Grade A valuation

What that means for you and your future

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4 6 BRILLIANT WAYS TO USE MY ACCOUNT

7 PRELIMINARY NUMBERS: YOUR PLAN’S FINANCIAL HEALTH
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**

<table>
<thead>
<tr>
<th></th>
<th>Before January 1, 2019</th>
<th>On and after January 1, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member</td>
<td>12.92</td>
<td>11.17</td>
</tr>
<tr>
<td>Employer</td>
<td>13.23</td>
<td>11.30</td>
</tr>
</tbody>
</table>

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

— 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.

Claudia Jay
Hillcrest Elementary School
Greater Victoria School District 61

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.

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

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.
Plan changes

[Effective in 2017, 2018 or 2019]

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\(^1\)

Financial statement highlights ($ millions)

\[
\begin{align*}
28,116 & \quad \text{Net assets—beginning of year} \\
+ & \quad 720 \quad \text{Investment income} \\
+ & \quad 823 \quad \text{Contributions} \\
- & \quad 1,212 \quad \text{Benefit payments} \\
- & \quad 81 \quad \text{Investment and administrative fees}\(^3\) \\
\end{align*}
\]

\[= 28,366 \quad \text{Net assets—end of year}\]

Asset allocation

<table>
<thead>
<tr>
<th>Category</th>
<th>Approved range (%</th>
<th>Actual mix</th>
<th>market value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td></td>
<td>5.4</td>
<td>n/a</td>
</tr>
<tr>
<td>Public equity</td>
<td>18.5</td>
<td>12.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Real estate</td>
<td>17.8</td>
<td>6.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Private equity</td>
<td>17.8</td>
<td>18.5</td>
<td>6.7</td>
</tr>
<tr>
<td>IRR(^4)</td>
<td>12.7</td>
<td>7.0</td>
<td>5.4</td>
</tr>
<tr>
<td>Other</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Rate of return vs. benchmark\(^6,7\)

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate of return (%)</th>
<th>Performance benchmark (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Public equity</td>
<td>6.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Real estate</td>
<td>(3.1)</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Private equity</td>
<td>18.5</td>
<td>17.8</td>
</tr>
<tr>
<td>IRR(^4)</td>
<td>12.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Other</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Membership profile

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>39%</td>
</tr>
<tr>
<td>Retired</td>
<td>48%</td>
</tr>
<tr>
<td>Inactive(^2)</td>
<td>13%</td>
</tr>
</tbody>
</table>

Active members

- 26% Male
- 74% Female

Investment and administration fees

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage of assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>0.35%</td>
</tr>
<tr>
<td>Administration</td>
<td>0.05%</td>
</tr>
</tbody>
</table>

Net assets available for benefits\(^5\) ($ billions)

\[
\begin{align*}
25.5 & \quad \text{Net assets available for cost-of-living adjustments} \\
20.9 & \quad \text{Net assets available for basic benefits} \\
\end{align*}
\]

Return on investments\(^6\)

\[
\begin{align*}
2.3\% & \quad 5\text{-year annualized} 8.2\% \\
0.8\% & \quad 5\text{-year annualized} 7.0\% \\
\end{align*}
\]

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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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.