



2019 BC Hydro retiree newsletter

Cost of living adjustment (indexing)

If you're eligible, your January 2020 pension payment will be increased to include an annual cost of living adjustment (COLA) of 1.886%. This percentage is prorated if you started your pension in 2019.

The COLA is subject to a cap that's determined through a sustainability test every three years as part of the actuarial valuation. Turn the page to learn more about the results of the actuarial valuation as at December 31, 2018.

Recent changes to Fair PharmaCare

Fair PharmaCare helps B.C. families pay for eligible prescription drugs and some medical supplies based on your family's net income.

Effective January 1, 2019, Fair PharmaCare deductibles and family maximums were adjusted to provide additional assistance to families with net income below \$45,000.

Visit gov.bc.ca/fairpharmacare or call Health Insurance BC at 1 800 663 7100 for more information.

If you participate in the BC Hydro retiree extended health care plan through Sun Life, the plan is integrated with Fair PharmaCare. The portion of costs not reimbursed by Fair PharmaCare may be eligible for reimbursement through your extended health plan. Contact Sun Life if you have questions about how these plans are integrated.

Key facts about the pension plan	At December 31, 2017	At December 31, 2018
Total active plan membership	6,570	7,152
Total number of pensioners	5,650	5,705
Total assets in the Plan	\$3.6 billion	\$3.6 billion
BC Hydro contributions	\$41.9 million	\$44.3 million
Employee contributions	\$38.1 million	\$40.6 million

2019 T4A

Your 2019 T4A will be mailed to you by RBC Investor Services in February 2020.

If you participated in the Extended Health Care "Extra" Plan in 2019, RBC Investor Services will report your premium payments in Box 135 of your 2019 T4A. This amount may be claimed as a medical expense on line 330 of your personal income tax return.

Power Pioneers—join today!

Power Pioneers know the secret to a happy retirement. It's about finding new purpose, being connected, getting involved, giving back, learning new things, keeping sharp—and having fun.

Visit powerpioneers.com and look for the JOIN US link on the homepage. Join the fun while making a difference in your community!

BC Hydro pension plan

Actuarial valuation results

Every three years, we complete an actuarial valuation of the pension plan to assess its financial health and ensure it remains financially sound. Here's a summary of the valuation results as at December 31, 2018.

SUSTAINABLE INDEXING

- Each January, the cost of living adjustment applied to pensions in payment is calculated based on the change in the Consumer Price Index (CPI) over the prior year, subject to the indexing cap.
- The maximum long term sustainable index rate that can be supported by the Index Reserve Account is 2.65%. This means future cost of living adjustments to pension payments will be the lesser of the change in CPI and 2.65%. This indexing cap will remain unchanged until the next valuation in three years.

FUNDED STATUS

- On a going concern basis, the plan is fully funded at 105.2%. The going concern valuation assumes the plan will continue indefinitely and measures the plan's financial health using long-term assumptions. This is the most relevant measure considering the long-term nature and management of the pension plan.
- On a solvency basis, the plan is 75.2% funded. A solvency valuation assumes a hypothetical, immediate wind-up of the pension plan. BC Hydro is amortizing the solvency deficiency over 10 years and will continue making special payments via letters of credit to eliminate the shortfall.

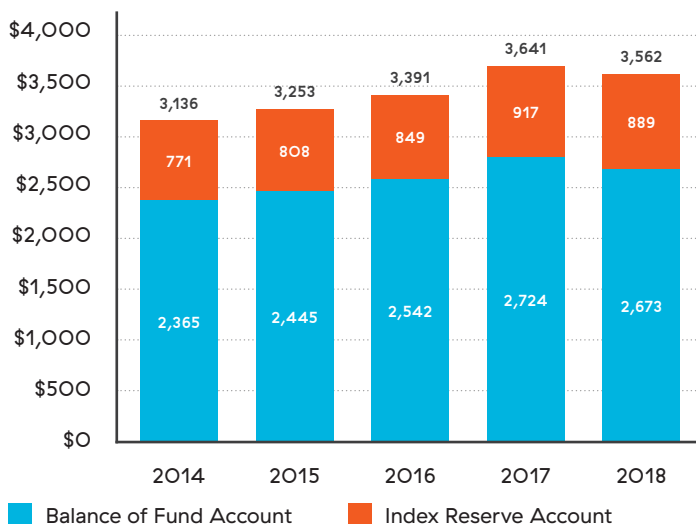
CURRENT SERVICE COST CONTRIBUTION RATE

- This is the cost of earning an additional year of service in the pension plan. The current service cost contribution rate is the same for BC Hydro and employees. It remains unchanged at 8.41% of plan earnings.

Financial update

MARKET VALUE OF ASSETS

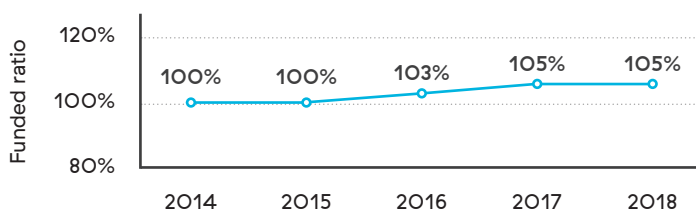
(Shown \$ in millions) at December 31



This graph shows the total market value of plan assets over the last five years. Slight fluctuations in the fund are normal, and do not have significant long-term impacts on the fund. However, we're committed to generating strong long-term investment returns through responsible plan management so the plan remains secure now, and into the future.

FUNDED RATIO—BASIC BENEFITS

At December 31



Note: This is the funded ratio on a going concern basis.

When we compare the plan's assets and liabilities, we determine the plan's "funded ratio." This graph shows the going concern funded ratio of the BC Hydro pension plan over the past five years.

Retiree extended health care Extra Plan premiums

Calculating Extra Plan premiums

If you were eligible for post-retirement benefits at the time of your retirement, you had the option of choosing between the extended health Basic Plan and Extra Plan. Members of the Extra Plan pay a monthly premium and receive additional coverage over the Basic Plan.

BC Hydro pays the cost of extended health claims, up to \$25,000. The cost of claims in excess of \$25,000 under the Extra Plan is paid for by the members of the Extra Plan. Every year, BC Hydro's benefit consultants review the claims experience and inflationary increases to determine the cost of the Extra Plan and set the premiums accordingly.

Why was the 2019 premium increase larger than previous years?

In addition to the annual review of premiums, every three years we conduct a full actuarial valuation of the plan. The valuation completed as at March 31, 2019 showed the number of plan members exceeding \$25,000 in claims had increased by 53% since the last valuation—more than previously anticipated. Prescription drugs claims and the rising cost of specialty drugs are the primary drivers of the premium rate increase as more members are exceeding the \$25,000 threshold.

Medical Service Plan (MSP) update

The Government of BC is eliminating MSP premiums effective January 1, 2020. This means the 2019 T4A is the last year you will have a taxable benefit reported for MSP premiums.

If you're enrolled in MSP through BC Hydro, we will continue to maintain your account under our MSP group account (4009338) for administration purposes.

BC Hydro continues to pay the Employer Health Tax (EHT) which was implemented by the province effective January 1, 2019 to facilitate the elimination of MSP premiums.

Will premiums increase going forward?

Given the percentage of plan members who have over \$25,000 in lifetime claims is projected to increase (as shown in the 2nd column below), Extra Plan premiums are also expected to increase (as shown in the 3rd column below). These projections are provided for planning purposes only, and final adjustments may vary from these projections based on actual claim costs over the \$25,000 threshold.

Year	Projected % of claims over \$25K threshold	Projected Extra Plan premium rate increase
2020	45%	18%
2021	53%	16%
2022	60%	14%
2023	65%	11%
2024	69%	9%
2025	72%	8%
2026	74%	7%
2027	76%	7%
2028	77%	6%

It's also worth noting that, while the premiums are expected to increase, the Extra Plan continues to offer higher levels of coverage at competitive rates compared to other external retiree plans.

How can I help sustain costs?

You can help by being a better health consumer. Consider doing the following:

- Purchase generic drugs instead of the brand name, when possible
- Get your prescriptions from pharmacies with lower dispensing fees
- Use Sun Life's Preferred Pharmacy Network for specialty drugs purchases
mysunlife.ca/sunlifepharmacynetwork
- Make sure you're registered for Fair PharmaCare
- Consider biosimilar drugs rather than biologic drugs, if appropriate

Reminder—submit your dental health spending account (HSA) claims to Sun Life

What's the dental HSA?

If you're eligible, the dental HSA provides reimbursement of dental expenses, up to \$250 per family per calendar year (January 1 to December 31).

What's the dental claim deadline?

You must submit your claim within 90 days of the end of the year during which the expense is incurred. This means a dental expense incurred in 2019 must be received by Sun Life by March 30, 2020 to be eligible for payment from the 2019 HSA allowance.

Tips when calling Sun Life

Make sure you and the Sun Life representative are talking about the same thing:

- Tell the Sun Life representative you're calling about the BC Hydro retiree dental health spending account (HSA), policy 150533
- Remind them it's a reimbursement account that allows you to claim \$250 per year in dental expenses
- Remember that the HSA is separate from your extended health plan

How do I submit my claim?

There are two ways to make a claim.

OVER THE INTERNET

Sign in to mysunlife.ca or use the my Sun Life Mobile app and select "Submit a claim". Easy-to-use screens guide you through a series of steps.

If you submit your claim online, you must keep your original receipts for 12 months as you may be asked to mail your original receipts for audit purposes.

You can also set up your direct deposit information with Sun Life to have your claim reimbursements deposited directly to your bank account.

BY MAIL

Complete the Retiree Dental Health Spending Account Claim Form and mail it along with your original dental receipt(s). You can find the claim form online at mysunlife.ca or request one by calling Sun Life. (See the Contact Information below.)

Power Pioneer members can also find the claim form at powerpioneers.com/member-resources.

Contact information

- Report the death of a BC Hydro pensioner or spouse
- General information about the pension plan
- Submit or change a Power of Attorney

BC Hydro Benefits and Pension Centre

1 888 353 9123 (Mon–Fri 7 a.m. to 4 p.m.)
Employee.Benefits@bchydro.com

- Change of address or banking information
- Information about pension payments or adjust tax deductions
- Questions about your T4A

RBC Investor Services

1 800 668 1320 (Mon–Fri 5 a.m. to 5 p.m.)
benefipay@rbc.com

- Questions about your coverage under the Retiree Extended Health plan
- Questions about your dental HSA claim
- Information on emergency medical travel coverage

Sun Life

1 800 361 6212 (Mon–Fri 5 a.m. to 5 p.m.)
mysunlife.ca Policy 150533

- Out-of-country or out-of-province emergency travel assistance under the Extended Health Care plan (phone numbers are also listed on the back of your Sun Life card)

Allianz Global Assistance

1 800 511 4610 (from US and Canada)
1 519 514 0351 (from anywhere else)

- General information about retiree benefits
- Making changes to your Extended Health Care coverage

BC Hydro (Retiree Line)

604 694 8600 or 1 800 663 1339
Pension.RetireeBenefits@bchydro.com