group disability plan approval to be consistent with the January 1, 2018, plan rule changes [EFFECTIVE JANUARY 1, 2018]
- Updates regarding the annual transfer of excess investment returns from the basic account to the inflation adjustment account [APPROVED MARCH 12, 2018; RETROACTIVELY EFFECTIVE JANUARY 1, 2017]

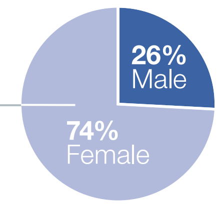
Preliminary numbers[1]

Membership profile

Active	47,849
Retired	38,465
Inactive[2]	12,491



Active members



Financial statement highlights ($ millions)

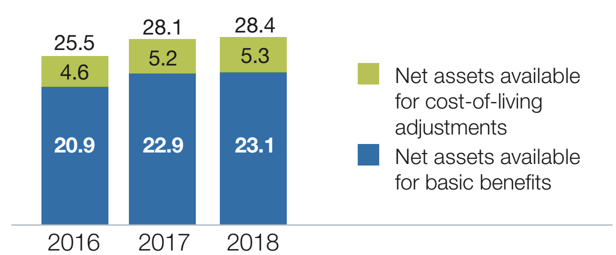
	28,116	Net assets—beginning of year
+	720	Investment income
+	823	Contributions
–	1,212	Benefit payments
–	81	Investment and administrative fees[3]
=	**28,366**	**Net assets—end of year**

Investment and administration fees

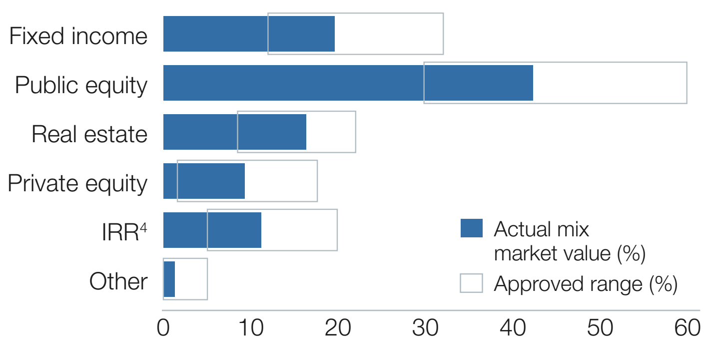
Investment management[3] **0.35%** of assets

Benefits administration **0.05%** of assets

Net assets available for benefits[5] ($ billions)



Asset allocation



Return on investments[6]

2.3%

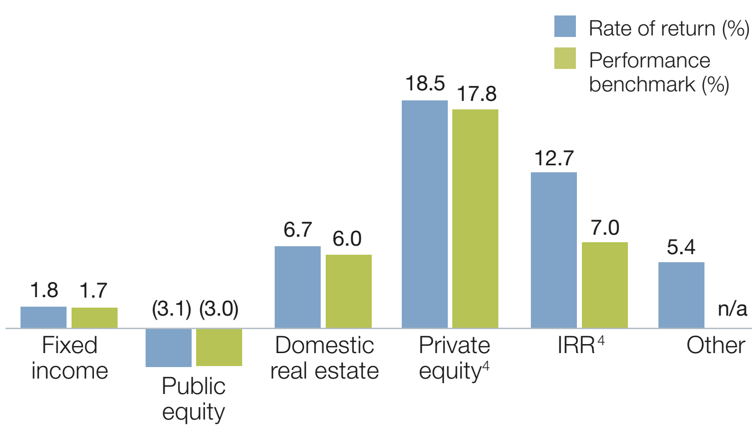
5-year annualized **8.2%**

Performance benchmark[7]

0.8%

5-year annualized **7.0%**

Rate of return vs. benchmark[6, 7]



1 All numbers are unaudited and dates are as at December 31, 2018 unless otherwise stated. For audited financial information, read the *2018 Annual Report,* available fall 2019 on the plan website. For the plan's full investment policy, see the Statement of Investment Policies and Procedures on the website.
2 Members no longer employed by a plan employer, but with money in the plan.
3 External investment management costs of $32.0 million are netted against investment income but are included in investment management costs as a percentage of net assets (2017—$28.7 million).
4 The rates of return for private equity and infrastructure and renewable resources (IRR) reflect the December 31, 2017, internal rates of return.
5 As at December 31.
6 For the year ended December 31, 2018.
7 Benchmarks are standards to compare against investment returns.

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Alexis McKean
Teachers' plan member

Teachers' Pension Plan
tpp.pensionsbc.ca

TOLL-FREE: 1-800-665-6770 (Canada/U.S.)

FAX: 250-356-8977

EMAIL: TPP@pensionsbc.ca

MAIL
Teachers' Pension Plan
PO Box 9460
Victoria BC V8W 9V8

MISSION STATEMENT
To fulfil the trust the partners have placed on us by effectively and efficiently meeting the pension promise to provide retirement income to plan members.

The information in this booklet is based on the legislation and BC Teachers' Pension Plan rules in effect as of December 31, 2018, except where otherwise noted. In the event of any variation between the information in this booklet and the provisions of the statutes, regulations and plan rules that govern any benefits available under the BC Teachers' Pension Plan, the latter will prevail. Financial figures presented in this report as at December 31, 2018, are unaudited.

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