

The recently announced Public Service Pension Plan changes have generated a lot of concern and confusion. BCEEA members, particularly those of you contemplating retirement dates, want to understand what these changes mean in the short term and long term.

We spent a considerable amount of time with our pension advisor Jerry Woytack, running a variety of scenarios and discovered that the variables related to age, years of service, salary and retirement timing influence the end numbers so much that it is extremely difficult to make any meaningful, general statements about the impact of the pension changes. Jerry can provide counsel to BCEEA members contemplating retirement soon to see the effect these changes have on their pension income.

The new plan rules come into effect for service earned after April 1, 2018, and the existing rules continue to apply for service earned before April 1, 2018. The changes focus on the basic pension formula and the cost of retiring before age 60. Here is a summary.

Basic pension formula change for service after April 1, 2018:

1. The percentage of salary used to calculate the pension called the accrual rate, will be a flat 1.85% of total salary.
2. The temporary pension to age 65, called the bridge benefit, on salary up to \$55,900 is eliminated.

These changes will have the effect of:

- Reducing the accrual rate to age 65 from 2% to 1.85% for all members on salary **up to** \$55,900.
- Increasing the accrual rate from 1.35% to 1.85% after age 65 on salary **up to** \$55,900.
- Reducing the accrual rate from 2% to 1.85% after age 65 on salary **over** \$55,900.

Cost of early retirement before age 60 for service after April 1, 2018:

The cost of retiring before age 60, called the early retirement reduction factor, is significantly increased:

- The unreduced pension rule of 85 is replaced with 35 years of service.
- The percentage reduction per year before age 60 is increased from 3% to 6.2%
- The maximum reduction is increased from 15% to 31%.
- The increase in percentage doubles the cost to retire before age 60.

For recent or new hires, the only thing that is very clear and that we can say with certainty is that going forward from April 1st, 2018, you will see a very large negative impact on your pension should you elect to retire before 60. The changes will definitely benefit those individuals who elect to work until they are 60 or longer.

For BCEEA members who are close to retiring, depending on your age, income, if you retire before or after October 2019, you will feel some pain until 65 due to a reduction in the monthly bridge amount (eliminated October 2019), as described above; however, in many situations you will be able to recoup those losses due to the increase in the lifetime pension rate. This won't work for everyone - it's those variables again.

We realize that “not knowing” is critical for some BCEEA members and it is difficult to understand the impact. Until the public service pension plan provides the new calculator after May 1 2018, on their website we have [posted on our website one developed by Tony](#) from the Ministry of Transportation. It is complicated to use but when we tested it out it seemed accurate. Please note that we can't guarantee the results for you. So much depends on the accuracy of the information you enter and if the file remained intact when you saved it. Please don't rely on your results to make a final decision regarding your retirement. Contact the Pension Corporation directly <https://pspp.pensionsbc.ca/> or contact the BCEEA if you wish to consult with Jerry Woytack to ensure your information is reliable. This calculator is designed to give you an indication of the impact of the changes and inform you as to whether you need to get further advice. Thanks so very much to Tony for allowing us to distribute this. Here are some tips from Tony:

Users enter their years of service in the yellow boxes for each of the three time-periods, enter their expected highest average salary and the age at which they plan to retire. You will need to do a bit of math to place the right service in each of the three date sections. Also, for the highest average salary (HAS), use the amount on your annual March 2017, member benefit statement or your current salary.

The spreadsheet shows at a high level what their pension might be under the “old rules”, what it would be for the next 18 months if they retire before October 2019 and what it would be for all retirees after October 2019.

The spreadsheet does not factor in inflation, so all calculations are in 2018 dollars, and it assumes the member works up to their retirement date. Variations from the final numbers can come from various factors such as the specific dates of retirement and age, the actual highest average salary, and any possible time gaps that don't count toward the pension.

The best snapshot you can get of the old calculations vs the new calculations is to access your March 2017 Pension Statement and look at those numbers. Then compare them to the numbers you get using the new calculator that will be on the public service pension plan website through “My Account” after May 1, 2018.

Remember as BCEEA members you have two sessions with our pension advisor Jerry Woytack. Just pop me an email or give me a call when you wish to access that service.

The BCEEa is shocked by how these pension changes have been announced. The short notice of the commencement of the change, April 1, 2018, and the lack of clarity as to the ramifications of the changes caused significant confusion and concern. This was compounded by the fact that the appropriate tools were not available and ready to use prior to any announcement going out. We are also concerned that one of the apparent objectives of the plan, shifting the potential retirement age without penalty from 55 (using the Rule of 85) to 60, is not addressed in an open and transparent manner.

We recognize that some pension recipients will see gains in pension benefits with the announced changes to the plan while others see distinct downsides. Longer term employees may have been planning to retire between the age of 55 and 60 so they could enjoy retirement with good health. These changes also impact those that may need to retire before the age of 60 due to health concerns. The diminished ability to retire without penalty may contribute to morale issues for impacted employees.

Additional Resources

[Pension BC Workshops](#)

There are two kinds of workshops: *Making the Most of Your Pension* is designed for new and mid-career members; and, *Approaching Retirement* is designed for members within about five years of retirement.

[Pension BC Video](#)

[2018 Pension Communique - March 16](#)

[2018 Plan Changes - What You Need to Know](#)

[2018 Pension Change Impact Calculations](#)

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