



# Pension News

UBC Faculty Pension Plan  
Third Quarter 2007 Edition

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**“Dr. Neil Guppy and Dr. Rob Heinkel have been re-elected by acclamation to serve another two-year term”**

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### Christmas to New Year Closure

The Pension Administration Office will be closed from December 25, 2007 to January 1, 2008, inclusive. All termination benefit payments and retirement benefit cheques will be calculated and sent before December 21, 2007. If you are planning to transfer funds in December or January, or to begin a retirement benefit in January, please send the forms to the Pension Administration office by December 1, 2007. In case of an emergency during the closure, the general phone line 604-822-8100 will be monitored daily.

## Retirement Income – Things to Think About

There are two common questions people ask as they approach retirement:

- How much income do I need?
- How can I reduce my taxes?

This article helps answer these questions.

### Estimating your Retirement Income Needs

It is difficult to determine in advance what your income needs in retirement will be – will you spend more or less than you currently do? A good starting point is to do a budget with two columns – one for the amounts you spend each month now, while you are working, and the other for anticipated budget items when retired.

You should require less gross income to meet normal regular monthly expenses in retirement because you will no longer have deductions such as CPP, FPP, EI, IRP and optional life insurance. You will be adjusting your savings requirements and you will generally have additional tax credits. However, there will be other items such as Medical Services Plan and extended health and dental coverages that will be more costly when they are no longer subsidized by the University. See also “How much money will I need to retire?” in the First Quarter 2002 edition of *Pension News*.

You can estimate your retirement income using the external calculator links at:

[www.pensions.ubc.ca/faculty/calculators.html](http://www.pensions.ubc.ca/faculty/calculators.html)

### Tax Matters When You Retire

There are special tax provisions that apply to pension income and income earned after age 65. Income splitting, including its effect on old age security “clawback” payments, and certain non-refundable tax credits are discussed below.

#### Income Splitting

Income splitting is a tax planning strategy whereby taxable income is transferred to a spouse in a lower income tax bracket, which reduces the total tax paid. Canada Pension Plan Sharing and the new Pension Splitting arrangement instituted by Canada Revenue Agency are two types of income splitting.



**1. Canada Pension Plan sharing**

Canada Pension Plan (CPP) sharing means that each spouse receives a portion of the other's CPP pension. The amounts depend on how long they have lived together and on their contributory periods. Even if only one spouse has been a contributor, that one pension can be shared. Each spouse pays income tax on the amount he/she receives, making this feature attractive for spouses in significantly different tax brackets.

**2. Pension Income Splitting**

Effective with the 2007 tax year, Canadian residents receiving **eligible** pension income (identified in the "Qualifying Income" column in the following table) may make a "deemed" assignment of up to 50% of their pension income to their spouse. This election is made each year on your tax return and differs from the CPP pension sharing arrangement in that actual pension payments are not shared – the "deemed" assignment is made for tax calculation purposes only. For more information, the link at Canada Revenue Agency (CRA) is:

[cra-arc.gc.ca/agency/budget/2007/pension-e.html#q1](http://cra-arc.gc.ca/agency/budget/2007/pension-e.html#q1).

**"Clawback" Of Old Age Security Pension (OAS)**

The OAS is a federally sponsored program that provides retirement income to all Canadians age 65 and over, subject to meeting certain residency requirements.

If your taxable income is greater than \$63,511 in 2007, you will have to pay back a portion of the OAS benefit received. The clawback is equal to 15% of your income over the \$63,511 threshold, which must be paid when you file your tax return. If your taxable income is greater than \$103,642.80, the clawback will totally eliminate the OAS benefit. Income splitting may reduce your OAS clawback.

**Non-refundable tax credits**

Non-refundable tax credits reduce the amount of tax paid on certain types of qualifying income. Two of these tax credits are the **Pension Income amount** and the **Age 65 amount**. Non-refundable tax credits are calculated by multiplying the qualifying income amounts by the lowest tax bracket rate, 15.5% for federal and 5.7% for B.C. provincial. As an example, qualifying income of \$1,000 provides a federal tax credit of \$155 and provincial tax credit of \$57. The following table summarizes the types of income and maximum amounts that qualify for these non-refundable tax credits.

Non-refundable tax credit	Maximum amount	Qualifying Income
<b>Pension Income amount</b>	<b>Federal</b> \$2,000 <b>Provincial (B.C.)</b> \$1,000	<p style="text-align: center;"><b>Under age 65</b></p> <ul style="list-style-type: none"> <li>• Lifetime annuity/pension payments from a registered pension plan (RPP)</li> </ul> <p style="text-align: center;"><b>Age 65 and over</b></p> <ul style="list-style-type: none"> <li>• Lifetime annuity/pension payments from an RPP or RRSP</li> <li>• Payments from a RRIF or LIF (including Faculty Pension Plan RRIF/LIF type payments)</li> </ul> <p style="text-align: center;"><b>Ineligible</b></p> <ul style="list-style-type: none"> <li>• CPP, OAS and lump sum payments from an RPP or RRSP</li> </ul>
<b>Age 65 amount</b>	<b>Federal</b> \$5,177 <b>Provincial (B.C.)</b> \$4,048	<ul style="list-style-type: none"> <li>• Must be age 65 or older with net income from all sources of \$30,936 or less to qualify for maximum amount</li> <li>• Partial claim is available for net income between \$30,936 and \$65,452</li> </ul>

**Notes to table:**

1. All amounts quoted in the table are applicable for the 2007 taxation year.
2. The B.C. provincial net income amounts used for the **Age 65** tax credit vary slightly from the federal amounts.



## Where to Find Additional Information

Contact information	
CPP / OAS	www.servicecanada.gc.ca 1-800-277-9914
Canada Revenue Agency	www.cra.gc.ca 1-800-959-8281
Faculty Pension Plan	Jim Loughlean www.pensions.ubc.ca/faculty jim.loughlean@ubc.ca 604-822-8987

*This article is intended for general information only, and should not be construed as legal, tax or specific advice. Readers should consult a professional advisor concerning their individual situations*

## Trustee Updates

The UBC Board of Governors recently appointed Dr. Joanne Emerman of the Department of Cellular & Physiological Sciences as an FPP trustee for a four-year renewable term. Dr. Emerman also served in 1996 and 1997, and the trustees and staff look forward to working with her.

Dr. Emerman replaces Professor Dennis Pavlich who was appointed President of the Great Northern Way Campus in December 2006. The Board of Trustees would like to thank Professor Pavlich for his many valuable contributions to the FPP over the past eleven years and wish him well in his new endeavour.

Dr. Neil Guppy and Dr. Rob Heinkel have been re-elected by acclamation to serve another two-year term, commencing January 1, 2008. Dr. Heinkel has been a trustee since January 1990 and Dr. Guppy since January 2006. The Board thanks them for their time and valuable contributions, and for continuing to serve another term.

## STIF Update

Effective September 7, 2007, all the assets in the Short Term Investment Fund (STIF) were moved from the Legg Mason Western Asset Canadian Money Market Fund to bcIMC Short Term Fund 1. This fund invests in very short term debt securities (up to 45 days) that are issued, insured or guaranteed by a Canadian government. This fund assumes minimal investment risk and targets to outperform the Scotia Capital 30 day Treas-

ury Bill index. The Legg Mason Western Asset fund had some exposure to short term corporate paper, and due to the current volatility in the short term debt market, the trustees decided to move the funds to the bcIMC fund that invests only in Canadian government issues. bcIMC also manages foreign equities and Canadian real estate for the Faculty Pension Plan.

### Faculty Pension Plan Board Members

<i>Mr. Joost Blom, Chair, Law.....</i>	<i>604-822-4564</i>
<i>Dr. Robert Heinkel, Vice-Chair Commerce.....</i>	<i>604-822-8347</i>
<i>Dr. Joy Begley, Commerce .....</i>	<i>604-822-8527</i>
<i>Dr. Joyce Boon, Biology/ Physical Geography .....</i>	<i>250-807-9545</i>
<i>Dr. Joanne Emerman, Cellular &amp; Physiological Sciences.....</i>	<i>604-822-2969</i>
<i>Dr. Neil Guppy, Sociology.....</i>	<i>604-822-3670</i>
<i>Mr. Al Poettcker, UBC Properties Trust .....</i>	<i>604-731-3013</i>
<i>Dr. Patrick Walden, TRIUMF.....</i>	<i>604-222-7430</i>

### Faculty Pension Plan Staff

<i>Executive Director – Investments</i>	
<i>Ms. Diane Fulton .....</i>	<i>604-822-6429</i>
<i>Executive Director – Operations &amp; Secretary to the Board</i>	
<i>Ms. Cheryl Neighbour .....</i>	<i>604-822-8112</i>

#### *Correspondence/Queries:*

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 #235 – 2075 Wesbrook Mall  
 General Services Admin. Building  
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<i>Reception .....</i>	<i>604-822-8100</i>
<i>Jim Loughlean.....</i>	<i>604-822-8987</i>
<i>Louise Mah .....</i>	<i>604-822-6015</i>
<i>Frances Lu.....</i>	<i>604-822-8647</i>
<i>Jill Smith .....</i>	<i>604-827-3286</i>
<i>Fax Line .....</i>	<i>604-822-9471</i>
<i>Email: .....</i>	<i>fpp@hr.ubc.ca</i>

**Web: [http:// www.pensions.ubc.ca/faculty](http://www.pensions.ubc.ca/faculty)**



# Pension News

## UBC Faculty Pension Plan

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## Market commentary

The third quarter was dominated by stories of the U.S. sub-prime mortgage issues, and the resulting volatility in the markets. The other dominant story, from a Canadian perspective, was the soaring dollar. The healthy Canadian economy and strong commodity prices contributed to the Canadian dollar's strength, and the dollar ended September at \$1.01 U.S., up from 94.1 cents U.S. at the end of the second quarter.

North American equity markets had a solid quarter with a 2% return for the S&P/TSX index and a 1.6% return for the U.S. S&P 500 index (in local currency). When converted to Canadian dollars, however, the S&P 500 returned -4.7% for the quarter. Strongest returns in the Canadian equity market were from the information technology and materials sectors, with health care lagging. The MSCI-EAFE index dropped 3.0% in local currency, which translated into a -4.6% return in Canadian dollars. Bond markets rallied. The Scotia Capital Universe index returned 1.7%, with corporate bonds underperforming due to the credit issues.

## Investment Allocation Deadlines – Change Effective January 2008

To improve administration, the Investment Allocation Form submission deadline will change to the 4th last business day of each month, effective January 2008.

The following are the 2008 cut-off dates:

January 28	May 27	September 25
February 26	June 25	October 28
March 26	July 28	November 25
April 25	August 26	December 24

## Performance of Funds for periods ending September 30, 2007

	3 Months	1 year	3 years	5 years	10 years
Balanced Fund - gross	0.17%	10.13%	11.47%	10.99%	7.01%
Balanced Fund - net	0.07%	9.71%	11.02%	10.54%	6.59%
Composite Index 1	0.01%	9.03%	10.32%	10.70%	n/a
Canadian Equity Fund - gross	2.24%	23.81%	21.07%	21.22%	10.05%
Canadian Equity Fund - net	2.14%	23.32%	n/a	n/a	n/a
Composite Index 2	2.18%	23.10%	20.07%	20.35%	n/a
Foreign Equity Fund - gross	-4.94%	6.00%	9.55%	9.10%	3.46%
Foreign Equity Fund - net	-5.00%	5.60%	n/a	n/a	n/a
Composite Index 3	-4.38%	7.34%	8.71%	9.62%	n/a
Bond Fund - gross	2.02%	1.53%	4.48%	5.15%	5.95%
Bond Fund - net	1.96%	1.32%	4.27%	4.91%	5.71%
Composite Index 4	1.65%	1.06%	4.48%	5.27%	n/a
Short Term Investment Fund - gross	1.16%	4.42%	3.59%	3.21%	4.40%
Short Term Investment Fund - net	1.12%	4.25%	3.39%	3.01%	4.11%
SC 30-day T-Bill Index	1.26%	4.44%	3.54%	3.18%	n/a

**Composite Index 1:** 33% SCU, 10% S&P/TSX Capped, 5% S&P/TSX, 5% S&P/TSX 60, 15% S&P 500, 15% MSCI-EAFE, 2% SC 91-Day TB, 10% IPDCPI, 5% SC Real Return Bonds

**Composite Index 2:** 50% S&P/TSX Capped, 25% S&P/TSX, 25% S&P/TSX 60

**Composite Index 3:** 48% S&P 500, 48% MSCI-EAFE, 4% SC 91-Day TB

**Composite Index 4:** 86.8% SCU, 13.2% SC Real Return Bonds

## Composition of Funds as at September 30, 2007

	Market Value (\$ Millions)	% of Fund
<b>Balanced Fund</b>		
Equities - Canada	235.4	21.4%
Equities - U.S.	147.1	13.4%
Equities - EAFE	155.8	14.2%
Absolute Return Hedge Fund	23.2	2.1%
Real Estate - Canada	122.9	11.2%
Fixed Income	363.5	33.1%
Real Return Bonds - Canada	46.8	4.3%
Cash & Short term	3.9	0.3%
<b>Total Balanced Fund</b>	<b>1,098.6</b>	<b>100.0%</b>
<b>Canadian Equity Fund</b>	<b>79.5</b>	<b>100.0%</b>
<b>Foreign Equity Fund</b>		
Equities - U.S.	17.4	46.5%
Equities - EAFE	18.4	49.2%
Absolute Return Hedge Fund	1.6	4.3%
<b>Total Foreign Equity Fund</b>	<b>37.4</b>	<b>100.0%</b>
<b>Bond Fund</b>		
Fixed Income	22.4	88.5%
Real Return Bonds - Canada	2.9	11.5%
<b>Total Bond Fund</b>	<b>25.3</b>	<b>100.0%</b>
<b>Short Term Investment Fund</b>	<b>35.7</b>	<b>100.0%</b>