

# REPORT TO MEMBERS 2013

 College  
Pension Plan

2013

1968

45 YEARS OF VALUE  
REPORT TO MEMBERS

## Important information inside

Celebrating 45 years . . . . .	2
Why I love my pension . . . . .	4
An eye to your future . . . . .	6
Plan vital statistics . . . . .	8
Financial details . . . . .	10
Thank you for asking . . . . .	12

# Celebrating 45 years

The College Pension Plan turns 45 this year. This timeline of milestones underlines the fundamental value of the plan: reliable income in retirement.

**1971** Total plan assets top \$1 million.

**1980** Inflation adjustment account (IAA) created. Future cost-of-living adjustments tied to funds in the IAA.

**1987** Plan has over 20 employers and more than 3,000 active members.

**1999** Total plan assets reach \$1 billion.

**2002** Launch of online purchase of service cost estimator. The estimator, an early step in providing online services, helps active members decide whether to purchase service.

**2006** Plan launches My Account, giving active members online access to their service summary. More My Account features added over time.

**2013** Benefits Canada names the plan 63 out of Top 100 in Canada.

**2013** Total plan assets reach \$3 billion.

**1968** The plan comes into being with 302 active members (83 per cent men, 17 per cent women). The five original employers—Capilano University, College of New Caledonia, Okanagan College, Selkirk College and Vancouver Community College—continue with the plan today. Estimated pension payment for a member with 20 years of service and \$750 in monthly salary is \$240 per month.

**1975** First “cost of living supplementary allowances” (cost-of-living adjustments) paid.

**1982** First cost-of-living adjustments from the IAA paid to retired members.

**1994** Improved governance: College Pension Advisory Board established to recommend changes in benefits, funding policy, contribution rates and more to government.

**2000** Jointly trustee board is formed.

**2004** Number of active members tops 10,000.

**2010** Cost-of-living adjustments capped to ensure they are sustainable for current and future retired members.

**2013** At 45, the College Pension Plan—with over 13,385 active members (44 per cent men, 56 per cent women) is healthy, with a bright future ahead.

# Why I love my pension

## Security and peace of mind

College Pension Plan retiree Judy Wilbee loves golfing and gardening, sailing and beachcombing. Since retiring almost 12 years ago, she's had the time and resources to spend her days doing what she loves.

## What did you do before you retired?

I started out as a nurse. Eventually I moved into teaching at the University College of the Cariboo (now Thompson Rivers University) in the Nursing Aide and Homemaker program.

## What's the best part of being a plan member?

The pension! The security and peace of mind: you know what you're going to get each month, which is a major "plus" of the plan.

## Is there anything you wish you had done differently as an active member?

I wish I had signed up right away. I did manage to buy back some leave time I took, but I do wish I had joined earlier.

## Plan for your future

Preparing for your future? Questions about your pension? When can you retire?

Read your redesigned *Member's Benefit Statement* (MBS) for answers.

Sent out each January with your *Report to Members*, the redesigned MBS will help you identify important information faster.

- It explains the value of your pension and provides you with an overview of the choices you may make about how and when to retire.
- It is also available online through My Account.

## How did you feel about your pension when you began working?

I was working part-time when I looked into joining. I had to consider the value of the plan and decide: is it worth it to me? The mental and emotional value of feeling secure was important to me so I signed up.

## What advice do you have for someone nearing retirement?

My biggest concern when I was getting close to retiring was: will it be enough? Well, it *is* enough. Mind you, my husband and I had some RRSPs and our lifestyle *has* changed. We get by well on what we have; we live modestly but not frugally.

## What do you look forward to in the next few years?

Oh my goodness! I volunteer with Habitat for Humanity; I've been on some interesting trips already and soon we're going to Nepal and Thailand. I volunteer, golf, garden. I don't even read as much as I'd like to, I'm too busy.



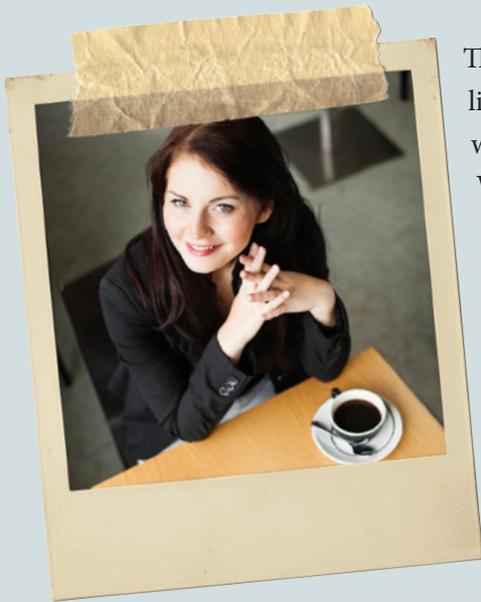
## My Account: fast, convenient, secure

My Account is your online gateway to your pension contribution and service history: a personalized tool to estimate your future pension amount and other important information.

*New to My Account?* Registration is quick and easy. Follow the simple instructions and start using the personalized pension estimator today! You will need your person ID number, which you can find on your *Member's Benefit Statement*.

Visit My Account at [college.pensionsbc.ca](http://college.pensionsbc.ca)

# An eye to your future



Think about what your life might be like just 10 years from now. Where will you be? What will you be doing? What will you need to know about your pension?

These stories illustrate the way three fictional members view the future.

**Meet Meera** *“I’ll be busy with my career, my family, my life! How relevant is my pension?”*

- It’s never too early to think about your pension. It is an important—and not the only—source of retirement income.
- The early days of contributing are just as important as later in life!
- Many life events like parental leave, changing jobs and taking a leave of absence can affect your pension.
- Find out more by visiting the New Member and Mid Career sections on [college.pensionsbc.ca](http://college.pensionsbc.ca).

**Did you know?** *Your future pension payments will come from contributions and investment returns. Roughly 30 per cent will come from contributions you and your employer made; 70 per cent will come from investment returns.*

**Meet Claudio** *“I’ll be nearing retirement age and looking at my options. I want to stay active in my field. What part will my pension play in my life?”*

- If you are within five years of retirement, the *Thinking About Retiring* seminar is a great way to learn about your pension options and ask questions.
- Did you separate or divorce? Pensions are family assets. Make sure you know your rights and have your paperwork in order.
- Find out more by visiting the Near Retirement and Retired Members sections on [college.pensionsbc.ca](http://college.pensionsbc.ca).



**Meet Li Min** *“I’ll be retirement age but I might want to stay involved in my field and return to work part time. What do I need to know?”*



- If you retire then return to work for an employer in the College Pension Plan, you may have options about how to handle your pension. Make sure you understand your choices: visit the Retired Members section on [college.pensionsbc.ca](http://college.pensionsbc.ca).
- Once you start collecting your pension, you will receive it every month for the rest of your life.
- The plan will keep in touch through *After Work*, the College Pension Plan’s retiree newsletter.
- The College Pension Services team will support you as a retired member.

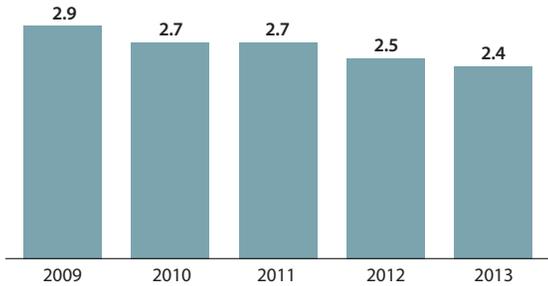
# Plan vital statistics

The 2013 numbers listed here are unaudited. For full, audited financial information, read the *2013 Annual Report*, available in spring on the plan website at [college.pensionsbc.ca](http://college.pensionsbc.ca).

## Financial highlights, unaudited (\$ Millions) for the year ended August 31, 2013

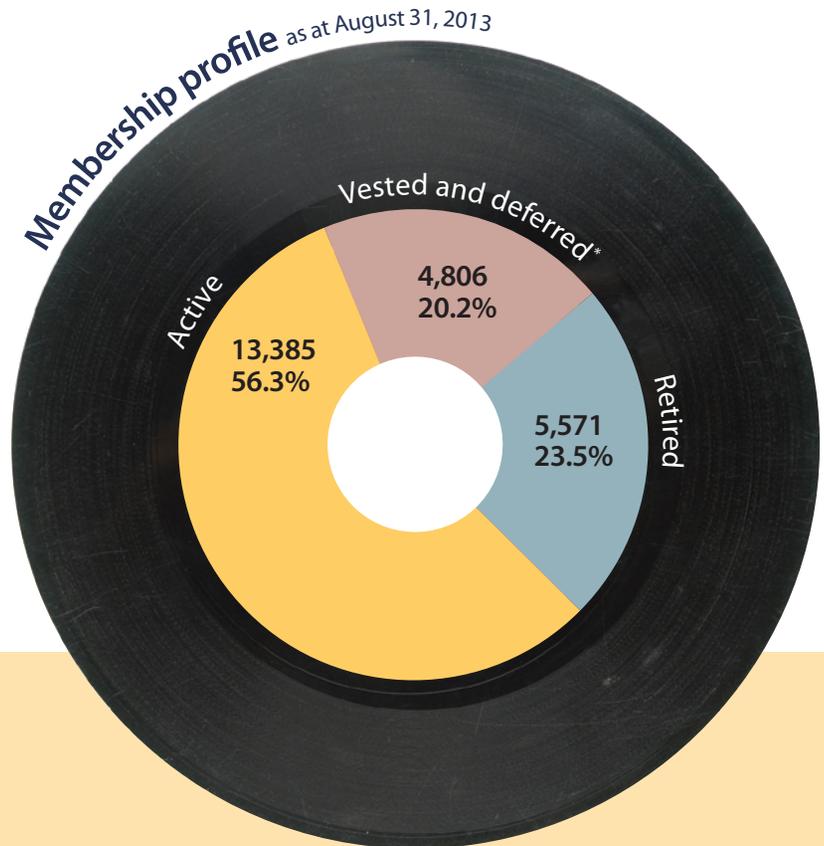
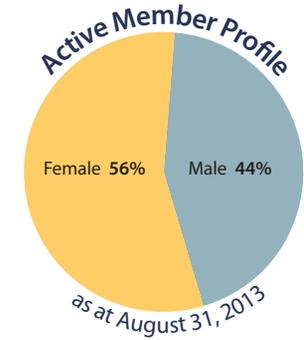
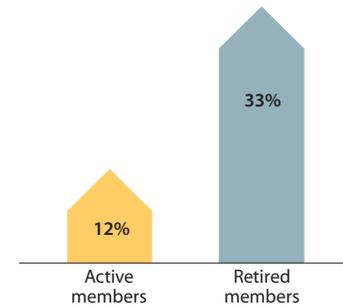


## Ratio of active members to retired members as at August 31



**StraightTalk** Understanding the value of your pension means understanding the straight facts about it. For an overview of the key facts about the plan, along with resources for in-depth details, visit StraightTalk on the College Pension Plan website: [college.pensionsbc.ca](http://college.pensionsbc.ca).

## Change in membership for the period ended 2009–2013



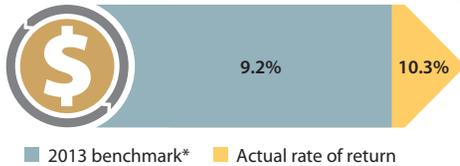
\* Those who have terminated employment but whose contributions remain on deposit in the plan. They may or may not be eligible for a pension in the future.

# Financial details

The College Pension Plan holds a diversified portfolio of investments that permits prudent management of risk and good long-term investment returns. For the plan's full investment policy, see the *Statement of Investment Policy and Procedures* on the plan website.



## Return on investments for the year ending August 31, 2013



\* Benchmarks are standards to compare against actual investment returns.

**WHY IT MATTERS:** In 2013, the plan exceeded its benchmark return of 9.2 per cent. We also aim to beat the five-year annualized actuarial assumption rate of 6.5 per cent. Over the long term, the plan aims to meet or exceed its benchmarks and the rate of return assumptions made by the actuary.

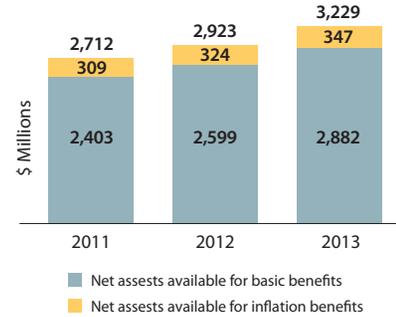
## Investment and administration costs as a percentage of net assets for the year ended August 31, 2013

Total Benefit Administration Costs	0.11
Total Investment Management Costs	0.24
Direct Costs	0.19
Indirect Costs*	0.05

\* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$1.8 Million reduce investment income and are not included in investment and administration costs. They are included in investment management costs as a percentage of net assets.

**WHY IT MATTERS:** The investment and administration costs for the plan are much lower than the fees an individual would commonly pay for managed investments. By carefully managing these costs, the plan retains more of its investment returns, which contributes to its long-term sustainability.

## Net assets available for benefits as at August 31



**WHY IT MATTERS:** The plan continues to grow. Over the last 10 years, the plan has more than doubled its assets. Assets are being built up to provide pension benefits, including cost-of-living adjustments, to current and future retirees.

## Asset mix and performance as at August 31, 2013

(All values %)	Approved Range	Actual Asset Mix Market Value	Rate of Return	Performance Benchmark*
Short-term	0-10	2.4	1.2	1.1
Mortgages	0-11	3.6	4.3	2.4
Nominal Bonds	10-25	13.3	(1.2)	(1.1)
Real Return Bonds	0-10	3.7	(10.8)	(10.5)
<b>Fixed Income</b>	<b>20-40</b>	<b>23.0</b>	<b>(1.7)</b>	<b>(1.9)</b>
Canadian Equities	10-20	15.1	10.5	9.3
Global Equities	15-30	28.0	25.3	26.6
Emerging Markets	3-13	8.6	3.8	7.5
<b>Public Equity</b>	<b>30-60</b>	<b>51.7</b>	<b>16.5</b>	<b>16.8</b>
<b>Real Estate</b>	<b>10-20</b>	<b>15.5</b>	<b>8.8</b>	<b>5.1</b>
Private Placements**	0-12	4.6	13.8	15.6
Strategic Investments and Infrastructure (SIIF)**	0-12	5.2	8.6	8.0
<b>Private Placements and SIIF</b>	<b>5-24</b>	<b>9.8</b>	<b>—</b>	<b>—</b>
<b>Total Portfolio</b>		<b>100.0</b>	<b>10.3</b>	<b>9.2</b>

\* Benchmarks are objective standards approved by the board to evaluate actual investment returns.

\*\* The illiquid assets are only valued once a year as of December 31. The rates of return for private placements and strategic investments reflect the December 31, 2012, internal rates of return which is the industry standard for calculating returns for illiquid assets.

**WHY IT MATTERS:** Maintaining a good mix of assets is part of the trustees' investment strategy; it's a bit like saying, "Don't put all your eggs in one basket."

# Trustees' Message

## Thank you for asking...

Trustees on the College Pension Board respond to frequently asked questions from members.

## What does the plan offer me?

- **Geraldine Hutchings, Chair** You can count on getting your pension when you retire. Thanks to joint trusteeship and the resulting strong governance, your plan is in a strong financial position. The board takes a prudent, long-term approach to investing and investments fared well through economically volatile times.
- **Dominique Roelants, Vice Chair** Plan investments are more effectively managed than individually managed investments: you benefit from matching employer contributions; pooling your risks across a large group and accessing large-scale, efficient and professional investment and administration services.

## Retirement is a long way off. What does the plan offer me today?

- **Danny Bradford** Being a plan member means you automatically save for your retirement by contributing to a secure, properly funded pension plan. Your retirement income is part of your total compensation package.
- **Weldon Cowan** You'll have a known, reliable income in retirement! You can count on that income and make concrete plans now for your future.

## What is a valuation and what does it mean for me?

- **Carl Fischer** An actuarial valuation is an independent, in-depth analysis of the financial condition of the

pension plan. It is conducted every three years to monitor the plan's financial "health".

- **Michael Lancaster** Valuations help trustees make decisions to do with the plan's funding. The bottom line? Valuations help the board ensure that your pension is secure.

## What do I really need to know about the plan's governance?

- **Karen Maynes** Strong plan governance is in place to protect your pension. Legally, trustees must be fair to the interests of all plan members—active members, deferred members and retirees. So the plan is in good shape now, despite lingering effects of the economic downturn, thanks to good governance.
- **Cameron McRobb** In their backgrounds the trustees reflect the various employer and member groups in the plan. The Joint Trust Agreement, which governs the plan, calls for collaboration and shared responsibility. Basically, trustees work together to make the plan the best it can be for you and all its members.

## What do you mean when you say the plan is "sustainable"?

- **Cindy Turner** The pension is well funded now and has been over its history. The board manages investments and contributions from employers and members to ensure the plan meets its pension promise today and into the future.
- **John Wilson** Your pension plan is designed fairly to ensure each generation pays in advance for its own pension benefits: you're paying for your own pension; retirees paid for theirs.

*It's up to you to understand your overall finances, including your pension. Take advantage of the plan's pension seminars and visit the plan website to learn more. Visit [college.pensionsbc.ca](http://college.pensionsbc.ca) today.*



## Pensions 201: Investment returns and you

Part of protecting you from the volatility of investments and markets involves averaging investment returns over a period to reduce extreme highs and lows. This process is known as **smoothing**. In the College Pension Plan, annual investment returns are averaged over five years. By averaging (smoothing) the returns, contribution rates for you and your employer are more likely to remain stable. For example, the global economic downturn in 2008 led to investment results much lower than expected. Averaging investment returns protected you and your employer from dramatic increases to your contribution rates.

## Pensions 305: Your pension estimates

On your *Member's Benefit Statement*, your pension estimates assume you'll continue earning your current salary and working the same hours you worked in the last fiscal year. The year's maximum pensionable earnings (YMPE, an amount set annually by Canada Revenue Agency) is a variable in the calculations, one we can't predict.

If your pension estimate for age 65 has decreased over time it's likely because of the relationship between your highest average salary (HAS) and the YMPE. If the YMPE increases more than your HAS, the bridge benefit portion of your pension grows faster than your total pension.

Even though you will not receive a bridge benefit if you retire at age 65, the bridge benefit calculation is part of your overall pension calculation and affects your monthly lifetime pension.

**Remember:** the closer you are to retirement, the more accurate your estimates are. Your final pension is calculated using your actual salary history, service and YMPE applicable at your retirement date.



# Rule Changes

## Employer withdrawal procedures amended

**Amendment 1 to *College Pension Plan Rules*, effective September 1, 2013**

This amendment sets out the terms and conditions for an employer to withdraw from the plan. It details the steps the employer must take to communicate with plan members, the employer's financial responsibilities and the way the assets and liabilities will be handled.

### What this change means to you

For members, there is no impact due to this change. This amendment standardizes the procedures in the event an employer wishes to withdraw from the plan. Currently, no employers are seeking to withdraw from the plan, and none are anticipated.

## Contribution rate increase for members and employers

**Amendment 2 to *College Pension Plan Rules*, effective September 1, 2013**

Contribution rates for members and employers each increased by 0.66 per cent of salary. The board raised contribution rates following an independent actuarial valuation of the plan as at August 31, 2012.

The valuation showed that the plan's basic account—the account from which lifetime pensions are paid—had actuarial assets of \$3.514 billion and actuarial liabilities of \$3.619 billion, meaning it was 97.1 per cent funded. The Joint Trust Agreement requires the board to increase contribution rates to eliminate an unfunded liability in the basic account.

The plan remains financially strong, and a contribution rate increase is just one of the many steps the board takes to ensure the plan remains fiscally sustainable and the pension promise stays secure for all members.

### What this change means for you

Starting September 1, 2013, contribution rates increased for you and your employer. The increase is modest due to strong plan governance and solid investment returns since 2010, which reflect positively on the plan's long-term, diversified investment strategy.



## College Pension Plan

PO Box 9460  
Victoria, BC V8W 9V8  
CPP@pensionsbc.ca

Victoria: 250 953-4324  
Toll-free: (Canada and U.S.)  
1 888 440-0111  
Fax: 250 953-0412

[college.pensionsbc.ca](http://college.pensionsbc.ca)

### **Disclaimer**

The information in this booklet is based on the legislation and the BC College Pension Plan rules in effect as of August 31, 2013, except where otherwise noted. In the event of any variation between the information in this booklet and the provisions of the statutes, regulations and plan rules that govern any benefits available under the BC College Pension Plan, the latter will prevail. Financial figures presented in this report as at August 31, 2013 are unaudited.