

To all plan members and employers, unions  
and associations  
From Municipal Pension Board of Trustees  
October 03, 2008



## **Municipal Pension Plan Pensions are Secure**

The current turmoil in the financial markets has generated concern among pension plan members about the impact that this volatility may have on their pensions.

Speaking on behalf of the Municipal Pension Board of Trustees, Board Chair Ken Bayne said, "It is important to remember that the basic pension benefit for plan members is guaranteed. This means that even when there is short term volatility in the financial markets, basic pension benefits will not be affected. The Board would like to reassure plan members that their pensions are secure."

As a member of the Municipal 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 markets at any time before or after your retirement.

When you retire, we will confirm the exact amount of the pension you will receive and when the payment will arrive, and you can be assured the payment will continue, unaffected by the markets.

The Municipal Pension Board of Trustees works with the Plan's investment agent, the British Columbia Investment Management Corporation (bcIMC), in making prudent investment decisions about the Plan's assets of over \$25-billion. Those investment decisions are made within the investment policy framework set by the Municipal Pension Plan trustees.

In the fiscal year ending December 31, 2007, the Plan's investments generated a 4.4 per cent return to the Plan. Over the last decade, the annualized rate of return has been 7.5 per cent.

The Plan's funds are invested through bcIMC. Although bcIMC expects market volatility to continue into 2009, bcIMC and the Board of Trustees believe that the Municipal Pension Plan is well placed to weather this environment in a number of ways:

- bcIMC had been expecting this market correction for some time and positioned the Plan's investments defensively (for example, underweighting equities and increasing cash);
- The Plan's investments are well-diversified across a wide range of asset classes including cash, government bonds, stocks, real estate, and infrastructure (e.g., utilities, roads and bridges); and

- bcIMC is not directly exposed to the risky products at the root of the upheaval such as subprime mortgages, non-bank sponsored asset backed commercial paper, credit default swaps, or hedge funds. Furthermore, bcIMC does not use leverage, or borrowing, in the public markets.

However, while the long-term outlook for the Plan's investments is positive, they are not completely immune from broad market impacts. Short-term volatility will impact short-term performance, but the long-term investment returns of the Plan remain strong and, as a long-term investor, the Plan is well positioned to weather the recent events of the financial markets.

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