



**ALBERNI-CLAYOQUOT  
REGIONAL DISTRICT**

3008 Fifth Avenue, Port Alberni, B.C. CANADA V9Y 2E3

Telephone (250) 720-2700 FAX: (250) 723-1327

December 23, 2013

**RECEIVED**

DEC 23 2013

Central Coast Regional District

Union of BC Municipalities  
Suite 60, 10551 Shellbridge Way  
Richmond, BC  
V6X 2W9

Dear UBCM,

At the November 13<sup>th</sup>, 2013 Board of Directors meeting the attached correspondence was received from the Municipal Pension Plan and the following resolution was passed:

*THAT the Board of Directors send a letter to UBCM requesting the Municipal Pension Plan be invited to have a session at the 2014 UBCM Convention to discuss the funding shortfall and copy all the other regional districts.*

The Municipal Pension Plan unfunded liability of \$1,370 million is of concern to our Board of Directors and they feel that it is an important topic for discussion at the 2014 UBCM convention as it affects all local governments in British Columbia.

If you would like further information please contact me at [teri.fong@acrd.bc.ca](mailto:teri.fong@acrd.bc.ca).

Sincerely,

Teri Fong, CGA  
Manager of Finance

Cc: All Regional Districts

Board Meeting  
FEB 13 2014  
CCRD ITEM F(i)



# Municipal Pension Board of Trustees

Mail: PO Box 9460, Victoria BC V8W 9V8 ♦ Location: 4th Floor—2957 Jutland Road, Victoria BC V8T 5J9  
 Phone: 250 356-6220 ♦ Fax: 250 356-6245 ♦ E-mail: mpbt@pensionsbc.ca ♦ Web: mpp.pensionsbc.ca

October 22, 2013

Teri Fong  
 Manager of Finance  
 Alberni-Clayoquot Regional District

*via email: teri.fong@acrd.bc.ca*

Dear Teri:

**Subject: Responsibility for funding shortfall in Municipal Pension Plan**

Thank you for your email of October 8, 2013 and your question about responsibility for funding shortfalls in the Municipal Pension Plan (the Plan).

The Joint Trust Agreement requires the Board to have an actuarial valuation every three years and to ensure that the Plan is funded on a going concern basis consistent with the requirements of the *Pension Benefits Standards Act* (PBSA). The latest valuation (as at December 31, 2012) has just been completed and the results have been communicated to employers and members.

[http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp\\_valuation\\_newsletter.pdf](http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp_valuation_newsletter.pdf)

[http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp\\_valuation\\_faq.pdf](http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp_valuation_faq.pdf)

[http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp\\_contribution\\_rate\\_increase\\_poster.pdf](http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp_contribution_rate_increase_poster.pdf)

[http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp\\_er127\\_valuation\\_2013.pdf](http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp_er127_valuation_2013.pdf)

[http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp\\_erb129\\_mpp\\_valuation\\_rate\\_rebalancing.pdf](http://www.pensionsbc.ca/portal/page/portal/pencorpccontent/mpppage/news/mpp_erb129_mpp_valuation_rate_rebalancing.pdf)

The valuation showed an unfunded liability of \$1,370 million (the Plan's liabilities were \$39,428 million compared to assets of \$38,048 million). This deficit is the result of investment returns being lower than expected and retirees living longer and receiving their pensions for a longer time. However, it's important to recognize that the Plan was 96.5 per cent funded at the time of the valuation and, with required contribution increases will move to a fully funded position over the next 15 years.

Member and employer contribution rates will each be increased by 0.7 per cent of salary effective July 1, 2014 to pay the shortfall off over a fifteen-year period. In addition, there are rebalancing increases for Group 1 (plus 0.6 per cent), Group 2 (minus 0.2 per cent) and Group 5 (plus 0.35 per cent) as a result of demographic differences among the member benefit groups.

Individual blended employer contribution rates are calculated annually based on the group, age and salaries of the plan members who work for the employer. This composite rate is provided each year by June 1 for use as of July 1.

Article 9.9 of the Municipal Pension Plan Joint Trust Agreement specifies that “[t]he Employers’ and Plan Members’ sole financial obligation in respect of the Pension Plan is to make contributions and other payments to the Board and the Pension Fund in the amounts and at the times specified in the Pension Plan Rules. Without limitation, no Plan Member, Employer, Signatory or union or association that represents any of the Plan Members shall be liable or responsible for any debts, liabilities, obligations, or deficiencies of the Board, the Pension Plan or the Pension Fund.”

At the present time, about 75 per cent of the cost of pensions is funded by investment returns, with member and employer contributions over the duration of active plan membership funding the other 25 per cent.

I hope this information addresses the question from your director. If not, I’d be happy to respond to additional questions.

Sincerely,



Brendan Dick  
Board Chair

pc: Richard Taylor, Board Vice-Chair  
Municipal Pension Board of Trustees  
Vicky Grabb, Senior Administrative Officer  
Beverley Bowes, Board Secretary