

BULLETIN

Your pension makes you a pretty savvy investor

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THE REPORT, OCTOBER 2014

As a member of HSA, you're practicing smart investment strategies every day.

Every two weeks, you invest in your future through your pension plan. You're not spending that money on another latte.

You do not have all your eggs in one basket. In fact, you have a diversified real estate portfolio - and it's a great example of responsible investing.

You are investing in the economy and you are an employer of thousands. Income and spending in BC is about \$1.3 billion higher each year because of the savings in the BC public sector pension plans, created by retirees spending their pension dollars. This savings effect supports around 8,000 jobs per year. That, friends, is enough to support a city the size of Cranbrook. And, on top of all that, \$775 million in income and approximately 5,000 jobs are supported through low management fees.

The truth is, investing can be complicated, and frankly, the riveting details of pension plans don't exactly compete with the latest episode of *The Bachelor*. (Actually, they don't even compete with the *Legislature Channel*).

No worries - that's why you rely on the experts to handle all the details. Delegating is everything. It's wise though, to know at a high level, how it all works.

Let's take a look at how the contributions you and your employer make are turned into a guaranteed monthly pension benefit that will last your entire life.

YOUR EXECUTIVE SUMMARY - HOW CONTRIBUTIONS BOOST THE ECONOMY AND TURN INTO PENSIONS

While you are toiling away and making those contributions, you'll be glad to know your pension plan isn't just sitting around twiddling its thumbs.

When you retire, the money you receive in your monthly pension benefit will be mostly funded by investment returns earned on the money you and your employer contributed to the Plan over the course of your career.

Approximately three-quarters of your pension will be paid for by investment returns. The contributions from members and employers are placed in a diverse portfolio of investments to maximize the value of the entire pension fund. That is why your Plan can provide a guaranteed pension benefit for your entire life.

Think about it - that's an amazing value to you and your family. Just as awesome is the fact that your money is also benefitting your community and the economic well-being of the country. The higher savings rate of BC's public sector plan members will result in around \$60 billion more investment and just over \$85 billion added to the total GDP of Canada between 2012 and 2035, according to a recent study by the Conference Board of Canada.

How does it work? Let's look at one of the many investments managed by the British Columbia Investment Management company (bcIMC). With a global portfolio of more than \$110 billion, bcIMC is one of Canada's largest institutional investors, helping finance retirement benefits of more than 522,000 plan members.

SUPPORT YOUR INVESTMENTS

Next time you book a vacation, consider staying at a Delta hotel. In 2007, bcIMC purchased the Delta management company. Today, bcIMC directly owns 11 of the 43 Delta properties across Canada, and owns two properties in BC as a franchisee (Victoria's Ocean Pointe Resort and Spa and the Grand Okanagan).

These hotels create jobs. Recent renovations to the two BC hotels created 75 full-time and 60 part-time jobs in 2012. Overall, Delta employed 1,397 people in BC in 2011. Developing properties like the Delta hotel creates revenue and ensures long term growth of BC's \$13 billion tourist industry, and adds value to your plan's investment portfolio, which helps fund your future pension.

RESPONSIBLE AND DIVERSIFIED REAL ESTATE INVESTMENTS

Seventeen per cent of real estate assets managed by bcIMC are located in the province, and the properties are chosen with long-term sustainability and desirability in mind. Two thirds of the portfolio is aligned with national and international environmental certification programs for commercial buildings such as the Leadership in Energy and Environmental Design (LEED) rating system, the Building Owners and Managers Association Building Environmental Standards (BOMA BEST) and Hotel Association of Green Key programs.

The properties selected are often near existing transit to align with the bcIMC environmental stewardship model and to make locations attractive to business. The goal of these investments is to create long-term sustainable cash flows to fund pension benefits. The BC real estate portfolio is diversified to best protect the investment value. Properties of mixed and different use are included to keep the level of risk low. For example, a temporarily low vacancy rate on an apartment building can be balanced by high demand on suburban office space. Chances are, as you travel around BC's cities, you will pass by one of the many properties your pension funds have helped finance and develop.

Here's a few in metro Vancouver:

- Bayview at Coal Harbour (apartments)
- Residence Inn Vancouver (Marriot Hotel)
- Northwoods Business Park (industrial, retail, residential)
- Braid Street (residential, retail, office)
- Yaletown 939 (apartments)
- 745 Thurlow (office)
- 3030 East Broadway (suburban office)
- Metropolitan (apartments)

SAVVY INVESTMENTS - FROM TOURISM TO TECH

A smart investor diversifies, and while bcIMC maintains a portfolio of tourism focused holdings like the Delta hotel properties, they also own commercial real estate.

One example of their many investments in real estate is the Broadway Tech Centre located in Vancouver. This compound will be completed in 2014 with 1.1 million square feet of leasable area in eight buildings, including offices, production, retail and a 5,000 square foot daycare center. When bcIMC bought the land in 1995, the long-term strategy was to redevelop the property and increase the use and value of the investment. Tenants include HSBC Bank Canada, BC Assessment, Bell Canada, Coastal Contacts, Nintendo Canada and British Columbia Lottery Corporation. The property has a zero per cent vacancy rate and occupancy costs are less than similar options in the downtown core.

Construction created jobs, and now there are 45 permanent operation jobs and 4,000 employees at tenant companies. Complementary businesses, like food services and retail, have also developed to serve the center. The Broadway Tech Centre model has been so successful, bcIMC is taking the model to the 745 Thurlow

development.

THINK BIG: SOUND GLOBAL INVESTMENTS

To protect the pension plan investments from changes in a specific country's economic environment, the Plan also invests beyond Canada's borders to keep asset portfolios balanced. The Plan manages risk by ensuring it has a diverse global portfolio - if one country's economy tanks, other parts of your investment remain safe.

Puget Sound Energy is a good example of a bcIMC global investment. In 2009, in partnership with the Canadian Pension Plan Investment Board, Macquarie Group, and Alberta Investment Management Corporation, bcIMC acquired this Washington power company, investing \$535 million. Puget Sound Energy serves nearly 1.1 million electric customers through internal power generation, contracted power generation, natural gas, coal, and wind. Puget owns three wind farm facilities in Washington making it the second largest utility producer of wind power in the United States. The facility employs 2,800 people, and in 2012 BC supplied about 50 per cent of the natural gas supplies purchased by Puget.

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180 East Columbia
New Westminster, BC V3L 0G7

Website
www.hsabc.org

Telephone 604-517-0994
1-800-663-2017