

2005

Municipal Pension Plan

REPORT TO MEMBERS



**Municipal
Pension Plan**



Municipal Pension Board of Trustees

Trustees as of December 31, 2005

Primary Trustee

Sharon Saunders, Chair
Kenneth Bayne, Vice Chair
Dennis Blatchford
Harold Heyming
Joe Strain
Maria Wahl
Brian Northam
Bruce Kennedy
John Johnston
Louise Mercer
Lyn Vandermey
Brendan Dick
Gary Johnson
Steven Polak
Frank Leonard
vacant

Alternate Trustee

Andrea Wiebe
Keith Ewart
vacant
Todd Sweet
Terry Killough
Barry O'Neill
Brian McConville
vacant
Pat Doyle
John Davison
Louise Simard
Kelly Knox
Donisa Bernardo
Fran Macdonnell
Malcolm Brodie
Richard Taylor



Trustees' Message

The good news is that the Municipal Pension Plan's basic account is sound and is expected to continue to provide secure retirement income for all members.

However, we continue to face challenges with the cost of post-retirement group benefits (extended health and dental coverage). The funding available for these benefits is not sufficient to meet the cost of the current program, and we are reviewing options to resolve this situation. We recognize the significant impact that any changes will have on active and retired members and are seeking input from these groups.

Since 2002, the Board has announced a number of changes that allowed the benefits to continue for a few more years. These adjustments gave us some time, but they did not change the fact that the cost of post-retirement group benefits is increasing at a much faster rate than is the source of funds available to the Board.

The latest projections show that the plan cannot continue to fund post-retirement group benefits at the current level beyond 2008. At that time, the cost to provide these benefits will exceed the funds available, and there will be no additional source of funding. The Municipal Pension Board of Trustees must take action now to address this issue.

Since January of this year, Trustees have been consulting with plan partners, members and associations. Trustees have also identified a number of possible changes to post-retirement group benefits. We expect to wrap up consultations by the summer or early fall. An insert included in this mailing provides more details on the issues.

Once these consultations are completed we expect to reach a more long-term solution. Changes are expected to be in place by January 2007.

Sharon Saunders
Chair

Kenneth Bayne
Vice Chair



Plan Update

Contribution Rate Increase

The contribution rates for plan members and employers increased in 2005. The members' rates effective July 1, 2005 are:

- 6.99% of pensionable salary up to the year's maximum pensionable earnings (YMPE), and
- 8.49% of pensionable salary for salary in excess of the YMPE.

Employer rates increased by 0.99% of salary effective July 1, 2005.

Reinstatement of Service

Members wishing to reinstate a refund taken from the College, Public Service or Teachers' pension plan must do so by March 31, 2007, and while they are active members.

Purchase Window Will Close in One Year

In 2002 we made it easier for members to purchase service. Members who joined the plan prior to April 1, 2002, have until March 31, 2007, or termination of employment (whichever comes first), to purchase past service. If this affects you, consider making your purchase request early to avoid the rush of requests that we expect in 2007.

See you at the 2006 Annual General Meeting

This year's Annual General Meeting will be held at the Michael J. Fox Theatre in Burnaby on Saturday, October 14 from 9:30 a.m. to 1:00 p.m.

If you cannot attend, you can still participate in the meeting from your home by logging on to our website at mpp.pensionsbc.ca, where we will be webcasting the proceedings for the third year.



Municipal Pension Plan Joins the National Public Service Pension Transfer Agreement

The Municipal Pension Plan joined the National Public Service Pension Transfer Agreement on March 17, 2005.

The agreement allows plan members with service in certain other public sector pension plans (outside of Municipal) to transfer their service into the Municipal Pension Plan so that they can increase the pension benefits they will receive.

Members interested in transferring their former service should contact the plan to see if they are eligible to do so.

Court Decision in B.C. Nurses' Union v. Municipal Pension Board of Trustees

In a recent judgement, the Supreme Court of British Columbia agreed that non-pension benefits such as subsidies for health premiums depend on available funding and can be changed.

The B.C. Nurses' Union was seeking a declaration that retired nurses had a vested right to receive non-pension benefits at the coverage and premium subsidy level in force when they retired.

The action was in response to changes to the Municipal Pension Plan in 2004 that reduced subsidies for health premiums.

In his decision of January 26, 2006, Justice Romilly agreed these non-pension benefits were not vested. The BCNU has filed notice of appeal.

New Address Links Directly to the Municipal Pension Plan Website

The address or URL for the MPP website has changed. To go directly to the website type in **mpp.pensionsbc.ca**



Website changes

Visit the plan website to see new information, links and guides. New features include a “What Members are Asking” link, updated “Board Meeting Highlights” and “Coming Up” and “Post Retirement Group Benefits” pages.

Arrears—New Information

If there was a period when you worked for a Municipal Pension Plan employer and did not become a contributing member, there may be a period when you were eligible to join but were not enrolled or offered enrolment in the plan. To learn more, check the PensionFacts *Purchasing Arrears* and *History of Enrolment Rules in the Municipal Pension Plan* contained in the package with your *Member’s Benefit Statement*.

Retirement Seminars

Did you know the Municipal Pension Plan hosts retirement seminars at locations throughout BC?

Retirement seminars are held a few times each year across the province. Past attendees have found the seminars helpful in planning for retirement because they offer information on the pension plan and the retirement process. The seminar schedule can be found at mpp.pensionsbc.ca. Click on “Forms” and then on “Retirement Seminar Schedule and Application.”



Financial Highlights

One of the major goals of the trustees is to focus on the financial health of the plan. Our goal is to achieve consistent and steady performance over the long term by following sound investment principles that direct the fund managers to invest prudently and ethically.

The fund holds a diversified portfolio of fixed income and equity investments that offer consistent and steady performance over the long term.

For more detailed financial information, please see the *Municipal Pension Plan 2005 Annual Report*, available later this year at mpp.pensionsbc.ca.

Investment Performance

	Performance Benchmarks* 2005	Actual December 31	
		2005	2004
Market Value (\$ Billions)		\$20.5	\$18.2
Market Value Rates of Return			
Basic Account			
Annual	10.7%	12.0%	10.0%
Five-year Annualized	5.1%	5.4%	4.6%
Inflation Account			
Annual	10.7%	12.5%	10.3%
Five-year Annualized	5.2%	5.9%	5.0%

* Benchmarks are standards to compare against actual investment returns.



Net Earned Rate* of the Fund

Year ended December 31, 2005

Year	%
2005	5.4
2004	4.6
2003	5.2
2002	4.7
2001	8.4

* The net earned rate of the fund is the Basic Account five-year annualized rate.

Basic Account Investment Asset Mix and Performance

Year ended December 31, 2005

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed Income	25–45			
Short-term	0–5	3.0	2.5	2.6
Mortgages	0–10	3.7	6.2	3.3
Bonds	17–28	22.1	8.1	8.1
Real Return Bonds	0–10	5.0	12.8	15.2
Equity	55–75			
Canadian Equities	12–22	19.5	23.7	24.2
U.S. Equities	10–20	15.5	3.1	2.8
International Equities	10–20	17.8	11.9	11.1
Real Estate	8–15	10.6	17.9	6.2
Private Placements	0–10	2.8	**	**

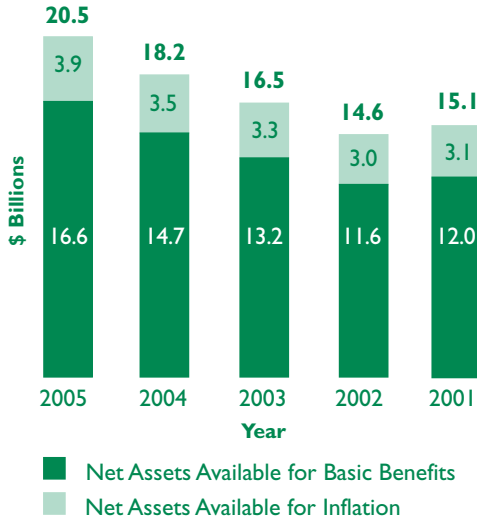
* Benchmarks are standards to compare against actual investment returns.

** Annual rate of return not applicable.



Net Assets Available for Benefits

as at December 31



Financial Statement Highlights

\$ Millions

	Year ended December 31	
	2005 (unaudited)	2004
Net Assets—Beginning of Year	\$18,215	\$16,493
Investment Income	2,224	1,679
Contributions	921	812
Benefit Payments	(786)	(734)
Investment and Administration Costs*	(41)	(35)
Net Assets—End of Year	\$20,533	\$18,215

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$12.6 million (2004—\$7.9 million) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets.



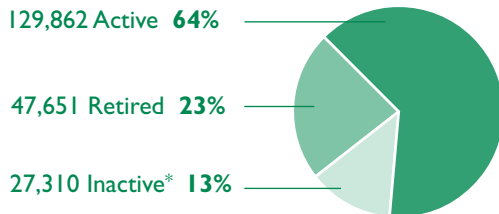
Investment and Administration Costs, 2001–2005

Year ended December 31	As a Percentage of Net Assets				
	2005	2004	2003	2002	2001
Investment Management*	0.17%	0.15%	0.13%	0.15%	0.13%
Administration	0.09%	0.09%	0.12%	0.12%	0.10%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$12.6 million (2004—\$7.9 million) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets.

Membership Profile

as at December 31, 2005



* Members no longer employed, but with money in the plan.





Municipal Pension Plan

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