

Public Sector Employers' Council Secretariat

B.C. Government Pension Plan Partner Governance Framework

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PSEC

Public Sector
Employers' Council
Secretariat

B.C. Government Pension Plan Partner Governance Framework

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Executive Summary

The four jointly trustee public sector pension plans (College, Teachers', Municipal, Public Service) in British Columbia provide pensions to approximately 565,000 members. The boards of trustees hold in trust, and invest through the BC Investment Management Corporation, in excess of \$105 B to safeguard the pensions.

The plans are well-managed and well-funded. They are known across Canada and internationally for their strong governance and investment practices. Members benefit from a secure pension, ranging in average annual payments of between \$17K to \$31K depending on the plan and the members' years of service, age at retirement, and average highest salary. The provincial economy benefits by members spending their pensions in their communities. And the B.C. Government also benefits from these pensions in the form of supporting strong rating agency results and investment tours.

The B.C. Government Pension Plan Partner Governance Framework was first established in 2009. This framework was updated in 2018 following a review of the work of the Government Partner from 2009, a review of governance best practices, and consultations with key stakeholders.

Key findings of the reviews and consultations found the Government Partner had achieved many successes since 2009 but that there are continuing and emerging areas of challenge. These findings are reflected in this update to the framework; providing for new objectives for the Government Partner to focus on.

Purpose

The purpose of the Governance Framework is to guide the Provincial Government Pension Plan Partner¹ (Government Partner) and representative in considering options and addressing challenges and opportunities facing the four jointly trustee public sector pension plans. A secondary purpose is to be transparent, assisting other partners and the boards of trustees in understanding Government Partner's interests and perspectives.

¹ The Government Partner is the Minister responsible for the *Public Sector Pension Plans Act*; the Minister has final decision making authority for the Government Partner. In this document, Government Partner refers to the Minister *and* the Government Partner representative (the Executive Director Pensions of the PSEC Secretariat).

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Background

The Government Partner representative, in the Public Sector Employers' Council Secretariat (PSEC Secretariat), embarked on a review of the public sector pension plans through the summer of 2008. The purpose of this review was to define the pension plan promises; determine the overall success of the plans and their financial and management health; identify challenges and opportunities; and to outline next steps for the Government Partner.

This project identified a number of key challenges for the Government Partner including: clearly establishing itself as an active partner; determining and carrying out its appropriate role; determining information needs and lines of communication; securing access to this information; and, developing and maintaining pension expertise. The objectives identified in 2009 have been met (see appendix 2), though there are new challenges and objectives to be considered.

A review of the work of the Government Partner from 2009, consideration of best practices in governance, and consultations with key stakeholders identified the successes of the 2009 initiative and led to the identification of new challenges and objectives for the Government Partner moving forward.

This document has been updated to reflect the findings of the review and will guide the Government Partner in its future actions and decisions.

Context

The jointly trustee public sector pension plans have been functioning under a joint trusteeship model since 2001 (2000 for the College Plan). The joint trusteeship model represented a significant shift in roles and responsibilities for Government from sole sponsor to a joint partner with member and employer partners, depending on the plan, sponsoring the jointly trustee pension plans. The four plans have similar characteristics but are managed by separate boards of trustees.

The plan partners and the boards believe the joint trusteeship model is the right model. This model is viewed across Canada and by international pension organizations as a best practices model. The boards of trustees have managed the plans very well, especially following the 2008 economic downturn, and they have made the hard decisions to address the challenges they

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face. The boards of trustees support continual improvement of their trustees' skills and experience through a robust training and education strategy.

In 2003 the Auditor General Report noted that the Government Partner role relied on a narrow base of expertise in its oversight of the plans and in protecting Government's interests in the plans. Since that time, this had been addressed with an expanded focus on the Government Partner role and responsibilities, and through expanding pension capacity more broadly within government and with pension trustees. Government Partner is in the process of formalizing a succession planning framework for the Government Partner representative role.

The plans continue to provide modest yet highly valued pension benefits that are well managed and financially sustainable. They support Government well during rating agency reviews and investment tours with their strong governance structure and well funded status.

This document describes the role and responsibilities of the Government Partner and lays out the framework to guide Government Partner considerations, actions and decisions as they relate to the four jointly trusted public sector pension plans.

Continuing and Emerging Challenges and Trends:

- Low-for-Long Investment Returns – Investment returns are not expected to be in the double digit range any longer, and since these returns account for 75-80% of pensions, this is a critical concern. Trustees need to be better equipped to understand the investment options and how to establish the right mix of risk and return. They also need to understand the economic impacts of events around the world and how they affect investment markets.
- Member Longevity and Demographic Changes – Not only are members living longer but they are generally healthier. This convergence increases the cost of the plans and the risk to active member and employer participants. However, trends are beginning to show employees are increasingly choosing to work longer, especially where phased retirement options are available (these options are not available in the four B.C. jointly trusted pension plans). At the same time, demographic projections are indicating a longer-term issue with an aging population base resulting in a lower percentage of the population working, more people drawing retirement, and increasing health care benefit demands. Perspectives on retirement, pre-retirement, and the duration of working years are changing. These issues must form part of the discourse in plan design.
- Canada Pension Plan (CPP) Enhancement – The CPP enhancement increases the pre-retirement income replacement ratio and extends the eligible CPP insurable earnings. This

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enhancement has the potential for creating pension over-savers in the public sector pension plans, particularly for long service and high earning members, and must be considered in plan design discussions.

- Pension Misperceptions – From time to time, often triggered by high-profile retirements or compensation reports, some organizations and media will use a broad brush approach in describing public sector plans in British Columbia as being taxpayer-supported, gold-plated, defined benefit pension plans. The reality is that B.C.'s jointly trustee public sector plans are a mix of defined benefit and defined contribution, with 70-80% of the plans funded by investment income, and the remaining 20-30% funded by shared employer and employee contributions.
- Promoting the B.C. Pension Governance Model – Internationally Canada is recognized for its pension governance and investment practices which include: shared risk structures; co-governance; independent governance; fiduciary focus; scale aggregation of investment pools and administration; and the greater proportion of asset management occurring in-house. B.C. not only follows these same practices but has gone further in its design of investment practises to allow the separate plans to set their own asset mix in the pooled funds while maintaining scale aggregation and through its hybrid design of the pension benefits. The Government Partner promotes B.C.'s pension governance model through rating and investment tours and by educating government stakeholders.
- Investment Considerations – Success in the Canadian investment model, which includes scale aggregation in investment pools and significant in-house investment capacity, attracts the attention of governments interested in tapping pension funds for infrastructure investments. Pension fund administrators, who are the boards of trustees (with employee and employer appointees) in the case of the B.C. jointly trustee public sector pension plans, are required to invest in the best financial interest of their members. There may very well be opportunities for Canadian pension plans to invest in Canadian federal and provincial infrastructure; governments and pension fund administrators may wish to explore opportunities that benefit both public infrastructure and the plan's members – final investment decisions, however, are the responsibility of the pension plans' boards of trustees.
- Governance and Leadership – Greater focus is required to ensure boards are confidently able to fill all governance and leadership requirements of the boards and have solid succession planning. This planning would be better supported with a more strategic focus, improved processes, and a greater partnership between and among the appointing authorities and the boards.

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Partners and their Role Defined

Pension Plan Partners

College	Municipal	Public Service	Teachers'
<ul style="list-style-type: none"> ● B.C. Provincial Government ● Post-Secondary Employers' Association (PSEA) ● Federation of Post-Secondary Educators of BC (FPSE) ● BC Government and Service Employees' Union (BCGEU) 	<ul style="list-style-type: none"> ● B.C. Provincial Government and the Union of BC Municipalities (UBCM) together ● Municipal Employees' Pension Committee (MEPC)* 	<ul style="list-style-type: none"> ● B.C. Provincial Government ● BCGEU 	<ul style="list-style-type: none"> ● B.C. Provincial Government ● BC Teachers' Federation (BCTF)

* MEPC represents six unions and the Council of Joint Organizations and Unions, the latter which itself represents the remaining unions and members in the Municipal Pension Plan.

With regard to the Municipal Pension Plan, trustees are appointed to the board by appointing authorities. Appointing authorities include the partners as noted above, but they also include the following organizations:

- Health Employers' Association of British Columbia
- British Columbia Public School Employers' Association
- Hospital Employees' Union
- Canadian Union of Public Employees, B.C. Division
- Health Sciences Association of British Columbia
- British Columbia Nurses Union
- British Columbia Police Association & British Columbia Professional Fire Fighters' Association (jointly)
- Council of Joint Organizations and Unions

Pension Plan Partner Role

The Government Partner understands its role with regard to the four jointly trustee public sector pension plans, as outlined in Schedule A of the *Public Sector Pension Plans Act* (PSPPA) and the Joint Trust Agreements, includes the following responsibilities:

- Appoint and rescind individuals as trustees to the boards of trustees.

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- This can be done independently, unless it is a joint appointment; then it requires relevant partner agreement.
- Nominate trustees to the Pension Corporation Board of Directors.
 - This can be done independently, unless it is a joint nomination; then it requires relevant partner agreement.
- Appoint and rescind three of the seven directors to the BC Investment Management Corporation. The remaining four are appointed by the four jointly trustee boards of trustees.
- With consensus of the relevant partners:
 - Direct the boards of trustees to amend pension plan rules (subject to the following conditions: the relevant board had an opportunity to consider the amendment; it is not inconsistent with applicable legislation; and, it is not contrary to trustee fiduciary responsibility).
 - Amend the joint trust agreements, subject to the above noted conditions².
 - Resolve referred disputes.

Public Sector Employers' Council Secretariat & the Delegated Pension Plan Partner Role

The Executive Director Pensions takes its direction from the Minister Responsible for the *Public Sector Pension Plans Act*, and is responsible for the day-to-day management of the Government Partner responsibilities. Specifically, the Executive Director:

- Seeks approval of the Minister to make material amendments to the Joint Trust Agreements.
- Has delegated authority to make strategic appointments to the boards of trustees (see Appendix 1 for more detail) and nominations to the Pension Corporation board of directors;
- Provides pension plan governance oversight.
- Provides pension knowledge, expertise, and advice across government and employers.
- Has expertise and broad experience in pensions, investments, actuarial math, negotiations, strategic networking, and relationship building.

Pension Promise and Associated Benefits Defined

The pension and associated benefits are described in detail in the pension plan rules of each of the jointly trustee public sector pension plans. Pension plan rules can be amended by the partners and by the boards of trustees in accordance with the criteria set out in the joint trust agreements. Further, post-retirement group health and dental plan premium subsidies, Medical Service Plan premium subsidies, and annual indexation are provided at the discretion of the

² The Health Employers' Association of BC is a signatory to the Municipal Pension Plan Joint Trust Agreement (JTA). Changes to the JTA also requires agreement from HEABC.

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partners and the boards of trustees. The pension promise is typically understood as the commitment to protect the pension that has been conferred to a member upon retirement and includes any annual indexing amount applied to the pension in pay.

Government Partner recognizes the value of each of these pension (pension and indexation) and non-pension benefits (post-retirement group health, dental, and MSP premium subsidies) to the membership and employers.

Principles

- Integrity:** Government Partner decision making and actions are carried out in a principled manner.
- Accountability:** Government Partner is accountable to British Columbians and must function within Government policy, fiscal and human resource frameworks, and its legislative environment.
- Sustainability:** Government Partner keeps the pension promise and manages within Government's fiscal framework.
- Transparency:** Government Partner's decisions and actions are open and transparent, as appropriate.
- Engagement:** Government Partner communicates regularly both internally and with board chairs, partners, trustees, employers and other pension experts and stakeholders.
- Capacity:** Government Partner is a center of knowledge and information regarding the public sector pension plans and the broader pension environment and expands the pension knowledge base.
- Diversity:** Government Partner recognizes there are different demographics and priorities in each of the plans and that this diversity should be reflected in the trustees on the boards. There are benefits in finding joint and similar solutions to challenges and opportunities across the plans, but it is recognized this is not always possible or desirable.

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Priorities

Government Partner's top three priorities as they relate to the jointly trustee public sector pension plans are to:

1. Protect the basic pension vested upon retirement, including annual indexing granted on pensions in pay (the pension promise).
2. Protect its value through sustainable indexation of the pension.
3. Support the boards in continuing to be best practice leaders in the pension governance industry.

Key Assumptions

Government-related

- Government Partner is accountable to British Columbians and must function within Government's policies, fiscal framework and legislative environment.
- Pensions require long term horizon consideration – including intergenerational dynamics – whereas the fiscal framework represents a three year planning term.
- Government Partner considers pension benefits in the context of total compensation and recognizes pensions as a tool with regard to recruitment and retention.
- Government Partner recognizes the relationship between adequate pension income and use of government programs for low income seniors.
- Government Partner supports the modernization of pension plans to reflect relevant long-term demographic trends and needs, and greater equity in the plans themselves.
- Changes to plan design are on a prospective, future service accrual basis.
- Strong boards are made up of trustees who are responsible for well-managed and well-governed pension plans. Boards as a whole will have the right mix of skills and experience, they will be engaged and reflect the diversity of members and employers.
- Once contributions are made to the plans, the assets belong to the plan members and are held and managed for them in trust by the boards of trustees.

Trustee-related

- Trustees have a fiduciary duty that requires them to act in the best financial interests of the plans' beneficiaries.
- Trust law requires trustees to exercise their fiduciary duty in an even-handed, diligent, skilled, knowledgeable, and independent manner.

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- There is an expectation that trustees are communicating with their appointing authorities and sharing relevant information between the board and the appointing authorities.
- Government employees appointed to the boards of trustees cannot receive additional remuneration for their participation on the boards.
- Government employees often struggle to set aside sufficient time to be appropriately prepared for meetings and to participate in education and training events.

Related to Governing Authorities & Other

- Joint Trust Agreements cannot be changed without agreement of the partners.
- Rule changes must comply with legislation, fiduciary duty and the Joint Trust Agreements.
- Rule changes must be funded; rule changes with financial impacts must be approved by the partners; although significant changes that do not have a funding impact may be approved without partner approval, the practice has been to include partners in the discussion and resolution of these changes.
- Each partner is accountable for its own policies, fiscal frameworks, trustee appointments, and members.

Environmental Scan

Strengths

- The joint trust governance structure of the B.C. jointly trustee public sector pension plans are broadly considered across Canada and internationally to be best practices in the industry.
- These jointly trustee public sector pension plans have many skilled, knowledgeable, experienced, enthusiastic, and dynamic people involved in the administration, management, investment and governance of the plans.
- Trustees, partners and professional advisors to the plans have a desire to make the best decisions for the plans and their members, and to fulfill the pension promise.
- Trustees, partners and professional advisors have a willingness to share and to work together to find the best solutions to issues and challenges.
- Partners are stronger, more knowledgeable, and active participants in governing the pension plans than they were in 2009.
- The boards of trustees strongly support advancing trustees' training and expertise in pension plan and fund management.

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Weaknesses

- Internal capacity issues in the Government Partner function as it relates to the number of people in the role and its challenges for succession planning.
- Broad-based pension knowledge base within Government is small.
- Minimal engagement between Government and employers.
- Insufficient information, structures, processes and coordination among the Partners, appointing authorities and boards to support strategic appointment decisions to support board leadership and succession planning.
- Government employees appointed as trustees find it difficult to carve out time to carry out their responsibilities for the plans.
- Limited pension knowledge on the part of partners and trustees from time to time.
- People are sometimes unable to distinguish the differences between the jointly trusted public sector pension plans from those reported in the media that are struggling, and in some cases, failing their membership.

Opportunities

- Amendments to the *Pension Benefits Standards Act* require boards to carry out individual trustee performance evaluations. This work could support the boards in its leadership and succession planning, and the partners in taking a more strategic approach to appointing trustees to support the boards' planning. Improved information, sharing of that information, a shared vision, and working collaboratively (partners, appointing authorities, and boards) will support more strategic and structured processes to appointments to the boards of trustees to support the boards' leadership and succession planning, in turn improving governance and decision making by the boards. (see Appendix 1 for more detail)
- Share the updated Government Partner's Governance Framework in an open and transparent manner to further support engagement in finding solutions to resolve or mitigate challenges facing the plans and to take advantage of opportunities as they arise.
- Continue to take advantage of the willingness of boards, partners, and trustees, as appropriate, to improve engagement, communications and problem solving while maintaining strong relationships and building on the trust established among the participants.

Challenges/Risks

- Initiating a more involved and proactive partnership between the partners, and between the partners and the boards, while maintaining independence of the boards of trustees.
- Similarly, relationships with the other partners could be negatively affected if Government Partner is perceived to be getting too involved or becomes overbearing.

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- Balancing Government's responsibility to all British Columbians, to Government's policies and to its fiscal plan with its responsibility to the public sector pension plans.
- Finding solutions to challenges in a constrained fiscal environment.
- Functioning within constraining federal and provincial legislation.
- Appointing trustees who have both the skills and knowledge to carry out their responsibilities as a trustee, and the time to attend (and to be properly prepared for) board and committee meetings while also ensuring improved representation and diversity on the boards.
- Board renewal and leadership is a concern, as is succession planning, as we see some of the longer tenured trustees come off the boards.
- Pension capacity in government and limited knowledge base.
- Increasing costs to post retirement group benefits are creating pressure on members who seek subsidies, or higher subsidies, from the plans to offset the increasing cost of the premiums.

Objectives/Action Plan

- Share this updated Government Pension Plan Partner Governance Framework for transparency and improved interactions with the other partners, boards, trustees and other relevant parties.
- Continue to expand the knowledge base in Government with regard to the public sector pension plans and the broader pension environment and address capacity concerns.
- Implement a more strategic process for appointing trustees to the boards keeping in mind the needs of the boards and the varying appointment processes of the other appointing authorities.
- Collaborate with the other partners and the boards to support leadership and succession planning of the boards.
- Work with the boards and partners to explore best practices and to assist one another in the governance of the plans.
- Initiate a process to secure the support of trustees' direct supervisors in providing sufficient time to employees to fully carry out their responsibilities as trustees on the pension boards.
- Engage with plan employers more frequently and continue to support improved knowledge of B.C.'s jointly trusteed public sector pension plans.

Desired Outcomes

- An expanded strategic appointment focus supporting board leadership and succession planning.
- Stronger boards.
- Improved plan governance.

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- Partners are working together with the boards to identify and implement best practices and best solutions.
- Government employees appointed as trustees have the necessary time to carry out their responsibilities as trustees.
- Key players in Government are knowledgeable and have strong, trusting, and cooperative relationships.
- Longer-term continuity in pension capacity and support for the Government Partner function is established. The pension promise continues to be protected, along with the value of the pension with annual indexing.
- Knowledge of the plans, their governance structure and their benefits to members and employers is broadened forming a larger support network.

Indicators of Success

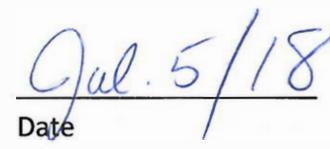
- Boards are more confident in their ability to manage the pension plans, their skills/experience gaps are addressed more quickly, and they are more representative and diverse. Boards continue to have high quality trustees who contribute to their success.
- Appointing authorities and boards are taking a long-term view and are more actively managing succession and leadership requirements.
- The Government Partner is relied upon for support in governance of the plans, as set out in the joint trust agreements, and in creating improved understanding and decision-making, as it relates to the jointly trustee public sector pension plans.
- The partners and boards are collaborating to improve the governance of the plans.
- Government employees appointed as trustees have sufficient time to carry out their responsibilities as trustees and are able to take leadership roles to further support the boards.
- Key players in Government are knowledgeable and have strong, trusting and cooperative relationships with the Government Partner Representative.
- Longer-term continuity in pension capacity and support for the Government Partner function is established.
- Knowledge of the jointly trustee public sector pension plans is expanded and supported more by employers, members, and other key stakeholders.
- The pension promise is protected and annual indexing is provided to protect the value of pensions in pay.

The information in this Governance Framework represents the Government Partner's interests as it relates to the four jointly trustee public sector pension plans and will guide Government Partner and Government Partner representative considerations, actions and decisions.

B.C. Government Pension Plan
Partner Governance Framework

Government Partner will review the principles and framework from time to time to ensure it continues to accurately represent its interests.


Honourable Carole James


Date

Minister Responsible for the *Public Sector Pension Plans Act*

Appendix 1: Strategic Approach to Government Appointed Trustees to the Pension Boards

Appendix 2: Government Pension Plan Partner Achievements from 2009

Appendix 3: Plan Design Changes and Joint Trust Agreement Amendments Summary

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Appendix 1: Strategic Approach to Government Appointed Trustees to the Pension Boards

The Government Partner will engage with the boards and appointing authorities in working toward improved appointment processes, trustee succession, and leadership planning. A more comprehensive, longer-term board succession and leadership planning strategy, renewed and expanded trustee criteria, the introduction of a diversity philosophy, and improved feedback to appointing authorities to assist in the determination of appointments are all desired outcomes.

Appointment Process

The appointment process is fairly robust. With the help of the boards, skills gaps are identified and board dynamics, diversity, and representative considerations are discussed during the appointment process. Confidential feedback is provided on trustee performance and the value they add to board governance and decision making. Vacancies are filled by matching the best candidate from a maintained roster to the board and its current needs.

- The boards each carry out board performance assessments and trustee evaluations to varying extents. They provide varying levels of advice on skills gaps to appointing authorities. Amendments to the *BC Pension Benefits Standards Act* requires the boards to carry out individual trustee performance assessments by the end of 2017; however, there are no specific requirements or guidelines so the assessments will vary.
- The boards each notify the appointing authorities six months in advance of term expiries and provide varying levels of insight into the needs of the board.
- Each appointing authority has its own appointment process.

Government Partner Process

- A. Maintain a roster of potential trustees
 - Communicate with Deputy Ministers and relevant positions outside government; provide criteria, summary of responsibilities and expectations; seek nominations of potential trustees
 - Interview nominees – reference check
 - Follow up with an information sharing meeting(s)
 - Match to board needs
 - Identify a board related contact prior to the first board meeting
- B. Identify board specific needs/gaps

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- Review and discuss advice from board, trustees, and other Appointing Authorities
- Consider balance relating to the board:
 - Expertise, skills, experience, stability, consistency, continuity, representation, diversity, succession planning, leadership needs, fit, culture, and interest

C. Appointment renewal considerations

- Confidential conversations to confirm the value added by the trustee and his/her fit – performance is the primary criteria for renewal
- Confirm with the trustee his/her interest in a re-appointment, if he/she has sufficient time to carry out the responsibilities of the board, if he/she is supported by his/her employer to continue to commit the time to carry out the responsibilities of the role (the latter is omitted for retiree trustees)
- Consider the board's mix of expertise, skills, experience, stability, consistency, continuity, representation, diversity, succession planning and leadership needs
- Consider the trustee's fit, interest, aptitude, capacity, performance, engagement, preparedness, nature
- Balance the need for expertise, skills, experience, stability, consistency, continuity, representation, diversity, succession planning and leadership needs of the board with the trustee's fit, interest, aptitude, capacity, performance, engagement, preparedness, nature
- If a trustee is concluding the first three year appointment term, renewal will depend on whether the trustee has strong attendance, has made efforts to participate in the trustee educational plan, and is beginning to add value to board and committee deliberations
- If a trustee is concluding a second three year appointment term, renewal will depend on whether the trustee continues to have strong attendance, is continuing to build on relevant skills and experience, and is consistently adding value to board and committee deliberations
- If a trustee is concluding a third or subsequent three-year appointment term, renewal will depend on whether the trustee continues to have strong attendance, is continuing to build on relevant skills and experience, is consistently adding value to board and committee deliberations, and is taking leadership roles
- Nominations to the Pension Corporation board of directors will consider similar criteria as noted above for trustee appointments

D. Appointment

- Re-appointment or introduction letter to the board

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- Letter to new appointees regarding indemnity and remuneration provisions
- E. Ongoing bi-annual meetings of Government-appointed trustees (including those who are nominated by others and who are jointly appointed with others) with the Government Partner representative: to maintain two-way communications between trustees and the Government Partner; to have a forum for inter-plan trustee discussions; and to provide education or a forum for trustees to learn about relevant issues, policies, etc. as they relate to pension governance. Hold meetings of government-appointed trustees with the Government Partner representative, on a plan by plan basis as or when warranted or requested.
- F. Government Partner also makes joint appointments to boards with other organizations and makes appointments to boards based on nominations from other organizations.
- In these circumstances, the above processes are followed and/or are modified to combine with the processes of the other organizations.
 - As an example, the Municipal Pension Plan Joint Trust Agreement requires the appointment of one person, appointed by the Plan Employer Partner (Government and the Union of BC Municipalities (UBCM)), through a process adopted by the Plan Employer Partner which enables it to receive input from Plan Members or their representatives regarding the appointment. The process for these jointly appointed trustees requires the following steps to be taken.
 - Request nominations and consult with representative bodies³
 - 4.1 UBCM
 - 4.1.1 UBCM contacts the LGMA and the GFOABC⁴ and requests a consensus nomination they feel is qualified to be appointed as the exempt staff trustee on the Municipal Pension Plan Board of Trustees.
 - 4.1.2 UBCM accepts the recommendation and advances the recommendation for consideration with the Provincial Government.
 - 4.2 Provincial Government

³ Excerpt from process agreement between Government and UBCM

⁴ LGMA – Local Government Management Association of British Columbia
GFOABC – Government Finance Officers Association of British Columbia

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- 4.2.1 Government contacts the HEABC⁵ and requests a nomination they feel is qualified to be appointed as the exempt staff trustee on the Municipal Pension Plan Board of Trustees following a process the HEABC will conduct to receive input from affected exempt staff of the health sector.
- 4.2.2 Government accepts the recommendation and advances the recommendation for consideration with UBCM.
- 4.3 UBCM and the Provincial Government meet to review the accepted nominations and agree to submit a joint appointment of a Primary and Alternate Trustee to the Municipal Pension Plan Board of Trustees.

⁵ HEABC – Health Employers’ Association of British Columbia

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Appendix 2: Government Pension Plan Partner Achievements from 2009

- Defined the pension promise
- Clearly defined and established the Government Partner role, and the role of the Government Partner Representative
- Developed strong working relationships with the other Partners, Appointing Authorities, boards, and board secretariats
- In conjunction with the other partners and the boards, established efficient and effective communication processes among the partners and with the boards
- Established annual (later increased to biannual) meetings for the Government Partner and government appointed Trustees to share appropriate information and to provide a venue for relevant knowledge and educational opportunities
- Established annual (later increased to biannual) meetings for the Partners to share appropriate information and to provide a venue for relevant knowledge and educational opportunities
- Clarified and communicated rules regarding remuneration as it relates to government employees who are appointed to the pension boards
- Clarified and communicated indemnity provisions for government appointed trustees
- Reviewed and updated the *Public Sector Pension Plans Act* and Regulations
- In conjunction with the other partners and the board, moved the College Pension Plan joint trust provisions out of the Regulations into a stand-alone joint trust agreement like the other three plans
- Reviewed and supported the update of the *Pension Benefits Standards Act* and Regulations
- Established a robust appointment process
- Supported the class action lawsuit defense against Government regarding changes to post-retirement group health benefits in the Public Service Pension Plan
- Implemented educational communications within government to counter criticisms against public sector plans
- Negotiated a solution to addressing the *Income Tax Act* requirements on contributions to the Public Service Pension Plan when contributions tipped over the 9%/50% rule
- Established a process for supporting the minister during investment tours and rating agency reviews
- Established a process of support for the negotiation of pension provisions for judges
- With the BCTF, established guidelines for member consultations
- With UBCM and HEABC, established a process to receive nominations from the municipal and health sector for the joint Government-UBCM appointment to the Municipal Pension Plan
- With UBCM, HEABC, and the member partner, reached agreement to simplify the employer rate structure in the Municipal Pension Plan
- With the other partners, and supported by the boards, entered into plan design changes agreements to modernize plan provisions (see Appendix 3 for details)

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Appendix 3: Plan Design Changes and Joint Trust Agreement Amendments Summary

College	<p>In 2014 to achieve the sustainable indexing target of 2.5% and a flat 2% accrual rate (all on future service from January 1, 2016):</p> <ul style="list-style-type: none"> • Anchored the early retirement reduction factor to age 65 (from 60) leaving the reduction factor at 3% for each year below the age of 65 the member retires, applying to all members • Excess savings from changing the retirement reduction factor will transfer to the indexing account • A flat rate accrual of 2% eliminates the bridge benefit • Contribution rates will be a flat rate • Increased contributions to indexing by 0.1% per each future salary rate increase above 1% until the target sustainable level of indexing is reached (current sustainable level of indexing is 2.07%) shared equally between employer and employee contributions
Municipal	<p>In 2014 to improve equity in the plan:</p> <ul style="list-style-type: none"> • Enhanced sustainable indexing (current sustainable level of indexing is 2.1% - target is 2.5%) by dedicating a future rate reduction (1.06%) associated with the fully funding of a past liability in the plan in 2018 (shared equally by members and employers), effective January 1, 2016 • Established a rate stabilization account with up to \$2.5 billion from surplus in the plan identified in the 2015 valuation (\$1.9 billion was used to establish the account) excess surplus would transfer to the indexing account up to the amount needed to meet the actuary's long term indexing assumption (2.75%) (there was no excess surplus) • Committed to continue to work toward solutions to further address challenges <p>In 2016, agreed to a three-year phase out of gender and age-related contribution differentiation in employer contributions beginning Jan. 1, 2017</p>
Public Service	<p>In 2010 to address tax provisions (all effective on April 1, 2012):</p> <ul style="list-style-type: none"> • Redirected 1% of employer contributions for retiree health benefit subsidies to indexing to comply with ITA requirements that employers must be contributing at least 50% to the pension benefits (which includes indexing but not post retirement group health benefits) • Eliminated subsidies for spousal and dependent health benefits • Eliminated MSP premium subsidies for all members <p>In 2018 to improve equity in the plan (all on future service from April 1, 2018):</p> <ul style="list-style-type: none"> • Changed the accrual rate to a flat 1.85% • Eliminated the bridge benefit and the Rule of 85 • Introduced a single benefit neutral early retirement reduction factor from age 60 (6.2%)

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	<ul style="list-style-type: none"> • Introduced an unreduced pension with 35 years of service <p>* Members with additional pension benefits will not lose those benefits though they may need to be modified to fit with the general plan design changes. Statutory benefits will remain unchanged for the relevant members.</p>
Teachers'	<p>In 2010 to achieve sustainable indexing target of 2.5% (implemented on July 1, 2010):</p> <ul style="list-style-type: none"> • Increased employee contributions to indexing by 1% • Redirected 1% of a future employer rate reduction to indexing (completed) • Redirected all employer contributions for retiree health benefit subsidies to indexing • Limited indexing to retirees over age 56 (subsequently eliminated due to a 2014 valuation surplus) <p>In 2016 to improve equity in the plan (all on future service from January 1, 2018):</p> <ul style="list-style-type: none"> • Changed to a flat 1.85% accrual rate • Increased the early retirement reduction factor to 4.5% (from 3%) at age 61 (from age 60) • Removed the 35 year contribution cap • Eliminated the bridge benefit and the early retirement Factor 90 • Introduced an unreduced pension with 35 years of contributory service