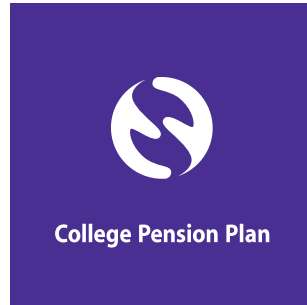


member news



Sustainable cost-of-living increases in retirement

The College Pension Board of Trustees is making changes to post-retirement group benefits and cost-of-living increases that will affect you. The move to sustainable cost-of-living increases will impact and benefit the vast majority of members. Our three-pronged approach includes:

- offering access to unsubsidized group extended health and dental coverage, beginning in September 2009 and discontinuing post-retirement group benefit subsidies
- capping cost-of-living increases for retired members, beginning in January 2011, and
- increasing your and your employer's contributions each by 0.25 per cent of salary. The plan partners recommended this increase and we endorse it, subject to regulatory approval. This change comes into effect on September 1, 2009.

Throughout 2008, we looked at various options to preserve the highest possible level of benefits. Because of funding limitations, changes to post-retirement group benefit subsidies would be required in 2010 and cost-of-living increases would be less than one quarter of the actual rise in the cost of living by 2022. Recent market conditions have put additional pressure on these non-guaranteed benefits. By acting decisively today, we can preserve a more predictable level of cost-of-living increases for members who are currently retired and for those who will retire in the future.

Both active and retired members have indicated that cost-of-living increases are more important than post-retirement group benefit subsidies and we listened.

Please bear in mind that the problem we face is in the Inflation Adjustment Account, a separate account from which cost-of-living increases are paid. Your basic pension is paid from a different account and remains guaranteed for life. Once granted, cost-of-living increases become part of your guaranteed, lifetime pension.

These actions should enable the inflation adjustment account to grow more through investment earnings. We will analyze the account every three years and adjust the level of cost-of-living increases to keep them sustainable. While cost-of-living increases will continue to be non-guaranteed benefits, applying a sustainable model to cost-of-living increases means we will be better able to provide more predictable increases. Although you will not have subsidized post-retirement benefit premiums, you will have access to group rates for extended health and dental benefits when you retire.

You will find more information about this issue enclosed with your *Member's Benefit Statement*. There is also additional information posted on our website at college.pensionsbc.ca.

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