

# STAFF PENSION PLAN UPDATE

FEBRUARY 2011



Newsletter published by the Pension Board for members and beneficiaries of The University of British Columbia Staff Pension Plan.

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## Dear Plan Members:

2010 was a busy year for the Pension Board and the entire Staff Pension Plan (SPP) team as we prepared for the Actuarial Valuation which began January 1, 2011. Also, several initiatives were started in 2010 to improve the financial position of the Plan and to provide increased security for members' pensions with full indexing. Working closely with our Plan advisors, the Pension Board will continue to work on these initiatives in 2011.

This issue of Update contains the following articles:

### Securing the Plan's Benefits

The article on pages 2 and 3 provides a summary of recent initiatives to help protect the Plan's basic lifetime pension and manage investment risk in the SPP funds.

### SPP Benefits When You Retire

It is important to understand what happens when you retire from UBC and how to start your Staff Pension Plan benefits. The article on pages 4 and 5 provides an overview of SPP retirement options and the resources available to help you successfully navigate the retirement process.

### SPP Benefits If You Leave Before Retirement

What happens to your pension if you leave the University before retirement, or you change jobs to a position that is not eligible for the Staff Pension Plan? See page 6 for more information about your options.

### RRSP Contributions for 2010 Tax Year

March 1, 2011 is the deadline for RRSP contributions for the 2010 tax year. Your RRSP contribution room for 2010 is 18% of your gross income (before taxes and deductions) earned in 2009 to a maximum of \$22,000 less your 2009 Pension Adjustment (plus any previously unused RRSP contribution room). For more information, read the article on page 7.

### Mark Your Calendars – 2011 Pension Fair

Planning is underway for the annual Staff Pension Plan Pension Fair which will be held Tuesday, May 31. Watch for more details in our May update.

I would like to thank Ms. Lorna Marshall who completed her term on the Pension Board on December 31, 2010. Lorna was a Director on the Pension Board for 7 years, and for 4 of those years she was also Vice-Chair. The appointment of a new Director may be confirmed following a governance review in 2011 by the University and the Board of Governors.

Results for the SPP's 2010 Board of Directors Election are available on page 5. We have also posted the 2011 SPP information session and workshop dates on the SPP website. Go to the "QuickFind" menu and click the "Workshops" page for details.

On behalf of our Board members, I would like to extend Happy New Year wishes to all.

Brian Evans, CHAIR

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This material has been compiled by the Staff and Pension Board Members of The University of British Columbia Staff Pension Plan from information provided to them and is believed to be correct. If there is any inconsistency between the contents of this newsletter and the pension plan trust or legislation, the trust and legislation will prevail.

# Securing the Plan's Benefits

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## Protecting benefits and managing risk

In our November 2010 *Staff Pension Plan Update*, we announced that the triennial actuarial valuation was underway. In the valuation, an actuary estimates the cost of future SPP benefits by making assumptions about future conditions, including member retirement and termination rates, retiree survivorship, and future salary escalation. The cost of benefits earned to the valuation date (including those payable to current members) is compared to the assets, with the resulting surplus or deficit having possible consequences on the Plan.

Although the results of a future actuarial valuation are estimated by the actuary, there is a range of possible outcomes of the Plan's financial position depending on how the variables evolve. For instance, the actual number of members who will retire early may change, retirees may live for a longer or shorter period than anticipated, and investment performance may be better or worse than predicted.

## Protecting the basic benefit through Amendment #2

Although the results of the January 1, 2011 valuation are not yet available, the SPP's asset value has varied considerably over the past three years. Most pension plans experienced a substantial loss of asset value in 2008 as a result of the global financial crisis. Most plans also experienced improvements in 2009 and 2010 as stock markets rebounded.

The SPP provides a lifetime pension, referred to as the "basic benefit" based on each member's years of service and earnings history. The basic benefit is adjusted for inflation each year after retirement. Depending on the results of the actuarial valuation, the basic benefit and the inflation adjustments could be increased or decreased. In the past, there has never been a reduction in Plan benefits; 100% inflation adjustments have always been provided.

As a result of the volatility in the markets in 2008 and 2009, the Pension Board has focused its attention on the Plan's ability to fund inflation adjustments and ensuring the basic benefit is available to retirees. With this in mind, the Board began a review in mid-2010 to strengthen the security of the basic benefit.

The Pension Board retained external consulting expertise – PBI to provide investment consulting and Satanove & Flood Consulting to provide pension consulting – to help with this review. Together with the actuary and legal counsel, these advisors helped the Board develop a solution to protect the basic benefit which became Amendment #2 as approved by the University's Board of Governors.

Amendment #2 creates a protective buffer for the basic benefit. For example, if the valuation finds that the assets exceed the cost of providing the Plan's basic benefit for service to the valuation date (including pensions in payment), the Board has the discretion to draw from the surplus to provide inflation adjustments for a three-year period. Prior to making this decision, the Board will take into account the size of the surplus, expected cash flows to or from the pension plan and any other factors considered necessary in making a decision. In some cases, the Board may limit inflation adjustments if they are deemed to jeopardize the security of the basic benefit, given that the Board's primary objective is to ensure members have a stable lifetime retirement benefit.



## Managing Investment Risk

The pension fund currently invests in a diversified portfolio, with the following target asset mix:

<b>Fixed Income</b> (universe bonds, long bonds and real return bonds)	35%
<b>Equity</b> (Canadian, U.S., international equities, hedge funds and private equity)	55%
<b>Real Estate and Infrastructure</b>	10%

Investing in high-risk assets such as equities and hedge funds which may earn more over the long term than safer securities such as government bonds, can also lead to substantial shortfalls in the short term.

In 2010, the Pension Board accepted PBI's recommendations to provide advice on the Plan's investment policy to protect the basic benefit, including:

- that the portion of the fund invested in equity (and return seeking) investments be reduced from 55% to 35%, with the proceeds essentially invested in infrastructure assets, raising the allocation in the Real Estate and Infrastructure category from 10% to 30%. This change would reduce some investment risk and lead to more stable investment income.
- a re-structuring within the fixed income category to move the portion currently invested in universe bonds (which includes short-term, mid-term and long-term bonds) to long-term bonds and mortgages. This change would lock in current interest rates over the long term, and remove some of the exposure to falling interest rates.

The investment manager of the Plan, IMANT, working together with PBI, developed a transition plan to the new policy asset mix as shown in the table below. Transitioning from the current policy asset mix to the new mix could take a few years for most asset classes and up to ten years for hedge funds.

### Next Steps in the Restructuring Review

The actuarial valuation will be completed in the spring, with results presented to the Board shortly thereafter. Depending on the various funding tests (refer to the November 2010 newsletter), the Board will decide the level of margin that should be kept to protect the basic benefit and the amount of inflation adjustments that can be paid for the next three years. Given the results of the actuarial valuation, the Board, with the assistance of PBI, will continue to examine ways of restructuring fund investments to further reduce risk.

## SPP Investment Transition Plan

Asset Class	Current Policy Asset Mix	New Policy Asset Mix
Cash	2.0%	1.0%
Universe Bonds	23.0%	0.0%
Long Bonds	5.0%	24.0%
Real Return Bonds	5.0%	5.0%
Mortgages	0.0%	5.0%
<b>Fixed Income</b>	<b>35.0%</b>	<b>35.0%</b>
Canadian Equity	15.0%	15.0%
US/Global Equity	12.5%	7.5%
EAFE/Global Equity	12.5%	7.5%
Emerging Equity*	0.0%	0.0%
Private Equity	5.0%	5.0%
Hedge Funds – FoF	10.0%	0.0%
<b>Equity (and return seeking)</b>	<b>55.0%</b>	<b>35.0%</b>
Real Estate	10.0%	8.0%
Infrastructure – Debt	0.0%	10.0%
Infrastructure – Equity	0.0%	12.0%
<b>Real Estate and Infrastructure</b>	<b>10.0%</b>	<b>30.0%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## SPP Benefits When You Retire

Deciding to retire is a big event in anyone's life. Your decision will be based on many factors, including the amount of income you will have at retirement. Retirement from the UBC Staff Pension Plan (SPP) may occur if you are between the ages of 55 and 71.

It is important that you notify the Pension Administration Office (PAO) as early as possible of your retirement date. The PAO is happy to assist you with any questions you may have regarding time frames, paperwork, and your options for receiving your Plan benefit. The following describes some of the steps and decisions you will encounter on the road to retirement with the SPP.



**For additional info on Staff Pension Plan retirement options**, please visit the "Thinking of Retiring?" page on the SPP website.

### A Year before You Retire

#### *Illustration Package*

When you are within a year of retirement you can contact the PAO for a package regarding your retirement options. This package will be mailed to you within four to six weeks with a calculation of your retirement options.



Members age 55 and over who are leaving UBC but not retiring will also receive an illustration of their retirement options, as they are eligible to start receiving their SPP benefit at age 55. You may choose to defer your decision to a later date; however, once you turn the age of 71 you will be required to make an immediate decision in regards to your accrued benefits with the Plan.

#### *myPension Estimator*

The myPension estimator is a tool that provides you with an estimate of your Pension benefit. The myPension tool is available on the SPP website by clicking on the CWL login button under "myPension at UBC". This tool is designed to illustrate how your pension is calculated. It is a helpful tool for retirement planning; however, your actual pension can only be calculated on the information available at the date of your retirement. An article on using the myPension estimator is available in the November 2009 issue of the *Staff Pension Plan Update*.

#### *Information Sessions*

We encourage all members retiring within the next year to schedule a Retirement Information Session with a SPP senior administrator to review their retirement options in more detail. If you have a spouse, you are encouraged to bring him or her with you so you both understand your options.

To book an appointment, please call a member of our staff at **604-822-8883** or **604-822-8119**.



## Your Retirement Package

You will be contacted by the PAO once your pension benefit has been calculated and your Retirement package is ready for signing, typically in the first week of your retirement. You can choose to schedule an appointment to sign off on your retirement package, or have the package mailed, emailed, or faxed to you.

## Your Retirement Options

Most SPP members 55 and over will receive a **Monthly Lifetime Pension** from the Plan. There are some members who will have more than one option if they qualify for specific exceptions as legislated by the B.C. Pension Benefits Standards Act. The options you are eligible for will depend on several factors such as your length of service and when you began making contributions to the Plan. Below is a brief description of some of these options:

**Monthly Lifetime Pension.** Take the full amount as a Monthly Lifetime Pension calculated according to the pension formula. The pension may be chosen with a minimum guarantee period of 60, 120, or 180 monthly payments.

**Monthly Lifetime Pension with Lump Sum.** Take a reduced Monthly Lifetime Pension and a lump sum transfer out of the Plan. Only members who have made contributions to the Plan prior to 1993 are eligible for this option.

**Lump Sum.** Take the entire amount as a lump sum transfer out of the Plan. Members age 55 and over, whose Plan benefit is considered a Small Pension at the time of their retirement, will be eligible for the lump sum option. See the “Are there any exceptions?” section on the “Amendment of Commuted Value Lump Sum Option” page at the SPP website for more information on Small Pensions.

## Retirement Workshops

**Understanding your Staff Pension Plan (age 50 and over).** The Pension Administration Office partners with UBC’s Organizational Development and Learning (ODL) to provide a MOST workshop on the Staff Pension Plan for members. This workshop is designed for *active or deferred members, who are age 50 or over* and are approaching retirement. The focus of the workshop is pension benefits at retirement. If you would like to have a better understanding of what your pension will be at your retirement it is recommended that you attend this workshop. Visit the “Workshops” page on the SPP website for upcoming dates.



## Election Results

The UBC Staff Pension Plan held an election for two Directors in the fall of 2010. We are pleased to announce that Brian Evans and George McLaughlin have been re-elected as members of the Board of Directors in the recent election. Their terms of office are from January 1, 2011 to December 31, 2014. We thank the candidates and all those members who cast their ballots in this election.

# SPP Benefits if You Leave Before Retirement

Some SPP members will leave the Plan before retirement if they change employers, move to a new job position at UBC that is not eligible for the SPP, or relocate to a different country. Whatever the reason, there are decisions you will need to make about the benefits you have accrued with the SPP.

## If You Are Under Age 55

As soon as you know that you are going to be leaving the SPP, please inform the Pension Administration Office. You will receive an information package in the mail approximately four to six weeks after the month in which you leave. The information package will include:

- your options for receiving your accrued Plan benefit,
- your calculated Plan benefit under each option, and
- the forms you will need to complete to indicate your decision.

## Your Options

Most members under age 55 will have a choice between a **Monthly Lifetime Pension** or a **Lump Sum** payment. The options that you are eligible for will depend on several factors such as your length of service and when you began making contributions to the Plan.

With the **Monthly Lifetime Pension (deferred)** option, you leave your earned benefit in the Plan and receive a deferred pension starting as early as age 55 (earliest retirement age).

The **Lump Sum** option means you receive a lump sum equal to the **greater** of the value of your deferred pension or a minimum contribution refund of 1.5 times your contributions.

If you are/were a member of the Plan and made contributions prior to 1993, you may be eligible for an option called **Monthly Lifetime Pension with Lump Sum**, which is a combination of a deferred pension and lump sum.

## Deferring Your Decision

If you are not able to make a decision on your options, you may decide to defer your decision to a later date. If you are thinking about deferring your decision, here are a few things to consider:

- The Lump Sum option is no longer available once you turn age 55, except if you qualify for a Small Pension.
- Once you turn age 55, and subsequently decide you would like to retire, you need to inform the Pension Administration Office so that we can provide you with an updated calculation of your Retirement options based on your retirement date. See the previous article on pages 4 and 5 for more information.
- Your future pension is subject to an indexing adjustment as approved by the Pension Board and the Plan's ability to finance it.
- It is important that you keep your address up-to-date with the Pension Administration Office so that we are able to communicate with you any changes regarding your Plan benefit.

## Non-Residents

If you are not a resident of Canada, under the age of 55, and planning on leaving the SPP, there are a few things to note:

**Cash Withdrawal.** Lump sum cash withdrawals are subject to non-resident withholding taxes and are deducted at the rate of 25% (15% for Australia and New Zealand residents).

**Transferring Your Lump Sum to an RRSP.** If you transfer all or part of your lump sum amount to a retirement plan with a financial institution it must be an institution in Canada. It is not possible to transfer your account balance on a tax sheltered basis to a retirement plan in any other country.

**For more information on your options and leaving the SPP, please visit the "Leaving UBC?" page on the SPP website.**

## Pre-Retirement Workshops

**Understanding your Staff Pension Plan (Under Age 50).** The Pension Administration Office partners with UBC's Organizational Development and Learning (ODL) to provide a MOST workshop on the Staff Pension Plan for members. This workshop is designed for *current members under age 50*. If you are already a member, this in-depth workshop will answer any questions you may have about your pension benefits. Visit the "Workshops" page on the SPP website for upcoming dates.

# RRSP Contributions for 2010 Tax Year

March 1, 2011 is the deadline for RRSP contributions for the 2010 tax year. Information on how much you can contribute is as follows:

## 2010 Contribution Limits

The maximum amount you can contribute to an RRSP each year is shown on the Canada Revenue Agency (CRA) Notice of Assessment that you receive after you file your income tax return. You can also find your contribution limit by calling the CRA at **1-800-267-6999** or by using the My Account option on the CRA website: **cra-arc.gc.ca**. You will need a Government of Canada e-pass, which you can obtain on this website.

## Contribution Room

Your RRSP contribution room for 2010 is 18% of your gross income (before taxes and deductions earned in 2009) to a maximum of \$22,000, less your 2009 Pension Adjustment. However, if you did not use all of your RRSP contribution room in any year since the 1991 tax year, you can carry that amount forward indefinitely to use in this or future years.

The RRSP contribution maximum increases to \$22,450 in 2011 and \$22,970 in the 2012 tax year.

## Pension Adjustment

Each year your contribution room is reduced by your Pension Adjustment which is the value of the pension you accrued in your registered pension plan during the prior tax year. The amount of your Pension Adjustment is listed in Box 52 of your T4 slip.

**For more information** on how to calculate your pension adjustment and how it affects your RRSP contribution room, visit [pensions.ubc.ca/staff/rrsp.html](http://pensions.ubc.ca/staff/rrsp.html).

## Other Sources of Retirement Income – 2011

There are other sources of retirement income that retirees may receive including income from the Canada Pension Plan and Old Age Security as illustrated in the table below.

Source	Monthly Maximum Benefit	Contributions	Notes
<b>Canada Pension Plan*</b> These rates are adjusted annually to reflect Consumer Price Index increase	\$960.00	YMPE: \$48,300 YBE: \$3,500 4.95% of YMPE above the YBE to a maximum of \$2,217.60	The YMPE (Year's Maximum Pensionable Earnings) is the maximum amount of earnings on which Canadians can contribute to the CPP. The YBE is the Year's Basic Exemption.
<b>Old Age Security**</b>	\$524.23		These benefits are adjusted quarterly.

\* <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clctng/cpp-rpc/menu-eng.html?=#lnk>

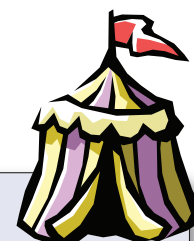
\*\* <http://www.hrsdc.gc.ca/eng/isp/oas/oasrates.shtml>

## Help Us Locate Missing Members

The Pension Administration Office needs your help to find deferred and retired members of the SPP who we have lost contact with over the years. These members may be entitled to benefits from the Plan. If you have any contact information (addresses, phone numbers, emails, contact information of family, friends, and relatives, or even connections through social media networks such as Facebook and LinkedIn) for the members listed below, please contact the Pension Administration office at [spp@hr.ubc.ca](mailto:spp@hr.ubc.ca), or fax the details to **604-822-9471**.

Name	Dept	Left UBC	Name	Dept	Left UBC
<b>Bentley C. Arnold</b>	Plant Ops.	Aug. 2007	<b>Radu Oprea</b>	Mech. Engineering	June 2000
<b>Suzanne Baylis</b>	Unknown	Mar. 2005	<b>Hong Pham</b>	Forest RM	Sep. 1997
<b>Nicholas Cioci</b>	IT Services	Mar. 2001	<b>Hella Prochaska</b>	Unknown	Oct. 2010
<b>Tao Dai</b>	Health Care & Epidemiology	July 1994	<b>Connie Rodrigues</b>	Plant Ops.	Mar. 2008
<b>Kai C Fong</b>	Public Affairs	July 2010	<b>Lisa Rooney</b>	BC Wine	Feb. 2006
<b>Caroline Hall</b>	Radiology	Nov. 2001	<b>Sophie Rosa</b>	Arts	July 2005
<b>Qiyi He</b>	Wood Sciences	Apr. 1993	<b>Alison Stack</b>	Research Services	July 2005
<b>Marlene Jones</b>	Respiratory	Dec. 2002	<b>Shelley Star</b>	Medicine – Deans Office	Apr. 2008
<b>Shahid Khan</b>	University Computing Centre	Dec. 1996	<b>Norma Thomson</b>	Family Practice	June 1993
<b>Cindy Lee</b>	Chemistry	Aug. 2006	<b>Marina Verenitch</b>	Animal Science	Mar. 2000
<b>Dale Lee</b>	Psychiatry	July 2009	<b>Robin Wade</b>	Plant Ops.	Feb. 2009
<b>Janice N Lee-Thiem</b>	Clinical Dental Science	Sep. 1997	<b>Xiao Hua Wang</b>	Health Care & Epidemiology	Dec. 1999
<b>Chih Alice Lin</b>	Unknown	June 1990	<b>Blair Wilson</b>	TRIUMF	May 2005
<b>Wei Ma</b>	Medicine – Deans Office	Aug. 2009	<b>Ying Zhao</b>	Physiology	Aug. 2003
<b>Lorraine Nelos</b>	Unknown	Apr. 1991			

Any information you are able to provide is greatly appreciated and will remain confidential.



### Save the Date – May 2011 Pension Fair

Mark your calendars! The annual Staff Pension Plan Pension Fair will be held on Tuesday, May 31, 2011.

Stay tuned – more details will be available in the May 2011 update.