



Bell Pensioners' Group

Together, Protecting our Pensions and Benefits

# Pension Information Committee Report

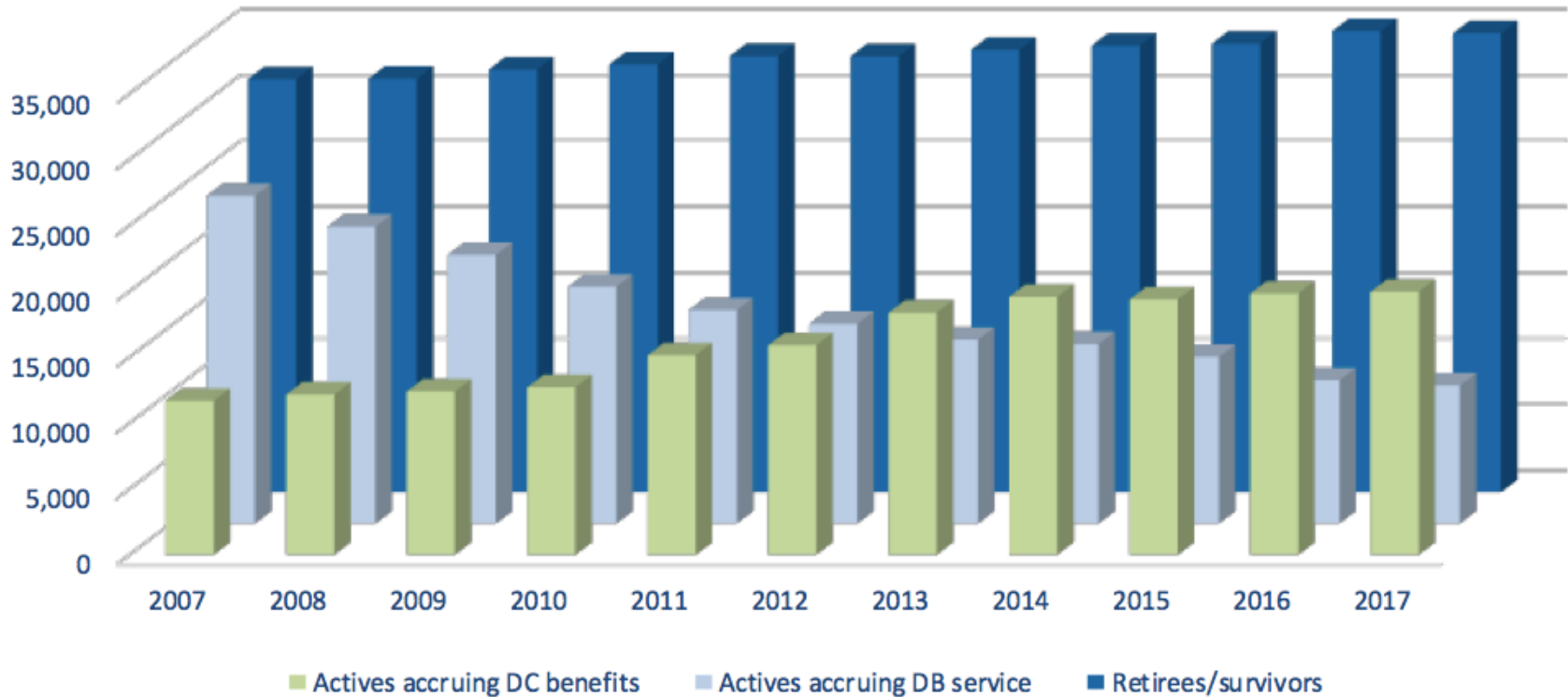
October 2018

# Pension Information Committee (PIC)

- The Pension Information Committee’s mandate was defined by the Pension Benefits Standards Act of 1985. It includes promoting better communications with Plan members and reviewing, for information purposes, the financial, actuarial, and administrative aspects of the Plan.
- The Bell PIC was created in 1988. Functions include:
  - Attending an annual meeting to review the Plan
  - Helping to build and distribute an information report
  - Communicating with plan members
- PIC members are elected by their peers to serve for a three-year term. Representatives for pensioners for 2018/19:

<b>Ontario &amp; Western Canada</b>	<b>Québec &amp; Atlantic Region</b>
Up to December 31, 2018: Peter Dilworth (substitute: Sue Dawes)	Up to December 31, 2018: Michel Doyon (substitute: Yvan Dutrisac)
January 1, 2019 to December 31, 2021: Peter Dilworth (substitute: Denis Henry)	January 1, 2019 to December 31, 2021: Jean-Luc Taschereau (substitute: Daniel McDonald)

# Evolution of the Membership\*



## Active Members

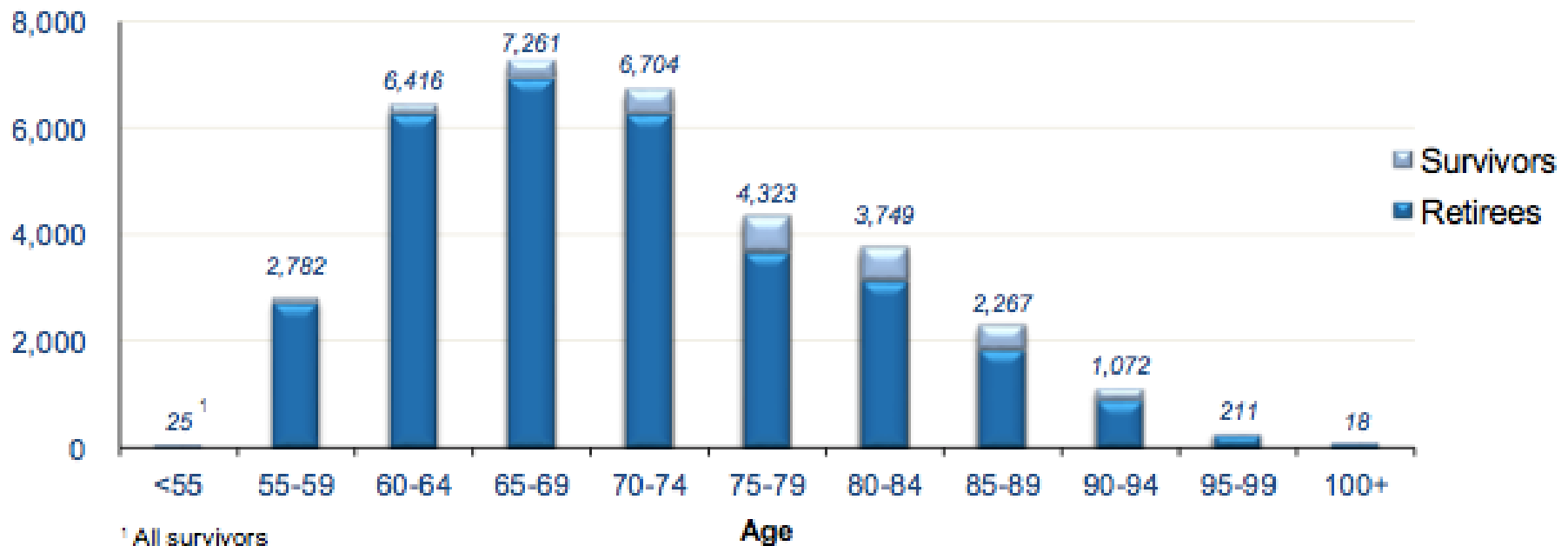
- 10,482 Defined Benefit (DB) active members or employees (Light Blue), down 404 yr/yr
- The Defined Contribution plan (Green) introduced in 2005, now covers almost 66% of active members.

## Retires & Survivors

- 34,828 DB retiree and survivor members (Dark Blue), down 217 yr/yr
  - ✧ 31,741 retirees 3,087 survivors

# Age Distribution of Retirees/Survivors

- As of December 31, 2017, the average age was 71.3 years for retirees and 77.9 years for survivors and beneficiaries.



# Actuarial Valuations of the Plan

## Solvency Valuation\*

(\$ millions)	Dec 31, 2017	Dec 31, 2016
Market Value of Assets**	15,951	15,500
Solvency Liability	16,119	16,192
<b>Solvency Shortfall</b>	<b>(168)</b>	<b>(692)</b>
	<b>99.0%</b>	95.7%

Considers obligations of a pension plan, assuming it is terminated as of the date of the valuation and based on current economic and demographic parameters.

**(\$168M) Deficit; Ratio of 99.0% at Dec 31<sup>st</sup>, 2017**

## Going Concern Valuation\*

(\$ millions)	Dec 31, 2017	Dec 31, 2016
Actuarial Value of Assets	15,744	15,345
Actuarial Liability	14,469	14,541
<b>Going Concern Surplus</b>	<b>1,275</b>	<b>804</b>
	<b>108.8%</b>	105.5%

Considers obligations of the plan assuming that it will continue to operate indefinitely.

**\$1,275M Surplus; Ratio of 109% at Dec 31<sup>st</sup>, 2017**

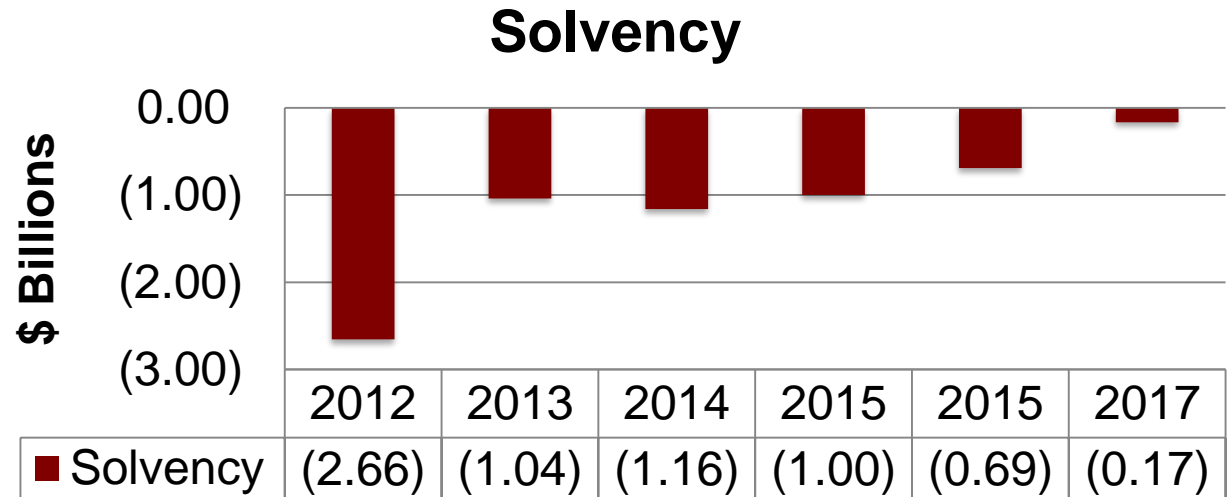
\* Includes impact of \$164.6 of Unused Advanced Contributions

\*\* Includes plan windup costs of \$16 million

# Historical Bell Plan Valuation Results

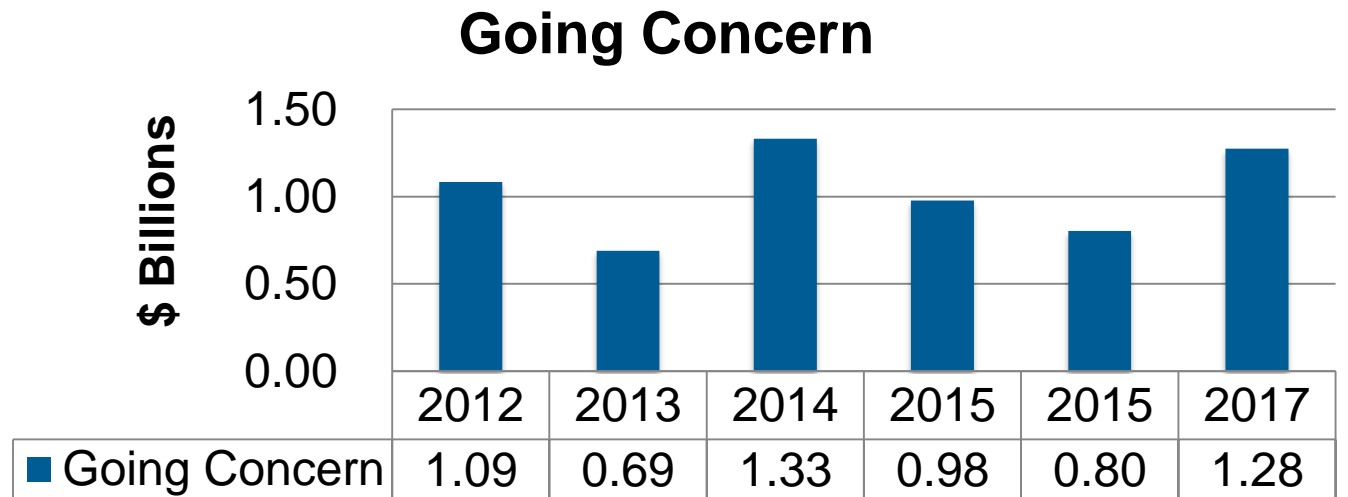
## Solvency

Tests whether the plan has sufficient assets to pay all benefits that have been earned by members to that date



## Going-Concern

The purpose of a going-concern valuation is to recommend the orderly funding of a plan to accumulate assets to provide for the plan's benefits in advance of their actual payment



# Funding the Pension

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- As of December 31, 2017 the estimated minimum funding for the DB Plan for 2018 is \$233.7 million (down from the \$313 million requirement for last year)

(in \$ millions)	Minimum Contributions Requirement
Normal Costs	101.5
Solvency Deficit Amortization <sup>1</sup>	132.2
<b>TOTAL</b>	<b>233.7</b>

1. Note that Bell has \$164.6 million of Unused Advanced Contributions to satisfy the Solvency Deficit Amortization Requirement

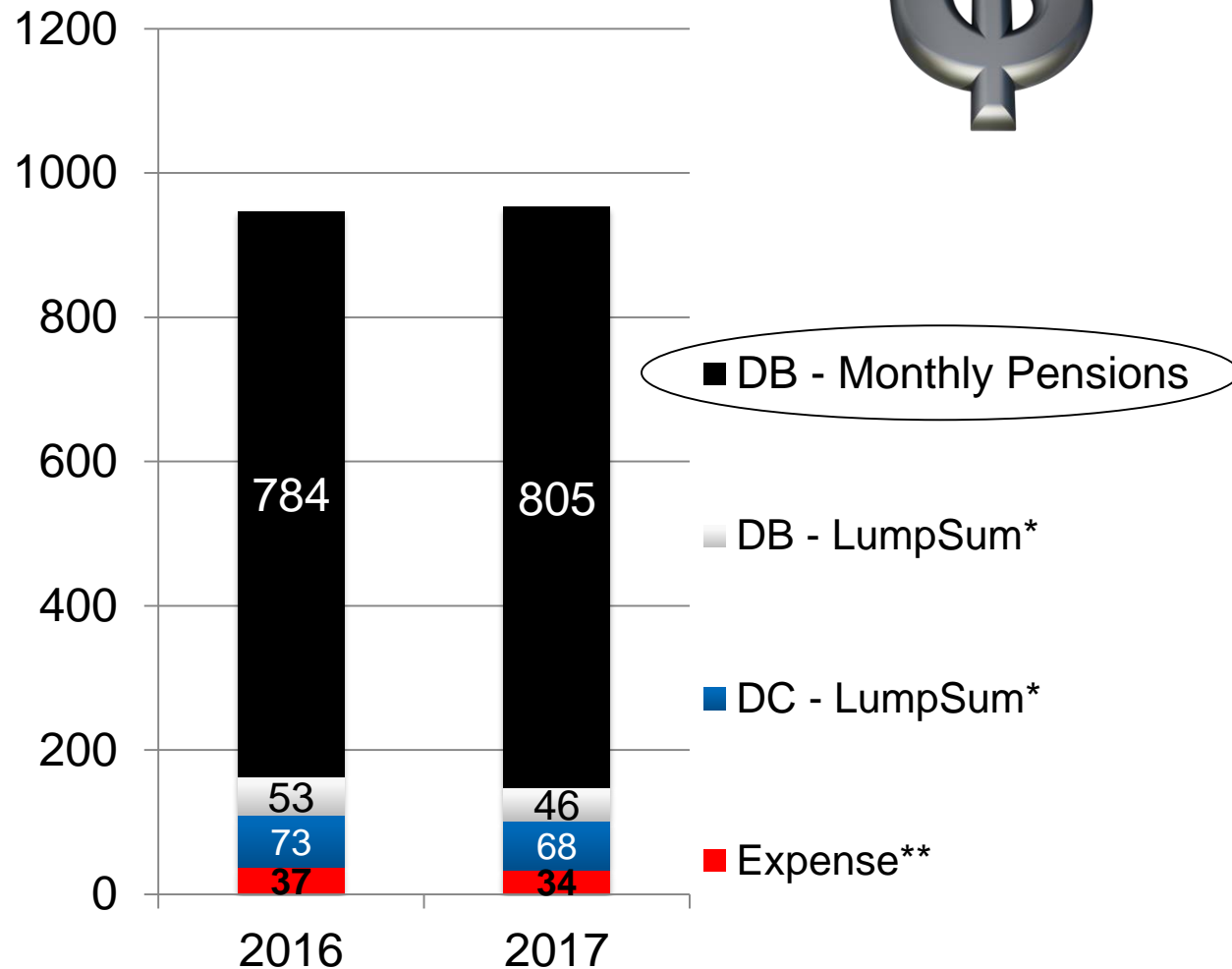
# Disbursements



\$953 million of disbursements paid out in 2017

- pension benefits of \$805 million
- lump-sum payments of \$114 millions\*
- allowable expenses of \$34 million\*\*

The average pension payout is slightly more than \$1,900 per month



\* Includes DB benefits paid upon death, termination of employment, divorce or separation, and DC lump-sum withdrawals

\*\* Includes fees for investment management, trustees, auditing, and **longevity swap management**

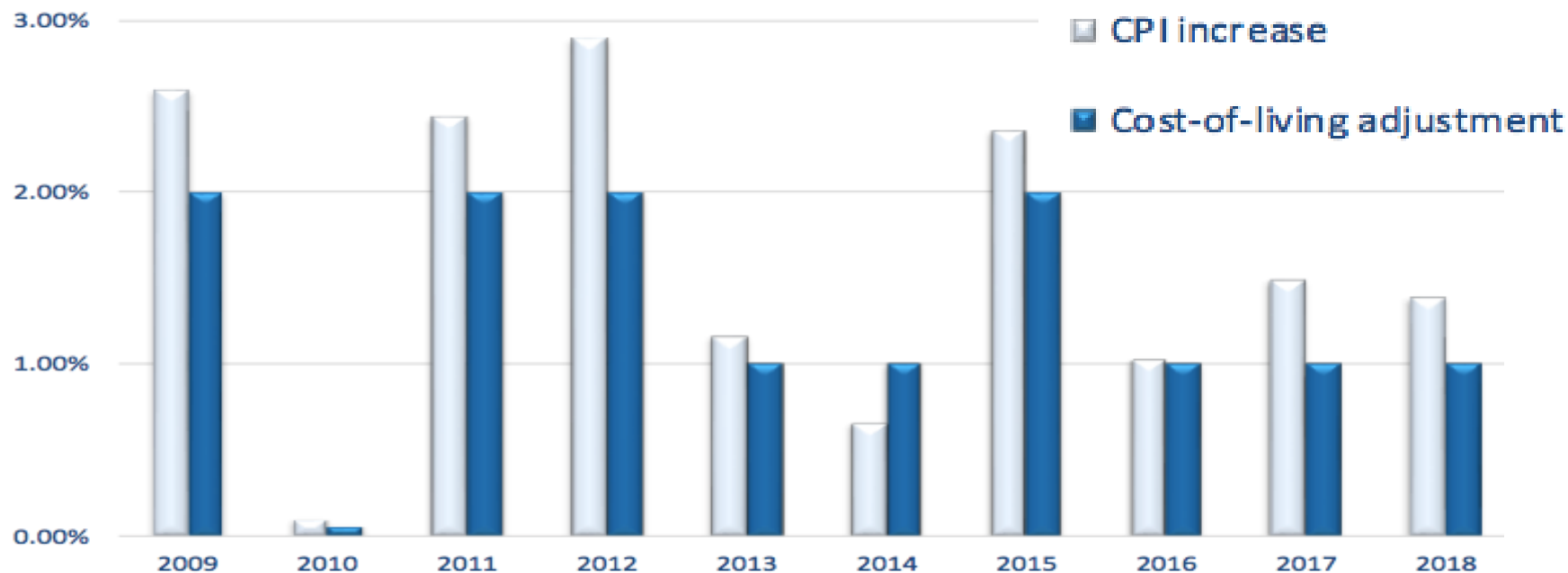


# Cost-of-Living Adjustments

The Plan partially compensates for cost-of-living increases. The formula takes into account the retiree's age and the increase in the Consumer Price Index (CPI) over 12-months running from Nov 1<sup>st</sup> to Oct 31<sup>st</sup> of the next year

- Under 65 - CPI (rounded to nearest whole number), up to a maximum of 2%
- Age 65 + - The greater of:
  - 100% of CPI (rounded to nearest whole number), up to a maximum of 2%; or
  - 60% of the increase in the CPI), up to a maximum of 4%

Over the 12-month period ending Oct 2017, the CPI increased by 1.39%. Therefore, the 2018 adjustment applicable to all Bell retirees was 1%.



# Recent Plan Performance

BIMCOR

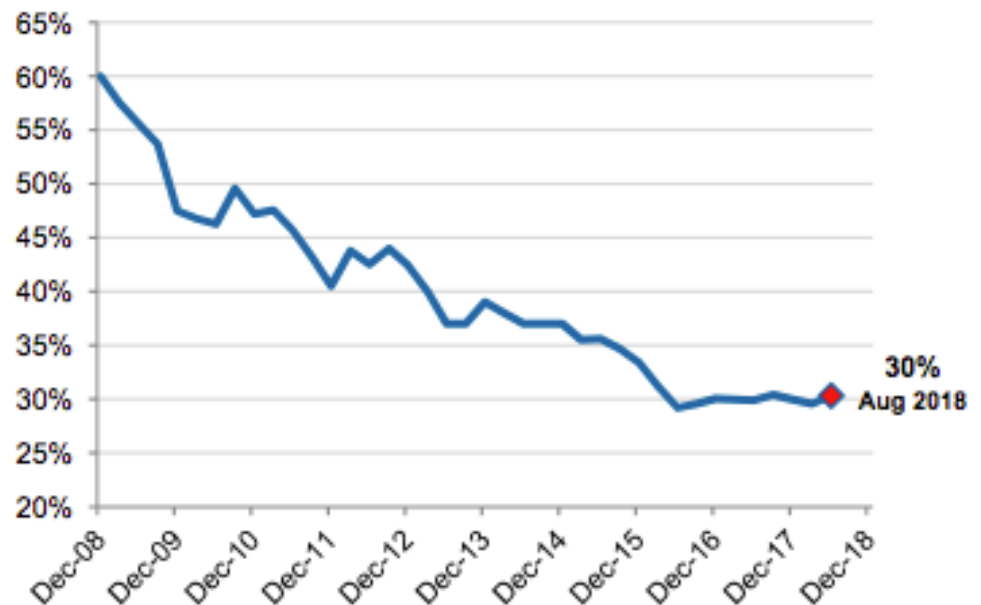
## Bell Canada Pension Fund Net Rates of Return (%)

	As of August 31, 2018			1 year returns as of December 31			
	Weight (%)	YTD (%)	4 Years Annualized (%)	2017	2016	2015	2014
Bonds	63%	0.8	3.8	5.2	3.0	4.0	13.3
Public Equities	22%	7.5	10.8	14.3	5.5	13.1	13.8
Alternatives	8%	6.3	9.0	7.9	6.0	11.7	11.5
Infrastructure / Real Estate	7%	4.3	16.9	8.6	18.7	28.6	15.9
<b>Total Fund</b>		<b>2.5</b>	<b>5.7</b>	<b>8.1</b>	<b>4.9</b>	<b>5.0</b>	<b>12.5</b>

# Plan Asset Allocation Strategy

- Bell has gradually reduced the equity weight in the BCE Master Trust Fund in favour of fixed income securities. Asset allocation for the BCE Master Trust Fund is currently 70% fixed income (low risk) and 30% equities (return generating assets)
- Assets are also invested to match the timing of when funds are required and the characteristics of liabilities in terms of interest-rate sensitivity
  - Very high correlation between the changes in the liability discount rate with how bonds perform

**MTF Return Generating Assets (% of total fund)**



**BCE Master Trust Fund is one of most conservative plans in Canada**

# Retirees Audit

Audit Year	2017	2018
Population	~ 8,000	~ 6,500
Temporary suspended pension (from November)	330	...
Outstanding cases	51	...

As of 2018/09/30

2018 audit of 6,500 retirees and survivors

- 3 mailings done in April (initial), in June (reminder) and in August (final)
- 88% completed as of Sept 30<sup>th</sup>
  - 8% not correctly completed (e.g., forms received with missing information)
  - 4% not received --- High possibility of temporary suspension of payments starting in November
- Still 51 outstanding cases from last year

**The audit process helps protect our pension funds from fraud**

# Final Remarks

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- Bell continues to be a solid sponsor of our DB Pension Plans
- The financial health of the plans have improved significantly in recent years
  - The Bell Plan Solvency Ratio is now over 99%
- The 2018 Pension Information Committee Report providing detailed pension fund status as of Dec 31, 2017 will be available on both the InTouch and Benefits Websites in November and can be mailed to pensioners, if requested.

# Questions

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