PROVINCE OF BRITISH COLUMBIA

Thirteenth Annual Report

of the Business Done in Pursuance of the

Pension (College) Act

YEAR ENDED AUGUST 31

1981

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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, 1981.

EVAN M. WOLFE
Provincial Secretary and
Minister of Government Services

Office of the Provincial Secretary and
Minister of Government Services
Victoria, British Columbia
December 1, 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, 1981.

Respectfully submitted,

J. D. REID
Superannuation Commissioner

December 1, 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, 1981

Section 3—All money 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 4—Cost of living supplements totalling $117,618 were paid during the year. After the January 1, 1981 adjustment, quarterly increases were replaced by annual increases, the first of which will be paid January 1, 1982. The annual increases are tied to the consumer price index and are payable to the extent that the capitalized value is available in the Inflation Adjustment Account created for the purpose. For this purpose are allocated to the Inflation Adjustment Account employee and employer contributions each at the rate of 1 per cent of salary and interest earnings attributable to funds held for the payment of superannuation allowances in excess of the rate assumed by the actuary.

Section 5—During the year 64 eligible employees were, upon application, declared to be exempt from becoming contributors.

As at August 31, 1981 there were 3,065 active contributors (2,124 male, 941 female).

Section 6—Employee contributions amounted to $4,991,043 made up as follows:

	$
Basic Contributions	4,276,023
Inflation Adjustment Contributions	706,174
Voluntary Contributions	8,846

Effective October 1, 1980, employee contributions were increased 1 per cent of salary. Effective the same date, these additional contributions were allocated to the Inflation Adjustment Account described above.

Section 8—Employer matching contributions amounted to $4,982,197.

Section 12 (1)—During the year 32 allowances were granted. There were 107 allowances in force as at August 31, 1981. A summary and comparative statistics of allowances granted and in force are shown on Schedules 3 and 4 attached to this report.

Section 12 (3)—Transfers totalling $105,096 were received from 1 approved employer during service as follows:

	$
Government of Canada Public Service Superannuation Account	105,096 *re* 8 employees

Section 13—Transfers totalling $500,875 were received from 2 reciprocal pension plans in respect of 8 contributors upon grant of allowance as follows:

	$
Teachers' Pensions Fund	429,658 *re* 7 allowances granted
Public Service Superannuation Fund	71,217 *re* 1 allowance granted

Transfers totalling $17,961 were made to 3 reciprocal pension plans in respect of 1 employee upon grant of allowance and in respect of 2 contributors following transfer of service as follows:

Upon Grant of Allowance	$
Public Service Superannuation Fund	9,633 *re* 1 allowance granted
During Service	
Government of Canada Public	$
Service Superannuation Account	4,533 *re* 1 contributor
Municipal Superannuation Fund	3,795 *re* 1 contributor

Section 18—Refunds amounting to $567,479 were granted to 174 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. Statutory amendments to improve the financing of the supplementary allowances were enacted in 1980, as previously described.

Section 24—Administration expenses paid from the Fund amounted to $35,952.

Section 27—Long-term investments held by the trustee as at August 31, 1981 amounted to $38,199,000 (par value), as set out in the attached Schedule 1. There were no transactions during the year. Short-term investments held at the date amounted to $17,600,671 compared to $3,654,648 in 1980.

Based on the mean of the Fund opening and closing balances amounting to $48,508,267 the net rate of interest earned during the year after charging administration expense was 11.825 per cent. A comparative statement of investment interest and transactions is presented in the attached Schedule 2.

LEGISLATION

The *Pension (College) Act* was amended at the 1981 session of the Legislature. The amendment made the investment powers of the Trustees in respect of the College Pensions Fund the same as those of the Minister of Finance in respect of a trust fund under section 36 (2) of the *Financial Administration Act*. When proclaimed, and regulations thereunder have been approved, this section will have the effect of broadening investment powers to permit investment in additional types of securities such as are issued by the Municipal Finance Authority of British Columbia, commercial paper of Canadian corporations, corporate bonds and shares, and first mortgages, subject to specified conditions as to the security of the investment and the status of the issuer.

J. D. REID
Superannuation Commissioner

Exhibit A

COLLEGE PENSION FUND

STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 1981

ASSETS	1981 $	1980 $
Cash (Note2)	1,444,794	939,336
Contributions receivable	1,438,970	1,353,867
Accrued interest on investment	1,383,761	898,560
Investments (Note) 2		
Short-term	17,600,671	3,654,648
Long-term	37,782,363	37,758,477
	59,650,559	44,604,888
LIABILITY AND FUND BALANCE		
Liability		
Accounts payable	4,108	3,477
Fund Balance (Exhibit B) (Note 4)		
Basic account	58,151,580	44,601,411
Inflation adjustment account	1,494,871	—
	59,646,451	44,601,411
	59,650,559	44,604,888

The four 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 Commission

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 1981 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 1981 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.

ERMA MORRISON, C.A.
Auditor General

Victoria, British Columbia
25 November 1981.

Exhibit B

COLLEGE PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 1981

	1981 $	1980 $
Fund Balance Increased by		
Contributions—		
Employees:		
Basic	4,276,023	3,489,501
Inflation adjustment (Note 3)	706,174	—
Voluntary	8,846	6,457
	4,991,043	3,495,958
Employer:		
Basic	4,276,023	3,489,501
Inflation adjustment (Note 3)	706,174	—
Transfer from other funds	605,971	1,516,836
Income from investments	5,865,290	3,800,316
	16,444,501	12,302,611
Fund balance decreased by		
Superannuation allowance payments—		
Contributory	653,679	462,798
Cost of living supplements (Note 3)	117,618	75,640
	771,297	538,438
Refunds	567,479	262,612
Transfers to other funds	17,961	44,302
Pensioners' medical premiums—matching portion	6,772	4,149
Administration expenses	35,952	21,739
	1,399,461	871,240
Net increase in fund balance	15,045,040	11,431,371
Fund balance at beginning of year	44,601,411	33,170,040
Fund balance at end of year (Exhibit A)	59,646,451	44,601,411

COLLEGE PENSION FUND

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1981

1. Actuarial Valuation

According to the *Pension (College) Act*, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an actuary upon request by the Superannuation Commissioner. The first valuation of the Fund was carried out as at August 31, 1976. The valuation indicated that the unfunded liability of the Plan was $12,290,000 as at that date. The actuary recommended that the statutory contribution rates under the Plan be increased to ensure stable contribution rates in the future. Statutory amendment reflecting his recommendations as described in Note 3 was passed by the Legislature.

A valuation as at August 31, 1981 is presently in preparation.

2. Investments

Investments include bonds issued or guaranteed by Canada or a Province. Investments are carried at the lower of cost and par value, with "cost" defined as acquisition costs adjusted as follows:

(i) Premiums are written off in the year of acquisition.
(ii) Discounts on single maturity bonds are amortized over the term of the bonds.
(iii) Discounts on serial bonds are recognized as income when redemptions occur.

Long-term investments held at the end of the year are as follows:

	1981	1980
	$	$
Book Value	37,782,363	37,758,477
Par Value	38,199,000	38,199,000
Market Value	22,388,883	30,047,577

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, 1981, since it is generally expected that Fund investments will be held to maturity.

During the year, the Investment Committee decided that available funds should be invested in short-term securities. This represents a departure from the previous policy of holding short-term investments only until suitable long-term investments could be purchased. The short-term investments ($17,600,671—1981, $3,654,648—1980) have therefore been segregated from cash and classified as investments.

3. Legislative Changes

An amendment to the *Pension (College) Act* was passed at the 1980 session of the Legislature. The significant provisions, effective October 1, 1980, are—

(1) An increase of 1 per cent of salary in employee and employer contributions, which is allocated to the Inflation Adjustment Account.

(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.

4. Additional Information

The Fund balance is divided into an Inflation Adjustment Account to which employee and employer contributions each at the rate of 1 per cent of salary are credited and a Basic Account to which all other contributions are credited. The Fund balance for 1980 has been restated accordingly.

These financial statements show only the position of the Fund as at August 31, 1981 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 pension plan.

COLLEGE PENSION FUND

SCHEDULE 1

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

Securities Held as at August 31, 1981

	Par Value	Book Value	Market Value
	$	$	$
Government of Canada	1,017,000	1,017,000	582,296
Province of British Columbia Guaranty			
B.C. Hydro and Power Authority	30,320,000	29,940,521	17,965,599
B.C. Railway Company	6,487,000	6,451,191	3,632,113
B.C. School Districts Financing Authority	290,000	288,651	166,175
Peachland Irrigation District	50,000	50,000	23,625
Province of Ontario Guaranty			
Ontario Hydro	35,000	35,000	19,075
	38,199,000	37,782,363	22,388,883

COLLEGE PENSION FUND

SCHEDULE 2

INVESTMENT INTEREST AND TRANSACTIONS

Comparative Statistics, September 1, 1971 to August 31, 1981

Year Ended August 31	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
	%	%	%	%	%	%	%	%	%	%
Overall average earned rate of fund (net)[1]	7.048	7.113	7.292	7.559	8.535	8.988	9.028	9.429	10.213	11.825
Average rate of return of investments purchased in year	7.149	7.563	8.950	9.844	10.410	9.530	9.645	10.064	12.125	.....
	$	$	$	$	$	$	$	$	$	$
Net interest earnings in year[2]	122,977	199,743	313,639	492,019	849,777	1,319,250	1,867,737	2,622,542	3,800,316	5,772,408
Changes in long term investments in year (at par)—										
Purchases	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	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	.....
Increase (decrease) in short-term	.....	145,000	(70,000)	625,000	1,300,000	(1,800,000)	1,839,500	1,300,500	414,648	12,946,023
Inflation account (short-term investments)[3]	.....	.....	.....	.....	.....	.....	.....	.....	.....	1,000,000
Fund balance at year end	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	59,646,451

[1] After charging administration costs.
[2] Includes amortization of discounts, write-off of premiums on purchases and losses on sales, but before charging administration costs.
[3] Commenced October 1, 1980

COLLEGE PENSION FUND

SCHEDULE 3

Comparative Statistics, September 1, 1968 to August 31, 1981

Fiscal Year Ended August 31	Contributions				Refunds		Allowances			
	Number of 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]
1981	3,065	4,982,197	4,982,197	8,846	174	567,479	32	...	107	653,679 117,618[1]

[1] Cost of living supplementary allowances.

COLLEGE PENSION FUND

SCHEDULE 4

Normal Allowances Granted September 1, 1980 to August 31, 1981

SUBDIVIDED BY YEARS OF SERVICE AND VALUE OF ALLOWANCE

Years of Service	Number of Allowances Granted	Average Salary During Last Five Years	Average Annual Allowance on Single Life Plan	Average Value of Allowance	Average Employee Share	Average Government Share
		$	$	$	$	$
Under 10 years	25	26,040	2,080	22,637	6,338	16,419
10–14	7	27,588	5,225	54,155	13,027	41,128
AVERAGE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	61 (Age)	26,376	2,768	29,532	7,801	21,824
TOTAL VALUE OF NORMAL ALLOWANCES GRANTED DURING YEAR:						
	32	844,195	88,577	948,019	249,639	698,380

SUBDIVIDED BY YEARS OF SERVICE AND AGE AT RETIREMENT

Years of Service	Age at Retirement												
	55	56	57	58	59	60	61	62	63	64	65	Total	%
Under 10 years	2	1	3	1	1	5	2	1	1	1	7	25	78
10–14	...	...	...	...	...	2	1	1	1	...	2	7	22
	2	1	3	1	1	7	3	2	2	1	9	32	...
Per cent	6	3	9	3	3	23	9	6	6	3	29	...	100

Allowances Other Than Normal Granted September 1, 1980 to August 31, 1981

Number of Allowances Granted	Death	Disability	Deferred
Nil	*Nil*	*Nil*	*Nil*

COLLEGE PENSION FUND

Approved and Reciprocal Employers as at August 31, 1981

Effective Date

APPROVED EMPLOYERS

Section 12 (6) provides for the method of determining the highest 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

Approved Long-term Disability Salary Continuance Plans as at August 31, 1981

EMPLOYER	*Date Plan Approved*
Comosun College	March 27, 1975
Capilano College	June 4, 1979
Douglas College	July 30, 1979
East Kootenay Community College	July 14, 1980
Justice Institute of B.C.	August 3, 1979
College of New Caledonia	April 30, 1979
Northern Lights College	June 8, 1979
North Island College	August 6, 1981
Northwest Community College	October 29, 1979
Okanagan College	February 4, 1977
Open Learning Institute	December 18, 1979
Pacific Vocational Institute	April 9, 1979
Vancouver Community College	June 6, 1979

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