



**Public Service**  
Pension Plan

**2007**  
**REPORT TO**  
**MEMBERS**

## Trustees' Message

WELCOME to your Public Service Pension Plan's 2007 *Report to Members*. Active plan members—and there are over 52,000 of you—have many reasons to feel confident in the Public Service Pension Plan. One of those reasons is the 12% rate of return on the basic account this past year. This summary of financial developments and key initiatives over the past fiscal year reflects the solid standing of one of Canada's largest defined benefit pension plans.

Unlike defined contribution pension plans, where future pension benefits are tied to the markets and cannot be accurately predicted until retirement, the pension you are entitled to is guaranteed to be there when you retire. The board is responsible for managing the plan's \$17.7 billion in assets and the pension guarantee underlies all of our decisions and long-term planning. For those who wish to learn more about our activities, beyond what is contained in this *Report to Members*, highlights from board meetings are posted on the plan's website.

The British Columbia Investment Management Corporation (bcIMC), through direction provided by the board, manages the investment of your pension plan assets. We are pleased to note that bcIMC was an early signatory to the United Nations-led *Principles for Responsible Investment*. This historic document establishes a framework for investor action on environmental, social and governance issues.

### Public Service Pension Board of Trustees

Trustees as at March 31, 2007

#### John W. Cook, Chair

Ed Bodner

Joyce Burns

Bruce Clow

David Day

Alana Gallagher

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?

THERE ARE THREE COMPONENTS to the Public Service Pension Plan: basic pension benefits, inflation adjustments, and non-pension group health benefits.

The plan provides entitlement to a basic pension benefit after two years of contributory service and after a qualifying age. The plan also provides survivor and disability benefits. 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.

While future increases are not guaranteed, inflation adjustments, once granted, become part of the basic, guaranteed benefit. Adjustments for inflation are calculated every January and are only offered subject to available funding. This year, the inflation adjustment was 0.7%, matching the increase in Canada's Consumer Price Index as measured from September 2005 to September 2006.

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

# Changes to the Public Service Pension Plan

## Reinstatement and Transfer to Another Plan

### Amendment No. 14 – Effective April 1, 2007

THIS AMENDMENT TO THE PUBLIC SERVICE PENSION PLAN RULES brings them into compliance with the federal *Income Tax Act*. Plan members can no longer reinstate former service from the Teachers', College or Municipal Pension Plans for the purpose of transferring it to the Public Service Pension Plan under the Interplan Pension Transfer Agreement.

### Other Changes to the PSPP

The board made several decisions that amend the Plan Rules after March 31, 2007. Effective April 1, 2008 there will be a definition of “period of reduced pay” to clarify the purchase of service rules.

As well, it is clarified that a member who accepts a lump sum payment in lieu of monthly benefits under a group disability plan is not entitled to a disability pension. The effective date for this change was June 19, 2007.

The rules also explain that members must have one contributory month break in service before being eligible to receive a termination or retirement (pension) benefit. Options have been simplified for retired members who return to employment with a plan employer. Eligible re-employed members will now have a one-time opportunity to elect to re-contribute to the plan within six months of their pension effective date. The effective date for this change was June 19, 2007.

## Transfer Agreements With Other Pension Plans

TRANSFER AGREEMENTS ALLOW PLAN MEMBERS who meet the eligibility criteria to transfer their service from other pension plans into the Public Service Pension Plan, thereby increasing the pension benefits they will receive. Visit our website to view information about how agreements work, and for a list of the Canadian pension plans included in our transfer agreements.

## Purchase Service to Increase Your Pension

PURCHASING SERVICE MEANS paying for periods of employment that have not been counted as service with the Public Service Pension Plan. By purchasing service, you may be able to increase your future pension benefit.

While the window to purchase service that occurred prior to April 1, 2002 closed March 31, 2007, there is still the opportunity to purchase service that occurred after April 1, 2002. The deadline to apply to purchase service that occurred after April 1, 2002 is five years from the end of the period you are applying to purchase or before your employment ends (whichever is earlier).

If you became an active plan member on or after April 1, 2002, you may still be able to reinstate former service if you have returned to the same Public Service Pension Plan employer you were with prior to taking the refund, but you must apply by the deadline, which is within five years from the time contributions to the plan recommenced or before your employment ends (whichever is earlier).

### **Seek Professional Advice from an Independent Financial Advisor**

The Public Service Pension Plan provides information about your pension benefits, but we always recommend that you speak with a qualified, independent financial advisor when considering your overall retirement plans. An independent financial advisor is a professional who will offer you unbiased advice on financial matters and who does not act as a representative for any financial product.

## **Income Trusts and the Public Service Pension Plan**

ON OCTOBER 31, 2006, the federal government announced changes to the way income trusts are taxed. The bclMC, which handles investment of the Public Service Pension Plan funds, made these comments on the plan's exposure to income trusts.

The corporation has been sceptical about income trusts as investment vehicles as it has been concerned about the quality of governance, accounting and reporting found in many income trusts, as well as some of their valuations. As a result, bclMC has only invested in income trusts on a selective basis, believing them to be generally inferior to corporate issues.

The bclMC's scepticism and selective investment approach proved to be good news for our clients. On November 1, 2006, the day following the income trust tax announcement by Canada's Finance Minister, the Canadian Equity Index fell by only 1% while the broad S&P/TSX Composite lost 2.5% and the Income Trust Sub-index dropped by about 12%. Despite the significant one-day impact, by the end of the week ending November 3, 2006, the markets had mostly recovered and the Canadian Equity Index closed 1.6% higher than the previous week.

Since bclMC's Canadian equity funds currently have limited exposure to income trusts, this announcement did not have a material impact on the market value of clients' funds or bclMC's investment strategy.

## **It's Never Too Soon to Plan For Retirement**

THE PENSION YOU HAVE EARNED can be a very significant financial asset; it's important to know the value of your future pension payments and how they fit into your overall retirement plans. The Public Service Pension Plan encourages you to take advantage of the products and services we've created to keep you informed.

## **My Account**

The Public Service Pension Plan offers online services for pension plan members through My Account. If you haven't yet registered you can do so quickly and easily from home. Once you begin receiving an annual *Member's Benefit Statement*, check it for your username and password, and then log in at the plan's website.

With My Account, you can access personal information about your pension, such as your salary history and supporting service. You can use this information to project your future pension benefits with the personalized estimator tool.

My Account uses your personal data in the estimator tool. There is also a general online pension estimator tool available that requires you to enter information manually.

## **Retirement Seminars: Coming to a Location Near You**

Retirement seminars are held several times each year throughout the province. The seminars provide information that is valuable at any stage of your career. Topics include pension basics, calculating your pension, increasing pensionable service, and the retirement process. There is no charge to attend. The current seminar schedule and application forms can be found at [pspp.pensionsbc.ca](http://pspp.pensionsbc.ca). If you are unable to attend, the seminar's PowerPoint presentation is available online, as well as a printable PDF.

## **Member's Benefit Statements**

Each year that you are working and contributing to the Public Service Pension Plan, you receive a *Member's Benefit Statement*. This statement provides a record of your service, contributions to the plan, and accrued and projected pension estimates. Keep this document for your records.

## **Retirement Planning and Application Packages**

The online *Retirement Planning Package* provides concise information, asks key questions and includes a checklist of issues for you to consider. Once you've made the decision to retire, contact the plan to receive your *Retirement Application Package*.

## Financial Health

A MAJOR RESPONSIBILITY OF THE TRUSTEES is the financial health of the plan. Our goal is to achieve long-term performance by following sound investment principles that direct the fund managers to invest prudently with high standards of corporate governance and environmental and social practices.

The fund holds a diversified portfolio of fixed income and equity investments that offer consistent and steady performance over the long term.

For more detailed financial information beyond this *Report to Members*, please see the *Public Service Pension Plan 2007 Annual Report*, available later this year at [pspp.pensionsbc.ca](http://pspp.pensionsbc.ca).

### Changes to Investment Asset Mix – Effective April 1, 2007

During its December meeting, the board approved a new policy asset mix of 70% equity (formerly 65%) and 30% fixed income (formerly 35%). The policy asset mix decision is one of the major decisions made by the trustees as it establishes the general framework for the investment of pension plan assets.

### Basic Account Investment Asset Mix and Performance

March 31, 2007				
Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
<b>Fixed Income</b>	<b>25–45</b>			
Short-term	0–10	2.8	4.5	4.2
Mortgages	0–10	3.8	6.4	5.5
Bonds	17–28	19.2	5.8	5.7
Real Return Bonds	0–10	4.2	0.6	0.0
<b>Equity</b>	<b>55–75</b>			
Canadian Equities	15–25	16.1	12.8	14.2
U.S. Equities	10–20	16.4	10.1	10.1
International Equities	10–20	20.4	17.9	18.7
Real Estate	8–15	12.7	21.0	6.3
Private Placements	0–10	4.4	**	**

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

\*\* Annual rate of return not applicable.

## Investment Performance

	Performance Benchmarks*	Actual March 31	
		2007	2006
Market Value (\$ Billions)		(unaudited) <b>\$17.7</b>	\$15.9
Market Value Rates of Return			
Basic Account			
Annual	<b>10.2%</b>	<b>12.1%</b>	15.3%
Five-year Annualized	<b>8.3%</b>	<b>9.1%</b>	7.4%
Inflation Account			
Annual	<b>10.2%</b>	<b>12.4%</b>	15.9%
Five-year Annualized	<b>8.9%</b>	<b>9.9%</b>	8.1%

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

## Financial Statement Highlights

	\$ Millions	
	March 31	
	2007	2006
	(unaudited)	
Net Assets—Beginning of Year	<b>\$15,918</b>	\$14,030
Investment Income	<b>1,933</b>	2,167
Contributions	<b>493</b>	362
Benefit Payments	<b>(632)</b>	(615)
Investment and Administration Costs*	<b>(27)</b>	(26)
Net Assets—End of Year	<b>\$17,685</b>	\$15,918

\* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$13.6 million (2006 – \$14.3 million) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets.

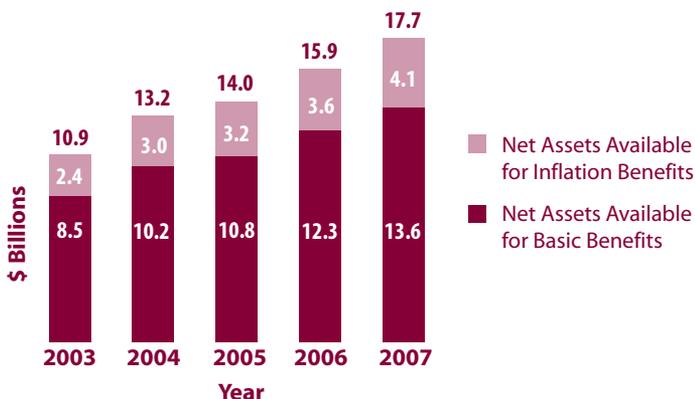
## Administration Costs

	As a Percentage of Net Assets				
	2007	2006	2005	2004	2003
Benefit Administration	<b>0.05%</b>	0.06%	0.06%	0.07%	0.09%
Investment Management*	<b>0.18%</b>	0.19%	0.15%	0.14%	0.16%

\* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$13.6 million (2006 – \$14.3 million) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets.

## Net Assets available for Benefits

As at March 31



## Questions? Find the answers at [pspp.pensionsbc.ca](http://pspp.pensionsbc.ca)

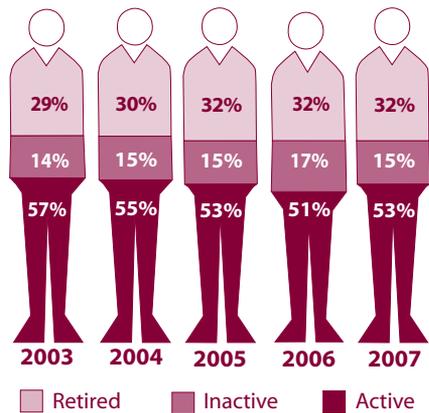
YOUR PENSION PLAN WEBSITE contains up-to-date tools and resources to assist you throughout your working career, and into retirement. Logon to use the purchase of service and pension estimators, read the latest news and updates from your pension plan, and find the forms you need.

## 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.



## Mission Statement

In 2006 the board of trustees adopted a mission statement that reflects our commitment to these ideas and the important role they have in guiding the plan's future.

The Public Service Pension Board of Trustees provides sound plan governance and prudent oversight of the management of the plan assets and administration so that current and retired plan members are assured a secure pension.

# Public Service Pension Plan

## General Contact Information

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**Toll-free:**   1 800 665-3554

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Victoria, BC V8W 9V8

**Web:**         pspp.pensionsbc.ca

## Public Service Pension Board of Trustees Contact Information

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