



## 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 MEP Board and Plan Governance tab to review current and previous communications, policies, reports, and more.

## Message from the Chair

Welcome to the Spring 2019 edition of the Management Employees Pension Plan (MEPP) Member Newsletter. The Management Employees Pension Board (the Board) is pleased to have this opportunity to provide members with news and information related to the governance of MEPP.

In 2018, the landscape of public sector pensions in Alberta changed when the provincial government announced a proposal to reform the governance structure of the Local Authorities Pension Plan (LAPP), the Public Sector Pension Plan (PSPP) and the Special Forces Pension Plan (SFPP). The changes proposed a new joint governance structure in which employee and employer sponsor boards would become the trustees for these plans and share oversight responsibility for their respective plan funds. On March 1 of this year, the Joint Governance of Public Sector Pension Plans Act transitioned these plans to joint governance.

Over the past year, MEPP governance continued to be a priority for the Board. The Board completed its Asset Liability Study (ALS), updated its Investment Policy and asset mix and completed an interim actuarial valuation.

MEPP is not among those pension plans impacted by the new joint governance model. However, the Board is aware that the implications of these changes, and related questions about defined benefit pensions, are top of mind for Alberta's public sector employees. The Board will continue to actively monitor these changes for impacts to MEPP and work to identify or mitigate any risk. We will provide details to MEPP members if, or as, information becomes available.

The Board's recent progress has also included the new Strategic Business Plan for 2019 – 2021 with a focus on risk mitigation. Further details can be found in this edition of the newsletter.

The Board would like to take this opportunity to announce the new Chair and Vice-Chair of the Board and Investment Committee (IC), each for two-year terms effective January 1, 2019.

The new positions are as follows:

- Deborah Polny, MEPB Chair
- Sonya Johnston, MEPB Vice-Chair
- Andrew Tambone, MEPB Investment Committee (IC) Chair
- Shannon Patershuk, MEPB IC Vice-Chair

We would like to thank Sonya Johnston for her service to MEPB as Board Chair. We are pleased to report that Ms. Johnston will continue to provide service to the Board in her new position as Vice-Chair.

Detailed information, including bios, for all current Board members can be found on [mepp.ca](http://mepp.ca).

**Deborah Polny, MEPB Chair**

# Funding Valuation Scheduled for 2019

The Board is responsible for monitoring the funding status of MEPP and, as established in MEPP legislation, an actuarial valuation must be completed at minimum every three years.

MEPP will undergo an actuarial valuation for funding purposes in 2019, based on the year ending December 31, 2018. Actuarial valuations determine the current funding position of MEPP, and are required to set contribution rates. The results of the valuation will be available to MEPP members once this process is complete.

In addition to the triennial valuations, the Board annually reviews ongoing projections and estimates as prepared by the actuary and also conducts an interim actuarial valuation every two years.

You can find more information and view previous funding valuation results [here](#).

## 2018 Asset Liability Study – Results

The Board has completed its work on the 2018 MEPP ALS and established a revised [Investment Policy](#), effective January 1, 2019. For monitoring purposes, and to better meet the funding needs of MEPP, this process is completed annually.

Work on the ALS includes a critical review of MEPP's investment objectives, risk tolerance, asset class benchmarks and the asset mix. The Board's external investment consultant, Ellement, collaborates with Alberta Investment Management Corporation (AIMCo) to run hundreds of scenarios based on different asset mixes and risk parameters. The investment consultant reviews these simulation results to identify changes to MEPP's existing asset mix which will improve the risk-versus-return profile and better match assets to liabilities. The investment consultant then works with the Board to determine the optimal asset mix using various stress tests.

The development of the annual Investment Policy follows this rigorous ALS process. The resulting Investment Policy is a comprehensive document that conveys the policies for the investment of MEPP's assets and includes MEPP's asset mix with allowable ranges and the benchmarks for measuring performance.

The Board will commence work on the 2019 ALS shortly.

## The 2019-2021 MEPB Strategic Plan

The Board's strategic mission is to provide prudent governance over the administration of MEPP and the MEPP's assets in support of its overall vision: that MEPP members and employers have a pension plan that is affordable and sustainable.

Accordingly, the new MEPB Strategic Business Plan 2019 – 2021 (the "Strategic Plan") supports this mandate and identifies six priorities for the Board's work for the coming three-year period. These priorities are as follows:

- funding and sustainability
- investments
- fiscal management
- communication
- governance
- enterprise risk management

Changes to the Strategic Plan this year align with the established Enterprise Risk Management (ERM) program, which actively identifies and monitors key risks to MEPP and ensures that these risks are regularly and appropriately managed.

Based on recent developments, the challenges and opportunities identified in the new Strategic Plan include a focus on the continued monitoring of, and risk mitigation for, the outcomes of the new joint governance structure for Alberta's public sector pension plans.

You can view the complete Strategic Plan at [mepp.ca](http://mepp.ca).

## Available Now

For detailed information about annual MEPP transactions, please view the archive of [Plan Annual Reports and Financial Statements](#), up to and including 2017, found on the MEPP website.

The audited results for 2018 will be posted in summer 2019.

## 2019 Stakeholder Governance Session: Save the Date

The 2019 MEPP Stakeholder Governance Session is planned for October 24, 2019.

A Save the Date notice will also be sent to all Go Green members directly.

This event is an excellent opportunity for all MEPP stakeholders (members, pensioners, and employers) to learn more about the role of governance and to pose questions directly to the Board. We look forward to seeing you there!

# Update: Provincial Pension Plans' New Joint Governance Structure

The Board would like to remind MEPP members that the Alberta government's new joint governance structure for some of Alberta public sector pension plans does not impact MEPP.

On March 1, the Joint Governance of Public Sector Pension Plans Act (previously Bill 27) was proclaimed, transitioning LAPP, PSPP, and SFPP to a new joint-governance model whereby employee and employer sponsor boards will now equally share control of plan design and the responsibility for the financial health of their respective pension plans going forward. For more information, please visit the [Government of Alberta website](#).

The Board has been informed that the government does not intend to make any changes to MEPP's governance structure nor to the design of MEPP. Further, the Board has been advised that there are no plans to close MEPP to new members.

If you have questions related to MEPP governance, please contact us at [board@mepp.ca](mailto:board@mepp.ca).

## 2018 Year-End Investment Performance

The Board's Investment Committee (IC) regularly reviews MEPP's investment results with the investment manager, AIMCo, and with the assistance of the Board's investment consultant, Ellement.

The Board posts [quarterly updates](#), which include the latest market and investment information, on a regular basis throughout the year.

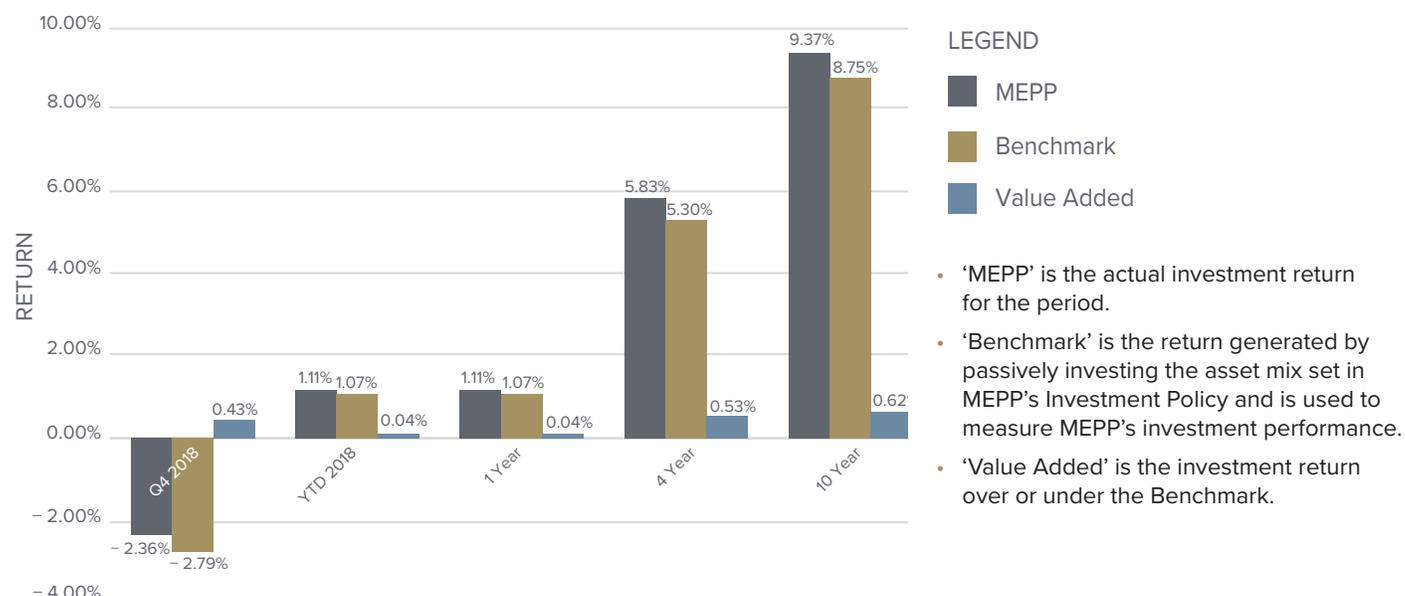
### Here are the quarterly market values (in millions) (unaudited) for 2018:

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>Beginning Market Value</b>	<b>\$5,036,882</b>	<b>\$5,064,760</b>	<b>\$5,168,176</b>	<b>\$5,195,395</b>
Net Cash Flow *	(\$2.70)	(\$11.86)	(\$5.22)	(\$15.34)
Investment Income	\$30,577	\$116,272	\$32,440	(\$123,385)
<b>Ending Market Value</b>	<b>\$5,063,760</b>	<b>\$5,168,176</b>	<b>\$5,195,395</b>	<b>\$5,056,665</b>

\* Negative cash flow amounts were due to a pension system upgrade, resulting in a backlog of termination payouts at the pension administration operations level.

In the fourth quarter of 2018, worldwide financial markets experienced a market correction. Concerns over trade wars, rate hikes, oil prices and Brexit all affected investor behaviour and contributed to lower returns in Q4. The resulting Q4 2018 investment performance (unaudited) was -2.36% compared to the plan's benchmark performance of -2.79% for a value add of 0.43%. The long-term investment performance return for MEPP is as follows:

### Long Term Investment Performance



# Mitigating the Impacts of Poor Investment Returns

The fourth quarter of 2018 was a very challenging one for financial markets, with Canadian, U.S. and international equity markets all declining by 10% or more. The median Canadian balanced fund, composed primarily of public equities and bonds, declined 5.0% during the quarter. Fortunately, markets recovered quickly and most of the fourth quarter losses were fully reversed in the first quarter of 2019.

Nonetheless, the recent experience reminds us how quickly markets can deteriorate, and so it is perhaps an opportune time to consider how the health and long-term sustainability of MEPP is affected by periods of weak investment performance.

The obligations of MEPP are funded by employer and member contributions, supplemented by investment income on MEPP's assets. At least every three years, MEPP's actuary performs an actuarial valuation of MEPP, which provides an assessment of the health of the pension plan and indicates the level of contributions required to meet MEPP's obligations. This assessment is based on a large number of economic and demographic assumptions.

One of the most important assumptions is the expected rate of return to be earned on the pension plan's assets, currently assumed to be 5.5%. If, over the three year period between valuations, investment returns fall short of the assumed return, MEPP's health would be negatively impacted. In the event of a significant shortfall, contribution rates would likely need to be increased.

To the extent possible, this risk is mitigated through extensive investment diversification, which includes allocations to traditional investments of bonds and equities as well as investments in alternative assets such as real estate, infrastructure, private debt and private equity. This diverse range of alternative investments all serve to reduce the pension plan's reliance on public equities which typically expose it to the most volatility. Diversification certainly served its purpose in the fourth quarter of 2018, when strong performance from alternative asset classes, particularly real estate and infrastructure, helped offset weakness in equities. As a result, MEPP's loss for the quarter was held to only 2.4%.

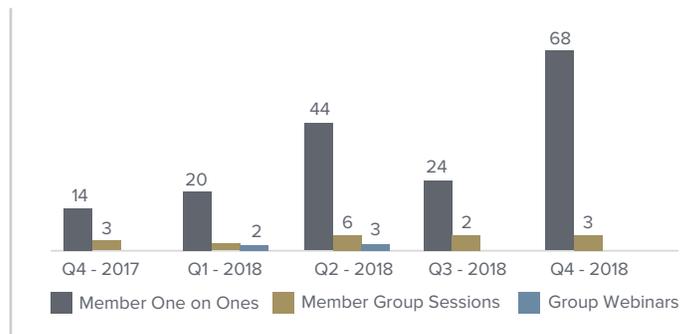
## 2018 Year-End Client Service Statistics

Alberta Pensions Services Corporation (APS), MEPP's benefit administrator, guides the pension experience for MEPP members, pensioners, and employers alike, offering a wide variety of pension-related services and expertise.

Across the board in 2018, APS demonstrated success and improvement for MEPP services, with measures meeting or exceeding the established targets.



At the end of Q4, the Voice of the Client (customer satisfaction) score was 80.4 -- an increase from 79 in the previous quarter.



Education sessions delivered to MEPP members in 2018.

To address the growing demand for pension education, APS delivered 68 member one-on-one sessions in Q4, as compared to 14 in the same quarter last year. Continuing these efforts, additional dates have been offered for offsite member one-on-one sessions in both Calgary and Edmonton, for spring and summer 2019.

The Board welcomes questions and feedback about the information contained in these and its other reports, as well as any questions regarding MEPP governance. Please contact us at: [board@mepp.ca](mailto:board@mepp.ca).

## One-on-One Sessions and Webinars – Spring Dates

New dates have been announced for spring one-on-one member information sessions and webinars.

If you are thinking of retiring or need help understanding your pension options, attending a one-on-one session or participating in a webinar is a great way to learn about what's available to you and your family. It is important to consider all of the options so that you can make an informed decision about your pension when the time comes.

Spring one-on-one sessions typically take about a half hour and are scheduled from April to July in Calgary, Edmonton, Grande Prairie, Lethbridge, Peace River and Red Deer.

Webinars are also being offered on the following topics and can be enjoyed in the comfort of your home or office:

- Termination, death and disability, May 8
- Buyback options, May 23
- General retirement options and benefits, May 30

Please visit [mepp.ca](http://mepp.ca) for further details and to book a one-on-one session or to enroll in a webinar. All sessions are led by APS, our pension benefit administrator.

## Cost-of-Living Adjustment (COLA) for MEPP Pensions in Pay

A significant feature of belonging to MEPP is that, once you retire and begin to receive pension payments, your pension amount is protected against inflation. (Did you know? Not every pension plan includes COLA!)

On a year-over-year basis, Albertans paid 1.2% more in January 2019 (still, lower than the national average of 1.4%) for many goods and services.

To counteract the effects of inflation, a cost-of-living adjustment is applied to MEPP pension payments every year there is an increase in the Alberta Consumer Price Index (ACPI). COLA is equal to 60% of the yearly increase of the ACPI.

Based on the current economic landscape, as of January 1, 2019, the COLA granted to MEPP pensioners was 1.5% of base pension. This is a significant adjustment when compared with recent previous years, when COLA was consistently granted to MEPP pensioners at 0.78% or less.

You can read more about Alberta's economy, including the ACPI, [here](#).

## Your 2019 Board



**Deborah Polny**  
Board Chair,  
Employee Nominee



**Sonya Johnston**  
Board Vice-Chair,  
Employee Nominee



**Andrew Tambone**  
Investment Committee  
Chair, Employee Nominee



**Shannon Patershuk,**  
Investment Committee  
Vice- Chair,  
Employer Nominee



**Kim Flynn**  
Board Member,  
Public Service  
Commissioner's Nominee

## Board Staff

**Matea Maric** Plan Board Manager

**Courtney Andrews-Peckford** Plan Board Specialist

## Contacts

For general information about MEPP, please visit [mepp.ca](http://mepp.ca).

For specific Board-related questions or information related to MEPP governance, contact:

### MEP Board:

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

**Telephone:** 780-391-3693

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

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

### Members – Member Services Centre

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

**Fax:** 780-421-1652

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

## 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 advises the Minister.