

PENSION NEWS

UBC FACULTY PENSION PLAN | Second Quarter 2012 Edition

RRIF and LIF-Type Payment Options

Two retirement options available to members of the Faculty Pension Plan (FPP) are the RRIF and LIF-Type Payment options. The RRIF and LIF-Type Payment options provide you with flexible retirement income within the FPP and allow you to continue to invest in the Plan's investment funds. These retirement options are similar to the RRIF and LIF options that are available outside the FPP.

When you retire or terminate employment after age 55, you may convert some or all of your FPP balance to the RRIF and LIF-Type Payment options. The RRIF-Type Payment option is for the non-locked-in portion of your account balance and the LIF-Type Payment option is for the locked-in portion of your account balance. These options provide you with flexible retirement income within set parameters: you are required to withdraw a minimum amount each year from the RRIF and LIF options, and there is also a maximum amount you can withdraw from the LIF option. There is no maximum parameter for the RRIF option. The minimum-maximum parameters are as follows:



RRIF and LIF Minimum and Maximum Annual Payments in 2012* (% of Total Fund)

Age	Minimum for RRIF and LIF	Maximum for LIF Only	Age	Minimum for RRIF and LIF	Maximum for LIF Only
55	2.86%	6.40%	68	4.55%	7.60%
56	2.94%	6.50%	69	4.76%	7.70%
57	3.03%	6.50%	70	5.00%	7.90%
58	3.13%	6.60%	71	7.38%	8.10%
59	3.23%	6.70%	72	7.48%	8.30%
60	3.33%	6.70%	73	7.59%	8.50%
61	3.45%	6.80%	74	7.71%	8.80%
62	3.57%	6.90%	75	7.85%	9.10%
63	3.70%	7.00%	76	7.99%	9.40%
64	3.85%	7.10%	77	8.15%	9.80%
65	4.00%	7.20%	78	8.33%	10.30%
66	4.17%	7.30%	79	8.53%	10.80%
67	4.35%	7.40%	80	8.75%	11.50%

*may vary from year to year

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This material has been compiled by the University of British Columbia Faculty Pension Plan Administration Office from information provided to them and is believed to be correct. If there is any inconsistency between the contents of the newsletter and the pension plan trust or legislation, the trust and legislation will prevail.



a place of mind

THE UNIVERSITY OF BRITISH COLUMBIA

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The income you receive from the Plan is taxable but your FPP balance itself, including investment earnings, remains tax-sheltered.

Within the minimum-maximum parameters, you are allowed to withdraw any amount you like each year, using a monthly, quarterly, semi-annual, or annual payment schedule. You do not need to stick to the same schedule of payments (i.e. the minimum, the maximum or something in between), but can change the schedule to meet your current needs. And you may convert it to an annuity at any time.

HOW IT WORKS

The RRIF and LIF-Type Payment options are administered by Sun Life, but invested in the FPP funds. At the beginning of each year (or more frequently, if needed), you will make an election of the amount to be paid into your bank account. Sun Life will send you quarterly statements of your account. In addition, you will have “real-time” access to your account information through the Sun Life website at www.sunlife.ca/member.

THE ADVANTAGES OF THE RRIF AND LIF-TYPE PAYMENT OPTIONS

The RRIF and LIF-Type Payment options give you control over your investment and your income flow in retirement, while remaining in the FPP. The RRIF and LIF-Type Payment options allow for variable income to meet variable expenses in retirement. You can withdraw more one year to travel, and stay home and take less the following year. The RRIF and LIF-Type Payment options allow you to leave an estate for your children and/or grandchildren.

THE DISADVANTAGES OF THE RRIF AND LIF-TYPE PAYMENT OPTIONS

There are no guarantees of future income levels with the RRIF and LIF-Type Payment options – your retirement income is exposed to both investment risk and longevity risk. If your investments lose money, you might find your income level curtailed; the RRIF and LIF-Type Payment options are not for you if you are not comfortable with investing.

It is possible to invest your RRIF and LIF-Type Payment balance in conservative investments such as the Bond Fund, Short Term Investment Fund, or Guaranteed Investment Certificates, but your income may be lower because of the expected lower investment returns from more conservative investments. If you consistently withdraw at the maximum level, there is also the risk that you may have insufficient income in your later retirement years.

MAKING CHOICES

There are many questions to consider before deciding that a RRIF and/or LIF-Type Payment option is the right vehicle for your retirement income. Are you willing to invest your own funds? How comfortable are you with having your retirement income exposed to the ups and downs of the financial markets? Do you need a guaranteed, fixed income, or do you want a RRIF and/or LIF-Type Payment? Do you want to leave an estate? Below is a comparison of retirement options.

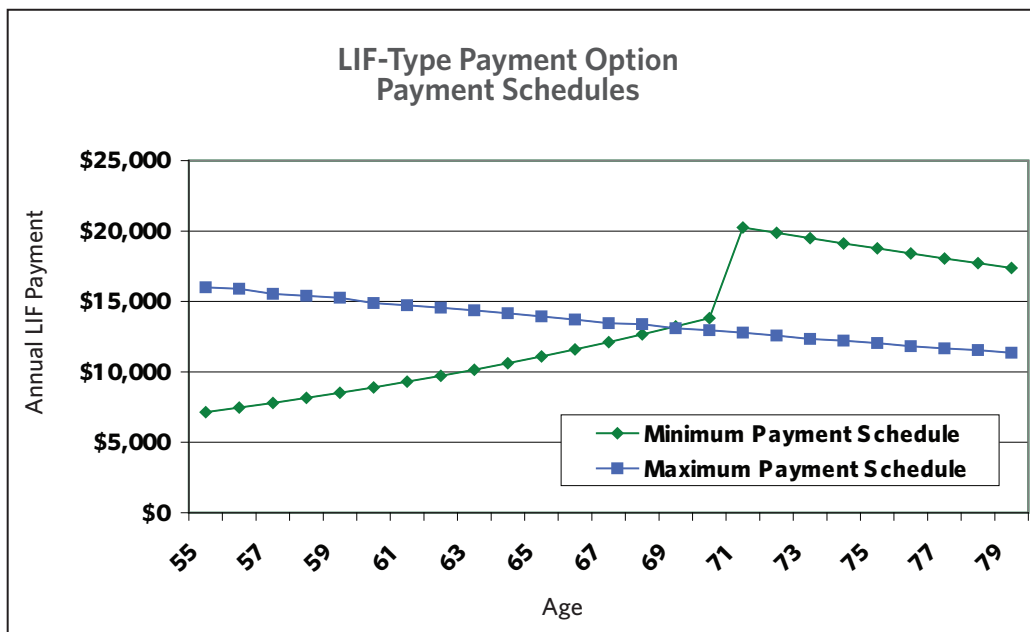
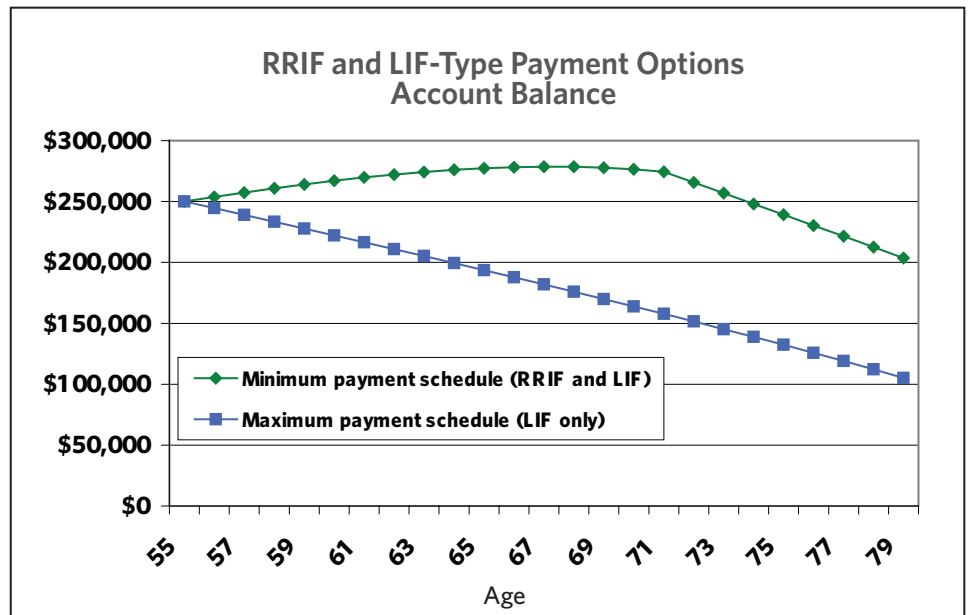
Comparison of Retirement Options

	FPP RRIF and LIF-Type Payment Options	FPP Variable Annuity	Insurance Company Annuity
Amount of pension	Variable, within a range, and dependent on fund performance	Determined at retirement, and varies thereafter with investment performance	Determined at retirement, fixed
Impact of commissions, management fees and expenses	No commissions; annual administrative expenses approximately 0.58% of assets	No commissions; annual administrative expenses approximately 0.58% of assets	Typical commission of 1% to 4% of purchase price
Impact of investment returns	Affects account balance and annual amount of income	Affects annual amount of income	None
Investment choices	FPP investment options	None - invested in Balanced Fund	None
Duration of income	Depends on fund performance and withdrawal amounts	Payable for life	Payable for life
Survivor's pension	Remaining account balance is paid to the beneficiary	60% pension or other arrangement as elected at retirement	60% pension or other arrangement as elected at retirement
Estate	Remaining account balance is paid to the beneficiary	Depends on arrangement elected at retirement	Depends on arrangement elected at retirement

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AN ILLUSTRATION

The "Account Balance" graph on the right shows the effect on your account balance over time (starting from \$250,000, and assuming investment earnings of 4.5% per year) if you were to withdraw at the minimum (diamond) level or the maximum (square) level. Based on this (4.5%) earnings assumption, if you withdraw at the minimum level, your account balance will continue to grow until you are close to age 70, whereas if you withdraw at the maximum level, your account balance will decline immediately.



The "Payment Schedules" graph on the left shows the payments each year for a balance of \$250,000 for two individuals, one always choosing the minimum payment and the other always choosing the maximum payment.

These schedules assume that investments earn a constant annual return of 4.5%. Initially, the minimum payment amount grows each year because the account balance continues to grow, ultimately getting smaller as the account balance declines. The maximum payment schedule declines each year as the account balance decreases in value.

ESTIMATING YOUR RETIREMENT INCOME

There is a Retirement Income Estimator on the FPP website that will help you estimate your retirement income from the Plan, including minimum and maximum payment amounts. Click on the Calculators link under the QuickFind menu or login to myPension to access this estimator.

WHERE CAN I FIND MORE INFORMATION?

Information on the RRIF and LIF-Type Payment options is available on the FPP website on the "Thinking of Retiring" page. Please also see the Retirement Options brochure on this web page, which provides an overview of the internal and external retirement options available to Plan members. ■

This article was provided by Satanove and Flood Consulting Ltd. for the Q2/04 Pension News newsletter. It has been revised and updated to reflect current information. Comments should be sent to: fpp@hr.ubc.ca

Recap of the Pension Forum

On May 23, 2012, the Faculty Pension Plan (FPP) held its inaugural Pension Forum. The event was divided into two one-hour sessions and members could choose to attend one or both sessions. The first session provided members with the opportunity to visit various topic tables and ask FPP staff about the Plan's investment and retirement options, and fund performance. We were also pleased that the following groups were in attendance to provide information to our members:

- **Service Canada.** Information on government-administered pension plans such as the Canada Pension Plan and Old Age Security.
- **UBC Faculty Relations.** Resources for faculty on issues such as appointment information, compensation, tenure and promotion, and other relevant policies and procedures.
- **UBC Retirement and Survivor Benefits Program.** Information on this program which offers a continuation of group benefits to UBC community members who retire or leave the University for any reason after age 55.

The second session included a presentation on the Plan's performance in 2011 and 2011/12 initiatives, and was followed by a short question period.

A post-event survey was e-mailed to members who attended the Pension Forum and the results showed that the majority of attendees found the event very or extremely valuable.

We would like to thank everyone who attended the Pension Forum this year and look forward to the event growing in the coming years.



Hear from the Plan's management and trustees about how the Plan is doing.



Great opportunity to meet the FPP staff and trustees. Mike Leslie, *Executive Director - Investments*, Lorraine Heseltine, *Member Services Specialist*, and Derrick Johnstone, *Senior Operations Manager* (left to right)



A variety of handouts and brochures to educate you on the Plan. Visit the Library on the FPP website for helpful handouts and articles.



Questions about the Canada Pension Plan or Old Age Security? Service Canada Representatives can help answer your questions in person.

MARKET COMMENTARY



The positive news for the global economy in the first quarter of 2012 proved to be short-lived as equity markets had a weak second quarter. Global growth slowed in all three main economic regions (Europe, U.S. and China). However, it was the renewed concerns over the ongoing debt crisis in Europe which had the largest negative impact on investors. The slowdown in global growth led to a drop in commodity prices such as oil, and this had a large impact on the resource oriented Canadian market.

Perceived good news from the European Summit in late June led to a big increase in share prices on the last day of the second quarter, and this helped to reduce the overall losses for the quarter.

The Canadian stock market returned a weak -5.7% in the second quarter and is now at -1.5% on a year-to-date basis. The Canadian market's high exposure to commodity stocks (i.e. the Materials and Energy sector) hurt returns, as investors expected weaker results going forward due to decreased demand for these products. The Technology sector also had a very weak quarter, due mainly to Research in Motion falling almost 50% in value in the second quarter.

The U.S. stock market also had a negative second quarter, down 0.8%, but is still up 9.7% year-to-date. Global equities were also negative at -3.2% in the second quarter in

Canadian dollar terms. These returns were largely a result of weak returns in both European and certain Far Eastern markets. Emerging markets, although having had a very strong first quarter (+12.1%), had a weak second quarter return at -7.0% when growth expectations were dampened with the weakening global economic news.

The Canadian Bond market had a good second quarter return of 2.2%, and has now returned 2.0% year-to-date. Long-term bonds (4.0%) and Real Return bonds (2.7%) were the strongest performing bond sectors in the second quarter. The Bank of Canada left rates unchanged but maintained its bias to increasing interest rates despite continuing weak economic news. The U.S. maintained its position of keeping interest rates low until at least 2014 by extending its Operation Twist bond purchasing program. ■

What's new on your Member Statement?

Two changes have been made to your FPP member statement:

Five-Year Personal Rate of Return

A column showing your 5-year personal rate of return has been added under the Personal Rate of Return section.

Guaranteed Investment Certificates (GICs)

One to five-year GICs are now offered as one of the Plan's investment options. If you are an **active** or **deferred member** and have made an allocation to a GIC(s), it will be shown under the Fund and Asset Allocation Summary sections.

If you are in the RRIF or LIF-Type Payment options, you will receive quarterly statements from Sun Life detailing your account balance. You may also view your account balance by logging into your Sun Life account at www.sunlife.ca/member.

New Member and Retirement Workshops

You & Your Pension Plan

This new member workshop focuses on the Plan's provisions, principles of investing, and the differences between the various investment choices. The next workshop will be held on **September 27, 2012 from 9:30 am to 11:30 am**.

Understanding Your Retirement Income Options

This workshop focuses on retirement income options and investment choices. The next workshop will be held on **August 30, 2012 from 12:00 pm to 2:30 pm**.

For more info or to register for one of the sessions above, please contact Lorraine Heseltine at lorraine.heseltine@ubc.ca. Please refer to the Workshops page on the FPP website for up-to-date workshop information and dates.

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**PERFORMANCE OF THE FUNDS
FOR PERIODS ENDING JUNE 30, 2012**

*Annualized returns

	3 Months	YTD	1 year	5 years*	10 years*
Balanced Fund - gross	-0.24%	4.14%	4.10%	3.03%	6.38%
Balanced Fund - net	-0.36%	3.87%	3.56%	2.48%	5.88%
Composite Index 1	-0.61%	2.99%	3.89%	2.69%	5.66%
Bond Fund - gross	2.56%	2.44%	10.11%	7.90%	6.71%
Bond Fund - net	2.49%	2.27%	9.77%	7.57%	6.42%
Composite Index 2	2.35%	1.95%	10.59%	7.55%	6.67%
Canadian Equity Fund - gross	-3.53%	1.46%	-7.78%	0.24%	8.49%
Canadian Equity Fund - net	-3.64%	1.23%	-8.18%	-0.20%	n/a
Composite Index 3	-5.60%	-1.41%	-10.33%	-0.81%	7.47%
Foreign Equity Fund - gross	-3.34%	7.41%	1.50%	-3.72%	1.40%
Foreign Equity Fund - net	-3.50%	7.04%	0.79%	-4.28%	n/a
Composite Index 4	-2.19%	7.05%	3.76%	-2.78%	2.14%
Short Term Investment Fund - gross	0.32%	0.59%	1.23%	1.66%	2.39%
Short Term Investment Fund - net	0.27%	0.50%	1.08%	1.50%	2.21%
Composite Index 5	0.27%	0.48%	0.96%	1.42%	2.25%

The Average Rate of Return for the FPP funds are updated on a monthly basis and are available under the QuickFind menu on the FPP website.

Composite Index 1: 32% DEX Universe, 10% S&P/TSX Capped, 5% S&P/TSX, 5% S&P/TSX 60 Capped, 6% S&P 500, 21% MSCI World Ex Canada, 3% Dex 91-Day TB, 10% CPI + 4% commencing November 2011 (retroactive), 8% DEX Real Return Bonds

Composite Index 2: 80% DEX Universe, 20% DEX Real Return Bonds

Composite Index 3: 25% S&P/TSX, 50% S&P/TSX Capped, 25% S&P/TSX 60 Capped

Composite Index 4: 73% MSCI World Ex Canada, 21% S&P 500, 6% DEX 91-Day TB

Composite Index 5: DEX 91-Day TB Index until August 2007, DEX 30-Day from September 2007 to January 2011, DEX 91-Day TB Index as of February 2011.

**COMPOSITION OF THE FUNDS
AS AT JUNE 30, 2012**

	Market Value (\$ Millions)	% of Funds		Market Value (\$ Millions)	% of Funds
BALANCED FUND			CANADIAN EQUITY FUND		
Equities - Canada	225.7	19.1%	Equities - Canada	97.2	99.0%
Equities - U.S.	194.7	16.5%	Cash	1.0	1.0%
Equities - non-North American	120.6	10.2%	Total Canadian Equity Fund	98.2	100.0%
Absolute Return Hedge Fund	30.3	2.6%	FOREIGN EQUITY FUND		
Real Estate - Canada	128.0	10.8%	Equities - U.S.	23.5	57.3%
Fixed Income	373.8	31.6%	Equities - non-North American	14.5	35.4%
Real Return Bonds - Canada	105.3	8.9%	Absolute Return Hedge Fund	2.3	5.6%
Cash	4.3	0.3%	Cash	0.7	1.7%
Total Balanced Fund	1,182.7	100.0%	Total Foreign Equity Fund	41.0	100.0%
BOND FUND			GUARANTEED INVESTMENT CERTIFICATES		
Fixed Income	59.7	77.4%		7.0	100.0%
Real Return Bonds - Canada	16.8	21.8%	SHORT TERM INVESTMENT FUND		
Cash	0.6	0.8%		56.3	100.0%
Total Bond Fund	77.1	100.0%			