Board's communiqué

To: Plan members, employers, unions and associations
From: Public Service Pension Board of Trustees
December 22, 2017

Public Service Pension Plan

A valuation report shows the Public Service Pension Plan is fully funded

The Public Service Pension Plan's most recent valuation shows its funded ratio is 108 per cent. Conducted as at March 31, 2017, the valuation produced results that place the plan in a financially comfortable position. We—the Public Service Pension Board of Trustees (board)—are examining options available under the plan's joint trust agreement (JTA) for the surplus funds.

To comply with the *Pension Benefits Standards Act*, the board is required to retain a portion of the surplus funds as a reserve. Given that limitation, we are carefully considering the five options available as outlined in the JTA:

1. Transferring to a rate stabilization account
2. Transferring to the inflation adjustment account
3. Reducing contribution rates
4. Improving the pension benefit
5. Any combination of the above

Fairness is a priority for the plan. As trustees, we strive to ensure that decisions are fair to all members and employers. We govern the plan prudently, responsibly and diligently to maintain its long-term viability. The plan has been fully funded (or near fully funded) in every valuation since joint trusteeship of the plan in 2001. The table below shows the funded position of the plan in the last six valuations, demonstrating the plan's ability to deliver on the pension promise.

Year	**Funding ratio** (%)
2017	108
2014	101
2011	99
2008	104
2005	100
2002	111

We received the valuation report from the plan actuary in December 2017. The valuation showed that the plan's basic account, which pays lifetime pensions, had actuarial assets of about $24.7 billion and actuarial liabilities of about $22.8 billion. Actuarial assets include plan funds and the present value of future contributions. The actuary compares these assets against actuarial liabilities, which need to be paid out as pension benefits in the future. The valuation reported a surplus of about $1.9 billion. Reasons for the surplus include the plan's strong investment performance, higher than expected mortality and lower than expected salary increases (i.e., lower expected payout for current and future pension benefits).

What is a valuation?

Valuations measure money coming into and going out of the plan. Every three years, an independent actuary (a specialist in financial modelling, statistics and risk management) assesses the financial position of the plan. This assessment includes reviewing member and employer contribution rates, as well as making assumptions about future plan demographics (such as how long plan members will live and when they will retire) and economic factors (such as salary increases and investment returns). This work helps ensure sufficient funds are available to pay the current and future lifetime pensions of all members. The next valuation will examine the state of the plan as at March 31, 2020.

Check our website for a future announcement on how surplus funds will be allocated for the plan. To see the full valuation report, visit the plan website at **pspp.pensionsbc.ca**.

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