

# Report to Members 2005



**Public Service  
Pension Plan**



## Trustee Message

WELCOME TO THE FIRST EDITION of the Public Service Pension Plan's *Report to Members*, a new publication designed to keep you up-to-date on your pension plan. This report summarizes the changes that have taken place, and provides updates on the financial health of the plan, for the fiscal year ending March 31, 2005.

With over 50,000 active plan members, the Public Service Pension Board of Trustees believes it is important to keep you informed about the state of your pension plan. We hope you will find this new product beneficial, as we continue working to improve the effectiveness and accessibility of plan information.

This *Report to Members* replaces the *Annual Report Summary* previously distributed with your annual *Member's Benefit Statement*.

If you would like to contact us, please refer to the contact information on the back cover of this report.

### Public Service Pension Board of Trustees

Trustees as at March 31, 2005

#### John W. Cook, Chair

Ed Bodner

Joyce Burns

Adam Charania

Bruce Clow

David Day

Andy Jani

Jodi Jensen

Bruce Kennedy

Paul Martin

Laurie McAmmond

Ron McEachern

Sandi McLean

David Vipond

Diane Wood



## Partners, Trustees and Agents

❖ **Plan partners:** the provincial government and the B.C. Government and Service Employees' Union (BCGEU). These partners and other organizations representing plan employers and plan members are responsible for nominating and appointing the trustees.

❖ **Public Service Pension**

**Board of Trustees:**

responsible for the management of the pension plan, including asset investment and plan administration.

❖ **British Columbia**

**Pension Corporation:**

provides benefit administration services

as an agent of the board of trustees. The corporation enrolls members, collects contributions, processes benefits and issues pension payments.

❖ **British Columbia Investment Management Corporation (bcIMC):**

provides investment management services as an agent of the board of trustees. The bcIMC is one of the largest institutional investors in the country, offering a wide range of fund management services.



## What is the Public Service Pension Plan?

THE PUBLIC SERVICE PENSION PLAN IS YOURS—the plan members and employers who make contributions towards ensuring you'll have income when you retire.

Your pension plan has three components: basic pension benefits, inflation adjustments, and non-pension group health benefits.

The basic pension benefit is guaranteed by the Public Service Pension Plan, and its availability does not depend on economic conditions. The basic pension benefit is based on how many years the member contributed to the plan, the average of the five highest years of salary, and age at retirement. The plan provides entitlement to a basic pension benefit after two years of enrolment and also provides survivor and disability benefits.

While future increases are not guaranteed, inflation adjustments, once granted, become part of the basic, guaranteed benefit. Adjustments for inflation are calculated every January, are not guaranteed, and are only offered subject to available funding.

Group health benefits are optional and are not guaranteed. These non-pension benefits are funded from employer contributions designated for this purpose.

## New Public Sector Transfer Agreement

AS OF APRIL 1, 2004, THERE IS A NEW TRANSFER AGREEMENT between the public sector pension plans of BC called the Public Sector Transfer Agreement. Included in this new agreement are the College, Municipal, Public Service, Teachers' and Workers' Compensation Board pension plans. If you have been a member of one or more of these plans you may be able to transfer and combine some, or all, of your past service into your current plan, or the plan to which you last contributed.

For more information, please refer to the Pensionfacts, *Transferring Service*, available on the Public Service Pension Plan website at **pensionsbc.ca**.

## Reminder of Purchase of Service Deadline March 31, 2007

YOU MAY BE ABLE TO INCREASE YOUR PENSION by paying back a refund you received when you left an earlier job, or by buying service for a period when you did not contribute.

Members who joined the plan **prior** to April 1, 2002 have until **March 31, 2007** or termination of employment (whichever comes first) to purchase service.

If you took a refund of contributions from the Public Service, Municipal, Teachers' or College pension plans, you may be eligible to reinstate those periods of service for transfer into the Public Service Pension Plan. The deadline to apply to reinstate a refund is also **March 31, 2007** or termination of employment.

If you were an active member on March 31, 2002, and if you don't apply by the deadline, you will not have the opportunity to purchase or reinstate those historical periods of service again.

If you received a commuted value for any service, that service cannot be reinstated. You also cannot reinstate additional voluntary contributions.

For more information, refer to the Pensionfacts, *Purchasing Service* and *Reinstatement of a Refund*, available on the Public Service Pension Plan website at **pensionsbc.ca**.

### Did you know the Public Service Pension Plan hosts retirement seminars at various locations throughout BC?

Retirement seminars are held a few times each year throughout the province. Past attendees have found the seminars helpful in planning for retirement by familiarizing them with the pension plan and the retirement process. The seminar schedule and presentation material can be found on the Public Service Pension Plan website at:

**pensionsbc.ca**

## Change in Contribution Rates

IN 2004 THE PLAN PARTNERS ENTERED INTO AN AGREEMENT to increase contribution rates to help strengthen the plan's Inflation Adjustment Account. Effective April 1, 2004, the contribution rate for employers increased 0.25% of pensionable salary with a parallel 0.25% increase of pensionable salary in the employee contribution rate effective April 1, 2005.

Effective April 1, 2005, the contribution rates are:

### Employee

- ❖ 5.75% of your salary up to and including the year's maximum pensionable earnings (YMPE), and
- ❖ 7.25% of your salary above the YMPE.

### Employer

- ❖ 6.75% of your salary up to and including the YMPE, and
- ❖ 8.25% of your salary above the YMPE.

In 2005 the YMPE is \$41,100.

## Your Plan has a New Look

YOUR PENSION PLAN ADOPTED A LOOK ALL ITS OWN last year, providing an identity distinct from other public sector pension plans in British Columbia.

The new logo is based on the dogwood flower, an image long associated with public service in this province. The plan colour is a slightly darker version of the original plan colour, and was chosen for its depth and design potential.

This new logo will help you to quickly identify, at a glance, information and online resources specific to the Public Service Pension Plan. Look for the new logo on all new publications and on the Public Service Pension Plan website at [pensionsbc.ca](http://pensionsbc.ca).



**Public Service  
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## Latest Services Always Available on Your Pension Plan Website at [pensionsbc.ca](http://pensionsbc.ca)

YOUR PENSION PLAN WEBSITE contains up-to-date tools and resources to assist you throughout your working career, and into retirement. Log on to [pensionsbc.ca](http://pensionsbc.ca) to use the purchase of service and pension estimators, read the latest news and updates from your pension plan, and find the forms you need. Our website will continue to expand to meet the needs of our membership. To provide comments or suggestions about the website, please use the feedback link located on the bottom of the website.



## Retirement Seminar Video Now Available from Your Employer

THINKING OF RETIRING? Your plan produced a video that may help you make decisions about the various options available to you at retirement. The video contains the same information presented at retirement seminars, and includes discussion of early retirement, how your pension is calculated, what your pension options are, ways to increase your pension, and what happens after you retire. Your employer was sent a copy of the video in September of 2004, and should be able to provide you with a copy for viewing.

## Making the Retirement Process Simpler and Easier for You

AS YOU NEAR RETIREMENT, it can be an exciting time. It's also a time when you'll need to do some planning. In 2004 we introduced a simplified retirement planning and application process. The *Retirement Planning Package*, available on your plan website at **pensionsbc.ca**, has all the information you need to take those steps towards retirement. Once you're ready to retire, call your plan to request a *Retirement Application Package*.

## Out-of-province Health Benefits Now Available

PUBLIC SERVICE PENSION PLAN MEMBERS who are getting ready to retire, or have already retired, and are thinking about moving to another province in Canada, are eligible for extended health (EHB) and voluntary dental benefit coverage effective January 1, 2005. Previously, you had to live in British Columbia to qualify.

Because the number of retirees is growing and health costs continue to rise, changes to rates and coverage will be necessary from time to time.

You will find more information about eligible expenses, coverage and deductibles in the *Pacific Blue Cross EHB and Dental Summary* booklets, available online at the Public Service Pension Plan website **pensionsbc.ca**.



## Financial Health

ONE OF THE MAJOR ROLES OF THE TRUSTEES is to focus on the financial health of the plan. While member and employer contributions play an important role in funding the plan, investments are also important to the plan's financial viability.

Every three years an independent actuary assesses the financial health of the plan's Basic Account. At the last valuation as at March 31, 2002, the plan had a surplus for basic pension benefits of \$546 million. A surplus means there are more than enough funds to meet the basic benefits, whereas an unfunded liability indicates there is a shortfall between the benefits promised and the assets available to pay for benefits. The next valuation will be as at March 31, 2005, with the results available in 2006.

The following shows the plan's investments, investment performance and financial statement highlights.

### Basic Account Investment Asset Mix and Performance

Asset Class	March 31, 2005			
	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
<b>Fixed Income</b>	<b>25-45</b>			
Short-term	0-5	0.6	2.8	1.8
Mortgages	0-10	4.0	5.0	3.8
Bonds	17-28	23.5	5.9	5.9
Real Return Bonds	0-10	5.0	9.8	10.7
<b>Equity</b>	<b>55-75</b>			
Canadian Equities	15-25	23.9	15.3	13.9
U.S. Equities	10-20	14.4	2.1	-1.1
International Equities	10-20	15.4	5.8	5.5
Real Estate	8-15	10.4	12.8	6.3
Private Placements	0-10	2.7	**	**

\* Benchmarks are standards to compare against actual investment returns.

\*\* Annual rate of return not applicable.

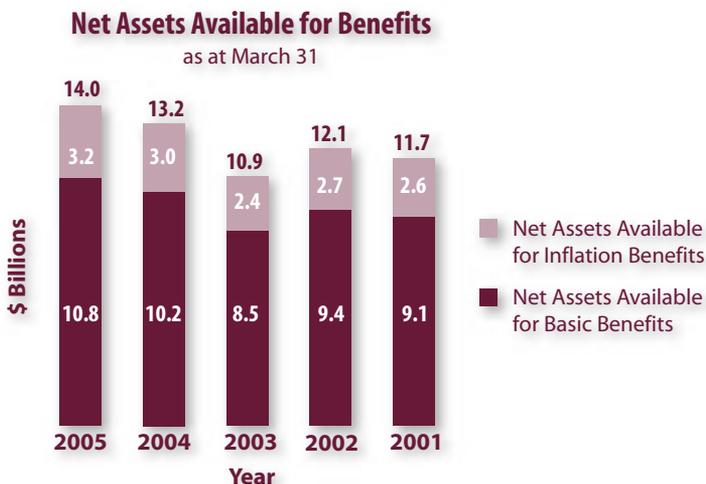
## Financial Statement Highlights

	\$ Millions	
	March 31	
	2005	2004
	(unaudited)	
Net Assets—Beginning of Year	\$13,165	\$10,921
Investment Income	1,079	2,385
Contributions	373	390
Benefit Payments	(564)	(507)
Investment and Administration Costs*	(23)	(24)
Net Assets—End of Year	\$14,030	\$13,165

## Administration Costs

	As a Percentage of Net Assets				
	2005	2004	2003	2002	2001
Benefit Administration	0.06%	0.07%	0.09%	0.07%	0.06%
Investment Management*	0.15%	0.14%	0.16%	0.14%	0.14%

\* External investment management costs incurred by real estate pooled fund wholly owned corporations of \$6 million (2004 – \$4.5 million) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets.



## Investment Performance

	Performance Benchmarks*	Actual March 31	
		2005	2004
Market Value (\$ Billions)		(unaudited)	
		<b>\$14.0</b>	\$13.2
Market Value Rates of Return			
Basic Account			
Annual	<b>7.1%</b>	<b>8.1%</b>	21.4%
Five-year Annualized	<b>3.3%</b>	<b>3.7%</b>	5.7%
Inflation Account			
Annual	<b>7.3%</b>	<b>8.5%</b>	23.2%

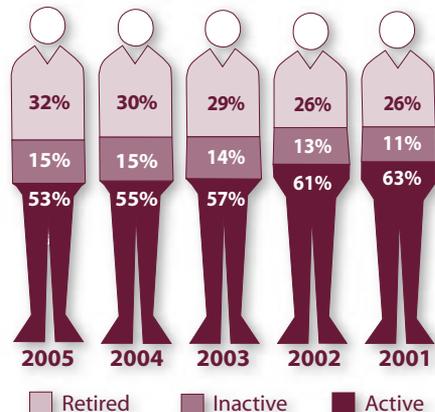
\* Benchmarks are standards to compare against actual investment returns.

## Membership

THERE ARE THREE CATEGORIES of members in the Public Service Pension Plan:

- ❖ **Active**—those currently contributing, or on a leave of absence, or receiving benefits from an approved salary continuance plan.
- ❖ **Inactive**—those who have terminated employment but whose contributions remain on deposit in the plan. They may or may not be eligible for a pension in the future.
- ❖ **Retired**—those who are receiving a pension, including those who are receiving a disability pension.

The number of retired members is expected to continue to grow as more and more baby boomers reach retirement age. The change in ratio between active, contributing members and retired members may impact future indexing and group benefits. The trustees are monitoring these changes as they focus on the long-term management of the fund for the benefit of the plan and its members.



# Public Service Pension Plan

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## General Contact Information

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Victoria, BC V8W 9V8

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## Public Service Pension Board of Trustees Contact Information

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