

To: bcIMC's Pension Clients

**From: Doug Pearce CEO / Chief Investment Officer
British Columbia Investment Management Corporation ("bcIMC")**

Date: October 1, 2008

Subject: Financial Market Turmoil

The current turmoil in the financial markets has generated concern amongst pension plan members and clients about the impact that this volatility may have on their pension plans' investment portfolios, and in turn, their pensions.

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.

Despite our conservative investment approach, bcIMC and the plans' investments are not immune from the broad market impact. Although short-term volatility will impact performance, bcIMC invests for the long-term. The long-term investment returns of the pension plans remain strong and, as long-term investors, the plans are well positioned to weather the recent events of the financial markets. Within this environment, bcIMC will continue to adhere to our disciplined investment philosophy.

On the positive side, bcIMC expects that the recent market correction will eventually restore a more balanced view of risk in the marketplace, and will help purge the excesses from the system. Down markets like these also present opportunities in the form of undervalued investments that large investors, like the pension plans, can take advantage of to enhance future returns. bcIMC is expecting to capitalize on some of these opportunities.

In conclusion I would like to reiterate that bcIMC's clients can rest assured that their pension fund investments are safe and well-positioned for the long term.

Regards,

Doug Pearce, CEO / CIO

Pensions safe in times of market volatility

October 1, 2008

Defined benefit pension plans have many advantages over other forms of retirement savings.

As a member of the Teachers' Pension Plan, your defined benefit pension guarantees you an income for life after you retire. The amount of that pension payment will depend on your years of service and earnings while you worked, not the state of the market when you retire.

When you retire you know what the exact amount of that pension will be, when the payment will arrive, and can be assured the payment will continue.

The investment professionals at the British Columbia Investment Management Corporation ([bcIMC](#)) manage the funds on behalf of your board of trustees.

Your trustees work with bcIMC who plays a major role in maintaining the plan's financial health by making prudent investment decisions about the plan's assets of over \$16-billion. Those investment decisions are made within the investment policy framework set by the Teachers' Pension Plan trustees.

The goal of the plan is to provide investment returns that will grow over the long term. Investment risk is shared by everyone in the plan. Upturns and downturns in investment markets – both while you work and after you retire – will not affect your retirement income. This means you don't have to worry about what stock markets are doing this week or this month. Day-to-day changes in market value don't impact your pension payment.

Investments held by bcIMC include short-term and fixed income securities; mortgages; Canadian, U.S. and international equities; private placements; real estate; infrastructure; and currency. One of the most important decisions trustees make about your pension funds is the policy asset mix.

In the fiscal year ending December 31, 2007, these investments generated a 4 per cent* return to the plan. Over the last decade, the annualized rate of return has been 7.7 per cent.

The asset mix ensures prudent investment decisions are made with an eye for long-term returns and security.

** Teachers' Pension Plan 2007 Annual Report*