

2010

REPORT TO MEMBERS



a future together...



**Public Service
Pension Plan**

Trustees' Message

We are pleased to present the 2010 edition of the Public Service Pension Plan's *Report to Members*.

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. As trustees, we are confident the plan is healthy and the basic pension is secure and guaranteed for life, including inflation adjustments already granted.

The Public Service Pension Plan is a defined benefit plan, making it a safe and effective way to save for retirement. Contributions while you are working give you a guaranteed retirement income.

Your pension is based on a formula of how many pensionable years you have with the plan, your average salary and age at retirement. These factors, not market returns, determine how much money you will receive from the plan in retirement. The plan's basic account remains strong.

The rules and guidelines the plan must follow also specify that a set amount of funding is available for non-guaranteed benefits such as inflation adjustments and post-retirement group benefits (PRGB). As our membership matures, the plan's ability to offer non-pension benefits becomes more challenging, and changes will have to be made to the PRGB programs.

A *Board Communiqué* from trustees explaining the future challenges facing funding for PRGB was sent to you in July. It is available on the plan website and we urge you to read it.

Members have told us how important inflation adjustments are to help the basic, guaranteed pension benefit keep pace with rising costs of living. We will continue to look for ways of maintaining the plan's ability to offer inflation adjustments. Protecting this non-guaranteed benefit means funds may eventually need to be shifted from other non-pension benefits.

In recent years, the plan has dealt with growth and changes to our membership. A decade ago there were fewer than 90,000 members; today there are over 100,000. The fastest growing group has been the number of retirees. Demographics and a changing workforce mean the number of retirees will continue to grow, as will the proportion they represent of the plan's overall membership.

This growth is important for a pension plan like ours. Balancing retirees' needs with those of active members who will retire in the future is not always easy, but it is fundamental to our role as trustees. Managing the plan with a long-term perspective has always been our priority in ensuring the security of your pension.

We are pleased to consider your pension needs and answer any questions about your pension or how to increase the value of your pension benefit before you retire. Read the information inside, contact the plan by phone or visit our website at pspp.pensionsbc.ca.

Public Service Pension Plan Board of Trustees

As at March 31, 2010

John Cook, Chair	Lori Joaquin
David Vipond, Vice Chair	Lawrence Johnson
Joyce Burns	Lynne Mahood
John Davison	Paul Martin
Judi Filion	John Mazure
Alana Gallagher	Ron McEachern
Jodi Jensen	Johanna Morrow
	Tom Vincent

What's the Public Service Pension Plan?

The Public Service Pension Plan currently has three components. They are the basic pension, inflation adjustments and group health benefits.

The basic pension is guaranteed 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. This benefit is available after two full years of enrolment.

Inflation adjustments are not guaranteed. They are calculated annually and offered subject to available funding. Once granted, they become part of the basic lifetime guaranteed benefit.

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

Maximize Your Pension

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 at pspp.pensionsbc.ca to see 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

You can increase the value of your pension by purchasing service. Purchasing service means paying for periods of employment that have not been counted as pensionable with the Public Service Pension Plan. An example of a period not counted as pensionable is a leave without pay.

For more information on what types of service you may be able to purchase and the important deadlines for purchasing past service, visit our website at pspp.pensionsbc.ca and see the PensionFacts *Purchasing arrears*, *Purchasing leaves of absence* or *Purchasing non-contributory service*.

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 a representative for any financial product. For more information visit the Financial Planning Standards Council at www.fpsc.ca.

Get Ready 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 the features on the following page or visit the website at pspp.pensionsbc.ca for more information.

Try the Personalized Pension Estimator

Look into your future with the easy to use features and functional design of the online Personalized Pension Estimator. The Personalized Pension Estimator is available through the My Account section of the plan website. Try it and you will see results that look like an estimate you would receive from the plan. 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: Two seminars to meet your needs

Coming to a community near you—two seminars designed for the unique needs of members at different stages of their careers. *Your Pension, Your Future* explains your pension benefits and helps you understand the value of your pension plan and how decisions today 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. This seminar includes valuable information on topics like choosing your best pension option and things to consider when determining your retirement income. Try the online registration available through the website. Both seminars are offered at no charge. See the schedule and registration form at pspp.pensionsbc.ca.

Member's Benefit Statements

Active members receive a *Member's Benefit Statement* annually. Your 2010 *Member's Benefit Statement* is included with this booklet. This statement provides a record of your service, contributions to the plan and accrued and projected pension estimates. Keep this document for your records and be sure to contact us if any of your personal information has changed.

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*.

Partners, Trustees and Agents

Plan partners: the provincial government and the B.C. Government and Service Employees' Union (BCGEU). The Public Service Pension Plan is jointly trustee and is governed by a joint trust agreement, which is available under Board Publications on the plan's website, pspp.pensionsbc.ca. Joint trusteeship is the shared management of pension plan by appointees of the plan partners. These partners and other organizations, such as the BC Excluded Employees Association and the Professional Employees Association, 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 among other things and is one of the largest pension administrators in Canada.

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

Employer Withdrawal

Amendment No. 22—Effective April 1, 2009

Rules are in place governing employer withdrawal from the plan. The rules specify the terms and conditions an employer must follow when applying

to withdraw from the plan. Employers considering withdrawal must give written notice to the board of their request to leave the plan.

Why it matters: The rules clarify the financial responsibilities of the employer upon withdrawal and the process for transfer of assets and liabilities to a successor plan.

Employer Contribution Rate Increase for Deputy Ministers

Amendment No. 23—Effective May 1, 2009

The employer contribution rate for deputy ministers appointed before September 1, 2001 and statutory officers increased by 0.3 per cent of salary.

Employer Contribution Rates as of May 1, 2009: 18.28 per cent of pensionable salary up to the Year's Maximum Pensionable Earnings¹ (YMPE), and 19.78 per cent of pensionable salary in excess of the YMPE.

Why it matters: Employer contributions make up a significant portion of a member's pension benefit at retirement. Increased contributions will ensure the liabilities associated with the guaranteed pension benefit for this group are met.

Reinstatement of Service Provisions Repealed

Amendment No. 24—Effective July 1, 2009

The board has decided to repeal the reinstatement of service provisions. Before July 1, 2009, members who had previously taken a refund of their pension contributions had the option of repaying the refund and reinstating the related pensionable service so they could increase their future pension. In 2007, the Public Service Pension Plan provided two years' notice to members that this option would be repealed. The deadline to reinstate service in the plan was June 30, 2009.

Why it matters: If you terminate employment with a plan employer, it's important to consider the options available to you with respect to your pension. If you opt to take a refund of your contributions and later rejoin the plan, you no longer have the option of repaying the refund or reinstating the related pensionable service.

¹ Year's Maximum Pensionable Earnings are the earnings on which you make Canada Pension Plan contributions. The 2010 YMPE is \$47,200.

Change in Inflation Adjustment Calculation Methodology

Amendment No. 25—Effective April 1, 2010

This amendment changes the measurement used to calculate inflation adjustments. The plan currently uses the Canada's Consumer Price Index (CPI) as measured from September of one year to September the following year. Beginning in January 2011, the plan will start measuring the change in the CPI based on the annual average index. The annual average index measures the average fluctuation in the CPI over the preceding 12-month period ending October 31.

Why it matters: The plan is moving to the same method of calculating inflation adjustments as the Canada Pension Plan. The annual average index reduces volatility in inflation adjustments and provides a smoothing effect.

Clarification of Purchase of Service Application Deadlines, Changes to Leave of Absence provisions

Amendment No. 26—Effective December 11, 2009

This amendment clarifies the application deadlines for purchasing enrolment arrears, certain leaves and periods of non-contributory service. It also clarifies that a member must purchase certain leaves before terminating with the employer with whom the service occurred. This amendment also ensures the requirements under the *Employment Standards Act* for leaves of absence are clear to employers.

Why it matters: You may be able to increase your future pension by purchasing service for various types of leave. These changes clarify which types of leave are covered, what the deadlines are and when employers are responsible for sharing the cost of pension contributions. See the PensionFacts *Purchasing Leaves of Absence* at pspp.pensionsbc.ca for more information.

Change in Calculation Method for Pre-Retirement Death Benefits

Amendment No. 26—Effective January 1, 2010²

This amendment also changes the calculation method of a pre-retirement death benefit for a surviving spouse of a member who dies after the earliest age of retirement.

Why it matters: The change provides an equitable benefit to beneficiaries regardless of the member's age at death or marital status.

² This portion of Amendment No. 26 is listed separately due to a different effective date from the other elements of the amendment.

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 2010 Annual Report*, available later this year under Publications on the web at pspp.pensionsbc.ca.

Investment Asset Mix

As at March 31, 2010

Asset Class	Approved Range (%)	Asset Mix Market Value (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed Income	20–40	(unaudited)		
Short-term	0–10	1.1	0.6	0.3
Mortgages	0–10	5.4	8.8	3.8
Nominal Bonds	10–25	18.6	7.7	5.1
Real Return Bonds	0–10	5.4	10.6	10.5
Equity	60–80			
Canadian Equities	9–19	16.0	41.5	40.7
U.S. Equities	10–20	13.4	24.3	23.3
International Equities	11–21	18.1	27.9	25.9
Real Estate	10–20	12.9	0.0	5.4
Private Placements	0–10	4.2	**	**
Strategic Investments and Infrastructure (SIIF)	0–10	4.9	**	**
Total Asset Mix		100.0%		

* Benchmarks are standards to compare against actual investment returns.

** Annual rate of return not applicable.

This table shows what the plan invests in and how well the investment categories performed in the year compared with benchmark returns. It's a gauge of how your money is being managed.

Investment and Administration Costs

As a Percentage of Net Assets

	2010	2009	2008	2007	2006
Benefit Administration	0.07%	0.07%	0.05%	0.05%	0.06%
Investment Management*	0.16%	0.18%	0.26%	0.18%	0.19%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$7.7 million (2009–\$6.8 million; 2008–\$17.6 million; 2007–\$13.6 million; 2006–\$14.3 million) reduce investment income and are not included in investment and administration costs. They are included in investment management costs as a percentage of net assets.

This table shows the cost of administering the plan and managing the plan's assets as a percentage of net assets for each of the last five years. The PSPP compares favourably with other public sector pension plans.

Investment Performance

	Performance Benchmarks*	Actual March 31	
	2010	2010	2009
	(unaudited)		
Market Value (\$ Billions)		\$17.0	\$14.9
Market Value Rates of Return**			
Annual	16.7%	16.1%	(14.2%)
Five-year Annualized	5.2%	5.2%	3.7%

* Benchmarks are standards to compare against actual investment returns.

** The Basic and Inflation Adjustment investment portfolios were merged into one portfolio as at January 1, 2010. Investment returns prior to this date refer to the Basic Account only, and returns after January 1, 2010 refer to the combined portfolio.

This table presents the financial returns for the the plan achieved in 2009–2010 (and the annualized five year period) compared with benchmarks and prior year returns. Benchmarks help us measure how well the plan is doing compared to other institutional investors.

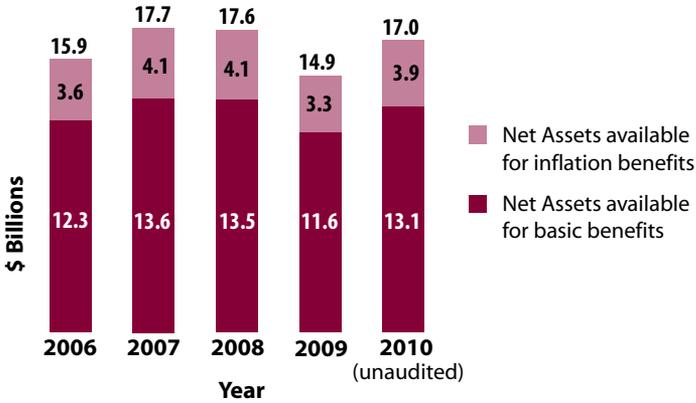
Financial Statement Highlights \$ Millions

	March 31	
	2010	2009
	(unaudited)	
Net Assets—Beginning of Year	\$14,902	\$17,557
Investment Income	2,341	(2,472)
Contributions	570	550
Benefit Payments	(750)	(703)
Investment and Administration Costs*	(30)	(30)
Net Assets—End of Year	\$17,033	\$14,902

* See Investment and Administration Costs footnote on page 9.

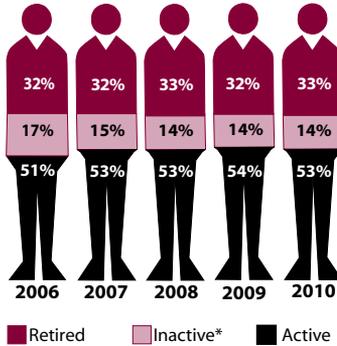
This table compares the plan's net assets available for benefits with those available in the previous year. Our goal is to grow the plan over time; year-to-year tables only provide a snapshot of the bigger picture.

Net Assets Available for Benefits



This chart presents the total amount of funds available for benefits for the basic pension plan and for inflation adjustments for each of the past five years. Full inflation adjustments become more of a challenge as more members retire and begin receiving their pensions.

Membership



* Members no longer employed but with money in the plan.

This chart shows the percentage of members in the plan and their group's percentage of the plan as a whole.

Questions? Find the answers at
pspp.pensionsbc.ca

Public Service Pension Plan

General Contact Information

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Public Service Pension Board of Trustees

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**Public Service
Pension Plan**

Disclaimer

The information in this booklet is based on the legislation and the Public Service Pension Plan rules in effect as of March 31, 2010, 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 that govern any benefits available under the Public Service Pension Plan, the latter will prevail.