

## **Glossary**

### **Active member**

A member who is making contributions to the Teachers' Pension Plan.

### **Actuary**

A financial advisor who specializes in assessing probabilities and risk. Pension actuaries apply various assumptions to do complex mathematical modelling of pension plans to determine their financial health.

### **Actuarial assumptions**

Any of the factors in pension valuations that are unknown such as: rate of return on investments, mortality (life expectancy), future salary increases, cost of living increases, retirement rates, disability rates, family composition, age differences between spouses, or purchases of service following leaves.

### **Assets**

The financial holdings of the pension plan. They are a mix of equities, bonds, real estate, and infrastructure investments. As well, the present value of future contributions is an asset.

### **Highest Average Salary (HAS)**

The Highest Average Salary is based on your best 60 months of contributions. They do not have to be consecutive, nor do they have to be the last five years. This is used as part of the formula to calculate your pension.

### **Bridge benefit**

If you retire before age 65, your pension from the Teachers' Pension Plan will include a temporary monthly payment, the bridge benefit. The bridge benefit "bridges" the gap between your early retirement income and your income after age 65, at which time you are entitled to receive a non-reduced CPP pension.

### **Canada Pension Plan (CPP)**

You contribute to the Canada Pension Plan on all earnings between the Year's Basic Exemption \$3 500 and the Year's Maximum Pensionable Earnings (YMPE) \$46,300 for 2009.

You can collect your Canada Pension as early as age 60, however there is a reduction of ½% per month or 6% for each year you collect it before age 65.

### **Canada Revenue Agency (CRA)**

CRA is the government agency, which develops and administers Canada's tax laws. It has rules about the tax sheltered nature of all Registered Pension Plans in Canada. It sets maximum accrual rates (2% per year of service) and RRSP contribution rates.

### **Consumer Price Index (CPI)**

The all-index CPI, used by the Teachers' Pension Plan, tracks the cost of a weighted basket of 600 consumer goods and services that are typically purchased by Canadian households each month. The basket includes such things as food, shelter, clothing, furniture, transportation, gas, home energy, recreation and many other items.



**Highest Average Salary (HAS)**

The salary used to calculate your pension benefit. It is the average of your highest 60 months of salary.

**Inactive members**

Members of the Teachers' Pension plan who are not making contributions.

**Income Tax Act**

Federal tax legislation that governs income tax collection. Through this legislation, the Canada Revenue Agency (CRA) sets limits on tax deferrals such as Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs).

**Indexing**

Increases to the monthly pension amounts based on the annual increase in the cost of living. Once your pension payments have begun, the lifetime portion of the pension and the bridge benefit will be adjusted each January by up to 100 per cent of the increase in the Canadian Consumer Price Index if there are sufficient funds in the Teachers' Pension Plan Inflation Adjustment Account. These cost of living adjustments begin the first January after you retire. Once granted, that year's indexing becomes part of your lifetime pension.

**Inflation Protection (also called indexing)**

See definition for indexing.

**Liabilities**

Liabilities include the value of everything that the Teachers' Pension Plan owes: this includes the present value of future benefits (pensions promised in the future) and any other financial obligations such as administrative costs, payroll, outstanding debts, etc.

**Maximum Pension**

The maximum pension is simply put the largest pension for which you can qualify. In the Teachers' Pension Plan a maximum pension would be 35 years of pensionable service with no reductions.

**Mortality**

The remaining life expectancy of all Teachers' Pension Plan members. When a plan undergoes a valuation, the actuary will use mortality tables to help develop the Present Value of Future Benefits.

**Old Age Security (OAS)**

A federal program, funded through taxation, which provides a small pension for most Canadians over the age of 65. To collect the full amount of OAS, you must have lived in Canada for 40 years after you reached the age of 18. If your retirement income is \$66,335 or higher you will have OAS clawed back through deductions from your monthly payments. If your retirement income is \$107,692 or higher you will pay back all of the OAS.

### ***The Pension Benefits Standards Act [RSBC, 1996] (PBSA)***

The *Pension Benefits Standards Act* of the British Columbia Legislature governs pensions in the province. The full text of the PBSA is available online at:

[www.bclaws.ca/Recon/document/freeside/--%20P%20--28\\_Pension%20Benefits%20Standards%20Act%20%20RSBC%201996%20%20c.%20352/0\\_96352\\_01.xml](http://www.bclaws.ca/Recon/document/freeside/--%20P%20--28_Pension%20Benefits%20Standards%20Act%20%20RSBC%201996%20%20c.%20352/0_96352_01.xml)

### **Pensionable salary**

The salary on which you and the employer make pension contributions, and on which you accrue a pension benefit. For most British Columbia teachers that would include your salary, the SIP rebate, the Rural Recruitment and Retention Allowance (if applicable), and special allowances such as department head or co-ordinator's positions.

### **Pensionable service**

The actual time you worked while contributing to the Teachers' Pension Plan. You earn one full month of pensionable service when you work full time for one full month. If you work half time, you receive half a month of pensionable service. Pensionable service is used to determine the amount of pension you will receive.

### **Plan members**

All members of the British Columbia Teachers' Federation are automatically members of the plan, but there are several other groups who are also members. BCTF administrative staff, principals and vice-principals, superintendents, assistant superintendents, directors of instruction, and some BC College of Teachers staff.

### **Present value of future benefits**

The present value of future benefits is the dollar value on valuation day of all benefits to be paid out by the Teachers' Pension Plan until its obligations to the last person hired on valuation day are fulfilled.

It includes pensions, disability and spousal pensions, survivor benefits and commuted value transfers.

### **Rate of return**

The rate of return is the ratio of money gained or lost on an investment to the amount of money invested.

### **Real rate of return**

The real rate of return is the ratio of money gained or lost on an investment to the amount of money invested taking the effects of inflation into account as well.

### **Reduced pension**

If you apply for an early pension but you do not meet the minimum age plus contributory service requirements your pension will be reduced.

### **Surplus**

A surplus exists when the Teachers' Pension Plan assets exceed its liabilities.

### **Teachers' Pension Board of Trustees**

The BCTF as Plan Member Partner and the Government of British Columbia as Plan Employer Partner each appoint five people to sit on the Board of Trustees. The Trustees then designate a chairperson.

### **Unreduced pension:**

You qualify for an unreduced pension if you reach factor "90," or turn 60 and are vested, or turn 65. An unreduced pension means that no penalties have been applied.

An unreduced pension is determined by the pension formula:

$2\% \times \text{your HAS} \times \text{years of pensionable service minus the bridge benefit after age 65.}$

### **Valuation**

A funding valuation is an assessment of a pension plan's ability to meet its pension promise.

### **Vested**

The time at which a member is entitled to a future pension benefit. In the Teachers' Pension Plan you are vested when you earn two years of contributory service.

### **Year's Maximum Pensionable Earnings (YMPE)**

The YMPE is the maximum salary on which you contribute to the Canada Pension Plan (CPP).

For 2009, the YMPE is \$46,300. The YMPE is increased each year according to the average industrial wage index for Canada.