

## A Newsletter for Members of the BCGEU Pension Plan

**JUNE 2009**

### BCGEU Pension Plan Board of Trustees

**Judi Filion (Chair)**  
**Paul Martin**  
**Peter Mehling**  
**Mike Nuyens**

**Jim Manson**  
**Kelly McDonald**  
**Stephanie Seaman**  
**Rory Smith**

The Board would like to welcome two new trustees appointed to the Plan. Stephanie Seaman is on the Provincial Executive from Component 3 and a recent member to the Plan. Rory Smith is Local 1004 chair from the Fraser Valley and he is a long time participant in the Plan.

### Investment Commentary

Since the Plan last communicated with you in February 2009 it has been a very tumultuous experience. In January and February equity market declines continued their downward spiral, some say they cratered. Since the middle of March the Canadian equity market has increased dramatically, in excess of 30%, however recovering from the February lows means the S&P TSX year to date is up over 15%. The market volatility on a day to day basis is still remarkably high. Have the markets turned the corner? Some think this is just a "sucker rally" but other studies indicate that after market panic situations, the potential for growth is almost a certainty. Of course no one knows. It remains difficult to speculate on market observations when bad economic news such as the distress in the US auto industry is being reported but is countered with some renewed strength in the US housing market. Growth in the US equity market has also occurred during this period, but been more modest than the Canadian experience, with year to date earnings only slightly positive.

Have we learned anything in this process? The Trustees, in a recent meeting in late April, expressed their investment performance concerns to the various investment managers. While unhappy with the 2008 investment experience the trustees' belief is that the Plan's fundamental investment policy is sound. Its core principles are to remain disciplined in developing their strategy so that emotions do not overrule rational objectives. As well, staying fully invested and not trying to time the market are key principles. Diversification of asset mix (see chart on back of page) and rebalancing asset classes according to policy are key to the Plan's overall investment policy.

Many commentators have speculated that this market downturn was "different" than others in that it was deeper and more severe. While that is a reasonable assumption, the market turnaround suggests that what we are experiencing now is similar to other bear markets, that is they come back, often very strongly. Hopefully this is the beginning of a return to growth in the markets but it is likely we will experience a number of "bumps" in the process, some likely painful.

### Running the Plan – How Much Does It Cost?

The Trustees have always maintained that the cost of running the Plan provides members with a strong comparative advantage. The BCGEU is the sponsor of the Plan but the cost of operating all aspects of the Plan are basically borne by the plan members. The costs are the sum of investment management fees, administration fees, custodial fees, reporting and auditing fees along with trustee expense reimbursement.

Canada's retail mutual fund industry is generally acknowledged by independent professionals to be a very high cost environment to invest in. The standard measurement of fund costs are defined as the "Management Expense Ratio" (MER). It is calculated by dividing the total plan assets by plan expenditures to arrive at a percentage. This would entail all the types of costs identified above. The average MER of a Canadian balanced mutual fund is in excess of 2.50%. The BCGEU Pension Plan has for over a decade been able to keep the MER of the Plan in between 0.55 - 0.70% range, giving what we believe is very good value for members given the complexity of the assets under management and the alternative retirement options members have access to. Recently with the market declines and hence the lowering of asset values, the result has been a modest increase in the Plan's MER for the early part of 2009.

### Working Past Age 65

Mandatory retirement was eliminated for most working British Columbians last year. The Plan Administrator and Trustees have had numerous enquiries as to the implications it has for members regarding employment provisions and their pension entitlements. Quite simply, working beyond 65 is permissible. While most members express an interest in retiring early, there are those who wish to continue their employment beyond age 65.

### What Does Working Past 65 Mean to Your Retirement Income?

- 1) Your participation in the BCGEU Pension Plan will continue and your account will grow by pension contributions and earnings (losses). On the assumption markets generally increase rather than decrease over time your account will grow. In addition, if interest rates stay the same, the cost of an annuity, should you be considering have the Plan purchase one for you, become cheaper as you age. Participation in the BCGEU Pension Plan must cease by the end of the year in which you turn 71.

- 2) You may be able to collect your entitlement to Canada Pension Plan (CPP) and Old Age Security (OAS) benefits while continuing to work.

CPP - After age 60, you can apply for your CPP benefit if your working income is less than the maximum CPP monthly payment (currently \$909) for two consecutive months. However, once you are receiving a CPP pension, you cannot accumulate further benefits. You can delay commencement of CPP until age 70 and receive a higher benefit.

OAS - Subject to a residency requirement, OAS is payable at age 65. Delaying commencement beyond age 65 you would forfeit any entitlements without any retroactivity or future enhancement of the benefit. However, if you are continuing to work while collecting OAS, your income may exceed the limit where OAS is "clawed back".

**Notes:**

- CPP and OAS benefits are subject to income tax and might put you in an increased tax bracket if you remain working while collecting the benefits.
  - You must apply for both benefits. They are not paid automatically.
  - For more detailed information go to [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca) or call 1-800-277-9914. The decision to collect CPP and OAS while working is complex. Please seek the advice of an independent financial advisor to ensure that your decisions are in your best financial interest.
- 3) If you have questions about your health and welfare benefits when working beyond age 65 you would want to contact your local steward.

## Pension Plan Performance

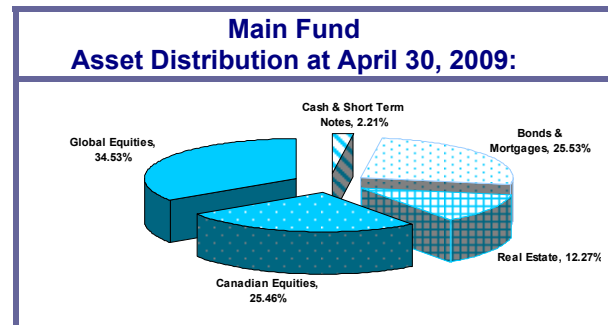
At April 30, 2009, the annual return for the Plan was -21.94%. The April 30, 2009 unit value is 366.93. To illustrate the return you have earned in the Plan, you may find it interesting that the unit value at commencement of the Plan in March 1989 was 100. Following are the one, three, five, ten and fifteen year annualized rates of return at April 30, 2009.

Average Annualized rate of Return (%)				
1 Year	3 Year	5 Year	10 Year	15 Year
-21.94%	-5.47%	0.76%	2.82%	6.08%

## Main Fund

The assets of the Main Pension Fund as at April 30, 2009 were approximately \$103.2 million and are comprised of the following asset classes:

Plan Assets at April 30, 2009:	
Cash & Short Term Notes:	2.21%
Bonds and Mortgages:	25.53%
Real Estate	12.27%
Canadian Equities:	25.46%
Global Equities:	34.53%
<b>Total Investments</b>	<b>100.00%</b>



## Immunization Fund

The rate of return for the Immunization Fund was 2.90% for the 12-month period ending April 30, 2009 with total assets of \$2.3 million. The Immunization Fund is comprised solely of short-term notes. The Fund has been closed to new participants since January 2006.

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