

# STAFF PENSION PLAN UPDATE

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:

### A look back...

The UBC Staff Pension Plan (SPP) started 2008 in a strong financial position and, despite tough market times, has remained in reasonably good shape. Even so, 2008 was a difficult year for SPP investment returns with an estimated loss of 19%. The Pension Board continues to work with the investment professionals at UBC IMANT (Investment Management Trust), closely monitoring how the markets are responding in 2009. We've provided a brief economic update and comment on the world market situation in this newsletter. A full investment report on your plan will appear in the April 2009 newsletter.

### ...and a look at the year to come

2009 begins with another milestone reached in our goal of improving your pension plan. In November, the UBC Board of Governors approved our recommended Plan changes. The new pension contribution and benefits formulas and the other improvements we've been working on will take effect July 1, 2009. We've summarized the major plan changes for you in this issue. Thanks again to all of you who took the time to attend information sessions and provide your input.

I'd like to welcome some new – and one returning – Board members. In the November election, you elected Tim Lawler and returned Alan Marchant to the Board. As well, Susan Claybo was appointed to the Board by the University. These positions began January 1, 2009 and run for a four-year term. For those who are interested, 1,663 Plan members voted in the elections, from a total of 8,547. That's 19.5% of eligible voters.

2009 also brings a Cost of Living Adjustment (COLA) to SPP retirees' pensions. The COLA this year is 3.4%, reflecting the Consumer Price Index over the last year. If you retired in 2008, you will receive a prorated cost of living increase based on your retirement date. See the brief article in this newsletter for more information.

Pension information is complex, so we provide information about your Plan in several forms. You can find detailed information about the SPP on our website at [www.pensions.ubc.ca/staff/](http://www.pensions.ubc.ca/staff/). As well, the Pension Board and staff members would be happy to answer, in person, any questions you may have at our annual Pension Fair. This year it will be held on May 29, 2009 – it's not too early to mark your calendar.

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.

## Economic Update

2008 was a challenging year for the SPP's investment returns, as it was for all large Canadian pension plans. UBC IMANT (Investment Management Trust) staff estimates that the 2008 rate of return for the SPP investment fund was negative 19%. Watch for a full investment report in the April 2009 newsletter, including the final rate of return.



The good news is that the SPP started 2008 in a strong financial position and remains in good financial shape. The SPP is 100% funded while the average Canadian pension plan is only 69% funded. In general, the SPP was more conservatively funded than other pension plans (both public and private sector) and so it was better positioned to withstand the turbulent markets.

2008 ended with markets in the negative double-digits. And, because the Canadian dollar declined in value against the U.S. dollar by 19.3%, Canadian market performance was poorer than the US markets. As of December 31, 2008 the Canadian S&P/TSX was down by 33%. The U.S. S&P 500, was down by 22.6% in Canadian dollars.

Here's a brief 'year-in-review' from UBC IMANT about how the financial markets fared, in general, last year.

### A year for the history books

In 2008, financial markets around the world were a casualty of Murphy's Law – anything that could go wrong, did go wrong. World stock markets lost \$30 trillion in value. Oil prices rose by over 50% and then fell by more than a \$100 dollars a barrel. House prices dropped. Bonds – except for government bonds – collapsed. Holiday sales season, despite excessive discounts, never took off – people just didn't want to buy.

Diversification that should have resulted in improved returns instead ended up spreading the problem to other markets, driving those markets down in an effort to raise cash. Globalization led to a global recession. Unemployment rose in most countries. The only good thing that can be said for 2008 was that inflation went down!

Governments around the world tried to reverse the declining trends by cutting interest rates. When that failed, fiscal stimuli in the form of investing in failing enterprises, direct spending and eventually tax breaks were tried. It will take time for these measures to take effect.

### Are we out of the woods yet?

Not yet. The year 2009 will be one of volatility with two competing forces at play – global recession on the one hand, and a 'wait-and-see' response from fund managers on the other. To protect themselves, organizations have responded to the markets by raising cash, but waiting to see how the situation develops before investing. With central banks across the globe pumping in money, a lot of it will eventually find its way into the markets.

The recovery won't start from equity markets however, as they are typically a barometer for the overall mood of the economy. Other markets, like the housing market and the housing-related credit markets may be among the first to start looking up. Equity markets will respond to this signal.

## Cost of Living Increase

SPP retirees will see a 3.4% Cost of Living Adjustment (COLA) on their 2009 pension payments. The COLA reflects changes in the Consumer Price Index over the past year. To date, the SPP has calculated the indexing on a slightly different timeline than the Canada Pension Plan (CPP). Beginning next January (2010), the SPP's method of calculating this adjustment will change so that it matches the timing of CPP's indexing system. The change simplifies comparison to CPP's indexing of benefits.

# Changes to the Staff Pension Plan: The Final Step

In November, 2008 the UBC Board of Governors approved the changes to the SPP recommended by the SPP Board. Following is a summary of the major changes that were approved. They will take effect July 1, 2009.

- **Pension benefits formula:** The new formula will be 1.8% of your best 3 years average salary times your years of pensionable service. The formula applies to service beginning July 1, 2009.
- **Required contribution formula:** The new employee formula will be 6.5% of pensionable earnings.
- **Termination lump sum payment:** The minimum lump sum payment on termination will be 1.5 times your contributions.
- **Disabled member contributions:** Plan members who go on Income Replacement Plan (IRP) and who are disabled on or after July 1, 2009 will be required to make member and employer contributions to the Plan to continue accruing pension service. Members who are on IRP prior to July 1, 2009 will not be affected by this change.

## Answers to some frequently asked questions about changes to the SPP

To help answer any questions you may have, here is a reprint of some frequently asked questions.



### 1. Will the changes to the SPP be retroactive?

*No. It is very difficult to make retroactive changes and treat everyone fairly.*

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

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

### 3. Why is the minimum lump sum benefit reduced 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.*

*As a result of the Plan changes, the member's commuted value will increase. That will result in the commuted value being greater than the minimum benefit under most economic conditions.*

### 4. What impact will the changes have on my RRSP room?

*Because your pension benefit will be larger, you will have less RRSP room. See the following page for more information on your RRSP contribution room.*

### 5. Is it possible that my pension benefit will be reduced because of the changes?

*No. To ensure that no one loses retirement benefits under the new flat benefit formula, a grandparenting provision applies to every person who is a Plan member on June 30, 2009. Every member will have accrued at least the same dollar amount of pension at normal retirement as under the old pension formula.*

## RRSP Information for 2009

March 2, 2009 is the deadline for RRSP contributions for the 2008 tax year. Information on how much you can contribute follows. Please note that the changes to the SPP, which take effect July 1, 2009, will affect your Pension Adjustment for the coming year.

### 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.

### Pension Adjustment

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

Beginning July 1, you will have a higher Pension Adjustment because your pension benefit will be higher under the new plan changes. That means you will have less room for tax-deferred RRSP contributions.

### Contribution room

Your RRSP contribution room for 2008 is 18% of your gross income (before taxes and deductions) to a maximum of \$20,000, less your 2007 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 future years.

The RRSP contribution maximum increases to \$21,000 in 2009 and \$22,000 in the 2010 tax year.

### Other Sources of Retirement Income – 2009

Source	Maximum Monthly Benefit	Contributions	Notes
<b>Canada Pension Plan*</b> These rates are adjusted annually to reflect Consumer Price Index increase	\$908.75	YMPE: \$46,300 YBE: \$3,500 4.95% of YMPE above the YBE to a maximum of \$2,118.60	The YMPE (Year's Maximum Pensionable Earnings) is the maximum amount of earnings on which Canadians can contribute the CPP. The YBE is the Year's Basic Exemption.
<b>Old Age Security**</b>	\$516.96 (Jan-Mar)		These benefits are adjusted quarterly.

\* [www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/cpp-rpc/cnt-chrt-pf-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/cpp-rpc/cnt-chrt-pf-eng.html)  
\*\* <http://www.hrsdc.gc.ca/eng/isp/oas/oasrates.shtml>

