



MESSAGE FROM THE CHAIR

Welcome to the Management Employees Pension Plan Board (MEPB or the Board) 2016 Fall Newsletter.

The Board is comprised of seven members appointed by the Lieutenant Governor in Council: three employee nominees, three government nominees and one non-voting member nominated by the Deputy Minister of Corporate Human Resources and Public Service Commissioner. We lost two senior Board members in 2015 and a search is underway to fill these two positions – one employee nominee and one government appointment. Look for postings soon on the Government of Alberta, Agency Governance Secretariat website ([here](#)).

One of the Board's responsibilities is ensuring that the triennial Actuarial Valuation is conducted, and based on the report, to make recommendations to the President of Treasury Board, Minister of Finance (the Minister) regarding the funding of the Plan. The preliminary report of the 2015 Actuarial Valuation was completed this summer and the final report was provided to the Minister in late November. Effective February 1, 2017,

the total contribution rate will be 30 per cent (%); 17.20% Employer, and 12.8% MEPP Members. There is no change for MEPP Member contributions. Please read about the results in this edition.

We enjoyed meeting with and hearing from approximately 80 Plan members and employer representatives in our first annual Stakeholder Governance meeting on October 25, 2016. The feedback from the session will be helpful in planning our 2017 communications.

The Board recognizes the tremendous work and diligence that the Plan's Administrator, Alberta Pensions Services Corporation (APS) undertook in 2016 for a smooth transition to the new pension IT system. We congratulate APS on this success! We encourage Plan members to enroll in MyPensionPlan and elect GoGreen to receive the Board newsletter by e-mail.

We welcome your comments and questions. You can contact the Board by email or telephone. Please see the contact information on the back page of this newsletter.

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.

2015 ACTUARIAL VALUATION

The preliminary triennial Actuarial Valuation of the MEPP, as of December 31, 2015, was completed this summer. The Board provided the report and required total contribution rate to the Minister. Based on the contribution rate split between employers and employees, the final report was complete. An Actuarial Valuation is essentially a financial check-up for a pension plan. Pension legislation requires a full valuation be completed every three years. In an Actuarial Valuation, the Plan Actuary estimates the cost of future MEPP benefits by making assumptions about future conditions. The Plan Actuary compares these estimated costs with the estimated funding – the Plan’s assets and expected contributions (money going out versus money coming in).

It is important to remember that the numbers in the Plan’s Actuarial Valuation and in the Annual Financial Report can differ. The two reports have different objectives, are conducted according to different standards, and use different cost methods and assumptions.

The Actuarial Valuation 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 Annual Financial Statements are prepared by Alberta Treasury Board and Finance 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 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.

The following sets out the 2015 and 2012 Actuarial Valuation results compared to the accounting results in the Plan’s Annual Financial Statements for the same period:

December 31, 2015	Valuation Results Going Concern* (millions)	Accounting Results Annual Financial Statements (millions)
Assets	\$3,939	\$4,324
Liabilities	\$4,249	\$4,025
Actuarial Excess/(Deficit)	\$(310)	\$299

December 31, 2012	Valuation Results Going Concern	Accounting Results Annual Financial Statements
Assets	\$2,861	\$2,986
Liabilities	\$3,249	\$3,290
Actuarial Excess/(Deficit)	\$(388)	\$(303)

*A “going concern” result assumes that the Plan will continue into the future.

The 2015 Actuarial Valuation reports a deficit of \$310 million compared to an excess of \$299 million in the 2015 Annual Financial Statements. The main reasons for the difference are:

- Discount rates: The Board approved a discount rate of 5.5 for the 2015 Actuarial Valuation compared to the 6.25% used in 2012 to align with a more realistic anticipated rate of return. The Accounting Results (MEPP Financial Statements) used a discount rate of 6.1% in 2015.

- Actual results versus assumptions: The Actuarial Valuation considers all of the changes between 2012 and 2015 such as new entrants to the Plan, retirements, terminations, deaths, salary changes, etc.

The Board is committed to striving for a fully funded MEPP. The 2015 legislative funded ratio for the Plan was 0.9271 compared to 0.8805 in 2012. The funded ratio is the ratio between the assets (money in the Plan) and the liabilities (benefits to be paid). Another way of saying this is that the Plan was almost 93% funded as of 2015.

2017 CONTRIBUTION RATES

After reviewing the 2015 Actuarial Valuation results, the Board provided the preliminary report and a recommendation for 2017 total contribution rates to the President of Treasury Board, Minister of Finance. Based on the 2015 MEPP Valuation, the total contribution rate required to fund the Plan in 2017 is 30%. Effective February 1, 2017, the MEPP employer rate will be 17.20% and the MEPP member rate will be 12.80%. There is no change to the MEPP member contribution rate for 2017.

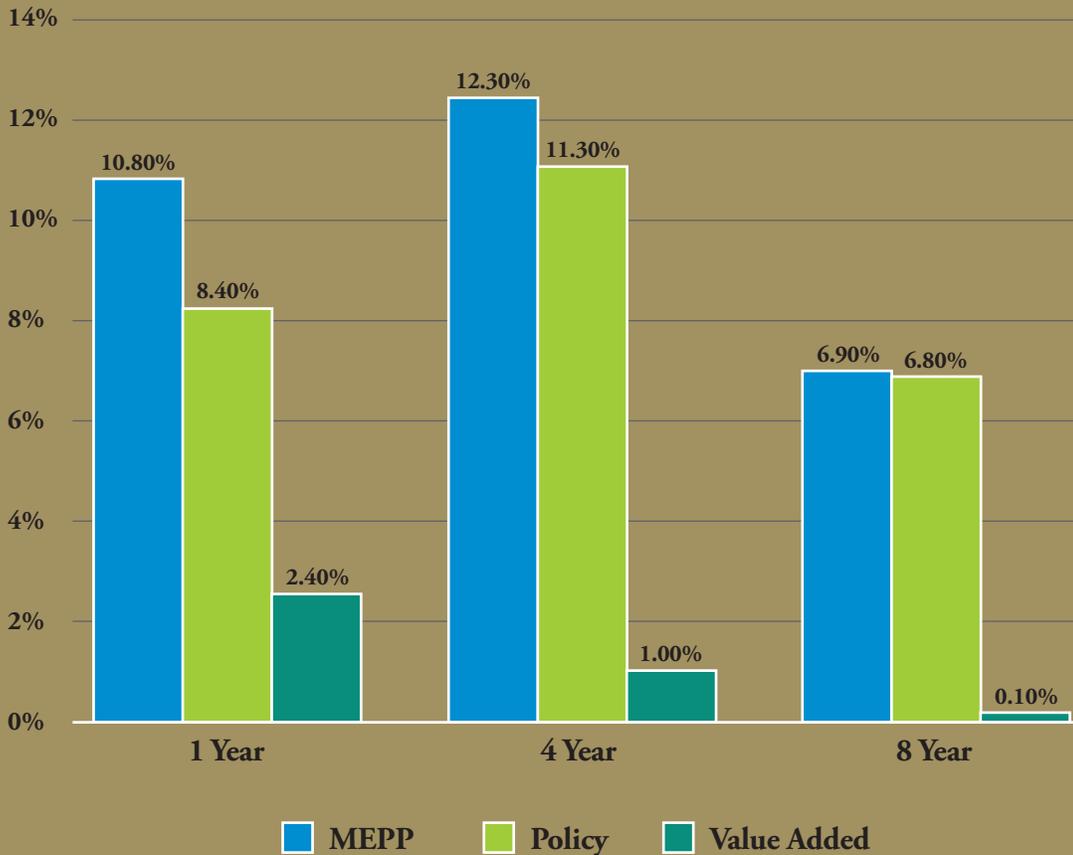
2016 ASSET LIABILITY STUDY

Part of the Board’s ongoing mandate and responsibilities are to set investment policy and monitor the Plan’s investment performance. One of the important processes the Board undertakes in executing its responsibilities is an annual Asset Liability (AL) Study. The purpose of an AL Study is to determine the optimal investments for a pension plan, matching assets to liabilities and measuring risk. The Board appointed the Plan’s Investment Advisor, Ellement Consulting Group (Ellement), to conduct the 2016 AL Study. Ellement is working with the Plan Actuary and the Plan’s investment manager, Alberta Investment Management Corporation (AIMCo) to complete the study, for which the preliminary results should be available by the end of the year. Based on the results of the 2016 AL Study, changes may be made to the [MEPP Investment Policy](#).

INVESTMENT PERFORMANCE UPDATE

One of the most important measures that the Board monitors is the long-term investment performance for the MEPP fund. The most recent long-term investment performance (net of fees) as of December 31, 2015 is shown below:

LONG-TERM INVESTMENT PERFORMANCE AS OF DECEMBER 31, 2015



MEPP is the actual investment return for the period.

Policy is the return required by MEPP's Investment Policy.

Value Added is the investment return over or under policy.

The investment performance through the third quarter of 2016 was 4.5% compared to the policy requirement of 4.7% for a value add of (0.3%).

The Investment Report for the third quarter of 2016 is on the MEP Board section of the MEPP website [here](#).

STAKEHOLDER GOVERNANCE SESSIONS

The Board thanks MEPP members and stakeholders who attended the October 25, 2016, MEPP Stakeholder Governance session. Close to 80 members attended and provided their feedback on the session. The session was well received and members provided appreciation and valuable feedback to the Board. We will review

the feedback in detail for consideration in next year's sessions. Please look for more information on next year's session in future communication from the Board and on the MEPP website.

A copy of the presentation shown at the Stakeholder can be found [here](#).

The session was well received and members provided appreciation and valuable feedback to the Board.

YOUR 2016 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

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Pension Board
c/o Alberta Pensions Services
Corporation (APS)
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Edmonton, AB T6W 0S9

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

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. For more information, please visit our website at: www.mepp.ca.

BOARD STAFF

Brenda Chisholm,
Plan Board Director

Julia Qiu,
Plan Board Specialist

Matea Maric,
Senior Pan Board Specialist

Crystal Moreau,
Plan Board Assistant

GOVERNANCE STATEMENT

The President of Treasury Board, 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 amendments to the Plan. The Board monitors the management of the Plan and acts in an advisory capacity to the Minister.