

Pension Bulletin

from the College Pension Board of Trustees

To: Members of the College Pension Plan

Date: January 2003

Topic: Changes to Group Benefits for Retired Members



Contact phone number for this bulletin: 1 800 893-7009

What's in this bulletin?

This bulletin:

- **outlines** changes the provincial government recently made to health care,
- **identifies** the negative effects of these and other changes on retiree health benefits,
- **summarizes** changes the College Pension Board of Trustees has approved to address cost concerns, and
- **explains** why these changes are necessary.

Government Changes to Health Care Benefits

This past year the provincial government made changes to health care that increase the cost of providing group benefits for retired members of the College Pension Plan. The government is expected to make further changes in 2003.

- On May 1, 2002, MSP rates increased by 50%. The cost for coverage is now \$54 for a single person, \$96 for a couple and \$108 for a family.
- On January 1, 2002, Pharmacare coverage for drugs was reduced, resulting in higher deductibles for prescription drugs (including dispensing fees) for individuals and families.
- On January 1, 2002, paramedical coverage (chiropractic, naturopathy, massage therapy, non-surgical podiatry and physiotherapy) was eliminated altogether for MSP coverage, except for those eligible for MSP premium assistance.
- The Pharmacare deductible is expected to change in 2003, although the magnitude and impact of that change are not yet known.

In addition, the cost of prescription drugs continues to rise, and there is an increase in the demand for prescription drugs.

Over...

How does this affect retired members?

All of these factors have caused health care costs for retired members to skyrocket. As the board's May bulletin explained, the college plan was able to absorb most of the increased costs. However, if usage and cost trends continue, the employer contributions to the Inflation Adjustment Account that is used to fund these group health benefits will not be sufficient to cover the total cost of the group health benefits by approximately August 2003. As a result, the College Pension Board of Trustees had no choice but to make changes to group benefits for retired members.

What are the changes?

- **A portion of MSP premiums must now be paid.** The maximum MSP premium subsidy covered by the plan is reduced from 100% to 50%. Starting with your February payment, which affects March coverage, and provided your monthly pension payment is enough to cover the premium, you will pay the following rates:

Pensionable Service	% Paid by Plan	% Paid by Member	One Person	Two People	Three or More
			Member Pays (\$)		
10 yrs or more	50%	50%	27.00	48.00	54.00
8 yrs–under 10 yrs	40%	60%	32.40	57.60	64.80
6 yrs–under 8 yrs	30%	70%	37.80	67.20	75.60
4 yrs–under 6 yrs	20%	80%	43.20	76.80	86.40
2 yrs–under 4 yrs	10%	90%	48.60	86.40	97.20
Under 2 yrs	0%	100%	54.00	96.00	108.00

MSP premium assistance is available to anyone whose net household income is less than \$24,000 per year. There is no premium assistance for EHB or dental benefits. For more information, see “MSP Premium Assistance” on the back of this bulletin.

- **The Extended Health Benefits (EHB) deductible will increase.** Starting January 2004, there will be a deductible of \$100 per person per year; after that, the plan will reimburse 80% of EHB claims paid up to \$1,000 per person per year. Once the plan has paid \$1,000 for one person in a calendar year, further eligible expenses submitted on behalf of that person within the remaining period in that year will be reimbursed at 100%. **The lifetime limit for EHB claims was previously increased to \$250,000.**

THERE WILL BE NO OUT-OF-COUNTRY COVERAGE. THOSE WHO TRAVEL WILL HAVE TO PURCHASE THEIR OWN OUT-OF-COUNTRY TRAVEL HEALTH INSURANCE IN ORDER TO HAVE COVERAGE.

- **A dental plan benefits deductible will be introduced.** Effective January 1, 2004, there will be a deductible of \$100 per person per year on dental coverage.

The trustees will continue to monitor health care costs to determine if additional changes to group benefits for retired members are needed to stay within the funding constraints imposed on the trustees.

Why can't money from elsewhere in the pension fund be used to pay for health care cost increases?

The *Income Tax Act* does not permit the plan to use money from the basic account or the Inflation Adjustment Account (IAA) of the pension fund to pay for health benefits for retired members. This includes any actuarial surplus.

Why not increase the amount employers must pay?

The board of trustees does not have the power to increase employer rates. Only the plan partners have that power. The plan member partners are the College Institute Educators' Association (CIEA) and the B.C. Government and Service Employees' Union (BCGEU); the plan employer partners are the provincial government and the Post Secondary Employers' Association (PSEA). To date the plan employer partners have not indicated that they are willing to come up with a source of funding to offset the cost increases that have been downloaded onto the plan.

Did the College Pension Board of Trustees look at other options?

The trustees looked at a number of alternatives to reduce costs. We believe that the changes outlined in this bulletin offer the most equitable means of preserving retiree health benefits and inflation protection. The trustees will continue to monitor costs and make adjustments to ensure that retiree health benefits are contained within the funds available.

Comments?

There is a toll-free line for you to call if you have comments about the information in this bulletin. The number is 1 800 893-7009, and is available 8 a.m. to 6 p.m., Monday through Friday.

You can also write to the trustees:

Address:

College Pension Board of Trustees
Pension Board Secretariat
PO Box 9460 Stn Prov Govt
Victoria BC V8W 9V8

Fax:

250 387-4199

E-mail:

Pension.Board@pensionsbc.ca

MSP Premium Assistance

With MSP premium assistance, the lower your net family income, the less you pay for premiums:

Net Family Income	% Premium Assistance
\$0-16,000	100%
\$16,001-18,000	80%
\$18,001-20,000	60%
\$20,001-22,000	40%
\$22,001-24,000	20%
\$24,000 and over	Full rates

We've included a premium assistance application form in case this applies to you. Please return this form to:

Pensioner Services
Pension Corporation
PO Box 9463 Stn Prov Govt
Victoria BC V8W 9V8

Do not submit an application if you already have premium assistance, or if you do not qualify.

Also, your increased premium payment may be somewhat offset by reduced taxes. This is because any portion of the MSP premium paid by the plan is considered a taxable benefit and the retired member pays income tax on that amount. If the plan pays less of the premium, the retiree may pay less tax.



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.