

STAFF PENSION PLAN UPDATE



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

STAFF PENSION PLAN BOARD OF DIRECTORS

Brian Evans, **CHAIR**
Retired (TRIUMF)
Tel: 604-264-8314
sppchair@hr.ubc.ca

Lorna Marshall, **VICE-CHAIR**
Office of the Vice President,
Research
Tel: 604-822-5159
lorna.marshall@ubc.ca

Harvey Burian
Retired
Tel: 250-954-1690
hburian@telus.net

Alan Marchant
Advancement Services
Tel: 604-822-8909
alan.marchant@ubc.ca

George McLaughlin
Plant Operations
Tel: 604-822-8832
george.mclaughlin@ubc.ca

Shirley Reeve
TRIUMF
Tel: 604-222-7391
shirley@triumf.ca

David Lance
CUPE Local 116
Tel: 604-221-2893
davelance@cupe116.com

Jay Parker, **SECRETARY**
Human Resources
Tel: 604-822-8114
jay.parker@ubc.ca

Correspondence should be addressed to:

Pension Administration Office
#235 – 2075 Wesbrook Mall
Vancouver, B.C. V6T 1Z1

Tel: 604-822-8100
Fax: 604-822-9471
E-mail: spp@hr.ubc.ca
Website:
www.pensions.ubc.ca/staff

Dear Plan Members,

Happy New Year! 2008 promises to be a busy year for the UBC Staff Pension Plan (SPP) Board, overseeing the Plan on an ongoing basis and continuing the work on plan improvements. We will continue to keep you informed about changes to the Plan, as well as retirement issues of interest to you.

I would like to begin by introducing our newest Board member, David Lance, who was appointed to the Pension Board by UBC effective January 1 for a four-year term. David comes to us from CUPE Local 116. A member since April 2000, David has a keen interest in the SPP and is looking forward to contributing to its continued improvement. Welcome David!

It is also my pleasure to congratulate Lorna Marshall for her reappointment to the Board of Directors, also effective January 1, for an additional three-year term.

We are well on our way to making an informed decision regarding the proposed changes to the SPP. We've provided an update and a timeline for the project on page 4, and the answers to some frequently asked questions on pages 5 to 7.

Thank you to all of you who took the time to come and hear about the proposed changes at our information sessions. Your feedback and support of the Pension Administration team is greatly appreciated. We continue to strive to create the best possible plan for all of our members.

Detailed information about the SPP and about the proposed changes is posted on our website at www.pensions.ubc.ca/staff/. You may also want to mark your calendar for our annual Pension Fair, May 6, 2008 – it's another opportunity to learn more about your pension plan.

On behalf of the Board,

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.

Maximize 2008 by getting the most out of 2007

February 29, 2008 is the deadline for RRSP contributions for the 2007 tax year, so you still have time to add to your retirement income and defer some taxes on last year's income.

Contribution room

Your RRSP contribution room for 2007 is 18% of your gross income (before taxes and deductions) to a maximum of \$19,000, less your Pension Adjustment. The RRSP contribution maximum increases to \$20,000 in the 2008 tax year.

Pension Adjustment

Your contribution room will be reduced by your Pension Adjustment – the value of the pension you accrued in your registered pension plan during the tax year. This amount is listed in Box 52 of your T4 slip. As well, 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 future years.

To find your contribution limit

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 <http://www.cra-arc.gc.ca>. You will need a Government of Canada epass, which you can also obtain on this website.

And for the New Year...avoid the last-minute contribution habit

Planning ahead could give you a leg up when building your RRSPs. By making monthly payments to an RRSP, you can earn interest throughout the year on the balance you accumulate. If you make one lump payment at the end of the year, you lose out on interest payments on your contributions during the year.

Other sources of retirement income

Source	Maximum Monthly Benefit		Contribution		Notes
	2007	2008	2007	2008	
Canada Pension Plan* <i>These rates are adjusted annually to reflect Consumer Price Index increase</i>	\$863.75 per month	\$884.58 per month	YMPE: \$43,700 4.95% of YMPE to a maximum of \$1989.90	YMPE: \$44,900 4.95% of YMPE to a maximum of \$2,049.30	<i>The YMPE (Year's Maximum Pensionable Earnings) is the maximum amount of earnings on which which Canadians can contribute the CPP</i>
Old Age Security** <i>These benefits are adjusted quarterly</i>	\$491.93 per month (Jan-Mar)	\$502.31 per month (Jan-Mar)			

* www.cra-arc.gc.ca/tax/business/topics/payroll/calculating/cpp/cont-chart-pf-e.html

** www.hrsdc.gc.ca/en/isp/oas/oasrates.shtml

A new option for retirees: pension income splitting

Those of you who are receiving a pension may be able to take advantage of new legislation when you file your 2007 income tax return this year.

Last year the federal government passed a bill that allows you to shift up to 50 per cent of your eligible pension income, on your income tax return, to your spouse or common law partner (providing you meet requirements for Canadian residency and marital or common law relationship definitions). The new option has the potential to keep more of your retirement income from the tax authorities in a couple of ways:

- If you are in a higher tax bracket than your spouse, you may achieve a tax saving
- If you currently pay back part or all of your Old Age Security (OAS) benefit because your net income exceeds a set amount (currently \$64,718), you may be able to reduce or eliminate this 'clawback' by shifting part of your pension income to your spouse.

What is 'eligible pension income'?

	If you are 65 or older	If you are under 65
Eligible pension income	<ul style="list-style-type: none"> • Lifetime annuity payments from a Registered Pension Plan (RPP) such as the Staff Pension Plan • Annuity payments from a Registered Retirement Savings Plan (RRSP) or Deferred Profit Sharing Plan (DPSP) • Payments from a Registered Retirement Income Fund (RRIF) or Life Income Fund (LIF) • The interest component of an annuity 	<ul style="list-style-type: none"> • Lifetime annuity payments and bridging benefits from an RPP
Income that is not eligible for pension income splitting	<ul style="list-style-type: none"> • OAS pension • Canada Pension Plan (CPP) pension • Payments from a funded or unfunded Supplemental Employee Retirement Plans 	<ul style="list-style-type: none"> • Annuity payments from an RRSP, a DPSP, a RRIF or a LIF • The interest component of an annuity • Canada Pension Plan (CPP) pension • Payments from funded or unfunded Supplemental Employee Retirement Plans

Is pension income splitting for you?

You may want to consider several factors when deciding if pension income splitting is a good option in your circumstances, including the effect of pension income splitting on:

- Your current tax bracket and that of your spouse
- The various tax credits for which you or your spouse may be eligible
- OAS refund rules

A qualified financial advisor can help you make a decision.

How it works

Income splitting covered by this legislation does not require that you actually split your pension with your spouse – just that you allocate it to your spouse on your income tax form. Each year you and your spouse must file a joint election form (T1032) with your income tax returns. Because the allocation could increase your spouse's tax payable, both of you must agree to the allocation in your tax returns each year. If you qualify for the pension division, the amount that is allocated will be deducted from your income and added to your spouse's income.

For more information, check these websites:

Finance Canada:

www.fin.gc.ca/pensioncalc/factsheet_e.html

Canada Revenue Agency:

www.cra-arc.gc.ca/agency/budget/2007/pension-e.html

Canadian Retirement Information Centre:

www.canretire.com/articles_details.asp?id=24914

Human Resources and Social Development Canada:

www.hrsdc.gc.ca/en/oas-cpp/index.shtml

Securing a better pension: proposed changes to the Staff Pension Plan

The November 2007 SPP Update included information about proposed changes to the Staff Pension Plan (SPP) and invited you to attend an information session. (The November newsletter can be found at www.pensions.ubc.ca/staff/library.html.)

Since November 23, the Pension Office staff held 13 information sessions and 365 people attended.

Another information session is scheduled for February 13 and sessions will continue to be

scheduled as requested.

If you would like to attend an information session, call

Shirley Lim at **822-8100** in the Pension Office.



Your feedback on proposed changes

The November newsletter also included a Feedback Form. To date, the Pension Board has received 285 completed forms. The box below summarizes your feedback.

Proposed benefit rate	Number of respondents in favour	Percentage of respondents in favour
1.65%	59	21%
1.70%	7	2%
1.75%	15	5%
1.80%	170	60%
No response/No change	34	12%
TOTAL	285	

Going forward

So what's the next step? The Pension Board anticipates that the demand to attend an information session will fall off by the end of February. The Board will meet in February and review your feedback before meeting with the elected representatives of CUPE Locals 2950 and 116, AAPS, IUOE, and BCGEU to go over the proposed changes and discuss your feedback. The Pension

Board will be seeking a consensus on how to move forward with the proposed changes. If there is no consensus, the Pension Board will review the proposed changes to see if they can be improved or changed. If a consensus is reached, the Pension Board and the Pension Office staff will continue to work on implementing the changes. The time line would likely be as follows:

Time Period	Activity
Present to February 2008	Employee input
Present to May 2008	Actuarial valuation to confirm cost estimates
January to December 2008	Member communications
March 2008	Meet with elected representatives of CUPE Locals 2950 and 116, AAPS, IUOE and BCGEU
March to April 2008	University Administration approval in principle
April to June 2008	Draft amendments
April to November 2008	Pension administration system changes
September 2008	University Administration approval
November 2008	Board of Governors approval
December 2008	File amendments
January 1, 2009 to July 1, 2009	Effective date of amendments to be determined

FAQs about the proposed changes to the SPP

We have developed the following Questions and Answers in response to the many questions we received during the information sessions and from the feedback forms. We hope you find them helpful.

1. Why is a change to the Plan necessary?

Because higher-paid members receive greater benefits relative to their contributions than lower paid members. By changing from the current integrated contribution and benefit formulas to flat contribution and benefit formulas, we can make the plan more equitable for all members at all salary levels.

2. Does this mean that the Staff Pension Plan has been unfair to lower-paid members since it started in 1972?

No, that's not the case. The equity issue today is caused by the existing integrated benefit and contribution formulas. They require different contribution rates at different levels of your earnings, and pay different benefit rates at different levels of your earnings. (See the November issue of SPP Update on the Pension website for details on these rates.)

When the average salary for Plan members was \$40,000 per year and no one in the Plan earned more than \$100,000 per year, the ratio of contributions paid and benefits earned worked well for all members. Today about 3% of the active membership earns more than \$100,000. With the greater difference between high- and low-earners, the existing formulas began to cause inequities. The equity issue can be solved by changing to a flat contribution formula and a flat benefit formula.

3. Why is the Pension Board proposing changing to a Flat formula for pension benefits when other defined benefit pension plans have integrated pension formulas and they are not proposing changes?

We expect that in time other defined benefit pension plans will change to a flat formula. The CUPE 2950 elected representatives asked the Pension Board to improve the Staff Pension Plan for their members and the proposed changes respond to that request. Elected representatives of CUPE 116 and AAPS have also expressed their support for the proposed changes. Moving to a flat formula makes it easier to improve pensions.

4. Will the change be retroactive?

No, the proposed changes will not be retroactive. It is very difficult to make retroactive changes and treat everyone fairly. Pension legislation does not permit changes that retroactively reduce benefits for members.

5. I am a retiree receiving a pension from the Staff Pension Plan. Will the proposed changes affect me?

The proposed changes will not affect your pension payments. Several of the changes will add to the security of your pension.

(continued on next page)

FAQs *(continued)***6. Why not use the funds in the Plan's contingency reserve to improve pensions?**

The monies in the contingency reserve are there to protect the retirees' pensions when the financial markets go down. For example, markets were down significantly early in the year, but because the staff pension plan has a sizeable contingency reserve the Plan continues to be in good financial shape.

7. What happens if the markets continue to go down and the contingency reserve is wiped out? Does the University (Plan Sponsor) have to put more money in the Plan?

The Plan's actuary must do an actuarial valuation every three years. One is being done now, as at January 1, 2008. If the funds in the Plan are not sufficient, the benefits will have to be reduced, beginning with reducing future indexing. The University and related employers such as TRIUMF are not required to contribute more money to the Plan if it is in a deficit position. The University's contributions to the Plan are fixed.

8. Is there a maximum amount of money that the Income Tax Act will allow in the Plan?

Yes. The Plan is allowed to hold assets to pay pensions, a contingency reserve of up to 40% of liabilities, and another 10% of liabilities as a surplus. If the assets in the Plan exceed the maximum, we have two options: to increase pension benefits or to make cash distributions to members. The money in the Plan belongs to the members so the University is not entitled to any surplus.

9. Why don't the proposed changes include an increase in University contributions?

The University contribution to the Staff Pension Plan is higher than most public sector pension plans and is comparable to other publicly funded Universities in Canada. The University contributes the same percentage of salary to the Staff Pension Plan as it does to the Faculty Pension Plan.

10. What do members in other comparable plans contribute?

Plan	Member Contribution Rate (below YMPE* / above YMPE)	Benefit formula – % of average earnings (below YMPE* / above YMPE)
UBC (now)	3.2% / 5.0%	1.3% / 2.0%
UBC after changes	One of the following: 5.0%, 5.5%, 6.0% or 6.5%	1.65%, 1.70%, 1.75% or 1.80%, depending on contribution rate
University of Victoria	4.78% / 6.53%	1.7% / 2.0%
Municipal Pension Plan	6.0% / 7.5% (plus 0.99% for deficit funding)	1.3% / 2.0%
Universities of Alberta Pension Plan (UAPP)	Group 1: 6.72% / 9.115%** (plus 2.46% for deficit funding)	1.4% / 2.0%
	Group 2: 6.22% / 8.615%*** (plus 2.46% for deficit funding)	1.4% / 2.0%

* YMPE stands for Year's Maximum Pensionable Earnings

** UAPP Group 1 includes the Universities of Alberta, Calgary and Lethbridge, the UAPP Trustees' office and professional staff at UofC Faculty Association

*** UAPP Group 2 is Athabasca University and the Banff Centre

11. Why do members with a spouse receive a retirement benefit that has a greater value than of a single member?

From 1972 to 1991 all members received a retirement benefit of the same value whether they had a spouse or not. The Plan was amended effective January 1, 1992 to provide a Joint and Survivor pension (a pension based on both the member's and the spouse's life) which had a slightly different, and usually slightly higher, value than a pension for a single member. The intention was to ensure there was a pension for a surviving spouse. The proposed changes will continue to provide Joint and Survivor pension options for members with a spouse, however the calculation of the pension will be changed to be equal in value to that of a single member.

12. Why do the proposed changes reduce the minimum lump sum benefit from double the member's required contributions (double refund) to a minimum benefit of 1.5 times a member's contributions?

The minimum benefit is being reduced so that the retirement pensions can be improved. Currently, a member who leaves UBC is entitled to the double refund or the commuted value, whichever is higher. The commuted value is the lump sum value of the pension a member earns to his or her termination/retirement date. If the proposed changes are approved, the member's commuted value will increase. That will result in the commuted value being greater than the minimum benefit under most economic conditions. The result is an improved retirement pension benefit.

13. How can I calculate what my pension will be per month based on the four benefit formulas described on the Feedback Form?

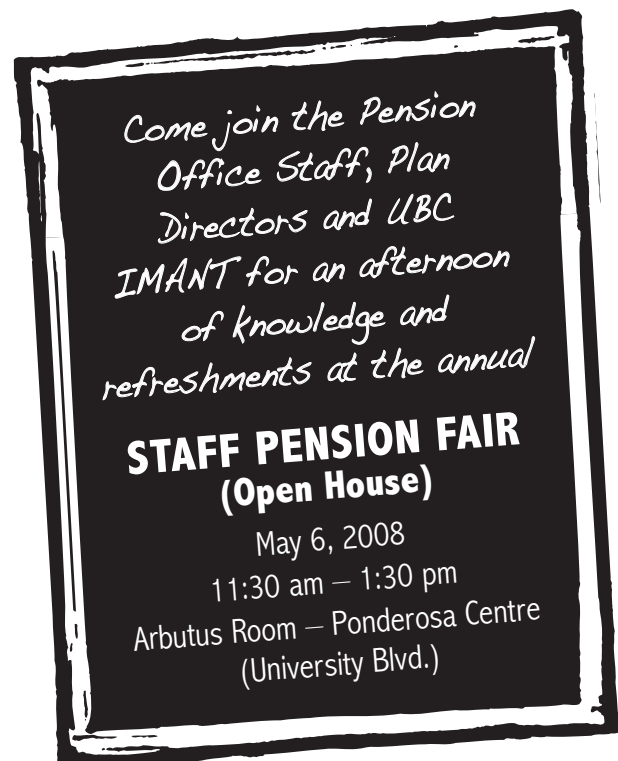
*Go to the SPP website: www.pensions.ubc.ca/staff. Under Quick Find on the right side of the page, click on **Proposed Plan Changes**. Scroll down to the links for different salaries and click on the example which most closely matches your salary. We have prepared 15 examples from \$30,000 to \$100,000 to help you understand the proposed changes.*

14. What impact will the proposed changes have on my RRSP room?

If the proposed changes are approved, there will be an increase in pension benefits for most members. An increased pension benefit means less RRSP room.

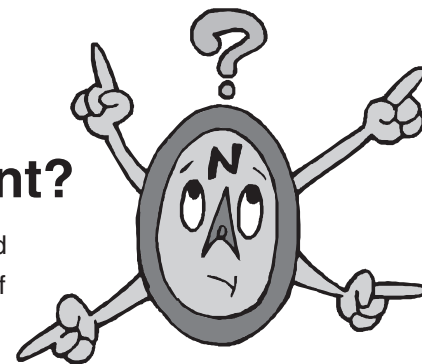
15. Is there any chance of implementing the proposed changes earlier?

The proposed changes, if approved, will take effect no earlier than January 1, 2009. Most likely they will take effect either April 1 or July 1, 2009 to coincide with employee salary increases.



Did you see which direction they went?

The Pension Administration Office needs your help in finding deferred and retired members of the Plan with whom we have lost contact over the years. These Staff Pension Plan members may be entitled to benefits from the Plan. If you have any information on the addresses, phone numbers or family members of any of the listed members, please contact the Pension Administration office at spp@hr.ubc.ca, or fax the details to **604-822-9471**. Any information you can supply will remain strictly confidential.



Name	Dept	Left UBC	Name	Dept	Left UBC
Marina M. Verenitch	ANSC	3/1/2000	Elizabeth Zunti	LGOV	10/1/1994
Patricia Ann Plackett	BCFN	11/1/1998	Jane Theilmann	MEDG	8/1/1996
Dina Anastas	BIOT	12/2/2002	Jennifer Scott	MEDG	5/1/1998
Treena Chambers	BKST		Pardeep Kaurah	MEDG	3/1/1998
Liqing Luo	BNRC	10/1/2002	Masoud Aftaita	METL	12/1/2002
John Mather	CCED		Tracy Brown	NDDC	6/1/2000
Xiao Feng	CHEM	5/1/2003	Valentina Mendoza	NDDC	1/1/2001
Melanie Mah	CMMT	9/1/2004	Heather Stewart	NRLG	8/1/2003
Darrell Foster Roze	COMF	4/1/1999	Christina Han	OPHT	8/1/2003
Thomas Meleady	CPCT	11/1/2002	Jatina Lai	OPHT	9/1/2002
Catherine D. Slater	DVOF	10/1/2003	Angie Hamel	PAED	1/1/2001
Sinh Duong	ELEC	7/1/2002	John Ten Heggeler	POSF	11/1/2005
Shougen Song	EOSC	8/1/2001	Wendy Wang	PSYT	7/1/2003
Jacqueline Jones	FACL	8/1/1994	Banafsheh Peyvandi	RESP	3/1/2004
Ben Reeves	FINA	9/1/2002	James Murray	Retired	4/1/1984
Kieran F Ryan	FLDO	8/1/2004	Rozanne Craig	Retired	8/1/1980
Norma Thomson	FMPR	6/1/1993	Alison Stack	RSAD	7/1/2005
Ethel Gardner	FNAT	11/1/1999	Michael E McKay	SALC	5/1/2001
Hong Pham	FORM	3/1/1995	Christine Weber	SDRI	8/1/2002
Joanne M Tuytel	FRSC	2/1/2006	Athanasios Souchlas	SSYS	11/1/2005
Yolanta Kulis	FRSC	7/1/2004	Bonnie Milne	UKWN	5/1/1988
Michael McCrae	GRAF	5/1/2004	Charles Xie	UKWN	7/1/2006
Renee L. Baluta	GRAF	12/1/2004	Chih Alice Lin	UKWN	6/1/1990
Adnan Qayyum	GIST	10/1/2004	Hong Li	UKWN	6/1/1995
Tao Dai	HCEP	7/1/1994	Lorraine Nelos	UKWN	4/1/2001
Marilyn Cox	HOUS	5/1/1995	Philomena Kaan	UKWN	9/1/1992
Zhipeng Wang	HOUS	6/1/2005	Ronald Irving	UKWN	10/1/1990
Nicholas Cioci	ITSV	3/1/2001	Suzanne Baylis	UKWN	10/1/2005
Paul C. Hilchey	ITSV	10/1/2005	Vicki Chor	UKWN	12/1/2003
Scott Brown	ITSV	11/1/2003	Dean S. Mulyk	ZOOL	3/1/2004
Patricia Leidl	LCIS	1/1/2005			