



Q&A: Are pension benefits like dental guaranteed?

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Q: I have been following the recent announcement that our pension plan is making changes to retiree benefits in 2017 - including eliminating subsidies for dental coverage. As someone planning to retire in about 10 years, I'm wondering if I can count on benefits still being available when I retire. If not, I may have to adjust my retirement horizon to compensate for additional expenses in retirement.

A: First off, I think it's good that you're starting to think about these things now. As you know from the announcement, retiree benefits are provided on a non-guaranteed basis and are subject to changes depending on available funding. This does mean that by the time you are ready to retire in decade or so, the benefit plan could be quite different than the one in place today.

Available funding is simply that; the costs of the benefits can't exceed the amount of money coming into the benefits account on a yearly basis.

As the plan "matures", the ratio between active members and retired members begins to shrink. This accelerates pressure on the funding envelope, particularly in combination with rising benefit costs and the trend for retirees to live longer - especially BC retirees who lead the nation in longevity.

Having said that, these changes are all about extending the benefit program so that younger plan members, like you, can rely on having a decent benefit plan when you decide to retire. So far, the benefit program has worked out amazingly well considering that funding limitations were hard-wired into the program right from the beginning. And importantly, retirees have received these benefits while suffering no loss to inflation protection. So this balancing act - diverting a portion of the employer's inflation contributions to fund benefits, while still granting full cost of living increases - has turned out to be a big success.

Q: So are you saying I have nothing to worry about?

A: No, I'm not saying you are worry-free. What I am saying is that for nearly 25 years the plan has provided valuable benefits to retired plan members, and, there is an on-going commitment by trustees to keep the program going as long as possible. But as recent history has shown us, financial shocks can change everything. For instance, if we were to have runaway inflation, it would result in the benefit program being stripped down - if not taken away entirely - to protect retiree incomes. I don't think it's likely to happen, but like a Donald Trump presidency, you can't rule it out completely either.

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