

# PEA LSL Members' Meeting

## Pension Discussion

### April 24, 2024

Scott McCannell, PEA Executive Director  
Brett Harper, PEA Labour Relations Officer

# Purpose of Today's Meeting

Information and discussion about pension considerations



# Agenda

- Bargaining Committee Introduction and context
- Basic pension plan designs
- Current LSL Deferred Savings Plan
- Overview Public Service Pension Plan (PSPP)
- Advantages of Defined Benefit and Defined Contribution plans
- Considerations
- Conclusion

# Pensions – 2 basic designs

## 1) Defined Contribution (DC)

- Contributions for both the employee and employer are certain – the final retirement benefit is not
- Employee assumes risk for retirement benefit
- More portable and flexible for employees that will be moving from employer to employer
- May have more personal control over investment approaches

# LSL Pension

The Law Society has a DC plan - Retirement Savings Plan (RSP)

- Lawyers:
  - Employer contributions of 6%, members 5%.
  - Eligible upon commencement as permanent employee
- Paralegals:
  - Employer contributions of 6% after 5 years (5% up to 5 years), members 5%.
  - Eligible after one year of continuous full-time employment.
- Can elect to suspend annually

# DC May Be Preferable If

- Expect below average life expectancy
- Want to leave residual assets to beneficiary
- Want flexible annual withdrawals
- Believe future investment returns will be greater than inflation
- More portable and flexible for employees who will change employers
- More personal control over investment approaches

# Pensions – 2 basic designs

## 2) Defined Benefit (DB)

- The final retirement benefit is certain
- Usually based on a formula of “average earnings” X “years of service” X “%”
- Generally seen as favourable to employees, as the “risk” is assumed by the pension plan
- Contributions (employee and employer) are not certain – subject to external factors (e.g. market downturn) and internal factors (e.g. members’ life expectancy)

# Public Service Pension Plan (PSPP)

- Jointly trusteeed plan with \$42 B in assets
- Actuarially sound - \$1.47 B surplus (2023) of plan assets versus liabilities (i.e. Valuation funding ratio is 113%)
- Pension payments are “guaranteed”
- Indexing not guaranteed - has kept pace with CPI over time



# Public Service Pension Plan

- Retirees can purchase some extended health and dental benefits and dental benefits (partially subsidized by the plan)
- Portable to other BC Public Sector Plans and seamless transition for member moving to other PSPP employer
- Assets well managed with low administrative costs (economies of scale)
- 8 of 12 PEA chapters have DB plans (FMEP lawyers chapter previously bargained PSPP inclusion)

# Public Service Pension Plan

## Retiree averages:

20 years of pensionable service

Retirement age 61

Median pension in pay \$21,143

# Public Service Pension Plan

What does it cost?

Member Contribution	Law Society Contribution
8.35%	9.85%

# Public Service Pension Plan

What does it pay (for service after April 1/22) ?

- $1.95\% \times \text{“highest five-year average salary”} \times \text{“years of pensionable service”}$

# Public Service Pension Plan (PSPP)

## Various Pension Benefit Options:

- Elect joint life (so that spouse receives 60 or 100% of pension)
- Single Life Other options with 5,10,15 yr. guarantee
- Temporary annuity

# Public Service Pension Plan (PSPP)

When can I retire under the plan?

Without penalty:

1. Age 60 with two years service in the plan
2. Age 65 or older with fewer than two years/if you worked until 60

Early retirement with penalty:

- must be at least 55 to retire and pension is reduced 6.2% for each year under age 60

# Public Service Pension Plan (PSPP)

- Members may be eligible to purchase past service at Law Society (pay both employer and employee contributions)

# DB Preferable If

- Want guaranteed lifetime pension/optional guarantee for spouse
- Expect to live a long time
- Expect salary to increase significantly close to retirement
- Value investment downside protection both before and after retirement
- Believe DC pension investment returns will be less than inflation protection in the DB plan



# PSPP other considerations

- The Law Society would need to make application to the PSPP for participation – no commitment from plan at this point
- All unionized Law Society employees would need to be enrolled – individual can opt out on a one-time basis

# CAAT Pension Plan

- Jointly sponsored plan with \$ 18 B in assets and 4.7 B in funding reserves
- 124% funded

# CAAT

- Other organizations participating in the this plan:
- Association of Justice Counsel
- BC College of Family Physicians
- Brinks
- Canadian Institute of Actuaries
- Canadian Pharmacists Association
- Canadian Superior Courts Judges Association
- Ontario Crown Attorneys' Association
- Rio Tinto (BC Works)
- SHARE
- Vancouver Foundation
- Whistler Transit

# CAAT

- 88,000+ members
- 330+ employers
- 20 unions
- Employers from all sectors:
  - Private
  - Public
  - Not-for-profit
- Partnered with Lawyers Financial
  1. 20 Ontario legal clinics
  2. Several large law firms
  3. Many small law firms across Canada

# CAAT

## Flexible Terms:

- Can limit participation to certain groups
- Can stagger effective dates by group or location
- Waiting periods can be aligned with other benefit programs
- Parties set definition of pensionable earnings

## Contribution Rates:

- Choose contribution rates Member contribution rate from 1%-9%
- Employers must at least match
- Total no more than 18%
- Rates can be different by group

# CAAT

## Predictable pension based on a formula

1. Each year contributions turn into a guaranteed DB pension

### Annual base pension

**Total contributions**  
*each year*

X

**Annual pension factor**  
*8.5% until end of 2024*  
*9.5% effective 2025*

*plus*

2. Each year, prior earned DBplus pensions are eligible for wage inflation enhancements

### Average Industrial Wage (AIW) enhancements

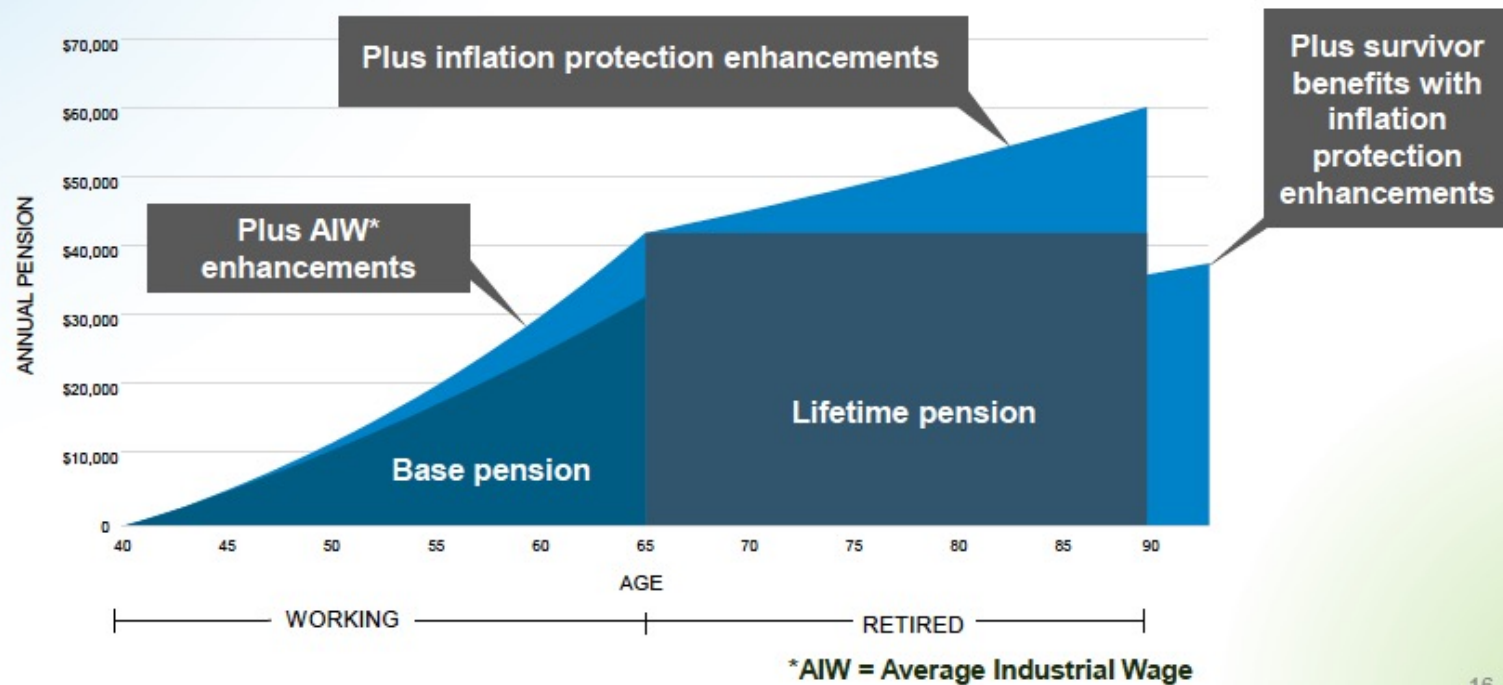
**Total pension**  
*earned to date*

X

**AIW enhancement rate**

# CAAT

## Secure lifetime pension with an upside



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# CAAT

## Scaling Plan Enhancements:

- The better the Plan does, the more enhancements DBplus members receive
- Level 2+: (75% CPI) Benefit enhancements while retired
- Level 3+: (100% AIW) Benefit enhancements while contributing
- Level 4+: Better early retirement subsidies (from 5% to 3%)
- Level 5+: Pension factor increases (from 8.5% to 9.5%\*)
- Level 6+: Additional enhancements



# CAAT

- What if I retire before 65?
- DBplus early retirement adjustments are subsidized
- Only\* reduced by 3% to 5%\*\* per year from age 65
  - \* compared to CPP which is reduced by 7.2% per year from age 65
  - \*\*depending on Funding Level (currently 3%)

# CAAT

- Retire Early
  - Leave Pension with CAAT
  - Transfer pension to another pension plan
  - Take a lump sum to invest on your own

# Conclusion

- DB plans are generally favourable to employees - risk is limited
- Most public sector and public service employees are under DB plans
- PSPP well managed and secure (joint trusteeship)
- DC plans can be more flexible and may be favourable to certain individuals
- PSPP inclusion a challenging bargaining objective

# Discussion

Questions and Answers?