

Pension Bulletin



from the Municipal Pension Board of Trustees

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To: Members of the Municipal Pension Plan

Date: September 21, 2006

Topic: Changes to Subsidies for Post-retirement Group Benefits

For more than two years, the Municipal Pension Board of Trustees has been considering how to deal with the challenges of rising costs and limited funding for Post-retirement Group Benefits, and the balance between funding for Post-retirement Group Benefits and inflation protection. Projections show that the current funding arrangement for Post-retirement Group Benefits cannot be sustained beyond 2007/2008.

The Board had to take action and reviewed its options based on three priorities:

1. ensure the basic pension
2. maximize the capacity to provide inflation protection
3. continue to offer group benefits.

Over the past year, the Board consulted with active and retired members, who were clear that they valued the group benefits provided and would rather pay more to maintain them than see coverage reduced.

The Board followed that advice and, as a result, at its September 18, 2006 meeting, made the following decisions:

- Medical Services Plan subsidies will be maintained for both retirees and spouses/dependants.
- There is no change to extended health coverage.
- There is no change to dental coverage; however, there will be an annual cap of \$2,000 per person per year for dental claims beginning January 1, 2007. This limit will be reviewed in three years.
- The plan will provide extended health and dental benefit subsidies for retirees only. Coverage for spouses and dependants will be available at full premium cost effective August 1, 2007.
- Subsidies will be determined each year, based on the money projected to be available (up to 0.8% of active members' salaries). The balance of employer Inflation Adjustment Account (IAA) contributions will go to help fund future inflation adjustments for retired members.

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What does this mean to me?

Group benefits coverage will continue to be available, but you will have to pay more for this coverage. The Board understands the effect this will have on retirees. They decided to delay the change until August 2007 to give retirees more time to prepare as this may affect premiums in July 2007.

Will the changes affect deductibles and maximums?

There are no changes to extended health benefits (EHB) deductibles and maximums or dental benefits deductibles. Eligible dental expenses will continue to be reimbursed at 70%; however, beginning in 2007, there will be an annual maximum payable of \$2,000 per person.

Will the changes affect subsidies for retiree coverage?

EHB and dental benefits subsidies will continue to reflect the length of your pensionable service; however, subsidies will be determined annually, depending on how much money is projected to be available from employer contributions. As the number of retirees and the costs of benefits rise in the future, we expect that subsidies will decline, resulting in retirees paying an increasing share of the cost. If additional funding becomes available for inflation protection or Post-retirement Group Benefits in the future, we can review program funding at that time.

How will the changes affect premiums for beneficiaries, spouses and dependants?

Beginning with your July 2007 pension cheque, you will pay full premiums to have EHB and dental benefits coverage for your spouse and dependants. If you are receiving a survivor's pension as a beneficiary, you will pay full premiums for yourself and your dependants. If you and your spouse are both retired members of the Municipal Pension Plan but one of you is enrolled as a spouse for the purposes of group benefits, you will be able to change to two single coverages, both of which will be eligible for subsidies based on available funds and each individual's pensionable service.

Do I need to do anything now because of these changes?

If you currently have EHB and dental coverage for a spouse and/or dependants, it will continue unless you notify us that you want to cancel it. Premiums will be automatically deducted from your monthly pension

payment as long as the pension payment is large enough to cover the premiums. If your pension payment is not large enough to cover the premiums, you can arrange to pay the premiums directly to Blue Cross via pre-authorized withdrawal from your bank account.

Once the information is available, we will publish a schedule in PensionNews showing the monthly premiums for retired members and spouse/dependant coverage that will take effect August 1, 2007. Any change in premiums will be reflected on your July 2007 pension payment.

What does this mean for inflation protection?

Inflation protection is not guaranteed. The Board reviews the inflation account regularly and current projections indicate that the IAA may be able to provide full inflation protection until approximately 2030.

Why doesn't the Board collect more money to fund Post-retirement Group Benefits and inflation protection?

The Board only has the authority to increase contribution rates to fund an actuarial deficit in funding for basic pensions. The Board Chair and Vice-Chair met with the Employer Partner and the Plan Member Partner and both said that they do not support increased contributions. They noted that basic pension contribution rates for both employers and members increased 0.99% in 2005 and may have to increase again after the next actuarial valuation.

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This publication provides general information about the pension plan and is based on the relevant plan documents (statutes, regulations and rules). If there is a discrepancy between this publication and the plan documents, the plan documents will apply.