



**Public Service
Pension Plan**



2008 REPORT TO MEMBERS

Building a future together...



Trustees' Message

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. Thanks to solid growth over recent years, the plan's five-year annualized return of the basic account was 11.2 per cent, compared to the benchmark of 10.4 per cent. Strong investments, including real estate, helped the plan beat investment performance benchmarks for the fourth consecutive year.

The trustees introduced a key change to their governance structure last year. John Cook continued as chair and David Vipond became the vice-chair. Bruce Kennedy was appointed as executive director for administrative oversight as well as executive and advisory responsibilities for the board.

Through a change to the Human Rights Code, British Columbia eliminated mandatory retirement effective January 1, 2008. This means workers who wish to work past 65 years of age have the choice to keep working or retire.

Your existing pension rights continue to be protected. The Public Service Pension Plan will continue to be able to make distinctions on the basis of age. The benefits of your plan, earliest retirement age at 55 (50)* and earliest unreduced retirement age at 60 (55)* are still there. The option to receive an unreduced pension between 55 and 60 if your age and years of service add up to 85 also remains.

In 2007 the trustees welcomed the entry of the Members of the Legislative Assembly into the Public Service Pension Plan. Plan rule amendments were needed to make this possible. You will find details inside.

For those who wish to learn more about our activities, highlights are posted on the plan's website.

**denotes plan members in some public safety occupations*

What's the Public Service Pension Plan?

The Public Service Pension Plan is your pension plan. There are three components to the Public Service Pension Plan: the basic pension, 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 plan provides entitlements to a basic pension after two years of contributory service and after a qualifying age. The plan also provides survivor and disability benefits. The basic pension 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 pension.

Adjustments for inflation are calculated every January and are only offered subject to available funding. This year, the inflation adjustment was 2.5 per cent, matching the increase in Canada's Consumer Price Index as measured from September 2006 to September 2007.

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

Public Service Pension Board of Trustees

Trustees as at March 31, 2008

John W. Cook, Chair

Joyce Burns

Bruce Clow

John Davison

David Day

Judi Filion

Alana Gallagher

Andy Jani

Jodi Jensen

Lawrence Johnson

Paul Martin

Laurie McAmmond

Ron McEachern

Sandi McLean

David Vipond, Vice Chair



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 trustees.

Public Service Pension Board of Trustees: is 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.

PricewaterhouseCoopers: provides auditing services to the plan. It is one of Canada's largest accounting firms offering a wide range of management services.

Eckler Ltd: provides consulting and actuarial services to the plan. As consultants and actuaries, Eckler Ltd. prepares actuarial valuations and costings for the plan.

Changes to the Public Service Pension Plan

Amendment No. 15 – Effective June 19, 2007

As we reported in last year's *Report to Members*, a series of changes to the plan rules clarify how members can purchase service through a period of reduced pay effective April 1, 2008.

Also in this amendment:

- We clarified that members who accept a lump sum payment in lieu of a monthly benefit under a group disability plan are not entitled to a disability pension.
- We also clarified that members must take a one contributory month break in service before being eligible to receive a termination or retirement (pension) benefit.
- Eligible re-employed members now have a one-time opportunity to elect to re-contribute to the plan within six months of their pension effective date.

Participation of Members of the Legislative Assembly in the plan Amendment No. 16 – Effective April 1, 2007

This amendment to the Public Service Pension Plan rules puts in place the rules for the participation of the Members of the Legislative Assembly in the plan. A person who was, or is a member of the Legislative Assembly, or held a position on Executive Council, at any time on or after June 19, 1996 may be eligible to participate.

Changes to Transfer Agreements with other Pension Plans

You may be able to increase your pension benefit by transferring service. Transfer agreements allow plan members who meet the eligibility criteria to transfer their service from other pension plans into the Public Service Pension Plan. Visit our website to view information about how agreements work and for a list on the Canadian pension plans included in our transfer agreements.

New in 2008 are three more plans joining the National Public Service Pension Transfer Agreement. The additions are:

- Alberta Public Service Pension Plan,
- Alberta Management Employees Pension Plan, and
- Alberta Local Authorities Pension Plan.



Planning

for the

Future

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 before April 1, 2002 closed March 31, 2007, there is still the opportunity to purchase service that occurred after April 1, 2002. The deadline to purchase this period of service 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 within the past five years you may still be able to reinstate former service if you returned to the Public Service Pension Plan. You must apply before you terminate your current employment or by June 30, 2009. After June 30, 2009 you cannot reinstate any service into the plan.

Seek Professional Advice from an Independent Advisor

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

It is Never too Soon to Plan for Retirement

The pension you are earning 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. Take a look at these.

Improvements to the Personalized Pension Estimator

The on-line Personalized Pension Estimator has a new design that's more intuitive and easier to use. The whole application has a fresh new look. The results look like a researched pension estimate you would receive from the plan.

The Personalized Pension Estimator is available through the My Account section of the plan website. If you are not currently registered for My Account, it's simple to do so. You will find your user name and password on your current *Member's Benefit Statement*. If you have registered but have forgotten your password, you can retrieve it by using the "I can't remember my password" link on the My Account login page, or by contacting the Public Service Pension Plan.

Pension Seminars: New seminars available in fall 2008

Coming soon to a community near you—new seminars designed for members at different stages of their careers. *Your Pension, Your Future* explains your pension benefits and helps you understand how today's decisions can affect your future pension income. Topics include the value of your pension to you and your loved ones, and the effect of purchasing leaves of absence, maternity and parental leaves. *Thinking about Retiring* is for members approaching retirement. It includes valuable information on topics like choosing the best pension option and things to consider when determining your retirement income. Both seminars are offered at no charge. See the schedule and application form at pspp.pensionsbc.ca.



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.

For a listing of your Public Service Pension Plan's financial holdings please see the Public Service Pension Plan 2008 Annual Report, available later this year under publications on the web at pspp.pensionsbc.ca.

Financial Statement Highlights

	\$ Millions	
	March 31	
	2008	2007
	(unaudited)	
Net Assets—Beginning of Year	\$17,685	\$15,918
Investment Income	81	1,933
Contributions	516	493
Benefit Payments	(688)	(632)
Investment and Administration Costs*	(37)	(27)
Net Assets—End of Year	\$17,557	\$17,685

* See Administration Costs footnote on page 10.

Basic Account Investment Asset Mix and Performance

As at March 31, 2008

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed Income	20-40			
Short-term	0-10	1.3	6.4	4.6
Mortgages	0-10	5.0	6.0	7.3
Bonds	10-25	18.1	5.9	5.9
Real Return Bonds	0-10	4.3	5.8	6.4
Equity	60-80			
Canadian Equities	10-25	15.0	2.2	3.2
U.S. Equities	10-25	17.2	(10.8)	(16.1)
International Equities	10-25	17.5	(12.7)	(12.2)
Real Estate	8-15	15.7	16.7	5.4
Private Placements	0-10	5.9	**	**

* Benchmarks are standards to compare against actual investment returns.

** Annual rate of return not applicable.

Investment Performance

	Performance Benchmarks*	Actual March 31	
	2008	2008	2007
Market Value (\$ Billions)		(unaudited) \$17.6	\$17.7
Market Value Rates of Return			
Basic Account			
Annual	(1.3%)	0.3%	12.1%
Five-year Annualized	10.4%	11.2%	9.1%
Inflation Account			
Annual	(1.3%)	0.4%	12.4%
Five-year Annualized	10.6%	11.8%	9.9%

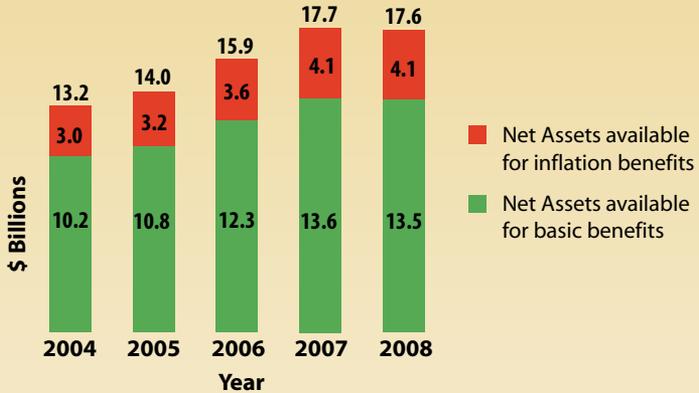
* Benchmarks are standards to compare against actual investment returns.

Administration Costs

	As a Percentage of Net Assets				
	2008	2007	2006	2005	2004
Benefit Administration	0.05%	0.05%	0.06%	0.06%	0.07%
Investment Management*	0.26%	0.18%	0.19%	0.15%	0.14%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$17.6 million (2007—\$13.6 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



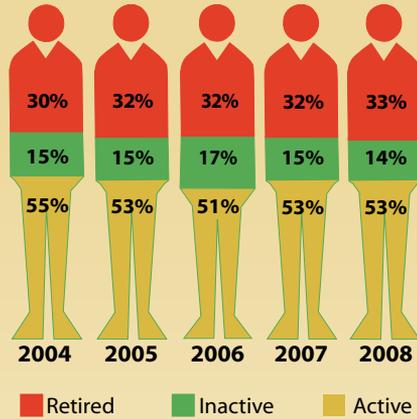
Mission Statement

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.

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.

Disclaimer

The information in this booklet is based on the legislation and Public Service Pension Plan rules in effect as of March 31, 2008, except where otherwise noted.

In the event of any variation between the information in this booklet and the provisions of the statutes, regulations and plan rules which govern any benefits available under the Public Service Pension Plan, the latter will prevail.

Questions?

Find the answers at pspp.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 use the purchase of service and pension estimators, read the latest news and updates from your pension plan, and find the forms you need.

Public Service Pension Plan

General Contact Information

Phone: **Victoria:** 250 953-3033
Vancouver: 604 660-5299
**Toll-free in Canada
& the U.S.:** 1 800 665-3554

E-mail: PSPP@pensionsbc.ca

Mail: **Public Service Pension Plan**
PO Box 9460
Victoria, BC V8W 9V8

Web: pspp.pensionsbc.ca

Public Service Pension Board of Trustees Contact Information

Phone: **Victoria:** 250 387-8200

E-mail: PSPBT@pensionsbc.ca

Mail: **Public Service Pension Board of Trustees**
PO Box 9460
Victoria, BC V8W 9V8



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