

Pensions safe in times of market volatility

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Defined benefit pension plans have many advantages over other forms of retirement savings.

As a member of the College Pension Plan, your defined benefit pension guarantees you an income for life after you retire. The amount of that pension payment will depend on your years of service and earnings while you worked, not the state of the market when you retire.

When you retire you know what the amount of that basic pension will be, when the payment will arrive, and can be assured the payment will continue.

The investment professionals at the British Columbia Investment Management Corporation ([bcIMC](#)) manage the funds on behalf of your board of trustees.

Your trustees work with bcIMC, who plays a major role in maintaining the plan's financial health by making prudent investment decisions about the plan's assets of over \$2-billion. Those investment decisions are made within the investment policy framework set by the College Pension Plan trustees.

The goal of the plan is to provide investment returns that will grow over the long term. Investment risk is shared by everyone in the plan. Upturns and downturns in investment markets – both while you work and after you retire – will not affect your basic pension income. This means you don't have to worry about what stock markets are doing this week or this month. Day-to-day changes in market value don't impact your basic pension payment.

However, as a plan member, your pension benefit includes indexing. Although not guaranteed, indexing, or inflation protection, increases the basic pension to keep pace with the cost of living, subject to available funding. Unlike your guaranteed basic pension, indexing is only provided if there is enough money in the account from which it is paid. Upturns and downturns in investment markets may impact the plan's ability to continue to fund full indexing. Keep in mind, your basic pension payment comes from another account altogether and is guaranteed.

Investments held by bcIMC include short-term and fixed income securities; mortgages; Canadian, U.S. and international equities; private placements; real estate; infrastructure; and currency. One of the most important decisions trustees make about your pension funds is the policy asset mix.

In the fiscal year ending August 31, 2007, these investments generated an 11.3 per cent* return to the plan. Even though market performance was poor in 2001 and 2002, over the last decade, the annualized rate of return has been 7.9 per cent.

The asset mix ensures prudent investment decisions are made with an eye for long-term returns and security.

* *College Pension Plan 2007 Annual Report*