



MESSAGE FROM THE BOARD

In 2014, the Management Employees Pension Board (MEPB or “the Board”) finalized its business plan for 2015 – 2017. Our vision for the Board is “That Plan members and employers have a pension plan that is affordable and sustainable,” and our mission is “to provide prudent governance of the Plan and Fund.”

The business plan sets out the significant opportunities and challenges being monitored by the Board, our strategic priorities through 2016 and our core business goals, which are:

- **Core Business One:**
Governance
- **Core Business Two:**
Plan Funding
- **Core Business Three:**
Investment Management
- **Core Business Four:**
Fiscal Management

You can find a copy of the [business plan](#) on the Plan’s web site under News.

There have been a few changes in your Board. In early 2015, we welcomed a new Board member, Mr. Michael Lundquist. We are pleased that

Michael is offering his skills and time for your Board. We also said goodbye to Dave Lawson who left the Board as of March 27, 2015. Dave has been a member of the Board since 2005 and has served in a variety of capacities including as the Chair of the Investment Committee. Dave has accepted a position outside of Government. We thank him for his service on the Board and we wish him all the best for the future.

If you wish to learn more about the process for the recruitment of MEPB members, please see the addendum to the Management Employees Pension Board [Mandate and Roles Document](#) found on the MEPP website.

The Board welcomes your feedback about your pension plan. Please e-mail your comments to the Board at board@mepp.ca.

Sonya Johnston, Chair

NEW PENSIONER ONLINE SERVICE LAUNCHED

The Alberta Pension Services (APS) has started a phased rollout of a new pensioner online service which provides pensioners their current monthly pension payment information and deductions and allows on-line access to several services. APS is writing directly to pensioners between March 30 and May 30, 2015 with instructions on how to set up the new service. If you have any questions, please contact the APS Member Services Centre.

PENSION SUSTAINABILITY – ONGOING PRIORITY

As noted in our Business Plan, the overall sustainability of the Management Employees' Pension Plan (MEPP) requires continuous oversight and monitoring. The Board believes that sustainability is an ongoing challenge – not just to be considered in times of crisis. Pension sustainability belongs on the permanent agenda of pension governors and agents of a properly functioning pension plan.

The Board defines a sustainable pension plan as one that can consistently, over the long-term, deliver an appropriate range of benefits within an acceptable range of costs. Challenges to the sustainability of MEPP have not changed and result from a combination of several factors including:

- uncertainty in financial markets;
- the maturity of MEPP – the ratio of active members to retired members continues to decrease; that is, the number of non-active, non-contributing members is going up faster than the number of new active, contributing members; and

- the age of MEPP active plan members – the average age is 48.7 years (the oldest of the four Alberta public sector pension plans).

Lower investment returns and interest rates are a challenge for all pension plans and many experts predict that the economic outlook will not improve significantly in the next few years. MEPP, like other pension plans, has only two sources of income – investments and contributions. If investments do not perform well, contributions must increase. While we have seen improvement in investment returns (see Investment Update in this newsletter for information on investment returns in 2014), it has not been enough to completely “catch up”. Most financial analysts believe that financial markets will remain volatile and therefore investment returns uncertain. Investment returns are only part of the picture. Even if the economy and investment returns improve and financial markets become more stable, more than likely contributions would continue at a high level because of demographics (aging of the Plan and less active members in the Plan) and plan design.

2015 ASSET LIABILITY STUDY

As part of its governance practices, the Board annually reviews the Plan's Investment Policy (IP) to ensure that the policy is relevant to the Plan's current investment needs and that the policy is being followed by the Plan's investment manager, the Alberta Investment Management Corp. (AIMCo). Please refer to the current [Investment Policy](#) on our website.

In 2012, the MEPP Investment Committee (IC) appointed an independent investment consultant to conduct an Asset Liability (AL) Study in conjunction with the MEPP IC, the Plan Actuary and AIMCo. The purpose of an AL Study is to determine the optimal investments for a pension plan. The Board amended the investment policy in 2013 as a result of the 2012-2013 study. However, changes to the asset allocation derived from the process were not implemented given that the Government of Alberta announced potential changes to MEPP on September 16, 2013. Those proposals did not come to pass and as part of its on-going responsibilities in monitoring investments, the IC has appointed their independent investment consultant to conduct another AL Study this year. Once the 2014 AL Study is completed this spring, a new asset mix will be approved and the revised Investment Policy adopted and posted on the Plan's website.

UNDERSTANDING ACTUARIAL VALUATIONS VS. ACCOUNTING PROJECTIONS

In May or early June, Alberta Treasury Board and Finance (ATBF) will release the 2014 Annual Financial Report. Members often ask why the numbers in the Annual Financial Report and the Plan's Actuarial Valuation (AV) can 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 Statement could report a surplus for a period but the Actuarial Valuation may report a different result. The different assumptions and discount rates (expected rate of return) provide different results. By law, it is the Actuarial Valuation (AV) that determines the Plan's funding needs and required contributions to the Plan. The AV must be filed with the Canada Revenue Agency at a minimum of every three years.

ACTUARIAL VALUATION

The Actuarial Valuation (AV) is prepared by the Plan's Actuary in accordance with pension legislation and regulations. The purpose of the AV is to determine the required contributions to the Plan. The Plan Actuary is responsible for the

selection of the assumptions, with input from the Board and ATBF. The discount rate is the expected rate of return on assets adjusted for fees and margins for adverse deviations. The AV takes a conservative approach to assumptions in order to ensure the long term viability of the Plan.

ANNUAL FINANCIAL REPORT

The financial statement in the Plan's Annual Financial Report is prepared by ATBF in accordance with Canadian accounting standards for pension plans, which are not the same as the standards for actuarial valuations. The financial statement is not used to determine the required contributions to the Plan. ATBF is responsible for the selection of the assumptions and discount rate. The discount rate is calculated differently from that used in actuarial valuations as per Canadian accounting standards for pension plans. In general, assumptions and discount rates used in financial statements are generally less conservative than those required to be used for actuarial valuations.

2014 INVESTMENT PERFORMANCE

ASSETS UNDER MANAGEMENT

The following shows the assets under management (\$ millions) for each quarter in 2014:

	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Beginning Market Value	3820.4	3730.4	3628.2	3460.6
Net Cash Flow	10.7	3.5	10.3	4.6
Investment Income	50.8	86.5	91.9	163.0
Ending Market Value	3881.9	3820.4	3730.4	3628.2

INVESTMENT UPDATE

The following sets out the Plan's investment performance (%) for the year ending December 31, 2014 compared to the three previous years:

	2014		Previous Calendar Years		
	QTD	YTD	2013	2012	2011
Total Fund	1.3%	11.3%	14.9%	12.3%	2.4%
Policy Return	2.8%	12.2%	14.9%	9.8%	1.5%
Value Added	(1.5%)	(0.9%)	0.0%	2.5%	0.9%

VALUE OF YOUR PENSION PLAN

Have you seen the video [Value of Your Pension Plan](#) on the MEPP website? If not, please take a few minutes to review. This short video has some valuable information to help you understand your pension plan.

COMMUNICATION SURVEY – WE WANT YOUR FEEDBACK

One of the Board's strategic priorities in its Business Plan is communication and we need your feedback. In order to assess stakeholder communication needs, we are conducting a communication survey. You can access the survey [here](#) or find the link on the MEPP Board Section of the MEPP website.

DID YOU KNOW?

The Board's communication tab on our website has been reorganized. You can click on the first tab – [MEP Board](#) – to review current and previous communication, policies, reports and more.

2015 MANAGEMENT EMPLOYEES PENSION BOARD



Back row (left to right): Julia Qiu (Board Staff), Sonya Johnston (Chair), James Fleming, Brenda Chisholm (Plan Board Manager), Dave Lawson (in-active)
Front row (left to right): Kim Flynn, Don Smallwood (Vice-Chair), Darlene Halwas
Missing: Michael Lundquist.

CONTACT

The Board and APS (MEPP's Administrator) can be contacted at:

Management Employees Pension Plan c/o

Alberta Pensions Services Corporation (APS)
5103 Windermere Blvd. SW
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.

YOUR 2015 BOARD

Sonya Johnston, Chair (Employee Nominee)

**Don Smallwood, Vice-Chair
(Government Nominee)**

James Fleming (Government Nominee)

Michael Lundquist (Employee Nominee)

**Kim Flynn (Public Service
Commissioner Nominee)**

Darlene Halwas (Government Nominee)

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.

Board Contact

To contact the Board or for information regarding the governance of the Plan email: board@mepp.ca or call 780-391-3693.