

The BCGEU Pension Plan Board of Trustees is pleased to report pension plan results to May 31, 2015. Please let us know if there are topics you would like to see included in future issues of the Pension Plan newsletter. You may mail, fax or e-mail your requests to the Pension Plan administrator. The contact information is noted below.

Economic Commentary

The Canadian stock market started strong in 2015, but declined in Q2. For six months ending June 30, 2015, Canadian equities (S&P/TSX Capped Composite Index) were up a marginal +0.9%. The weakening of the Canadian dollar boosted returns from foreign stock markets. Global equities (MSCI World Index) returned +10.6% for the first half of 2015 in Canadian dollar terms. Government of Canada bond yields were down slightly during the first half of 2015, helping the Canadian bond market (FTSE TMX Canadian Bond Index) post a modest return of +2.4% to June 30, 2015.

The Bank of Canada cut its overnight rate by 0.25% for the second time this year, lowering it to 0.5% in July 2015. The fall in oil prices, and the downturn in investment and exports have taken their toll on the Canadian economy. After Canadian GDP dropped 0.6% on an annualized basis in Q1, the Bank is now expecting GDP to fall another 0.5% in Q2, and has revised its growth estimate for 2015 to just over 1%. Greece continues to make headlines and the situation is dynamic. When this commentary was written, Greece had agreed to a deal with the European Union, but the details were unclear.

A Note on B.C.'s New Pension Legislation: Small Account Balances

For many years, B.C. pension legislation has provided that contributions to a pension fund such as the BCGEU Pension Plan are "locked-in". Locked-in pension money can only be used to provide you with a lifetime retirement income starting at age 55 or older. Contributions made prior to 1993 are not locked-in. These restrictions are intended to preserve accounts for retirement and provide a lifetime stream of retirement income when a former member of a pension plan retires.

One exception to the locking-in rule allows a plan member to unlock funds at termination and/or retirement if their account balance is equal to or less than a certain dollar amount. This is commonly referred to as the "small pension" exception to a locked-in transfer of funds.

BCGEU Pension Plan members should be aware that as of September 30, 2015, the calculation of the limit on the value of accounts that will qualify as a small pension will change, and therefore some accounts that would not be locked-in under the existing rules will be locked-in under the new rules.

Under the new rules, if a Plan member who has terminated or retired elects to transfer their account balance from the Plan, the balance will be locked-in if it is equal to or more than 20% of the Year's Maximum Pensionable Earnings (YMPE). The YMPE is a dollar amount that is determined under the Canada Pension Plan rules each year. For 2015, the YMPE is \$53,600 and therefore 20% of the YMPE is \$10,720. A Plan member who terminates or retires on or after September 30, 2015 and elects to transfer their funds out of the plan, must transfer to a personal locked-in account if the balance is greater than this amount. Some Plan members would be able to transfer their funds to a non-locked-in account or receive them in cash, less withholding taxes, if they terminated before September 30, 2015.

Investment Fund Performance

There are two investment funds in the BCGEU Pension Plan – the Main Fund and the Immunization Fund.

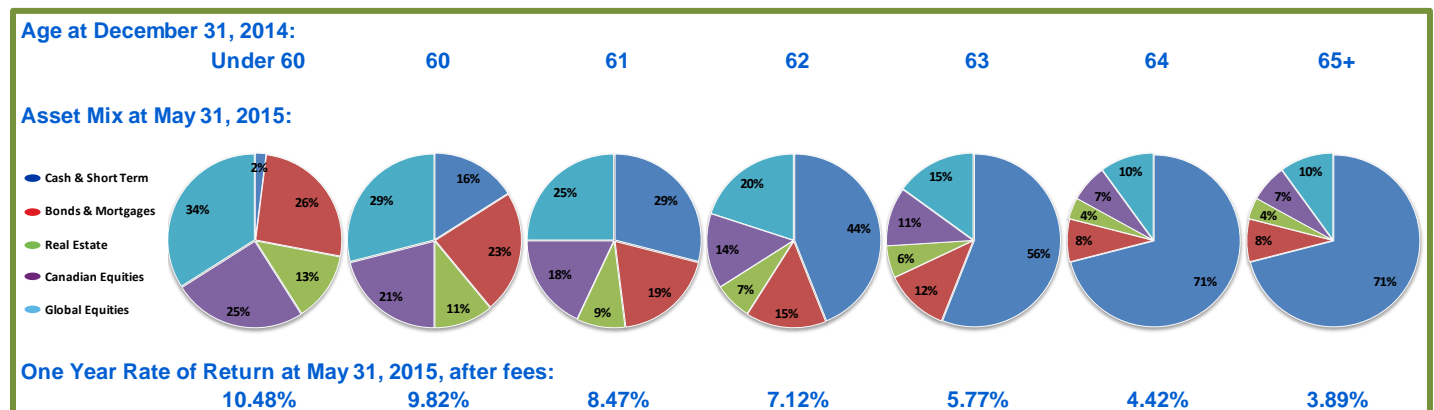
The investment philosophy of the Main Fund is to maintain a diversified, quality, balanced portfolio. The assets are managed by four professional investment managers. The assets of the Main Fund as at May 31, 2015 total \$135 million and the May 31, 2015 unit value is \$642.38.

Main Fund Annualized Rates of Return at May 31, 2015						
1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	25 Year
10.97%	12.44%	9.31%	5.10%	5.06%	6.97%	7.57%

The Immunization fund is comprised solely of short term, fixed income investments that do not depreciate in value and is used to limit exposure to market volatility for members over age 60 who are nearing retirement. The assets of the Immunization Fund as at May 31, 2015 total \$18.3 million.

It is important for members, age 60 and older, to view their account in total (Main fund plus Immunization fund). At the end of each year, member accounts are rebalanced and transfers are made to the Immunization fund so that the total member account evolves to a more conservative asset mix. At all ages, member accounts continue to be diversified and invested in Canadian and Global stocks, bonds and real estate.

The following charts illustrate the various asset mixes and investment returns to May 31, 2015 based on members' ages at December 31, 2014:



Important Reminder:

If you move, please make sure you provide the Plan Administrator and the Union with your change of address. If you know anyone that did not receive an Annual Member Statement, ask them to make sure that the Plan Administrator and Union have their current address.

Your Plan Administrator

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