

A Newsletter for Members of the BCGEU Pension Plan

February 2008

BCGEU Pension Plan Board of Trustees

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2007 Annual Member Statement

With this bulletin is your 2007 Annual Statement. We hope you will find the format straight-forward and easy to read. Explanatory notes are on page 2 of the statement.

Investment Commentary

What can be said about investment performance in 2007? It was a year of tremendous volatility. Canadian equities continued to advance quite well in the first half of the year only to see sharp declines in the second half. The appreciating Canadian dollar negated any returns from foreign equities and an increase in interest rates hurt the Plan's bond holdings. Many expected the markets to weaken as the sub-prime mortgage problems were not a mystery, but few were able to anticipate how broad and deep the crisis would affect markets. Also, the Canadian equity market had an extensive run of about five years and some correction or weakening was to be expected. So the result of all of this was a flat year in terms of performance. (see table)

Asset Allocation Change

The Trustees have been conducting an in-depth review of the asset allocation of the Plan investments for the last eighteen months. As of January 2008, they have decided to increase the foreign equity holdings and participate in a pooled Real Estate Fund. Real estate is seen as a solid investment bearing both bond and equity like characteristics along with an ability to guard against inflation. The decision will result in a new asset allocation being implemented in late January as follows:

Proposed Asset Allocation:	
Cash & Short Term Notes:	5%
Bonds and Mortgages:	25%
Canadian Equities:	25%
Global Equities:	35%
Real Estate:	10%
Total Investments	100%

Pension Plan Performance

At December 31, 2007, the annual return for the Plan was -0.76%. The December 31, 2007 unit value is 468.45. To illustrate the return you have earned in the Plan, you may

find it interesting that the unit value at commencement of the Plan in March 1989 was 100. Following are the one, three, five, ten and fifteen year annualized rates of return at December 31, 2007.

Average Annualized Rate of Return (%)				
1 Year	3 Year	5 Year	10 Year	15 Year
-0.76%	7.55%	9.25%	6.39%	8.92%

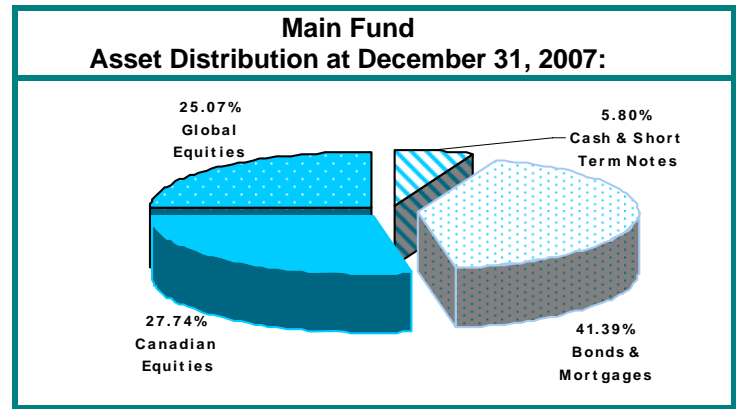
Main Fund

The assets of the Main Pension Fund as at December 31, 2007 were approximately \$138.6 million and are comprised of the following asset classes:

Plan Assets at December 31, 2007:	
Cash & Short Term Notes:	5.80%
Bonds and Mortgages:	41.39%
Canadian Equities:	27.74%
Global Equities:	25.07%
Total Investments	100.00%

Immunization Fund

The rate of return for the Immunization Fund was 4.63% for the 12-month period ending December 31, 2007 with total assets of \$1.8 million. The Immunization Fund is comprised solely of short-term notes.



Pension Income Splitting

What is pension income splitting?

New tax rules allow eligible taxpayers to allocate up to half of their eligible pension income to their lower-earning spouse or common law partner.

Who is eligible?

- A **pensioner and his or her spouse or common-law partner** can elect to split the pensioner's "eligible pension income" received in the year if they are married or in a common law partnership with each other in the year and are not living separate and apart from each other at the end of the year and for a period of 90 days commencing in the year; *and*
- They both reside in Canada.

What is "eligible pension income"?

- The taxable part of **annuity payments** from a superannuation or pension fund; *and*
- If the pensioner is 65 or older,
 - RIF and LIF (*registered retirement income fund and life income fund*) payments; *and*
 - RRSP annuity payments

How do pensioners elect to split pension income?

The pensioner and spouse make a joint election on a **Form T1032** (*Joint Election to Split Pension Income*) with their income tax returns.

Why is pension income splitting advantageous?

Pensioners can take advantage of **reducing their collective taxes** because:

- **Each spouse** will be able to claim the pension income amount of up to \$2,000 of eligible pension, superannuation or annuity income.
- Pension splitting will affect tax credits and benefits that are calculated using one individual's net income, such as the age amount, the spouse or common law partner amount, and the repayment of Old Age Security benefits.

Consideration of the Pension Income Splitting rules should be an important part of your retirement planning process!

Important Reminders:

- The year to date contributions reported on your statement will not be an exact match to the contributions on your T4 slip. This is because contributions are reported on your statement in the year that they are received by the Plan. There is usually a one month delay from the time that they are deducted from your pay to the time that they are credited to your Plan account
- If you know anyone that did not receive a statement, ask them to make sure that the Plan Administrator and Union have their current address.
- Check that your employer is remitting the correct percentage of employee and employer contributions as prescribed in the Collective Agreement.
- If you are retiring this year, you should be aware that annuities purchased through the Plan are purchased on a "net of commission" basis. This results in annuity payments which are higher compared to annuities purchased after Plan funds have been transferred out of the Plan.

Remember that it's up to you to keep the Pension Plan Administrator advised of any changes of address or beneficiary. (Changes provided to your employer may not necessarily reach the Plan Administrator.) Address changes are accepted over the phone. Beneficiary changes must be received in writing.

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