

Financial Market Turmoil

What impact will all of this market turmoil have on our pension funds and pension payments? How long will this downturn last? Will a recession turn into a depression? Everyone is nervous, and no one appears to know the answers.

Doug Pearce, the Chief Executive Officer and Chief Investment Officer of bcIMC, the investment manager for our pension monies, issued a statement at the beginning of October to address some of the concerns teachers and other might have.

Mr. Pearce said: “I would like to reassure clients and their members that their pension funds are secure.

“It is true that these are challenging times and bcIMC expects this volatility to continue into 2009. However, I believe that bcIMC and our clients are well placed to weather this environment in a number of ways:

- BcIMC had been expecting this market correction for some time and positioned the plans’ investments defensively, for example, underweighting equities and increasing cash;
- The plans’ 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.

“The long term investment returns of the pension plan remain strong and, as long-term investors, the pension plans are well positioned to weather the recent events of the financial markets.

The latest reports on the investment performance of the pension fund, to June 30, 2008, records a five-year rolling average rate of return of 10.4% per year. The 5-year average rate of return expectation of the plan’s actuary is 6.85%.

Over the last three quarters, the results are poor, but could have been a lot worse; the last quarter of 2007 returned 0.1%, the first quarter of 2008 lost –1.5%, and the second quarter of 2008 returned 0.6%.