SURREY FIRE FIGHTERS' ASSOCIATION
Local 1271 of the International Association of Fire Fighters

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What is 2.33 pension accrual?
For every year of service a member works they will accrue 2.33% towards their pension. This is a .33% increase from the 2% that is currently being accrued. If a member gets hired on January 1st 2010 they will only need to work until December 31st 2040 to reach maximum pension (70%). In the old system that same member would need to work until 2045 to reach their 70%.

Is it Retroactive?
No, all current members will have their accrual rates blended. Eg. A member who got hired in 2000 and retires in 2030 would get 10 years of 2% per year towards their pension and 20 years of 2.33%.
10yrs x 2% = 20% + 20yrs x 2.33= 46.6%. Blended percentage = 66.6%. If that same member worked an extra year and a half they would accrue an extra 3.4% (2.33 x 1.5 years) and would retire with a maximum 70% of their pension.

Why?

In 2005 the Canadian Revenue Agency (CRA) determined that the Special Agreement was not in Compliance with the Income Tax Act (ITA) and needed to be changed. Fortunately the CRA agreed that all current SA can be grandfathered. However, members with pensionable salary over $76,000 will be over-contributing to their SA and will get the excess contributions refunded.
Note* If the SA was just left alone and the conversion to 2.33% didn't occur the SA would not be able to sustain itself and eventually would dry up, due to our salaries rising above the $76,000 limit and all SA contribution would be eventually refunded, leaving nothing to improve pension at retirement.

How?
The anticipation of this problem was identified in the 2003-2006 round of Bargaining. Language was developed and agreed upon in the Collective agreement that would ensure a smooth transition.

Where are we?

On June 18th the Executive signed a Letter of Understanding (LOU) with the City outlining the terms and agreement for the transformation. The agreement has been submitted to the Pension Corporation for approval. Once approval is received the transformation will be set for Jan 1st 2010 and SA contributions will stop. SA funds on deposit already will remain with pension corp, and continue to earn interest until retirement. SA account options will remain the same.

What is the cost difference from the Special Agreement to the 2.33?

The cost difference to convert to 2.33 accrual pension from the Special Agreement is as follows. The SA had 2.5% of pensionable salary contributed by the employer and 2.0% contributed by the employee. The cost of the 2.33 accrual is 1.89% of pensionable salary for each employer and employee. So the employee contributions are reduced by 0.11% and the employer contributions are reduced by 0.61%. This difference in the employer contribution was an amount that was up for negotiation and the union managed to negotiate those funds as a continued benefit referred to as the Supplemental Pension Pay Allowance (SPPA).

Originally, the employer argued that because the .61% is an employer contribution they are not obligated to pay it. The Union argued that the Special Agreement was negotiated into the Collective Agreement and there should be no loss in cost value in the conversion to 2.33. During the negotiations to convert to 2.33 our Employer agreed with the Union that the .61% is an amount freely negotiated as a pension benefit for the employee and this led to the inception of the SPPA.

Why can't the members just receive the extra money?

The employer's terms of agreement were that the extra money would not be paid out but would be used as a benefit the entire membership would receive. Essentially a cash payout would be considered a wage increase which was not the original intent. It was negotiated as a benefit and should remain as funding towards a members retirement benefit.

Why is the money put in an account for Post Retirement Benefits?

The cost of post retirement benefit premiums are continuously increasing ~~as is the~~ and it is difficult to negotiate appropriate funding for these benefits. The members of Local 1271 have spoken loudly of their concerns that these costs are eroding the amount of disposable dollars available upon retirement. Establishing this fund is the first step to addressing these concerns.

Is it tax sheltered?

The .61% is contributed by the employer so according to the Canadian Income Tax Act and Regulations it cannot be sheltered. However it is a goal of the Local 1271 executive to get the IAFF Canadian Office to add Voluntary Employee Beneficiary Accounts to its Federal Lobby. This change will allow the money to be sheltered and the option for members to contribute extra money to the fund.

Where is the money? How do I know how much I have?

The money is held in an account in Victoria at the Municipal Finance Authority. Once a year, starting in March 2011, members will receive a statement outlining how much they have accrued. The amount is based off your pensionable earnings, same as the Special Agreement (basic earnings, no OT, no staffing pools, no cashed out vacations or grats). It will be between $400 and $650 annually, depending on how much you earn.

Will it always be .61%?

A onetime audit will be done to assess the percentage after the next valuation of the pension plan. If costs increase above the 1.89% for each party, the .61% funds will be used to offset any increases. After July 2011 there will be no more adjustments.

When will I receive the money?

When a member retires the funds will be transferred to an account they have access to.