

The Management Employees Pension Board (MEPB or the Board) is pleased to present the member newsletter. The Board welcomes feedback as it relates to Plan governance. Contact: board@mepp.ca

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Message from the Chair

Defined benefit pension plans, like MEPP, depend on effective asset management to protect the pension promise: **once retired, a member's pension will last a lifetime**. For this reason, investment performance is a top priority for the Board, whose work includes regular review of the asset mix and setting the MEPP Investment Policy.

In the last half of 2024, a strong performance by Canadian equities and fixed income assets benefitted many investor portfolios, including MEPP.

However, in the post-COVID era, as returns continue to weather effects from that lengthy period of supply chain disruption, and ongoing geopolitical pressures continue to test market conditions, investment strategies are increasingly focused on asset classes that can protect against rising inflation.

This tends to mean shifting away from traditional fixed-income investments and toward more real estate,

commodities, and inflation-linked securities, like bonds. As **Environmental, Social and Governance (ESG) factors**** also shift to a priority position for more investors, sectors like energy, materials, and consumer staples are also gaining momentum.

The Board, in its capacity to oversee Plan governance on behalf of the Minister, works with an investment consultant and the Investment Manager (the Alberta Investment Management Corporation, or AIMCo) to maintain a strategy for MEPP that is both balanced and responsive to risk. While the Bank of Canada policies appear to be working to stabilize inflation, we know that market-influencing factors may change again following the highly polarized U.S. election. In this edition of the Newsletter, AIMCo has provided its outlook for 2025 and it is no surprise that volatility is expected.

One significant feature of MEPP is indexing. That means, whatever the future holds, the MEPP pension is protected against inflation by an annual cost-of-living adjustment

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(COLA) that helps to offset rising costs year to year. More on this, including the latest Plan performance and the COLA rate for 2025, can be found in this Newsletter.

The MEPB would like to take this opportunity to welcome a new Board member, Jonathan MacLeod. As an employer nominee, he was appointed to the Board on June 30, 2024 and will serve a three-year term.

Dale Beesley, MEPB Chair

Dale Beesley

****ESG investing was first conceptualized in the early 2000s. Also known as “sustainability,” it is the practice of evaluating publicly traded companies by how they measure up in three key areas:**

- **Environmental:** This aspect considers how a company does (or plans to) perform as a steward of nature. It includes the approach to managing carbon emissions, energy consumption, waste management, resource depletion, as well as the company’s overall impact on ecosystems.
- **Social:** This represents the company’s outlook and actions for its relationships with employees, suppliers, customers, and the communities where it operates. The social factor encompasses issues such as labor practices, human rights, diversity and inclusion, and community engagement.
- **Governance:** This focuses on a company’s practices for leadership, executive pay, audits, internal controls, and shareholder rights. It assesses how a company is governed and whether it operates with transparency and accountability.

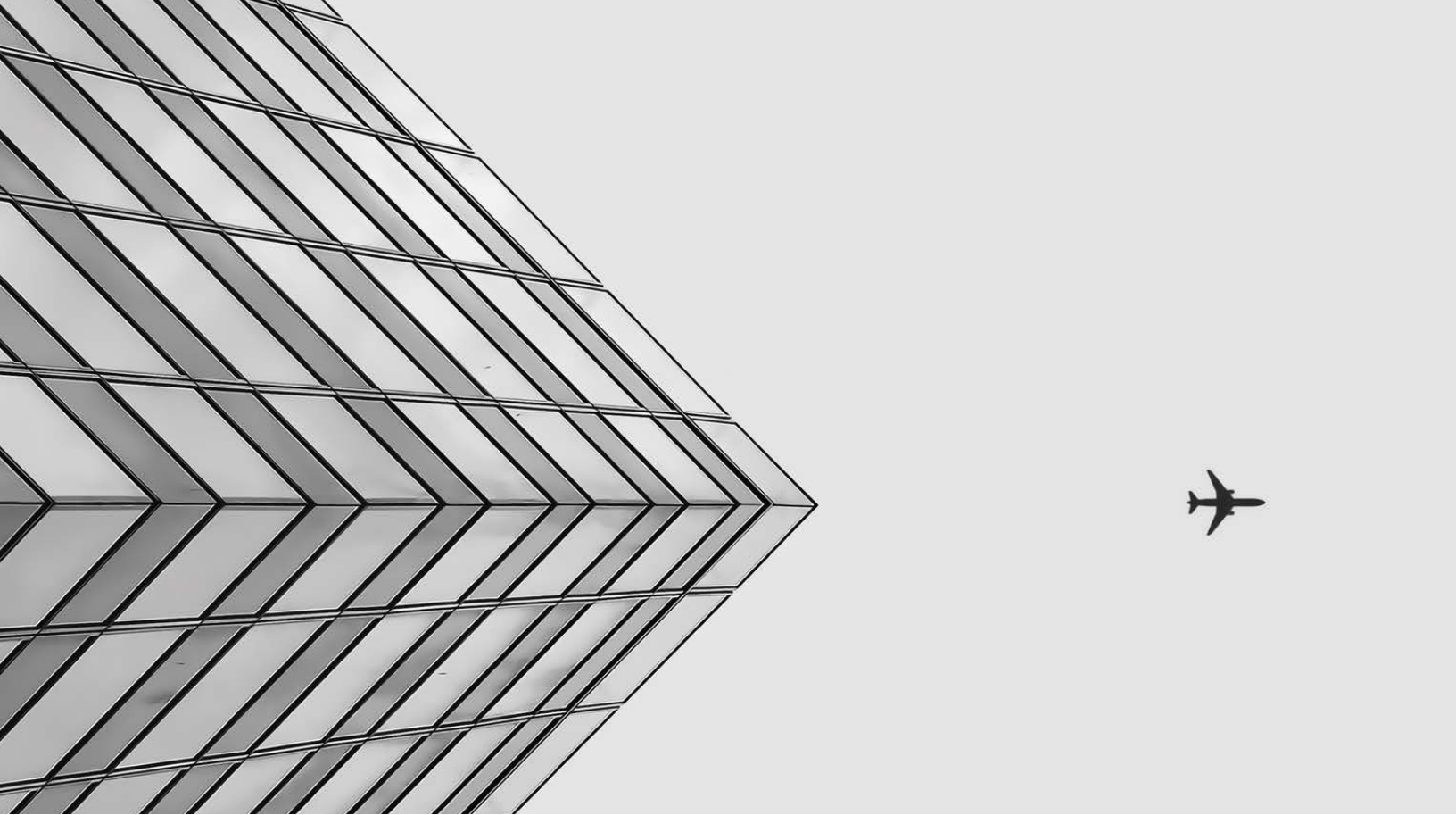
MEPB Vision and Mission

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’s assets and liabilities as well as ensuring effective Plan administration.

MEPP Governance News

View the *MEP Board and Plan Governance* tab on the MEPP website for communications, policies, reports, and more.



MEPP Remains Stable: Recent Changes at AIMCo Will Not Impact Pension Benefits

For official information, including the press release, please visit the [Government of Alberta's website](#).

AIMCo manages investments for MEPP and other public sector pension plans, as well as endowment, insurance, and government fund clients across Alberta. AIMCo handles the day-to-day management of pension assets in accordance with legislation and the investment policy set by the MEPB.

Members can rest assured that MEPP pension funds remain safe and secure.

On November 7, 2024, the Lieutenant Governor in Council, through Order in Council 298/2024 rescinded all existing board appointments at AIMCo. The priority now is to seek and appoint new leadership within the next 30 days.

Under the Public Sector Pension Plans Act, the Minister has a duty to act for the sole benefit of pension plan members and beneficiaries. Entities within MEPP's governance structure, including the MEPB, Alberta Pensions Services Corporation (APS), and AIMCo share this obligation in their roles related to Plan governance, administration, and investment management. The MEPB continues to set the strategy for MEPP fund investments. These changes at AIMCo do not directly affect the regular investment services for the MEPP Fund.

Additionally, MEPP is a defined benefit pension plan. This means pension payments are not dependent on financial market performance and will remain unchanged despite internal adjustments at AIMCo.

The MEPB continues to monitor MEPP's performance and will work with AIMCo during this time of transition.

AIMCo Article: The 2025 Global Outlook

The 2025 global outlook was always destined to be significantly shaped by developments related to the U.S. election. The world is now facing a key question: “What does a Trump administration mean for [insert any economic and financial aspect of interest]?”

Prospects for a U.S. implementation of much-touted additional tariffs, either on China (as much as 60% on Chinese imports across the board) or even for other countries, including Canada (between 10% and 20% on imports to the U.S.) are elevated as they can be simply executed via executive orders-not requiring the approval of Congress. We believe that the imposition of tariffs will constitute a form of further tax on goods and will therefore prove inflationary over the medium-term.

Moreover, affected countries might decide to engage in a tit-for-tat trade policy by imposing tariffs to retaliate. A significant reduction in the volume of global trade could ensue. This, combined with lower U.S. immigration (potentially, less consumer spending) could quickly lead to U.S. growth being pressured to the downside in 2025 and in early 2026. Whilst positive news about the U.S. consumer should dominate market action in the short-term, a period of mild stagflation could arise which could be negative for risk assets.

In contrast, President-elect Trump’s proposals for significant corporate and income tax cuts and budget deficit expansion would be expected in 2026 boosting the medium-term growth outlook. However, the extension of Trump’s prior tax cuts provisions would need a united government to be enacted (i.e. Republicans in control of both the Senate and the House of Representatives), and this was indeed secured by the election results. Overall, the potential for a global trade war on the back of a tariff escalation, the uncertainty related to expanded deficits/fiscal largesse and tax cuts and the immigration agenda will cloud the outlook for the U.S. economy and global financial markets.

Canada is likely to find itself mired in a situation where the fundamentals of our domestic economy, such as poor private sector employment growth and continued low business investment, are clearly indicative of the need for lower policy interest rates.

However, in a scenario where U.S.-induced tariffs potentially and less immigration into Canada (i.e., labour shortages?) bring inflation north of the border, the Bank of Canada might be forced to pause its rate-cutting cycle earlier than expected.

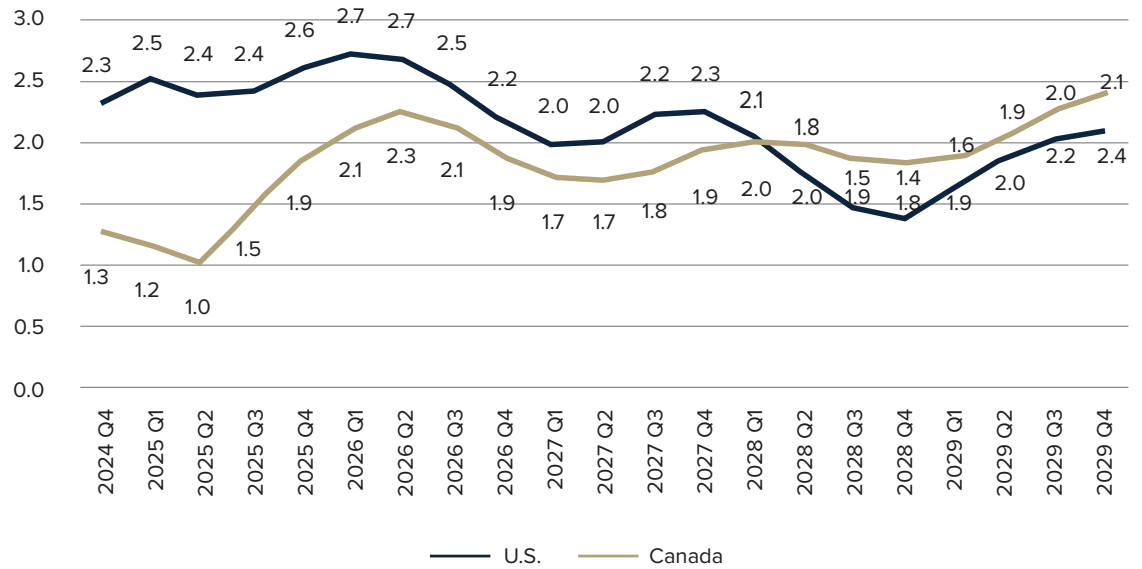
Higher interest rates than would otherwise be is unlikely to be helpful to Canada’s housing affordability issue, nor to foster sustained consumer spending. In addition, President-elect Trump is likely to remove certain restrictions related to natural gas production (“Drill, baby drill” policy), which could lower prices for Alberta’s natural gas exported in the U.S. Finally, we will be closely monitoring the update of the USMCA in July 2026 when the U.S., Mexico and Canada will convene to renegotiate the trading relationships between the three countries. We are anticipating a volatile and subdued growth environment in Canada over the next year or so.

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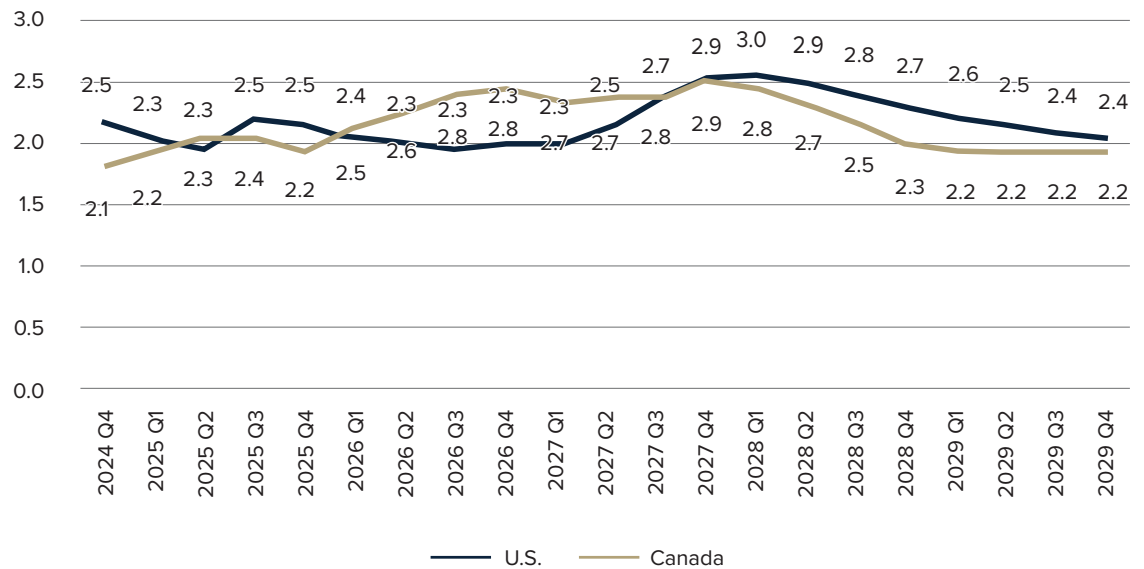


U.S. and Canada GDP and Inflation Trends

GDP Growth Forecast



GDP Inflation Forecast



Source: AIMCo Economics & Investment Research

Elsewhere, Europe is also likely to be entered into a period of below-target inflation and low growth on the back of tariffs developments given how trade-oriented the continent is. The U.K. might end up less at risk due to the country’s composition of exports, (i.e. mostly services-oriented-not subject to tariffs).

Lastly, and most importantly, we believe that China will attempt to mitigate any impacts from a trade war escalation by implementing a more robust fiscal stimulus in the early part of 2025. This should help to ensure that global growth in 2025 would be supported. Next year, financial markets will be bracing themselves for inflationary pressures, elevated bond yields and volatility in equity markets as they await further clarity on a number of key fronts.

MEPP Financial Overview

The Board regularly reviews actuarial valuations, annual financial statements, quarterly investment performance reports and other key reporting to stay informed of the funding status of the Plan.

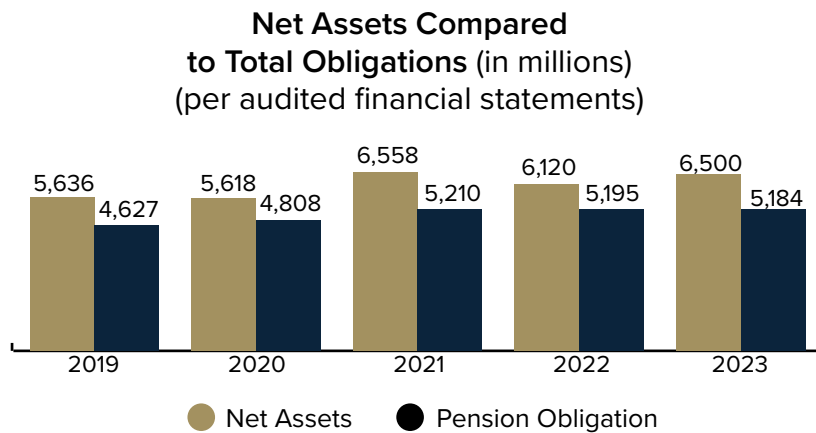
The 2023 MEPP Annual Report

Every year, the MEPP publishes an annual report to detail the previous year's financial operations. These reports include financial statements, income statements, funding, an auditor's report and a description of Plan operations.

The 2023 Annual Report is now available to view on the [MEPP website](#). Here, members can also view an archive of past annual reports and financial statements back to 2012.

Highlights for 2023:

- As-at December 31, 2023, the fair value of net assets increased by 6.2% (\$380 million) to \$6.500 billion.
- The estimated pension obligation decreased by 0.2% (\$11 million) to \$5.184 billion.
- MEPP closed out 2023 with 125.4% of the total pension obligation supported by the assets.



6.2%

Increase of the fair value of net assets

0.2%

Pension Obligation Decrease

125.4%

Total pension obligation supported by the assets as at December 31, 2023

MEPP has been in a fully funded position for accounting purposes since 2013.

Funded Status

As established in legislation, the MEPP Actuary is required to perform a Plan funding valuation at least once every three years. Results are a point-in-time-snapshot used to determine the funded status of the Plan and to ensure that contribution rates remain appropriate. As such, funding valuation results get filed with the Minister. Valuations help to inform critical awareness about supporting the Plan's obligation to its membership over the long term.

Interim valuations are also conducted regularly, at least every two years, but may also be performed any time at the request of the Board or the Minister. Results are for monitoring purposes only to track and inform the ongoing health of the Plan.

This year, a valuation is being completed as at December 31, 2023. For more information, valuation results are part of the funding and investment publications that are regularly posted to the [MEPP website](#) as they become available. When viewing these reports, members are reminded that different publications are required for different purposes and, as such, are produced using different standards, cost methods and assumptions. For example, annual financial reporting is prepared according to Canadian accounting standards for pension plans, while valuations are prepared based on actuarial assumptions which take a more conservative approach.

MEPP Investments

The Board's Investment Committee regularly reviews MEPP's investment results with AIMCo and with the assistance of the Board's Investment Consultant. Throughout the year, the Board publishes [quarterly updates](#) for Plan members, which include the latest market and investment information. The results that follow are from the latest report.

Market Values (unaudited)

The following table shows the assets under management for the most recent quarter (Q3 2024), as well as the four previous quarters:

	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Beginning Market Value	\$6,375,325,639	\$6,276,580,757	\$6,497,185,422	\$6,706,817,932	\$6,864,065,167
Net Cash Flow*	\$(29,000,000)	\$(30,000,000)	\$(33,000,000)	\$(29,000,000)	\$(27,000,000)
Investment Income	\$(69,744,882)	\$250,604,665	\$242,632,511	\$186,247,234	\$233,036,951
Ending Market Value	\$6,276,580,757	\$6,497,185,422	\$6,706,817,932	\$6,864,065,167	\$7,070,102,117

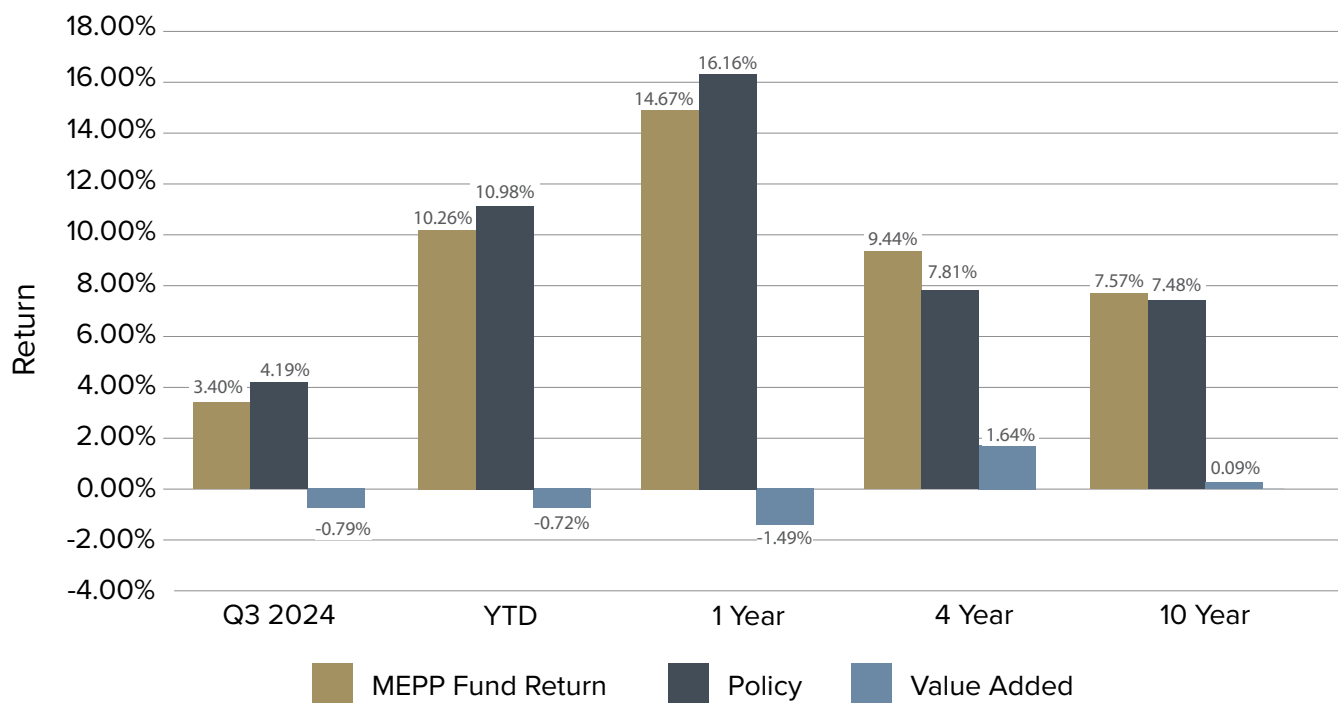
*Due to backdates and timing of information, the quarterly cashflow values may not always add up to the ending market value.

Investment Performance (Unaudited)

The following information shows the latest information for the Plan's investment performance (%). The investment performance is reviewed quarterly against the objectives set by the MEPP [Investment Policy](#).

In Q3 2024, the actual investment return for the MEPP Fund was 3.40%. Results for this quarter were below expected to meet the Policy requirement of 4.19%, yielding a negative return of -0.79%.

The long-term investment performance return for the MEPP Fund is depicted here:



* Annualized returns for YTD reflect the period ending September 30, 2024.

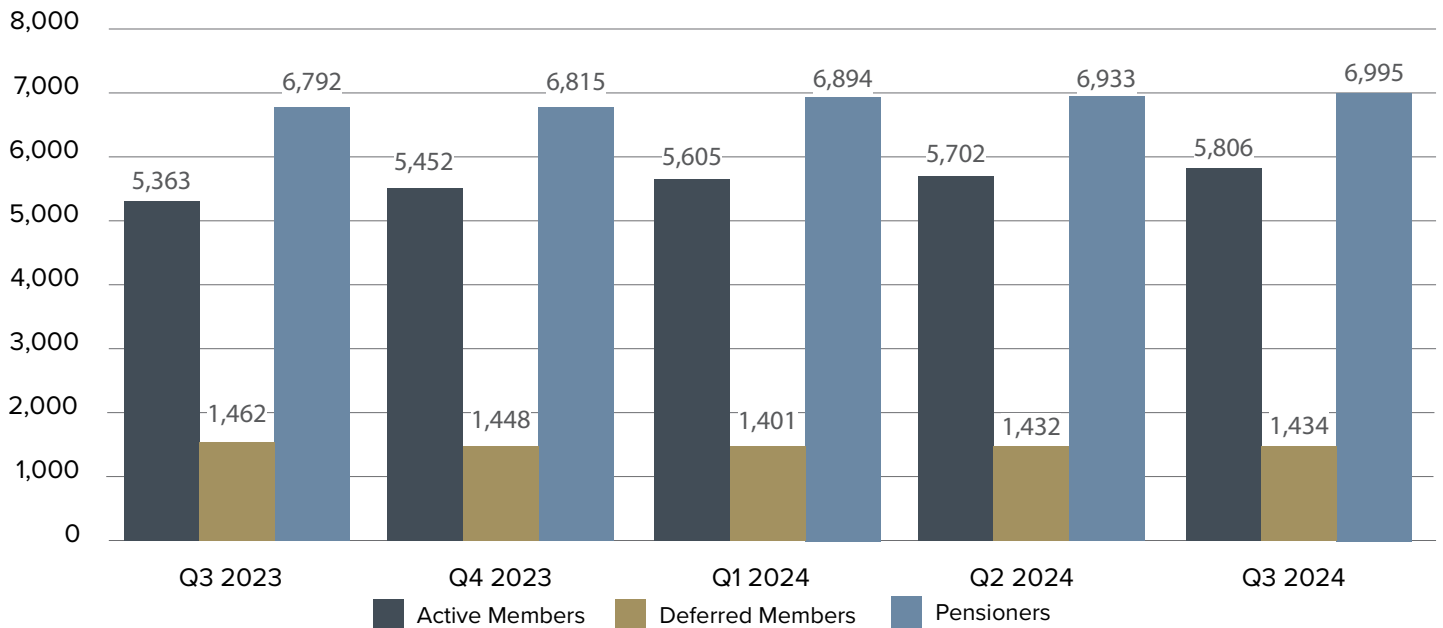
MEPP Administration Activity

MEPB works continuously in its governance role to monitor, predict and respond to important factors that can impact the health of the Plan. One of these factors is the membership activity.

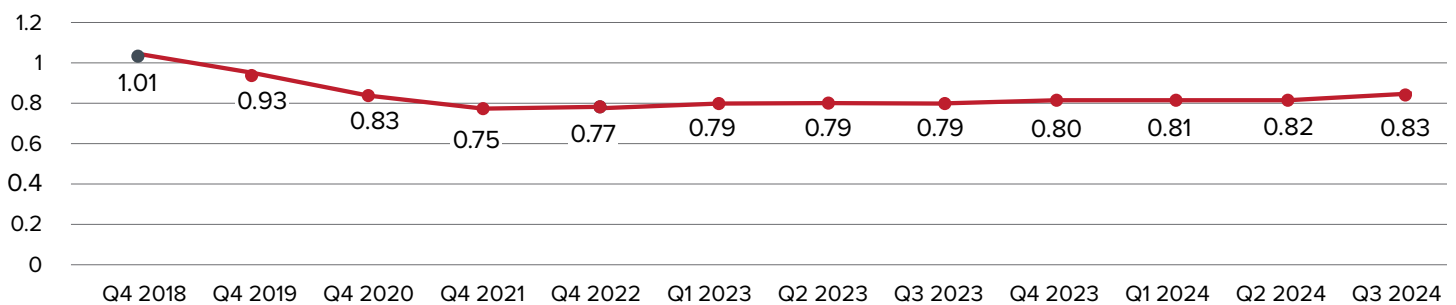
Alberta Pensions Services, as the Plan Administrator, analyzes Plan membership data for trends that may affect the health of MEPP and presents these results in its Quarterly Services Reports. The Board regularly monitors this data for trends that may affect the health of the Plan and reports the information to members in its [quarterly updates](#). [Latest results are posted in this section](#).

Membership Trends

The MEPP membership highlights from Q3 2024 follow:



The ratio of the working-to-retired membership over time is depicted here::



The Board regularly monitors the membership trends for information about the Plan's assets (i.e., the current contributing members) versus its liabilities (i.e., the members currently receiving a pension). This awareness helps the Board to ensure appropriate levels of conservatism are built into the valuations and funding policy.

Client Service Statistics

As the pension services provider, Alberta Pensions Services continuously works to enhance its customer service features to improve the pension experience overall. One way to measure and manage the MEPP member service experience is through the Voice of the Customer score. This score incorporates direct customer feedback about the service experience as well as various metrics, such as reason for the call.

The latest results for Q3 2024 are shown below. The Score column (by quarter) reflects the average satisfaction rating given by customers, while the Response column reflects the number of survey responses received per topic (e.g., Buybacks, Retirements, etc.)

	Q3 2023		Q4 2023		Q1 2024		Q2 2024		Q3 2024	
	Score	Response	Score	Response	Score	Response	Score	Response	Score	Response
Buybacks	8.5	2	6.0	3	7.4	5	10.0	5	7.8	10
Retirements	8.3	36	8.5	27	8.1	40	8.6	33	8.8	31
Terminations	6.3	3	7.7	12	8.1	12	8.1	8	7.8	8
Transfers	7.3	10	6.8	9	7.0	15	7.0	7	8.3	4
Overall*	8.4	136	8.4	128	8.8	313	8.8	167	8.6	134

The overall target score, established annually, is 8.2 / 10. The Q3 2024 score was 8.6 / 10. Quarterly scores that consistently surpass the target score reflect an ongoing trend of high client satisfaction generally with the MEPP Member Services Centre.



Information for Plan Members

Understanding the value of the Plan includes awareness about its features, rules and tools. This is an important part of making the most of the member experience and can lead to a smoother future retirement process overall.

Updates to the Pension Beneficiary

A member's pension beneficiary information should always be kept up to date as a priority. If the member dies unexpectedly, it is the most recent designation on file that will be followed.

If beneficiary changes are required, the change can be completed online by logging into [Your Pension Profile](#) and submitting a Secure Message or by submitting a *Designation of Beneficiary(ies)* form by mail.

Members should also be sure to update their pension beneficiary designation in their will. When doing so, it is important to name the pension plan: Management Employees Pension Plan.

Please note that beneficiary designations filed with MEPP or with a MEPP employer **may not** be reflected in the member's most recent annual statement. Always review any Plan-related information carefully to make sure contact information and pension designations are current.

The MEPB Strategic Communications Plan: Enhancing Member Engagement

A MEPP pension is about much more than a secure retirement investment strategy. The Board is working on a Strategic Communications Plan that prioritizes **member engagement, transparency and trust-building**, to ensure that every member is well informed about their Plan.

Coming Soon: An All-New Look for MEPP

A brand-new logo will be unveiled in 2025 along with the launch of a significantly redesigned member website that will provide simplified, more intuitive access to Plan information and resources.

Updates for Retired Members

Pension information is updated annually. Read on for important details about the upcoming tax year.

Cost-of-Living Adjustment

MEPP pensioners are subject to receive a cost-of-living adjustment (COLA), which occurs on January 1 of each year. This adjustment is applied to offset the rising cost of goods and services as measured by the Alberta Consumer Price Index (ACPI).

COLA for MEPP is currently granted at 60% of the increase in ACPI. Effective January 1, 2025, the COLA for MEPP is 1.74%.

Tax Time is Approaching

Retired members who have registered for [Your Pension Profile](#) will be able to view and download their annual tax slip online in February.

Electronic tax forms can be found in Document Centre.

For pensioners who prefer to receive printed tax slips through mail, tax slips are expected to arrive by mid-March. Please confirm the address on file is up to date to ensure timely delivery.

Review Deductions for the Upcoming Tax Year

Retired members can opt to change the amount of income tax deducted from upcoming pension payments by filling out a new provincial or territory *TD1 Personal Tax Credits Return* Form with Canada Revenue Agency.

For more information about income tax deductions, go to the [MEPP website](#).

Visit the MEPP Website

All active, deferred and retired Plan members are encouraged to go online and to Go Green.

The [MEPP website](#) contains complete Plan information, as well as the latest reports and news updates. Here, from the homepage, members can log in to [Your Pension Profile](#).

This convenient online member portal is the place to go to securely view and manage pension details:

- View salary and service history, as well as related calculators and estimators;
- Download or print important personal documents, such as annual statements or tax slips;
- Update contact information or banking details for direct deposit;
- Review or change beneficiary details; and
- A secure online inbox to correspond about questions or personal pension details with MEPP Member Services.

Set Up Multi-Factor Authentication

To increase account security, you must set up multi-factor authentication (MFA) as part of Your Pension Profile. In 2025, you will no longer be able to verify your identity using security questions.

Multi-factor authentication (MFA) is a security process that requires users to provide two or more verification factors to gain access to an application, online account, or other resources. This method enhances security by combining multiple forms of authentication, making it harder for unauthorized users to access sensitive information.

Now when you log into Your Pension Profile, after entering your password, a verification code will be sent to your email address or phone number to allow you to complete the login process. This additional layer of security helps protect your accounts from unauthorized access even if your password has been compromised.

Go Green: What and Why?

Opting to Go Green means all further news and correspondence from the Plan, including official documents like annual tax slips, will only be sent electronically. While members can still choose to print any documents as needed, Going Green ultimately represents a choice to reduce paper and the carbon footprint associated with traditional mail delivery.

As an added bonus, Going Green also means direct delivery as soon as the information is available.

How to Go Green Today

1. Register for (or click to access) [Your Pension Profile](#) in the top right corner of the MEPP website.
2. In the “Personal” tab under the “Address and Contact Information” section, update the preference to Go Green.
3. Go Green members will now receive an email notification as soon as new information is available.



A Final Important Note: Going Green is Secure

Document Centre found inside [Your Pension Profile](#) is a secure feature. Here is where personal information and Plan details, including application forms and supporting documents, can be shared safely and directly with representatives of the MEPP Member Services Centre. **MEPP will never ask for (or send) personal details through regular email.**

When in doubt about any request for Plan-related information, contact the MEPP Member Services Centre directly via the information below.

Contact Us

MEPP Member Services Centre

Telephone: 1-877-889-MEPP (6377) (toll-free)

Fax: 780-421-1652

Email: memberservices@mepp.ca

Management Employees Pension Board

Telephone: 780-391-3584

Email: board@mepp.ca