



Federation of
Post-Secondary Educators
of BC

**Joint Presidents' Council / Pension Advisory Committee
Working Group on Pension Administration**

Final Report

September 10, 2010

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I. Mandate

Upon recommendation of the Pension Advisory Committee, the January 2010 Presidents' Council meeting mandated this committee to work on issues around Pension Plan policy, governance, and trustee appointments. Issues included:

Trustee evaluation	Trustee cycle of three-year appointments
Status of a trustee from FPSE staff	Appointment process
Pension Advisory Committee's role in appointments	
Succession planning	
Cap on terms	Shadow trustees
The jointly-appointed retired trustee	Current policy compliance
Release amounts for trustees	Gender equity policy

Other work that was being done that was folded into this group's mandate, specifically the October 09 draft *Principles and Framework for Pension Governance*, as commented on and revised by the Pension Advisory Committee and Presidents' Council, and the extensive March 10 *Report of the Presidents' Council Sub-Committee on Trustee Relations and Appointments*, done by Bill McConnell, Terri Van Steinburg and John Wilson.

II. Work of the Committee

The committee has worked through a series of 12 teleconferences. The recommendations of the March Presidents' Council Sub-Committee *Report* have been thoroughly reviewed and integrated into our report.

III. Policy Recommendations

A. **Adopt as FPSE Policy the following statements from “*Principles and Framework for Pension Governance*” and have them begin the section on pension policy.**

Currently, FPSE's Policy and Procedures Manual includes some operational pension policy as Section 5 of its general policy compilation. Upon adoption this set of policy statements should go at the beginning of that section as it includes many overarching pension principles.

5. PENSIONS

5.1 Overview of Partner and Trustee Roles and Obligations

FPSE leadership in the role of partner and FPSE-appointed trustees have a responsibility to plan members and to FPSE to ensure that the pension promise* is kept. This principle has primacy over all others.

5.1.1 Definition of FPSE as a College Pension Plan Partner

The FPSE Partner is for operational and representative purposes the FPSE President. The President is the Chief Executive Officer of the Federation as mandated and authorized by the Constitution and By-Laws of the Federation,

which also set out that the President is responsible to the Presidents' Council and to the Annual General Meeting.

With the approval of Presidents' Council, the President may appoint individuals to assist in representative functions or to act as the President's Delegate.

5.1.2 Responsibilities of FPSE as Partner

- 5.1.2.1 Make or rescind three trustee appointments.
- 5.1.2.2 Jointly with BCGEU make or rescind one trustee appointment of a person who is retired from service and receiving a pension under the plan.
- 5.1.2.3 Nominate jointly with BCGEU a Trustee as a director of the British Columbia Pension Corporation.
- 5.1.2.4 Jointly with all other partners direct the Board of Trustees to amend the pension plan rules subject to legislated conditions.
- 5.1.2.5 To develop policy and procedure for the appointment, evaluation and removal of trustees.
- 5.1.2.6 Work to enable the Plan to keep the pension promise.*

**The pension promise is that set of financial features of the plan designed to enable pension recipients to live with dignity and security; they are embodied in the Rules of the Plan.*

5.1.3 Fundamental Principles

- 5.1.3.1 As a partner, FPSE is accountable to its membership and must function within the policies and priorities developed by the membership.
- 5.1.3.2 Pensions operate on a long term horizon. Consequently, decisions regarding the pension plan should be driven by that horizon rather than immediate or short-term considerations, including political and financial aspects.
- 5.1.3.3 Trustees are obligated to act in the best financial interests of members.
- 5.1.3.4 Trust law requires trustees to act in a prudent, diligent, and fair-handed way.

5.1.4 Operating Principles

- 5.1.4.1 Shared decision-making

Joint trusteeship is a commitment to shared decision-making by employee and employer plan partners.

- 5.1.4.2 Integrity

Partner and trustee decision-making and actions are carried out in an open, principled, consistent, coordinated, transparent and accountable manner.

5.1.4.3 Communication

- (a) FPSE as a partner and FPSE-appointed trustees maintain open, timely and accessible communications with each other and with members of the pension plan at all times and especially when changes to the plan are under consideration.
- (b) FPSE trustees shall advocate for the Pension Board to have the broadest level of communication possible between it and the partners.

5.1.4.4 Sustainability

Partners and trustees work to keep the pension promise.

5.1.4.5 Guidance

- (a) FPSE has an obligation to ensure the relevant policies of the Federation are being fulfilled.
- (b) Within requirements of fiduciary duty, FPSE-appointed trustees are expected to advance the goals of the Federation.
- (c) FPSE has oversight of its partner representatives and its trustees. FPSE has a responsibility to remove trustees or representatives who fail to perform their duties.

5.1.4.6 Engagement

Partners and trustees must have exposure to varying points of view, stay current on pension related issues, maintain contact with internal and external stakeholders, and generally be engaged with the pension community to improve the quality and function of our pension plan.

5.1.4.7 Building Capacity

- (a) Partners and trustees will work to ensure that each is knowledgeable about current and emerging pension plan issues.
- (b) FPSE is responsible for ensuring that partner representatives and appointed trustees receive the training necessary in pension plan governance to carry out the policies of the Federation and their fiduciary responsibilities.
- (c) Orientation of new Presidents' Council members must include receiving an overview of FPSE's role as a partner and relevant FPSE policy.

5.1.4.8 Economic Security

The financial aspects of the pension plan are important for both active members and recipients.

- (a) The pension benefit is an important benefit for attracting and retaining employees.

- (b) A pension received should maintain its real purchasing power during retirement.
- (c) Comprehensive post-retirement group benefits should be provided at an affordable cost for retirees.

5.1.5 Goals

FPSE should continue to maintain and work for:

- 5.1.5.1 Continuation of a jointly-trusted defined benefit pension plan
- 5.1.5.2 Full inflation protection of pension benefits
- 5.1.5.3 Retirees having access to fully-funded health benefit plans
- 5.1.5.4 A strong, healthy, sustainable pension plan that reflects member interests
- 5.1.5.5 Protection from detrimental legislative and regulatory changes
- 5.1.5.6 Seeking legislative and regulatory changes that will have a positive effect on the Plan
- 5.1.5.7 Ensuring that legislative and regulatory changes are made to the greatest extent possible by mutual consent of the Plan Partners
- 5.1.5.8 Additional employer contributions, not matched by employees, for non-registered benefits

B. Adopt Policy Recommendations on Pension Governance

In sum, these policy recommendations amount to a rewriting of the current Section 5.1 with a bit of current language, changes to current language and new additions both from the current Presidents' Council/Pension Advisory Committee subcommittee and from the March 10th Report of the Presidents' Council Subcommittee. The following represents what the whole of Section 5 would look like with the recommendations included. If there's no recommendation, current policy would stay as is. They would immediately follow the new 5.1.

5.2 Pension Governance

NB: The following given individual appointments commence in September and run for three years and there is no cap on consecutive terms.

[new]

5.2.1 Appointment Process for FPSE Members serving as Plan Trustees

5.2.1.1 Nominations

[Replaces current policy 5.1.1.(b) which has PAC making its recommendation at least one year prior.]

The Pension Advisory Committee will canvass for nominations by the fall previous to trustee term commencement. Pension Advisory Committee will make its recommendation to Presidents' Council by the year-end previous to commencement year. Nominated Trustees do not have to be or have been Pension Advisory Committee members.

5.2.1.2 Appointments

[Replaces current 5.1.1.(e) which uses term "expected new appointees"]

(a) At its first meeting in the year in which an appointment commences Presidents' Council will make a trustee-designate appointment for final confirmation by AGM. The successful trustee-designate is immediately authorized to attend trustee board and committee meetings with funding support. FPSE will request that the Board allow them to attend with voice.

[Same as current 5.1.1(d), with new term]

(b) Trustee-designates will be given every opportunity to become familiar with the policies and issues that will face them as trustees, including attendance at approved conferences.

[Replaces current 5.1.1.(a) and 5.1.1.(c)]

(c) To the extent possible, a trustee who is not able to finish a term will give as much notice as feasible. Depending on the timing of the vacancy, the President will either initiate as normal a cycle of consultations and decisions leading to a new appointment as possible or initiate an extraordinary process that allows for as much consultation as feasible but ensures that the Trustee position is filled in a timely fashion.

[new]

5.2.2 Appointment of a FPSE employee as a Plan Trustee

[replaces current 5.1.3 which only indirectly allows for an appointee from staff]

One FPSE-appointed trustee will normally be a staff employee of FPSE. The President will make a recommendation for the renewal of this appointment or for a new appointment from staff to the first Presidents' Council meeting in the year the appointment commences. In the case of a new appointment, policies 5.2.1.2 (a) and 5.2.1.2 (b) shall also apply.

[new]

5.2.3 Equity and Gender Equity

5.2.3.1 FPSE will identify barriers to participation as Pension Plan trustees of members of equity seeking groups including women. It will work to eliminate those barriers through the development of specific engagement and outreach activities.

5.2.3.2 Whenever nominations are being sought for trustees, there must be a specific effort to achieve broad participation of equity seeking groups.

5.2.3.3 Pursuant to 5.2.1 and 5.2.2, when considering FPSE trustee appointments Presidents' Council shall ensure that amongst the FPSE appointee complement, there is always at least one female and at least one male trustee.

[replaces current 5.1.2, which called for a process, and other points which are now covered in the new 5.1 and elsewhere]

5.2.4 Appointment of a Retired Member as a Plan Trustee

Pursuant to the Public Sector Pension Plans Act, FPSE and BCGEU must jointly appoint a trustee who is retired from service and receiving a pension. In so doing and as it represents the great majority of both active and retired pension plan members, FPSE partner representatives will:

- (a) take the lead in the appointment process.
- (b) ensure that anyone being considered is receiving a pension through the College Pension Plan; and retired from service. For FPSE, retired from service means a retired trustee is not in receipt of compensation from a College Pension Plan employer.
- (c) ensure that anyone being considered has the appropriate knowledge and awareness of pension plan issues and is committed to fulfilling to the greatest extent possible the policies and goals of FPSE.
- (d) ensure that FPSE's current appointed trustees have been consulted in a timely way before an appointment is finalized.
- (e) ensure that the college sector of the BC Retired Teachers Association has been consulted in a timely way before an appointment is finalized.
- (f) ensure that a recommendation for an FPSE nominee has been sought from Pension Advisory Committee and been endorsed by Presidents' Council.
- (g) seek agreement with the BCGEU that the rotation of retiree trustee appointments starting in 2013 will be two consecutive FPSE-led three-year appointments followed by one BCGEU-led three-year appointment.
- (h) seek an agreement with the BCGEU that in 2013, retiree trustee appointments will first be offered to a formerly active FPSE member before a formerly active BCGEU member.

[replaces 5.1.1.(f) which only dealt with the President and an appointment from staff]

5.2.5 Succession Planning

Under the operating principle of Building Capacity, the Pension Advisory Committee, Presidents' Council and the President all have a responsibility to consider succession planning as part of the trustee appointment process.

C. Adopt New Policy on Related Issues

[new]

5.3 Communications

5.3.1 Presidents' Council shall identify one of FPSE's appointed trustees as having the primary responsibility for reporting to the fullest extent possible on pension plan developments to the Pension Advisory Committee and Presidents' Council on behalf of all its appointed trustees.

5.3.2 Whenever necessary, the President shall inform other interested parties and partners that when officially communicating with FPSE as a partner, then such communications whether confidential or not shall be shared with Presidents' Council.

This does not obligate the President to share all unofficial communications.

All relevant non-confidential communication shall be shared with Pension Advisory Committee and other interested parties.

5.3.3 The President and Presidents' Council will from time to time, and not less than bi-annually, formally review the effectiveness of communication on pension-related issues with interested parties.

5.3.4 The President, Pension Advisory Committee and Presidents' Council shall ensure that appropriate and timely consultation on possible changes to pension plan operations and pension policy occurs with member locals and their membership before such changes are implemented.

5.3.5 As appropriate, FPSE shall make other pension partners and interested bodies aware of its pension policies.

5.3.6 In order to ensure communications are maintained at all times, the President shall have another appropriate person responsible to FPSE copied on official communication to FPSE as a partner.

[new, see also action recommendation IV. B.]

5.4 Trustee Evaluation

All FPSE-appointed trustees will go through a formative evaluation process by the mid-point of each three-year term.

[new, see also recommendation III. D., for a new 2.12]

5.5 Trustee Release and Payments Received

In accordance with Purchasing and Expenditure Policy 2.12, members serving as trustees are eligible for release time purchases. Any stipends and per diem amounts they may receive are payable to FPSE.

[renumber, without alteration, current 5.2 through 5.7]

- 5.6 Determination of Pension Plan Basic Benefits**
- 5.7 Pension Plan Health Benefits**
- 5.8 Inflation Protection for Pension Plans**
- 5.9 Bargaining and the Pension Plan**
- 5.10 Pension Investment**
- 5.11 FPSE Pension Advisory Committee Meetings and Representatives**

D. Insert new policy in Section VI.2 Expenditure Policy, renumber subsequent policies accordingly

[new]

2.12 Pension Plan Trustee Release Time and Expenditures

- 2.12.1 FPSE will annually budget for the purchase of one-eighth of an FTE release time for each of its members serving as trustees.
- 2.12.2 For its members serving as trustees, FPSE will purchase further one-eighth FTE releases for each subsequent appointment as a Board Chair or Vice-Chair, or appointment to a BC pension-related board or body.
- 2.12.3 Any stipends or per-diems such trustees would receive are payable to FPSE.
- 2.12.4 Unless covered by the body or board concerned, Pension Trustee expenses are covered by FPSE expenses policy

E. Adopt Changes to the Pension Advisory Committee Terms of Reference

Under Responsibilities:

[replace current #4.

The Committee will recommend to Presidents' Council names for three (3) FPSE-appointed trustees to the College Pension Board. The Committee will advise Presidents' Council on the retiree trustee appointment.]

- 4. As part of the Trustee appointment process the Committee will nominate names for those FPSE trustees appointed from the active membership and the committee will advise Presidents' Council on the retiree appointment.

[add new # 7]

- 7. The Committee will monitor and review the effectiveness and relevancy of FPSE pension policies and where possible those of related organizations and unions with a view from time to time of recommending updates, changes, and additions.

IV. Consider taking action on the following recommendations:

- A. That Presidents' Council approve the document, "College Pension Plan: Principles and Framework for Pension Governance" (Section V herein) as a statement of historical context, of policy intents, and of current priorities and challenges in 2010.**

B. That a Trustee Evaluation process be developed

1. That Presidents' Council with the Pension Advisory Committee's participation form a joint Presidents' Council-Pension Advisory Committee subcommittee to recommend a trustee evaluation process.
2. That the evaluation process include:
 - 2.1 all trustees going through a formative evaluation by the mid-point of each three year term
 - 2.2 a set of criteria for evaluation
 - 2.3 details of frequency and timing
 - 2.4 provision for establishing an evaluation committee made up of two members of the Pension Advisory Committee and two from Presidents' Council
 - 2.5 that the committee will ensure that the criteria and process are known to the trustee
 - 2.6 a confidential feedback mechanism from all of Presidents' Council and all of the Pension Advisory Committee who wish to participate
 - 2.7 that feedback will only go to the evaluation committee
 - 2.8 that a compilation of input is first shared with trustee and that trustee input is welcomed
 - 2.9 that a final report is released to Presidents' Council and the Pension Advisory Committee

C. That the Pension Advisory Committee complete the work of an External Policy Review

That Pension Advisory Committee include as part of its work plan under responsibility #7 those recommendations of the March, 2010 **Report on Trustee Relations and Appointments** found in the third and fourth bullets of section II-A, External Policy Review.

V. College Pension Plan:

Principles and Framework for Pension Governance

Overview

In the late 1990s, as part of provincial bargaining, FPSE achieved joint trusteeship in the College Pension Plan. The bargaining table settlement was far more than a provision in the provincial common agreement. It involved legislative change. In effect, our demand at the bargaining table transformed into a re-writing of the legislation that established the College Pension Plan in the first place.

Joint trusteeship was a major accomplishment for post-secondary educators, for FPSE, and for the long-term governance of what is now a \$2 billion pension plan. Prior to the 1998 change, our voice as plan members was secondary in the ongoing governance of the College Pension Plan. The choices made by the government appointed plan trustee prior to 1998 were done with little or no input from plan members. Joint trusteeship was the first step in changing that structure because it allowed plan members, through their union, to appoint half of the plan's trustees.

Plan governance plays a critical role in ensuring that the College Pension Plan reflects the priorities and needs of both retirees and plan contributors. As our plan continues to grow and address the challenges of meeting the pension promise, it is essential for all plan partners to renew their understanding of and participation in plan governance. It is with that in mind that FPSE has drafted the following to outline the principles and framework that guide FPSE's role in joint trusteeship of the College Pension Plan.

Definition of FPSE as a College Pension Plan Partner

Mandated by the *Public Sector Pension Plans Act*^{*}, the FPSE Partner is for operational and representative purposes the FPSE President. The President is the Chief Executive Officer of the Federation as mandated and authorized by the Constitution and By-Laws of the Federation, which also set out that the President is responsible to the Presidents' Council and to the Annual General Meeting.

With the approval of Presidents' Council, the President may appoint individuals to assist in representative functions or to act as the President's Delegate.

**PSPP Act (1999), Schedule A: College Pension Plan, Definitions: (1) "partners" means the government, the Post-Secondary Employers' Association, the College-Institute Educators' Association (sic), and the BC Government and Services Employees' Union.*

Responsibilities of FPSE as Partner

- Make or rescind three trustee appointments.
- Jointly with BCGEU make or rescind one trustee appointment of a person who is retired from service and receiving a pension under the plan.
- Nominate jointly with BCGEU a Trustee as a director of the British Columbia Pension Corporation.
- Jointly with all other partners direct the Board of Trustees to amend the pension plan rules subject to legislated conditions.
- To develop policy and procedure for the appointment, evaluation and removal of trustees.
- Work to enable the Plan to keep the pension promise.

Fundamental Principles

- As a partner, FPSE is accountable to its membership and must function within the policies and priorities developed by the membership.
- Pensions operate on a long term horizon. Consequently, decisions regarding the pension plan should be driven by that horizon rather than immediate or short-term considerations, including political and financial aspects.
- Other partners are accountable to their own policies and priorities.

- Trustees are obligated to act in the best financial interests of members.
- Trust law requires trustees to act in a prudent, diligent, and fair-handed way.
- FPSE leadership in the role of partner and FPSE-appointed trustees have a fiduciary responsibility to plan members and to FPSE to ensure that the pension promise is kept. This principle has primacy over all others.

Operating Principles

- *Shared decision-making*
Joint trusteeship is a commitment to shared decision-making by employee and employer plan partners.
- *Integrity*
Partner and trustee decision-making and actions are carried out in a principled, consistent, coordinated, transparent and accountable manner.
- *Communication*
 - FPSE as a partner and FPSE-appointed trustees maintain open, timely and accessible communications with each other and with members of the pension plan at all times and especially when changes to the plan are under consideration.
 - FPSE trustees shall advocate for the Pension Board to have the broadest level of communication possible between it and the partners.
- *Sustainability*
Partners and trustees work to keep the pension promise.
- *Guidance*
 - FPSE has an obligation to ensure the relevant policies of the Federation are being fulfilled.
 - Within requirements of fiduciary duty, FPSE-appointed trustees are expected to advance the goals of the Federation.
 - FPSE has oversight of its partner representatives and its trustees. FPSE has a responsibility to remove trustees or representatives who fail to perform their duties.
- *Transparency*
Partners' and trustees' decisions and actions are open and transparent.
- *Engagement*
Partners and trustees must have exposure to varying points of view, stay current on pension related issues, maintain contact with internal and external stakeholders, and generally be engaged with the pension community improve the quality and function of our pension plan.

- *Building Capacity*
 - Partners and trustees will work to ensure that each is knowledgeable about current and emerging pension plan issues.
 - FPSE is responsible for ensuring that partner representatives and appointed trustees receive the training necessary in pension plan governance to carry out the policies of the Federation and their fiduciary responsibilities.
 - Orientation of new Presidents' Council members must include receiving an overview of FPSE's role as a partner and relevant FPSE policy.
- *Value*
 - The pension benefit is an important benefit for attracting and retaining employees.
 - A pension received should maintain its real purchasing power during retirement.
 - Comprehensive post-retirement group benefits provided at an affordable cost for retirees.

FPSE Goals

- Continuation of our jointly-trusted defined benefit pension plan.
- Full inflation protection of pension benefits.
- Retirees should have access to fully-funded health benefit plans.
- A strong healthy sustainable pension plan that reflects member interests.
- Additional employer contributions, not matched by employees, for non-registered benefits.

FPSE and the College Pension Plan in 2010

Challenges

Several challenges face the pension plan at this time. These include:

- The state of the inflation adjustment account and its ability to provide adequate indexing to retirees.
- The impact of CRA regulations on the plan.
- The various constraints of federal and provincial legislation.
- The lack of succession planning by all partners.
- The necessary time and training opportunities for trustees to carry out their work.

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- Retirees should have access to fully-funded health benefit plans.
 - The limits of members' ability to pay and the willingness of employers and government to pay.
 - Protect the Plan from legislative and regulatory changes judged to have a negative effect on the Plan.

FPSE Actions

- FPSE will continue to build a strong and cooperative relationship with the other plan partners, trustees, and plan members.
- FPSE will continue to work towards improving the flow of information between the trustees, partners and plan members.
- FPSE will support educational and training opportunities for trustees, future trustees and FPSE's spokespersons on pension issues.
- FPSE will support the effort of plan partners to maintain appropriate funding and benefit choices and encourage its appointed trustees to do the same.