PROVINCE OF BRITISH COLUMBIA

Twelfth Annual Report

of the Business Done in Pursuance of the

Pension (College) Act

formerly

College Pension Act

YEAR ENDED AUGUST 31

1980

ISSN 0228-7382

To the Honourable HENRY P. BELL-IRVING, D.S.O., O.B.E., E.D.,
Lieutenant-Governor of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

The undersigned respectfully submits the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1980.

EVAN M. WOLFE
Provincial Secretary and
Minister of Government Services

Office of the Provincial Secretary and
Minister of Government Services
Victoria, British Columbia
January 15, 1981

The Honourable Evan M. Wolfe,
Provincial Secretary and
Minister of Government Services,
Victoria, British Columbia

SIR:

I have the honour to lay before you the Report of the business done in pursuance of the *Pension (College) Act* during the fiscal year ended August 31, 1980.

Respectfully submitted,

J.D. REID
Superannuation Commissioner

January 15, 1981

PENSION (COLLEGE) ACT

ANNUAL REPORT

Report of the business done in pursuance of the Pension (College) Act for the fiscal year ended August 31, 1980

Section 3 – All monies received and paid out under the provisions of this Act are shown in the statement of changes in fund balance and all assets and liabilities are shown in the statement of financial position. These financial statements are attached to this report.

Section 5 – During the year 47 eligible employees were, upon application, declared to be exempt from becoming contributors.

As at August 31, 1980 there were 2,832 active contributors (1,967 male, 865 female).

Section 6 – Employee contributions amounted to $3,495,958 made up as follows:

	$
Basic Contributions	3,489,501
Voluntary Contributions	6,457

Section 8 – Employer matching contributions amounted to $3,489,501.

Section 12 (1) – During the year 34 allowances were granted. There were 75 allowances in force as at August 31, 1980.

Section 12 (3) – Three transfers in the amount of $68,509 were received from an approved employer.

Section 13 – Transfers totalling $1,448,327 were received from 3 reciprocal pension plans in respect of 25 contributors upon grant of allowance as follows:

	$	
Teachers' Pensions Fund	1,085,998	*re* 16 allowances granted
Public Service Superannuation Fund	333,854	*re* 7 allowances granted
Municipal Superannuation Fund	28,475	*re* 2 allowances granted

Transfers totalling $44,302 were made to 4 reciprocal pension plans in respect of 3 employees upon grant of allowance and in respect of 2 contributors, following transfer of service as follows:

Upon Grant of Allowance –	$	
Teachers' Pensions Fund	10,114	*re* 1 allowance granted
Public Service Superannuation Fund	15,495	*re* 2 allowances granted
During Service –		
Government of Canada Public Service Superannuation Account	17,581	*re* 1 contributor
Municipal Superannuation Fund	1,112	*re* 1 contributor

Section 18 – Refunds amounting to $262,612 were granted to 111 employees upon resignation.

Section 23 – An actuarial valuation of the Fund was carried out as at August 31, 1976. The valuation indicates that the unfunded liability of the Plan is about $12,290,000 as at August 31, 1976. The actuary has recommended that the statutory contribution rates under the Plan be increased to ensure stable contribution rates in the future. Changes to the Plan, as described below, were enacted by the Legislative Assembly in August, 1980.

Section 24 – Administration expenses paid from the Fund amounted to $21,739.

Section 27 – Investments held by the trustee as at August 31, 1980 amounted to $38,199,000 (par value), as set out in the attached Schedule 1. Transactions during the year (par value) were as follows:

	$
Purchases	9,306,000
Sales	—
Net increase during year	9,306,000

The average yield on investments purchased during the year was 12.125 per cent.

Based on the mean of the Fund opening and closing balances amounting to $36,996,437 the net rate of interest earned during the year after charging administration expense was 10.213 per cent.

LEGISLATION

The Pension (College) Act was amended at the 1980 Session of the Legislative Assembly. Among the more important changes are the following:

(1) Dividing the Fund into basic and inflation adjustment accounts.

(2) Discontinuing automatic quarterly indexing of the lifetime portion of pensions after January 1, 1981 and substituting annual indexing of the lifetime portion each January 1 not to exceed:

  (a) the percentage increase in the consumer price index over the 12 months ending on the immediately preceding September 30, or

  (b) in total an amount that has a capitalized value equal to the amount in the inflation adjustment account on the preceding September 30.

(3) Providing for a 1% of salary contribution by both employees and employers to finance the indexing of the pensions.

(4) Providing that for purposes of determining eligibility for a pension allowance each month in which a contribution is made shall count as a month of pensionable service.

(5) Providing that a person shall be eligible for a pension allowance where the combined pensionable service with an employer under this Act and with an approved employer is not less than 10 years.

(6) Authorizing payment of interest on all refunded contributions and permitting the Lieutenant Governor in Council to adjust the rate of interest.

J.D. REID
Superannuation Commissioner

COLLEGE PENSION FUND

Exhibit A

STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 1980

ASSETS	1980	1979
	$	$
Cash and term deposits	4,593,984	3,240,809
Contributions receivable	1,353,867	776,731
Accrued interest on investments	898,560	702,519
Investments in bonds issued or guaranteed by Canada or a Province (Note 2)	37,758,477	28,492,297
	44,604,888	33,212,356

LIABILITY AND FUND BALANCE

Liability		
Pensions Payable	3,477	42,316
Fund Balance (Exhibit B)		
Employees' Retirement Annuity Account	77,061	68,149
College Pension Fund Basic Account	44,524,350	33,101,891
	44,601,411	33,170,040
	44,604,888	33,212,356

The five accompanying notes are an integral part of these financial statements.

Approved by:

J.D. REID, F.C.I.A.
Superannuation Commissioner, Trustee

C. WEBSTER, C.A.
Comptroller, Superannuation Branch

December 11, 1980

AUDITOR'S REPORT

To the Superannuation Commissioner, and
To the Provincial Secretary and Minister of Government Services
Province of British Columbia:

I have examined the statement of financial position of the College Pension Fund as at 31 August 1980 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

I have relied upon information furnished by the Fund's Consulting Actuary as to the accuracy of note 1 to the financial statements.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 August 1980 and the changes in its fund balance for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Victoria, British Columbia
12 December 1980.

ERMA MORRISON, C.A.
Auditor General

Exhibit B

COLLEGE PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 1980

	1980	1979
Fund balance increased by:	$	$
Contributions –		
Employees:		
Basic	3,489,501	3,008,957
Voluntary	6,457	10,042
	3,495,958	3,018,999
Employer matching contributions	3,489,501	3,008,957
Transfers from other funds	1,516,836	451,362
Income from investments	3,800,316	2,622,542
	12,302,611	9,101,860
Fund balance decreased by:		
Superannuation allowance payments:		
Contributory	462,798	262,193
Cost of living supplements (Note 3)	75,640	47,354
	538,438	309,547
Refunds	262,612	188,100
Transfers to other funds	44,302	86,454
Medical premium subsidy for pensioners	4,149	2,385
Administration expenses	21,739	18,289
	871,240	604,775
Net increase in fund balance	11,431,371	8,497,085
Fund balance at beginning of year	33,170,040	24,672,955
Fund balance at end of year (Exhibit A)	44,601,411	33,170,040

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1980

1. Actuarial Valuation

According to the Pension (College) Act, actuarial valuations of the Fund shall be made by an actuary when requested by the Superannuation Commissioner. The first actuarial valuation of the Fund was carried out as at August 31, 1976. The valuation indicates that the unfunded liability of the Plan is about $12,290,000 as at August 31, 1976. The actuary has recommended that the statutory contribution rates under the Plan be increased to ensure stable contribution rates in the future. Changes to the Plan as described in Notes 3 and 4 below were enacted in August, 1980.

A valuation as at August 31, 1980 is presently in preparation.

2. Investments

Investments are carried at the lower of cost and par value. Premiums are written off in the year of acquisition. Discounts on single maturity bonds are amortized over the term of the bonds. Discounts on serial bonds are recognized as income as the serial redemptions occur. Investments held at the end of the year are as follows:

	1980	1979
	$	$
Book Value	37,758,477	28,492,297
Par Value	38,199,000	28,893,000
Market Value	30,047,577	26,076,030

The difference between the book value and the market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of pension benefits and therefore has not been provided for as at August 31, 1980.

3. Cost of Living Supplementary Allowances

Payment of supplementary allowances, adjusted quarterly in relation to the cost of living index, commenced July 1, 1975. The Act provides that when the accumulated payments exceed 1% of the average annual total of contributory salaries, these supplements are to be financed by additional employee and employer contributions, each at the rate of ½% of salary. The Act provides for a further similar increase when the accumulated payments again exceed 1% of the average annual total of contributory salaries. Provisions for the payment and financing of supplementary allowances have been changed significantly as described in Note 4.

4. Subsequent Event

The provisions of the Pension (College) Act related to payment and financing of supplementary allowances were amended at the 1980 session of the Legislature. The significant provisions, effective October 1, 1980, are –

1) An increase of 1.0% of salary in contributions by employees and by employers.
2) Annual, rather than quarterly, cost of living supplementary allowances, payable to the extent that moneys equal to the capitalized value are available in the Inflation Adjustment Account created for the purpose.

5. Additional Information

These financial statements show only the position of the Fund as at August 31, 1980 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan.

COLLEGE PENSION FUND

SCHEDULE NO. 1

TRUSTEES OF THE COLLEGE PENSION FUND AND THE MINISTER OF FINANCE FOR THE PROVINCE OF BRITISH COLUMBIA

Securities Held as at August 31, 1980

	Par Value	Book Value	Market Value
	$	$	$
Government of Canada	1,017,000	1,017,000	775,590
Province of British Columbia Guaranty –			
B.C. Hydro and Power Authority	30,320,000	29,918,920	24,041,716
B.C. Railway Company	6,487,000	6,449,016	4,964,946
B.C. School Districts Financing Authority	290,000	288,541	207,375
Peachland Irrigation District	50,000	50,000	32,750
Province of Ontario Guaranty –			
Ontario Hydro	35,000	35,000	25,200
	38,199,000	37,758,477	30,047,577

COLLEGE PENSION FUND

SCHEDULE NO. 2

INVESTMENT INTEREST AND TRANSACTIONS

Comparative Statistics, September 1, 1970 to August 31, 1980

Year Ended August 31	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
	%	%	%	%	%	%	%	%	%	%
Overall average earned rate of fund (net)[1]	7.186	7.048	7.113	7.292	7.559	8.535	8.988	9.028	9.429	10.213
Average rate of return of investments purchased in year	7.272	7.149	7.563	8.950	9.844	10.410	9.530	9.645	10.064	12.125
	$	$	$	$	$	$	$	$	$	$
Net interest earnings in year	71,037	122,977	199,743	313,639	492,019	849,777	1,319,250	1,867,737	2,622,542	3,800,316
Long term investments in year:										
Purchases	567,000	1,030,000	1,188,900	1,820,100	1,681,000	3,244,000	7,226,000	4,968,000	6,887,000	9,306,000
Maturities and sales	—	—	120,000	195,000	75,000	—	20,000	76,000	—	—
Net Increase (par value)	567,000	1,030,000	1,068,900	1,625,100	1,606,000	3,244,000	7,206,000	4,892,000	6,887,000	9,306,000
Fund balance at year end	1,295,443	2,254,713	3,488,835	5,321,128	8,083,924	12,457,778	17,905,568	24,672,955	33,170,040	44,601,411

(1) After charging administration costs.

COLLEGE PENSION FUND

Comparative Statistics – September 1, 1968 to August 31, 1980

Fiscal Year Ended August 31	Contributions				Refunds		Allowances			
	Number Contributors	Employer	Employee		Number	Amount	Granted	Expired	Number in Force at Year End	Amount Paid
			Regular	Voluntary						
		$	$	$		$				$
1969	302	123,577	123,577	2,985	2	559	—	—	—	—
1970	458	190,965	190,965	2,913	19	9,962	—	—	—	—
1971	559	296,107	296,107	6,809	23	19,713	—	—	—	—
1972	642	443,772	443,772	6,488	23	23,544	1	—	1	44
1973	743	540,265	540,265	9,518	31	40,935	—	—	1	529
1974	875	686,692	686,692	5,883	32	42,569	2	—	3	2,220
1975	971	986,724	986,724	4,555	49	72,037	6	—	9	37,459
1976	1,633	1,668,940	1,668,940	11,398	51	89,009	6	—	15	95,567 617[1]
1977	2,043	2,063,357	2,063,357	10,756	93	146,503	7	—	22	148,854 13,471[1]
1978	2,326	2,455,294	2,455,294	20,425	79	150,326	9	—	31	220,757 26,971[1]
1979	2,585	3,008,957	3,008,957	10,042	103	188,100	10	—	41	262,193 47,354[1]
1980	2,832	3,489,501	3,489,501	6,457	111	262,612	34	—	75	462,798 75,640[1]

(1) Cost of living supplementary allowances.

COLLEGE PENSION FUND

Approved and Reciprocal Employers as at August 31, 1980

	Effective Date
APPROVED EMPLOYERS	
Section 12 (6) provides for the method of determining the highest average salary of a contributor who within three years of making his last contribution to the Fund enters the service of one or more of the following employers and becomes entitled to a pension –	
Government of Canada	July 1, 1973
Any employer to whom the *Pension (Public Service) Act* applies	July 1, 1973
Any employer to whom the *Pension (Teachers) Act* applies	July 1, 1973
University of British Columbia	July 1, 1973
University of Victoria	July 1, 1973
Simon Fraser University	July 1, 1973
SPECIAL AGREEMENT WITH APPROVED EMPLOYER	
Section 12 (3) provides for transfer of funds in respect of an employee who within three months of termination of his service transfers to or from the service of the following approved employer –	
Government of Canada	June 22, 1973
RECIPROCAL EMPLOYERS	
Section 13 provides for the method of determining pensionable service and highest average salary together with pro-rata sharing of the present value of the allowance and transfer of funds in respect of an employee who within three years of termination of his service transfers to or from the service of the following reciprocal employers –	
An employer under the *Pension (Public Service) Act*	July 1, 1973
An employer under the *Pension (Teachers) Act*	July 1, 1973
An employer under the *Pension (Municipal) Act*	July 1, 1973
Workers' Compensation Board	June 3, 1974

COLLEGE PENSION FUND

Approved Long Term Disability Salary Continuance Plans as at August 31, 1980

Employer	Date Plan Approved
Camosun College	Mar. 27, 1975
Capilano College	June 4, 1979
Douglas College	July 30, 1979
East Kootenay Community College	July 14, 1980
Justice Institute of B.C.	Aug. 3, 1979
College of New Caledonia	Apr. 30, 1979
Northern Lights College	June 8, 1979
Northwest Community College	Oct. 29, 1979
Okanagan College	Feb. 4, 1977
Open Learning Institute	Dec. 18, 1979
Pacific Vocational Institute	Apr. 9, 1979
Vancouver Community College	June 6, 1979