

**Trustees' Message ~ see inside on page 13**

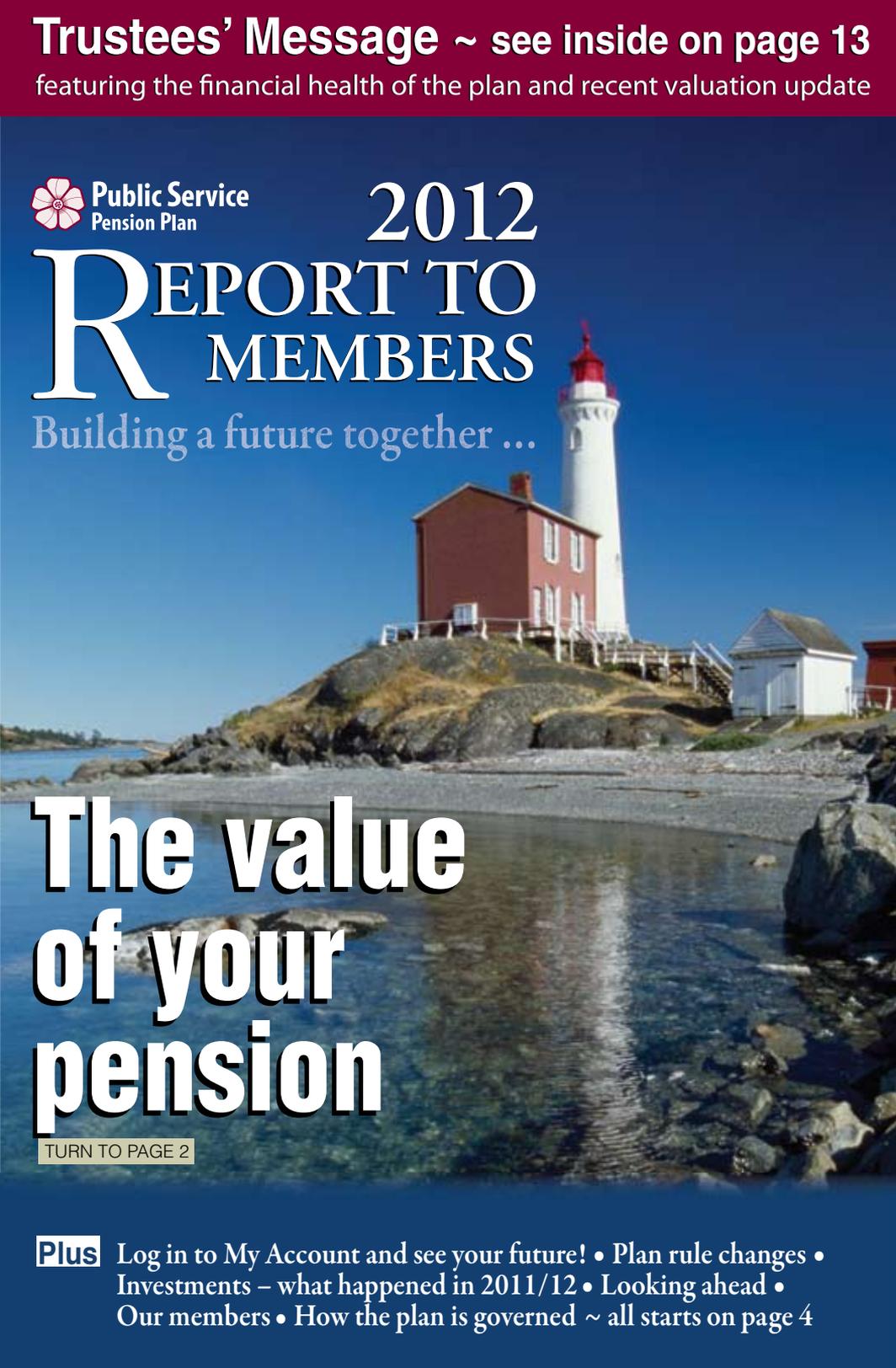
featuring the financial health of the plan and recent valuation update



**2012**

# REPORT TO MEMBERS

Building a future together ...

A scenic photograph of a white lighthouse with a red top, situated on a rocky island next to a red building. The lighthouse is reflected in the clear water of a cove. The sky is blue and the overall scene is bright and clear.

# The value of your pension

TURN TO PAGE 2

**Plus** Log in to My Account and see your future! • Plan rule changes • Investments – what happened in 2011/12 • Looking ahead • Our members • How the plan is governed ~ all starts on page 4

# The value of your Public Service Pension Plan

Contribution rates recently increased, and many of you may now be wondering what you're paying for with your contributions. If this sounds familiar, read on to learn about the value of your Public Service Pension Plan.

**Your pension plan is valuable. Here are five ways you get the most value from your pension:**

**1** You and your employer both pay contributions now for future security.

Contributions from you and your employer while you're working, together with investment income, give you a pension for life when you retire. Once vested (eligible for a pension), you are eligible to receive a basic, lifetime pension at retirement for the rest of your life. You are vested after two years of contributory service. In this way, the plan provides a reliable and secure pension to its plan members. This reliability and security is ensured because the BC Public Service Pension Plan is a pre-funded plan. This means money is set aside through employee and employer contributions and investments to fully pay basic pension payments now and into the future. Every three years, a financial assessment—called an actuarial valuation—is conducted to ensure this level of funding (see the trustees' message on page 13 for more information).

**2** You can plan for retirement with confidence by knowing your approximate retirement income ahead of time.

Your pension is based on a formula. Your salary, service and age determine how much money you will receive from the plan in retirement. Check your annual *Member's Benefit Statement* for a personalized record of your service, salary and contributions to the plan. You can also access this information online by logging into *My Account*. In fact, the website is a great resource for you. On it, you'll find important

information to help you make decisions to maximize your pension at retirement, including an online pension estimator. You'll also find videos about purchasing service and retirement planning. Remember to consider your pension income in conjunction with other retirement resources, such as Canada Pension Plan and Old Age Security. You may want to work with an independent financial advisor to help you make the most of all your retirement sources.

**3** When funding in the inflation adjustment account permits, the plan grants annual inflation adjustments based on the Canadian Consumer Price Index.

Inflation adjustments are funded out of a separate account from the basic pension. Once an inflation adjustment is granted, it becomes part of your basic pension. Remember that you have three parts to your pension plan. One part, the basic pension, is guaranteed. The other two parts, inflation adjustments and non-pension benefits (such as post-retirement group benefits), are not guaranteed. The recently implemented changes to post-retirement group benefits help to strengthen the plan's ability to provide inflation adjustments into the future.

**4** You may be able to increase your pension by transferring or purchasing service.

There are transfer agreements in place, which means, in some cases, you can transfer your service from one pension plan to another (should you change employers). You may also be able to purchase service for a period of time in which you did not make contributions (for example, time while you were on work probation or while you were on a leave of absence).

There are deadlines, however, so you should take action now if you think you're eligible. Please contact us for more information, or refer to the plan website for information you need. On the website you'll find PensionFacts about purchasing or transferring service in the Publications section as well as a video, *The Real Deal* on purchase of service.

**5** There is nothing you need to do up front to manage investments or contribute to your pension plan.

Professionals work on your behalf to manage the plan's investments, as the majority of your pension benefit comes from investment income. In addition, your employer makes contributions to the plan and automatically deducts contributions from your pay. We'll keep you informed with what's happening in the plan through this report and also through the Annual Report, which will be available on the plan website in November. We also regularly update materials on the website. In

addition, we're always here to answer questions about your pension and benefits.

As you can see, your pension plan is valuable. Learn more by visiting the plan website at [pspp.pensionsbc.ca](http://pspp.pensionsbc.ca) or by attending one of the many sessions held throughout the year for the pension seminars, *Your Pension, Your Future* or *Thinking About Retiring*. You can register for these free seminars on the website.

## Log in to My Account and see your future!

- See what your BC Public Service pension will be when you retire.
- See how your monthly pension would change if you retire in one year, five years, ten years.
- See how long and how much you've contributed to the BC Public Service Pension Plan.

My Account offers 24/7 secure access to your pension information. My Account is available to members currently making contributions to the plan. Log in by visiting [pspp.pensionsbc.ca](http://pspp.pensionsbc.ca) and clicking My Account.

If you're new to My Account, log in using the Person ID Number and password located on your *Member's Benefit Statement*. If you've used My Account before, log in using the Person ID Number on your *Member's Benefit Statement* and the password you created.

# Plan rule changes in 2011/12

## Changes in eligibility for purchase of past service

### **Amendment No. 27 to the *Public Service Pension Plan Rules* —effective July 1, 2011**

This amendment allows active members to purchase past service that was accrued with a plan employer prior to the employer joining the plan, without members having to apply to the Public Service Pension Board of Trustees. The cost of this purchase is based on information specific to each member (such as age, current salary, years of service and the value of the increase in pension benefit). This amendment also removes the ability to purchase past service with a non-plan employer.

#### **Why it matters**

You may be able to increase your pension by purchasing service for time you worked with your employer before they joined the plan.

## Waiver of enrolment for existing employees of new plan employers

### **Amendment No. 28 to the *Public Service Pension Plan Rules* —effective July 1, 2011**

This amendment allows existing employees of a new plan employer to be given a one-time option of waiving enrolment when their employer first joins the plan.

#### **Why it matters**

When a new employer joins the plan, there may be circumstances where some employees may not wish to enrol in the Public Service Pension Plan. Employees who waive enrolment may elect to participate at a later date; however, they are not eligible to purchase service prior to the date of enrolment.

## Contribution rate changes

### **Amendment No. 29 to the *Public Service Pension Plan Rules* —effective April 1, 2012**

This amendment reflects the updated contribution rates that were effective April 1, 2012. Specifically, contribution rates to the basic account were increased by a total of 0.80 per cent of salary. This increase was shared equally between members and employers. In addition, changes were made to the contribution rates to the Inflation Adjustment Account, as well as the employer contribution rates for correctional employees, deputy ministers, statutory officers, members of the Legislative Assembly, judges and masters.

#### **Why it matters**

The plan's last valuation was conducted as at March 31, 2011, and after reviewing the valuation report, the Public Service Pension Board of Trustees took the required actions to maintain the plan's funding for the basic pension benefit. This meant increasing the contribution rates to the basic account, which will help ensure the pension promise for all members is met. In addition, the changes to the Inflation Adjustment Account were introduced to remain compliant with the *Income Tax Act* and also help strengthen the long-term health of inflation protection.

## Post-retirement group benefits changes

### **Amendment No. 03 to the *Public Service Pension Plan Post-retirement Group Benefit Rules*—effective April 1, 2012**

This amendment reflects the changes to extended health care and Medical Services Plan subsidies that were effective April 1, 2012. Specifically, extended health care for spouses and dependants is available on an unsubsidized basis only (i.e., only if you pay the full premium rate), and Medical Services Plan subsidies have been discontinued for all members and a direct payment method between members and MSP has been established.

#### **Why it matters**

Post-retirement group benefits are not guaranteed and are separate from the basic pension payment. These changes were made to comply with the British Columbia Public Service Pension Plan Partner Rate Adjustment Agreement, which limits the funding for post-retirement group benefits to one per cent of salary. This limit was established to ensure the plan meets its obligations to the federal *Income Tax Act* (ITA). The changes will also further strengthen the long-term health of inflation protection.

# Investments—what happened in 2011/12

The plan's investment performance is important because the majority of pension benefits are funded from investment income. The Public Service Pension Board of Trustees, which is responsible for the financial health of the plan, looks for sound, long-term investment performance. Have a look at the tables that follow to learn about the plan's investment performance in 2011/12.

## Investment performance

	Performance benchmarks*	Actual as at March 31	
		2012	2011
		(unaudited)	
<b>Market value (\$ Billions)</b>		<b>\$ 19.4</b>	\$ 18.7
Market value rates of return			
Annual	<b>3.7%</b>	<b>5.9%</b>	10.9%
Five-year annualized	<b>3.2%</b>	<b>3.3%</b>	4.4%

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

### Why it matters

This table shows the financial returns the plan achieved in 2011/12 (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)

	Year ended March 31	
	2012	2011
	(unaudited)	
Net assets —beginning of year	<b>\$ 18,672</b>	\$ 17,033
Investment income	<b>1,113</b>	1,900
Contributions	<b>569</b>	583
Benefit payments	<b>(874)</b>	(806)
Investment and administration costs*	<b>(39)</b>	(38)
Net assets—end of year	<b>\$ 19,441</b>	\$ 18,672

\* The investment and administration costs above **exclude** the external investment management costs that were incurred by the wholly owned subsidiary corporations of the investment pooled funds. These additional costs reduce investment income and were \$11.3 million in 2012 (\$8.5 million in 2011).

### Why it matters

This table shows how much money the plan has available for providing pension benefits and compares that number to the previous year's figure. This year-to-year summary provides a snapshot of the bigger picture. The trustees' goal is to increase the funds available for pensions over the long term and achieve consistent, reliable performance.

## Investment asset mix

As at March 31, 2012				
Asset class	Approved range (%)	Asset mix market value (%)	Rate of return (%)	Performance benchmark (%)*
		(unaudited)		
Short-term	0–10	0.9	3.9	0.9
Mortgages	0–11	4.7	6.2	5.0
Nominal bonds	10–25	14.0	10.0	9.7
Real return bonds	0–10	5.2	15.9	16.4
<b>Fixed income</b>	<b>20–40</b>	<b>24.8</b>	<b>10.1</b>	<b>9.3</b>
Canadian equities	7–22	15.9	(9.4)	(10.2)
Global equities	12–32	28.1	4.3	3.9
Emerging markets equities	0–10	5.0	(2.1)	(6.3)
<b>Equity</b>	<b>30–55</b>	<b>49.0</b>	<b>(1.4)</b>	<b>(2.2)</b>
<b>Real estate</b>	<b>10–20</b>	<b>15.1</b>	<b>16.5</b>	<b>5.9</b>
<b>Private placements</b>	<b>0–12</b>	<b>5.0</b>	<b>**</b>	<b>**</b>
<b>Strategic investments and infrastructure (SIIF)</b>	<b>0–12</b>	<b>6.1</b>	<b>**</b>	<b>**</b>
<b>Total asset mix</b>		<b>100.0</b>	<b>5.9</b>	<b>3.7</b>

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

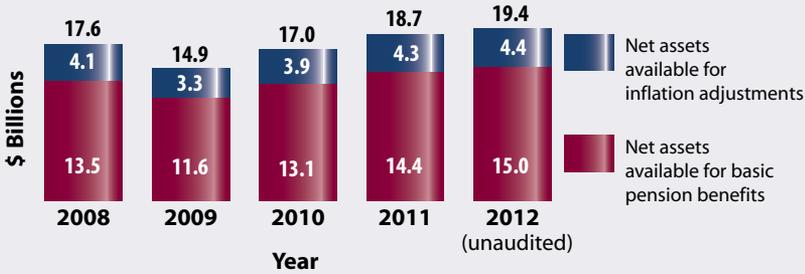
\*\* Annual rate of return not applicable.

### Why it matters

The trustees conduct regular asset mix reviews to determine what kind of investments provide the best balance of potential returns and investment risk. This gives the board a general framework (investment asset mix) for managing the investment of the plan's assets and comparing actual returns with performance benchmarks. 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.

## Net assets available for pension benefits

As at March 31



### Why it matters

This chart presents the total amount of funds available over each of the past five years for the basic pension and for inflation adjustments. These assets do not include funding for post-retirement group benefits.

## Investment and administration costs

	As a percentage of net assets				
	2012	2011	2010	2009	2008
	(unaudited)				
Benefit administration	0.06%	0.06%	0.07%	0.07%	0.05%
Investment management*	0.20%	0.19%	0.16%	0.18%	0.26%

\* The investment and administration costs above include the external investment management costs that were incurred by the wholly owned subsidiary corporations of the investment pooled funds. These additional costs reduce investment income and were \$11.3 million in 2012 (\$8.5 million in 2011; \$7.7 million in 2010; \$6.8 million in 2009 and \$17.6 million in 2008).

### Why it matters

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.

## Looking ahead

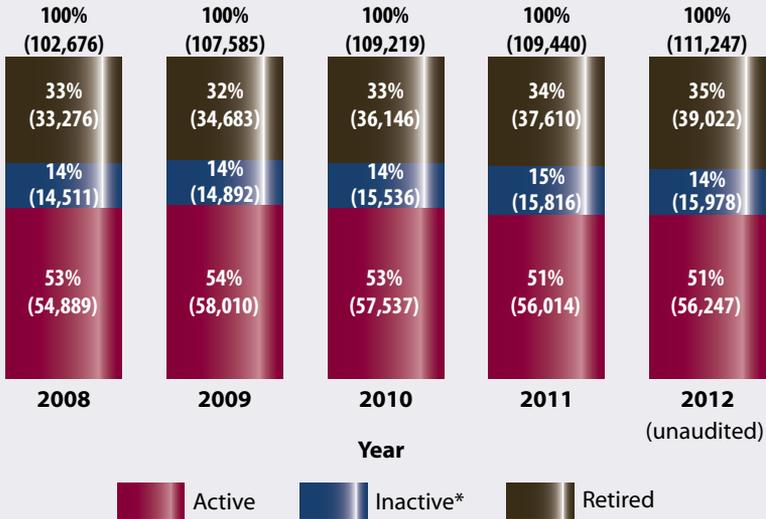
Your trustees will continue to take a long-term approach to investing the plan's assets. This will allow the plan to better withstand short-term market volatility and grow the plan assets steadily over time.

# Our members

Membership in the Public Service Pension Plan is open to all eligible employees of the provincial public service or other employers approved by the Public Service Pension Board of Trustees. There are three categories of members: active members (those currently contributing, on a leave of absence, or receiving benefits from an approved salary-continuance plan), inactive members (those who have terminated employment but whose contributions remain on deposit in the plan) and retired members (those who are receiving a pension, including those who are receiving a disability pension).

## Number of members

As at March 31



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

### Why it matters

This chart shows the total number of active, inactive and retired members in the plan. The balance of retired members to active and inactive members is taken into account when determining the plan's ability to pay future pension benefits.

# Trustees' message

Welcome to your *2012 Report to Members*. Although the market remains volatile, we are pleased to tell you your Public Service Pension Plan is financially sound, and the basic monthly pension is secure for all members.

We can say this because the PSPP is a pre-funded plan. Enough money is set aside through employee and employer contributions and investments to fully pay basic pension payments owed now and into the future. When the benefits are paid out, about 75 per cent comes from investment returns, and 25 per cent is from the contributions that were paid into the plan equally by the employees and employers.

Every three years, an independent actuarial valuation is conducted by the plan actuary to determine if the plan is sufficiently funded. (An actuarial valuation is an assessment of the financial health of a pension plan by an independent actuarial consulting firm.) The plan's last valuation was conducted as at March 31, 2011, and showed the PSPP's basic account had assets of \$17.76 billion and liabilities of \$18.04 billion. This means it is 98 per cent funded.

Our board is obliged to manage the pension plan in a way that's fair to all members, retired and active alike, as well as employers. After reviewing the valuation report, the board took the required action to maintain the plan's funding for the basic pension benefit. Effective April 1, 2012, member and employer contribution rates to the basic account each increased by 0.40 per cent of salary. This change will help ensure the pension promise for all members is met over the longer term.

Additionally, in keeping with decisions our board announced last year, retired members saw changes to their non-pension benefits effective April 1, 2012. Subsidies were discontinued for retired members' Medical Services Plan premiums, and for their spouses' and dependants' extended health care premiums. We know these changes have been challenging for some members. However, they were necessary because the plan partners needed to reduce the funding available for post-retirement group benefit subsidies in order to comply with requirements of the *Income Tax Act*.

The Public Service Pension Plan remains a safe and effective way to save for retirement. Contributions from you and your employer while you're working, together with investment income, give you a pension for life when you retire.

We encourage you to visit the plan website, [pspp.pensionsbc.ca](https://pspp.pensionsbc.ca), to learn how you can maximize your pension at retirement, how to purchase service if you're eligible, and to use the online pension estimator.

The Public Service Pension Board of Trustees is proud to serve you, and we look forward to building a future together with you in the years to come.

# How the plan is governed

The Public Service Pension Plan is jointly trusteeed and is governed by a joint trust agreement, which is available under Board Publications on the plan's website, [pspp.pensionsbc.ca](http://pspp.pensionsbc.ca).

Joint trusteeship is the shared management of the pension plan by appointees of the plan partners. The plan partners are the B.C. Government and Service Employees' Union and the provincial government. The partners are responsible for appointing the board of trustees.

The Public Service Pension Board of Trustees is responsible for managing the pension plan. The board may change the plan rules if they are directed to do so by the plan partners and certain conditions are met. The board can also amend the pension plan rules as long as the changes can be funded by pension fund surpluses or are cost-neutral to the plan. The joint trust agreement sets out conditions for the board to follow in implementing certain changes.

## Public Service Pension Board of Trustees

**As at March 31, 2012**

Ron McEachern (chair)  
David Vipond (vice chair)  
John Davison  
Joe Elworthy  
Alana Gallagher  
Lori Joaquin  
Lawrence Johnson

Chan-Seng Lee  
John Mazure  
Johanna Morrow  
Lorene Oikawa  
Brian Schramm  
Christine Sorensen  
Tom Vincent

Questions? Find the answers at  
**pspp.pensionsbc.ca**

## Public Service Pension Plan

### General contact information

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Toll-free (Canada and 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:** 250 387-8200

**E-mail:** PSPBT@pensionsbc.ca

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PO Box 9460  
Victoria, BC V8W 9V8



**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, 2012, 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.

Cover image: Fisgard Lighthouse, Victoria, BC.