

A Fact Sheet for College Pension Plan Members

The College Pension Plan is Rock Solid

The news is full of defined benefit pension plans that have collapsed or are in trouble (steel, airlines, US cities and states).

The collapse of these poorly designed and underfunded plans has no bearing on the sustainability of defined benefit plans in general.

In fact, BC public sector defined benefit plans are a model of a well-designed plan.

Regular actuarial valuations show the College Pension Plan is fully funded and sustainable over both the short and long term.

Public Sector Plans are an Important Part of the BC Economy

Moody's cites the solid foundation of BC public sector pensions for the BC government's Triple A debt rating.

Investing in BC/Canadian businesses and corporations.

Defined benefit plans protect seniors from living in poverty and relying on the social safety net. The evidence is clear: when participation is optional, most people will fail to save enough for retirement.

Retired public sector employees are an essential part of the local economy in many rural and northern BC communities.

How You Can Help Defend Public Sector Pension Plans

The banking sector is lobbying government to erode defined benefit plans and the Canada Pension Plan (CPP), replacing them with defined contribution plans that would earn the banks big retail investment fees.

Defend every Canadian's right to retire with dignity. Speak up for the 11 million Canadians without a workplace pension plan.

Support the Canadian Labour Congress' **Retirement Security for Everyone** campaign: canadianlabour.ca/action-center/retirement-security-for-everyone.

By Pooling Resources, Plan Members Reduce Risk and Lower Fees

Pooled investment gets us a better deal than individual investors: unbiased, professional investment management has out-performed the market for the cost of just 0.5% per year.

Retail investors typically pay 1-2.5% for similar management (and get lower returns historically).

Pooled investment spreads risk and protects everyone's retirements.

Unlike us, defined contribution plan holders...

- Worry about retiring during a downturn
- Need to start shifting to lower-risk, lower-return investments as they approach retirement
- Risk outliving their money
- Bear risk into their retirement years

Defined benefit plans, on the other hand, guarantee a lifelong pension, so you can enjoy a secure retirement.

Public Sector Pensions are Fair for Workers and Taxpayers

Approximately 70% of the funds paid out to retirees come from investment earnings. The other 30% is an even split between employer and employee contributions.

Government does not pay for the public Sector Pension Plans.

Pensions are deferred compensation and a part of a job's collectively negotiated remuneration package – salary, vacation, health benefits, and pension.

Generally, participating in the pension plan means choosing a smaller salary in the short term, for the long term security of a pension.

Far from 'gold-plated', the average BC public sector pension in 2012 was between \$16,000 - \$30,000.

Defined benefit plans are a good deal for taxpayers because less money is being spent on portfolio management fees.

Important terms:

- *Defined benefit plans* (like the College Pension Plan) – members contribute to independently managed retirement pool from which retirees receive guaranteed, lifelong, monthly payments determined by formula (in our case, based on 5 highest earning years and number of years of service).
- *Defined contribution plans* (savings, group RRSPs) – individuals contribute to a plan which is managed by the individual, who receives all the gains or losses from the account without any guarantees.