

## MESSAGE FROM THE BOARD

2015 has been a productive year for the Management Employees Pension Board (MEPB or the Board). As noted in the Board's 2015–2017 Business Plan, the Board's core business goals are: Governance, Plan Funding, Investment Management and Fiscal Management. Good governance is consistent monitoring, being proactive versus reactive, with the ability to act quickly if required.

Communication with MEPP members continues to be a focus for us. In the spring, we conducted a communication survey to assess how well MEPP members understand the Plan and governance structure. While we did not receive as much feedback as we would have liked, what we did receive was valuable for helping us plan Board communications and we thank those who took the time to respond.

We are pleased to announce that we are looking at conducting stakeholder governance meetings with Plan employers and Plan members in spring 2016. The objectives of these meetings will be to discuss the governance of the MEPP and to have an open forum in which employers and members

can meet face-to-face with Board members and staff to ask questions or express concerns. Please look for more information on these sessions early in 2016.

We also wish to express our appreciation to Darlene Halwas, who served as Board member and Chair of MEPP's Investment Committee from March 2013 to May 2015. The Board is thankful for her service and we wish her all the best for the future.

The Board welcomes your feedback about MEPP. Please e-mail your comments to the Board at [board@mepp.ca](mailto:board@mepp.ca).

**Sonya Johnston, Chair**

### MEP BOARD VISION AND MISSION

Our vision is that Plan members and employers have a pension plan that is affordable and sustainable.

Our mission is to provide prudent governance of the Plan and Fund.

### MEP BOARD INFORMATION

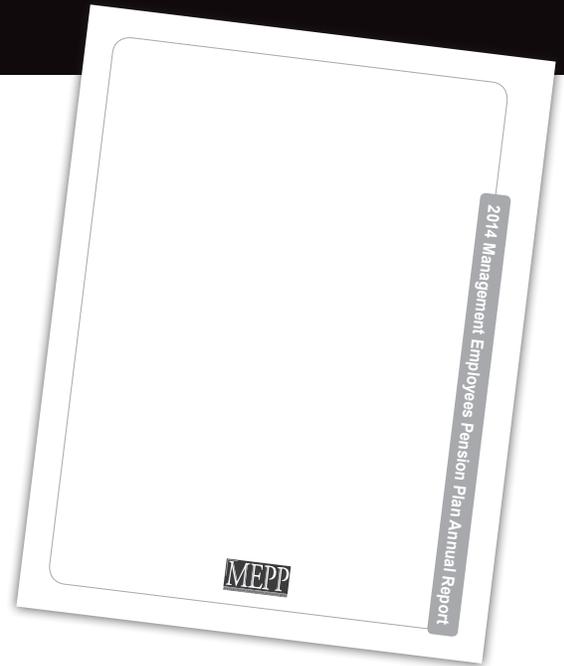
Go to the [MEPP website](#) and click on the first tab – MEP Board – to review current and previous communication, policies, reports and more.

# 2014 ANNUAL REPORT

In May 2015, MEPP released its [2014 Annual Report](#) which is available on the MEPP website.

As we reported in the Spring 2015 Member Newsletter, members often ask why the numbers in the Annual Report's financial statement and the Plan's Actuarial Valuation differ. It's because the reports have different objectives, are conducted according to different standards and use different cost methods and assumptions. The Annual Financial Statements are prepared by Alberta Treasury Board and Finance (ATBF) according to Canadian accounting standards for pension plans.

In general, assumptions and discount rates in the financial statements are less conservative than those required to be used for actuarial valuations. The Actuarial Valuation, on the other hand, is prepared by the Plan's Actuary and uses actuarial standards. The actuarial valuation takes a conservative approach to assumptions in order to ensure the long-term viability of the Plan. The different assumptions and discount rates (expected rate of return) as well as reporting standards (actuarial vs. accounting) provide different results. By law, it is the Actuarial Valuation that determines the Plan's funding needs and required contributions to the Plan.



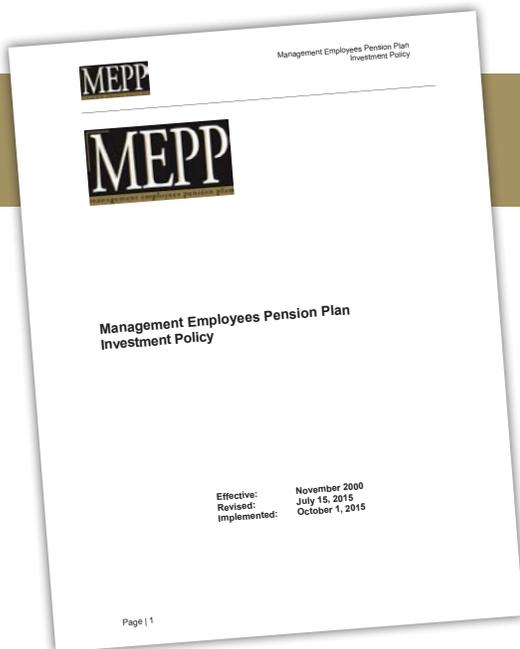
## ACTUARIAL VALUATION

By law, an Actuarial Valuation (AV) must be filed with the Canada Revenue Agency at a minimum of every three years. The last full AV was conducted for the year ending December 31, 2012. In between AV's, the Board requests that the Plan's Actuary conduct interim or mini valuations and other analyses to keep the Board fully informed on the funding status of the Plan. The next full AV will be conducted in early 2016, for the year ending December 31, 2015. Work will start in the first quarter of 2016 and once complete, contribution rates will be adjusted if required and the report will be filed with the Canada Revenue Agency.

## EXTENSIVE REVIEW RESULTS IN NEW INVESTMENT POLICY

As reported in the Spring 2015 Member Newsletter, as part of its ongoing governance responsibilities in monitoring investments, the Board's Investment Committee (IC) directed their independent Investment Consultant to conduct an Asset Liability (AL) Study. The objective of the AL Study is to develop an appropriate asset mix for the MEPP Fund. The process is designed to be transparent

and understandable by highlighting the relationship between the asset mix and the liabilities, incorporating the appropriate level of risk and ability of the Plan to pay pensions. The AL Study was completed and a new Investment Policy was developed and adopted. You can find the new [Investment Policy](#) on the MEPP website.



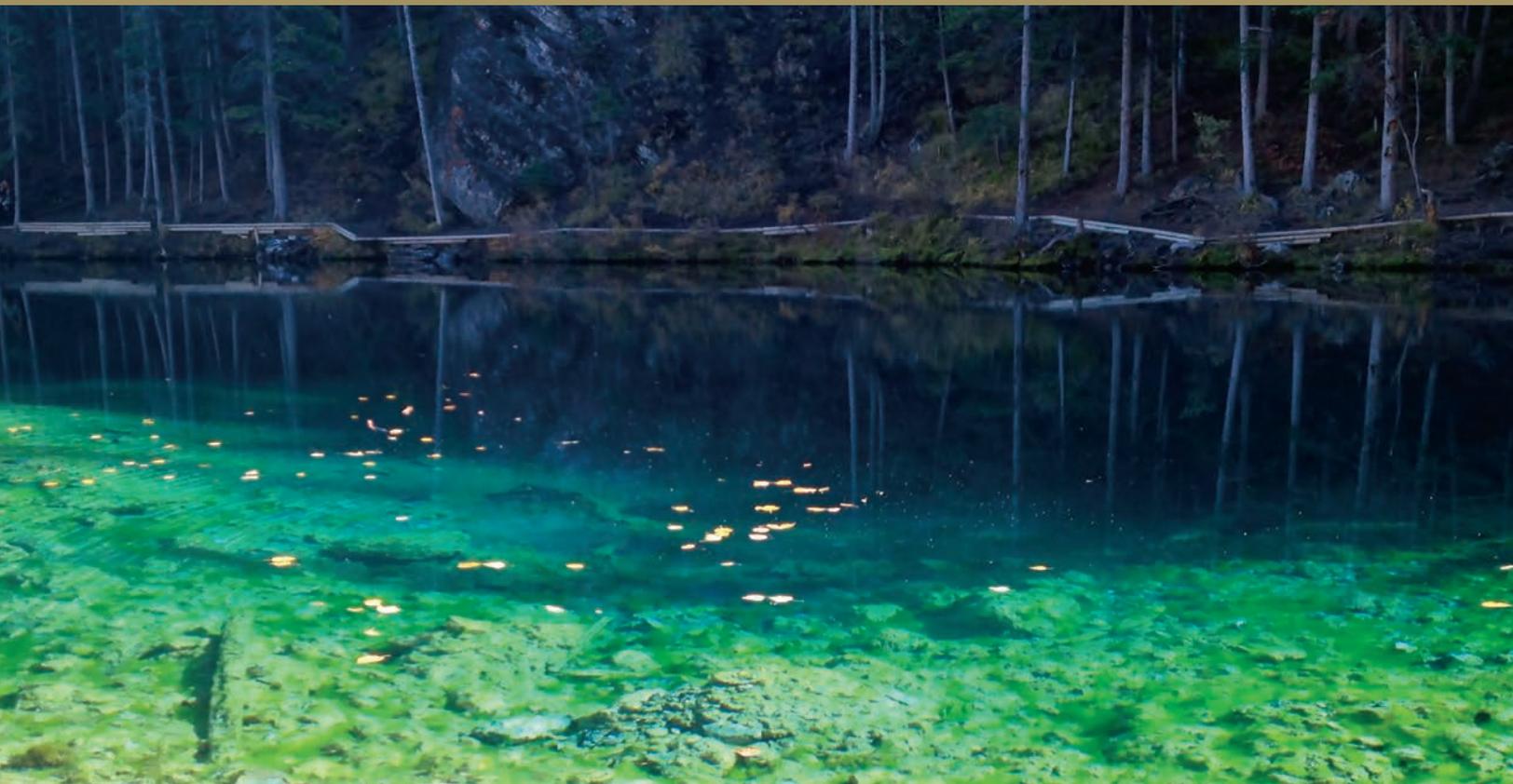
# MEPP INVESTMENTS

We have all seen the business news headlines focused on equity market volatility. The Board continues to monitor investments carefully and is in regular contact with the Plan's Investment Manager – Alberta Investment Management Corporation (AIMCo). Since the credit crisis of 2007–2008, the equity markets have enjoyed one of the longest bull markets in the post war period. Over the past number of years, many market watchers have expressed their concerns over this unprecedented stimulus and the inherent risks.

Many factors including anticipated interest rate increases and economic issues arising in Greece and China led to a steep sell off in equities, a rally in bond markets, a widening of corporate bond

spreads and a spike in volatility, which are normal reactions in a market “risk-off” sell off. After having been overweight in equities for several quarters, AIMCo trimmed their tactical overweight in equities. AIMCo has also trimmed corporate bond exposure and reduced their short duration positions in bond portfolios.

MEPP has a long-term focus and no one can predict or position to fully insulate the Plan Fund from the short-term fluctuations that occur regularly. Indeed, the equity premium persists in the long run because it is unpredictable in the short run. While the short term absolute return is painful, these opportunities do give AIMCo's portfolio managers the opportunity to purchase high quality assets at fire sale prices.



## LOOKING TO 2016

The Board will continue to monitor the Plan and the Plan fund in our oversight role, and to provide recommendations to the Trustee – The President of Treasury Board and Minister of Finance. As well, we look forward to working with all Plan stakeholders – Employers, Members and the Trustee. The Board believes that diligent oversight and monitoring, effective governance and independent expert advice provided to the Minister are imperative to the Plan's success.

In early 2016, the Board will work with the Plan's Actuary to complete a full Actuarial Valuation (AV) for funding purposes for the year ending December 31, 2015. Our goal is to have the valuation completed in the summer of 2016. Required contribution

rates will be established and the AV will be filed with the Canada Revenue Agency.

In these times of volatility in the markets and uncertainty in investment returns, the Board will work with the Plan's Investment Manager (AIMCo) to ensure that appropriate measures are being taken to monitor risk.

A part of the Board's annual work is monitoring the financial health of the Plan, including mortality (aging members, ratio of retired to active members) and Plan funding. The Board will monitor the funding status of the Plan through a review of the annual financial statements, the AV and through diligent reviews of the quarterly investment performance reports and asset mix review.

# YOUR 2015 BOARD



**Sonya Johnston,**  
Board Chair



**Don Smallwood,**  
Board Vice-Chair



**Kim Flynn,**  
Board Member



**James Fleming,** Investment  
Committee Chair



**Michael Lundquist,** Investment  
Committee Vice-Chair

## CONTACTS

### MEP Board

**Mail:** The Management Employees  
Pension Board  
c/o Alberta Pensions Services  
Corporation (APS)  
5103 Windermere Blvd. SW  
Edmonton, AB T6W 0S9

**Telephone:** 780-391-3693

**Email:** [board@mepp.ca](mailto:board@mepp.ca)

### Members – Member Services Centre

For information and questions about retirement options, calculating pension benefits, annual statements, forms or changing your personal information, please contact:

Telephone: 1-877-889-MEPP (6377) (toll-free)  
Fax: 780-421-1652 Email: [memberservices@mepp.ca](mailto:memberservices@mepp.ca)

### Pensioners – MEPP Pension Payroll

For information and questions about payment of benefits and to request forms, please contact:  
Telephone: 1-877-422-4748 (toll-free)  
Fax: 780-415-8792 Email: [pay@mepp.ca](mailto:pay@mepp.ca). For more information, please visit our website at: [www.mepp.ca](http://www.mepp.ca).

## BOARD STAFF



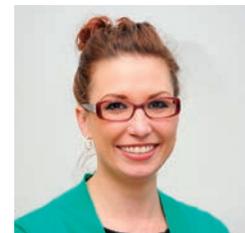
**Brenda Chisholm,**  
Plan Board Manager



**Alyssa Sewlal,**  
Plan Board Specialist



**Julia Qiu,**  
Plan Board Specialist



**Crystal Moreau,**  
Plan Board Assistant

## GOVERNANCE STATEMENT

The President of Treasury Board and Minister of Finance is the statutory administrator of MEPP and holds all assets of the Plan in trust to provide benefits pursuant to MEPP rules and to meet plan costs. The *Public Sector Pension Plans Act* sets out the main objectives of the Board with respect to funding, administration, investments and amending the Plan. The Board monitors the management of the Plan and acts in an advisory capacity to the Minister.