



BC GOVERNMENT AND SERVICE EMPLOYEES' UNION

# bcgeu pension plan

A Newsletter for Members of the BCGEU Pension Plan  
February 2009

## BCGEU Pension Plan Board of Trustees

Judi Filion (Chair)  
Jim Manson  
Paul Martin  
Kelly McDonald  
Peter Mehling  
Mike Nuyens

## 2008 Annual Member Statement

With this bulletin is your 2008 Annual Statement. We hope you will find the format straight-forward and easy to read. Explanatory notes are on page 2 of the statement.

### Investment Commentary

In recent months, we have all witnessed the collapse of some major international financial institutions, while the world's stock markets experienced a significant decline. Pension Plans were especially affected by this situation with typical returns, before expenses, ranging from -9.8 % to -24.0% for the year ending December 31, 2008. During this same period, the BCGEU Pension Plan's total return after expenses was -22.55%. The long term policy asset mix of the Plan is targeted at 25% in Canadian stocks, 35% in foreign stocks, 25% in bonds, 5% in cash and 10% in real estate.

In general, the higher the amount of stocks, the greater the losses that pension plans have experienced. In particular, exposure to managers with a growth style (those managers who are willing to pay an above market price for a stock that they believe will experience above market growth) would have had a negative impact on pension plans during the past few months. On the opposite end of the spectrum, managers with a value style (those managers that strive to invest in attractive companies at or below the average market valuation) have recently performed better (although performance would still have been negative). Typically growth managers outperform during up markets and underperform during down markets, while value managers underperform during up markets and outperform during down markets. The Plan's global equity manager is a value manager (35% of the Plan) and the Canadian equity manager is growth manager (25% of the Plan).

***It is important not to panic and stay on course during these uncertain times. The trustees do not believe that attempting to time the market is a credible strategy for the Plan. The BCGEU Pension Plan is well diversified in terms of different assets classes (Canadian stocks, foreign equities, bonds, cash and real estate) and different styles (growth and value). When markets inevitably recover in the future, the Plan will be well positioned to recoup the losses recently incurred.***

Although it is extremely difficult to identify exactly when market corrections happen, we do know that they occur from time to time. But, we also know from the past that stock markets will eventually rebound and, eventually, surpass their previous highs. However, we just don't know when the rebound will happen. By looking at past experiences, we can take some comfort.

During the late 1990's and early 2000's, we experienced the rapid increase in "tech" stocks which ended with a market correction in 2001. Although most investors realized that this upward spiral of stock prices could not continue indefinitely, many were caught off guard when the markets inevitably faltered. In March 2000, the "tech" bubble finally burst. During the twelve months following the market peak, we witnessed U.S. stocks lose 21.7% of their value. In Canada, the stock market peaked in early September 2000 and within six months the former darling of the market, Nortel, traded at less than 50% of its high, propelling the stock market to a loss of 26.2% from October 2000 to March 2001.

For those who started investing during this period of tech euphoria, the short-term losses hurt. But for those who persevered and stayed invested in diversified portfolios, their investments did recover. Over the six-year period from January 2001 to December 2006, Canadian stocks delivered an annualized return of 8.3%; not bad considering that the first two years of that period saw declines of over 12% each year.

4911 Canada Way, Burnaby, B.C., V5G 3W3

Telephone: 604-291-9611 Facsimile: 604-294-5092

The BCGEU Pension Plan is sponsored and controlled by members of the B.C. Government and Service Employees' Union. It is a fully trusteeed plan, providing secure retirement benefits for participants. If you have any questions about the plan, contact your steward or BCGEU Area Office.

So what does all of this mean to Plan members? First of all, do not panic. Markets go up and down in the short term, but over the long run stocks have consistently done better than bonds.

Second, it is also important to note that different markets react differently to shocks. The fourth quarter of 2007 is the perfect example. Although many stock markets suffered losses, the Canadian bond market was able to deliver positive returns. As well, different stock markets will also produce different returns during times of unrest. So it is important to remember that keeping all of your eggs in one basket is not a good idea. In particular, the BCGEU Pension Plan has investments in hundreds of different companies around the world. The Plan also has over 10% in real estate and 30% of the assets in bonds and cash that are not directly affected by the stock market turmoil. Even though the equity markets are down 40% to 50% from their highs, the BCGEU Pension Plan has benefitted from its diversified position.

The Trustees wish to assure all Plan members that they will continue to carefully monitor and administer the Plan in consultation with their advisors.

### Pension Plan Performance

At December 31, 2008, the annual return for the Plan was -22.55%. The December 31, 2008 unit value is 362.83. To illustrate the return you have earned in the Plan, you may find it interesting that the unit value at commencement of the Plan in March 1989 was 100. Following are the one, three, five, ten and fifteen year annualized rates of return at December 31, 2008.

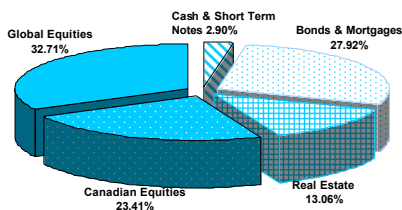
Average Annualized rate of Return (%)				
1 Year	3 Year	5 Year	10 Year	15 Year
-22.55%	-4.68%	1.22%	3.09%	5.90%

### Main Fund

The assets of the Main Pension Fund as at December 31, 2008 were approximately \$104.7 million and are comprised of the following asset classes:

Plan Assets at December 31, 2008:	
Cash & Short Term Notes:	2.90%
Bonds and Mortgages:	27.92%
Real Estate	13.06%
Canadian Equities:	23.41%
Global Equities:	32.71%
<b>Total Investments</b>	<b>100.00%</b>

### Main Fund Asset Distribution at December 31, 2008:



### Immunization Fund

The rate of return for the Immunization Fund was 3.66% for the 12-month period ending December 31, 2008 with total assets of \$2.2 million. The Immunization Fund is comprised solely of short-term notes. The Fund has been closed to new participants since January 2006.

### Important Reminders:

- The year to date contributions reported on your statement will not be an exact match to the contributions on your T4 slip. This is because contributions are reported on your statement in the year that they are received by the Plan. There is usually a one month delay from the time that they are deducted from your pay to the time that they are credited to your Plan account.
- If you know anyone that did not receive a statement, ask them to make sure that the Plan Administrator and Union have their current address.
- Check that your employer is remitting the correct percentage of employee and employer contributions as prescribed in the Collective Agreement.
- If you are retiring this year, you should be aware that annuities purchased through the Plan are purchased on a "net of commission" basis. This results in annuity payments which are higher compared to annuities purchased after funds have been transferred out of the Plan.

Plan Administrator:  
Fax:  
Toll Free Phone:  
Contact:  
Direct Line:  
Email:

Aon Consulting  
604-684-9902  
1-800-818-9855 Ext 564  
Barbara Whitear  
604-443-2564  
[barbara.whitear@aon.ca](mailto:barbara.whitear@aon.ca)

BCGEU WEBSITE: [www.bcgcu.ca](http://www.bcgcu.ca)  
Select "Components>10-Operational>Pension News"