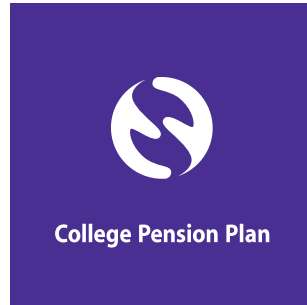


member news



College pensions safe in times of market turmoil

Plan members are expressing concerns about the security of their pensions as the global economic situation continues.

Speaking on behalf of the College Pension Board of Trustees, Board Chair Dominique Roelants said, “As a member of the College Pension Plan, it’s important to remember that your defined benefit pension guarantees you an income for life after you retire. The amount you receive depends on your years of service and earnings while you worked, not on the state of the markets before or after you retire.”

As a plan member, your pension benefit also includes cost-of-living increases. These increases help the basic pension keep pace with the rising cost of living. Once a cost-of-living increase has been granted, it becomes part of your guaranteed benefit; however, unlike the basic pension, future cost-of-living increases are not guaranteed. They are restricted by the funding available in the account from which they are paid. Upturns and downturns in investment markets do impact the amount available to fund future cost-of-living increases.

The premium subsidies the plan provides for post-retirement dental and extended health benefits are also non-guaranteed benefits, and are vulnerable in times of financial stress. Keep in mind, the basic lifetime pension payment comes from another account altogether and is guaranteed, which puts College Pension Plan members at a big advantage over workers who are trying to finance their retirement by managing their own RRSPs.

One of the ways we can guarantee the plan can keep the basic pension promise is through a process called actuarial valuation. Every three years, the trustees have an actuary look at the plan. In simple terms, the actuary estimates the total value of pensions that are being paid today and will be paid in the future when current active members retire. The actuary also estimates

the total amount of money available to pay those pensions, including current investments, and future contributions and investment earnings. If the estimated amount of pensions is more than the estimated dollars available to pay them, there is an unfunded liability. When there is an unfunded liability, the trustees must raise contribution rates for active members and employers to pay off the unfunded liability.

The College Pension Plan's next actuarial valuation will be conducted as at August 31, 2009. It is too soon to speculate about the outcome of that valuation. In general, plan reserves can absorb short, sharp market corrections, but extended periods of poor investment returns lead to required increases in contribution rates.

The College Pension Plan is, and can afford to be, a long-term investor. Our focus is on investing in a diverse set of assets that will produce future income flows to pay for future pensions. We have, like all other investors, experienced significant volatility and declines in financial markets in recent months, although the plan has not experienced the same level of losses seen in the stock market indices, such as the TSX or Dow Jones, because of our diversified investment strategy. For a well positioned, long-term investor, recent events in the financial markets are both a challenge to current performance, and a potential opportunity for meeting long term objectives.

Working with the investment professionals at British Columbia Investment Management Corporation, we have avoided direct exposure to subprime mortgages, hedge funds, credit default swaps, non-bank-sponsored asset-backed commercial paper, and other risky products that have done badly. The plan also does not use leverage in public markets, so it is not in a position of having to sell off investments into weak markets. The plan started positioning its investments defensively over a year ago, and is now well positioned for the long term.

If you would like more information about plan investments, please visit the website at college.pensionsbc.ca. There you will find the Quarterly Economic Report, the Quarterly Performance Results and Responsible Investing Highlights on the Board Publications page. We will also post updates on the plan's homepage as the global economic situation unfolds.

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