



MEPB 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's assets and liabilities as well as ensuring effective Plan administration.

MEPB Governance and Publications

Governance is the responsibility for the operations and sound management of a pension plan, including administration, funding and the management of assets. View the MEPB and Plan Governance tab on the [MEPP website](#) for communications, policies, reports, and more.

Message from the Chair

Albertans remain steadfast in their pursuit of certainty resulting from the impacts of the COVID-19 pandemic on our communities, health and education systems, local and global economies, and nearly every aspect of our daily lives.

The Management Employees Pension Board (MEPB, or the Board) produces this newsletter and other information to provide MEPP members with important details about their pension. Now, more than ever, we encourage members to engage with these Plan publications to read about the work that contributes to the responsible management of the Plan, and to gain an understanding of why the Board believes that looking ahead, there are compelling reasons for an optimistic view.

Firstly, now that summer is here, Albertans can enjoy one of the most beautiful seasons of the year. This change in season naturally imparts a brighter sense of optimism, and Alberta's Open for Summer Plan allowed for the easing of restrictions as vaccination targets were achieved.

Secondly, the Board's governance approach considers the long-term view, and has well-positioned the Plan for the uncertainty we have come through as well as future sustainability. A responsible investment policy and risk management program, as a priority, means the Plan is in good shape to continue safeguarding the promise of your pension, whatever the road ahead may hold. That the global investment markets fluctuate in response to worldwide events is easily expected, though the ability to accurately forecast specific outcomes of these shifts remains elusive.

This past year was no exception. However, recovery in various market segments has been observed and, in aggregate, MEPP has experienced improvement in its long-term investment returns. The Board remains focused in its planning and monitoring duties to ensure that MEPP remains well-positioned to weather risk and uncertainty and, with the efforts of the investment manager and the administrator, that the long-term interests of Plan members and pensioners remains secure.

Now, more than ever, we encourage members to engage with these Plan publications to read about the work that contributes to the responsible management of the Plan, and to gain an understanding of why the Board believes that, looking ahead is in everyone's best interest and there are compelling reasons for an optimistic view.

Thirdly, the Board is well positioned to fulfil its governance mandate. We are pleased to announce the new Board and Investment Committee executive position elections, effective March 2021, as well as to announce recent additions to the Board as appointed by the Lieutenant Governor in Council: Sarah Carr (December 2020), Brittany Jones (June 2021) and Sherri Wilson (June 2021).



Jon Himmens
MEPB Chair
and Investment
Committee member
(employer nominee)

Dale Beesley
MEPB Vice-Chair
and Investment
Committee member
(employee nominee)

Shannon Patershuk
MEPB Investment
Committee Chair
and MEPB member
(employer nominee)

Deborah Polny
MEPB Investment
Committee Vice-Chair
and MEPB member
(employer nominee)

Sarah Carr
MEPB and Investment
Committee member
(Public Service
Commission nominee)

Brittany Jones
MEPB and Investment
Committee member
(employee nominee)

Sherri Wilson
MEPB and Investment
Committee member
(employee nominee)

More information about the current Board members may be found on the [MEPP website](#).

The Board would like to extend its gratitude to Deborah Polny for her service to MEPB as Board Chair for the 2021-2022 term, and we are pleased to share that Ms. Polny will continue to serve in her new position as the Investment Committee Vice-Chair as well as a Board member.

The Board would also like to express sincere appreciation to departing Board member, Sonya Johnston, for her service over the past nine years. Ms. Johnston, an employee nominee, served the Board in various executive positions, including Board Chair and Vice-Chair, as well as the Investment Committee Vice-Chair.

On behalf of the Board, I invite you to review the latest MEPP news in this Spring / Summer edition of the member newsletter and reach out to us about the governance topics and issues that you feel matter most. What is top-of-mind when it comes to your MEPP pension? Are there topics you want to see covered in future communications? As always, we welcome your comments and feedback at board@mepp.ca.

Jon Himmens, MEPB Chair

Jon Himmens

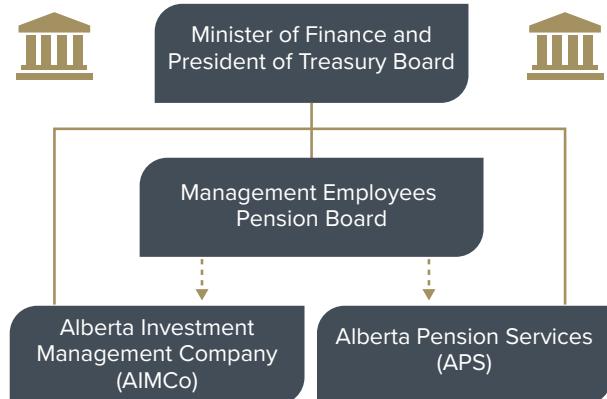
Overview

MEPP is legislated by the [Public Sector Pension Plans Act](#) (PSPPA) and its regulations. PSPPA outlines the roles and responsibilities for the Plan and its governance as follows.

The President of Treasury Board and Minister of Finance (the Minister) is the statutory administrator of MEPP. The Minister is the custodian of all assets of the Plan in trust to provide benefits pursuant to the Plan and to meet Plan costs.

The Board acts in an advisory capacity to the Minister and provides oversight on all Plan governance matters, including those related to the investment and administration activity:

- Alberta Investment Management Corporation (AIMCo) provides investment management services to the Plan under the Investment Management Agreement (IMA) it holds with the Minister. AIMCo oversees investment activities for the Fund, which are based on Board-established objectives, policies and parameters.
- Alberta Pensions Services Corporation (APS) provides pension administration services to the Plan in accordance with the Pension Administration Service Agreement it holds with the Minister. APS fulfills its commitment through direct administrative operations and services to members, employers and pensioners, including the management of contributions, pension processing and benefit payments.



The Board monitors progress of these activities as they relate to MEPP and regularly reviews and sets the investment policy and other Plan administration policies, which help to further guide the activities on behalf of the Plan.

Service Level Agreements

In late 2019, the *Reform of Agencies, Boards and Commissions and Government Enterprises Act*, implemented changes to some provisions previously contemplated with the *Joint Governance Public Sector Pension Plans Act*, which transitioned several public sector pension plans in Alberta to a joint-governance model. As a result, service level agreements between those plans and the service providers (APS and AIMCo) are currently being reviewed and re-established to reflect changes resulting from the Act.

The Board would like to take this opportunity to remind members that, while the MEPP governance structure has not been altered by these legislative changes, the public sector pensions environment within which the Plan operates has changed considerably and continues to shift. The Board views the relationships between the service providers and MEPP as a key consideration for responsible governance of the Plan, and will continue to conduct regular reviews of the service level agreements with APS and AIMCo with the aim of further clarifying the roles and responsibilities in order to enhance these relationships.

Managing Risk

To gain returns in a slower growth, low interest rate economy, MEPP must consider taking on some additional risk. Consequently, the sophistication and complexity of investments has increased, which has resulted in the need for enhanced monitoring. The Board, in consultation with its independent investment consultant and AIMCo, monitors risk to ensure MEPP is well positioned to withstand short-term turmoil in the financial markets and respond to opportunities and challenges created by shifts in local and global economies. MEPP investments are broadly diversified for long-term performance and sustainability.

The MEPB Enterprise Risk Management (ERM) framework and risk program is reviewed regularly by the Board to provide appropriate guidance for Plan governance objectives. Effective ERM and diligent monitoring helps to manage inherent risks that may threaten the Plan or business objectives of the Board. By establishing a systematic approach to identifying, assessing and managing risk, MEPB seeks to continually improve the Plan's governance focus, accountability and overall performance. In 2021, the Board will review its risk framework to ensure strong alignment with the Plan's governance structure and in consideration of the current public sector pensions environment.

The 2021-2023 Strategic Business Plan

[The Business Plan](#) outlines the Board's approach to identifying its strategic priorities, goals, and deliverables required to manage risks facing MEPP now and in the future. The Board's strategic priorities for the next three years are:

- **Effective monitoring of the MEPP funding** – That the MEPP's funded status (on a going concern basis) is sufficient to maintain the current level of promised benefits, while ensuring the financial sustainability of the Plan, managing the Plan's funded position from adverse risks, and ensuring that each generation of active members pays for benefits that are earned by that generation of active members.
- **Appropriate investment of Plan assets** – That investment returns are maximized to meet long-term return objectives of the Plan while balancing the risk and return profile of MEPP and ensuring compliance with the investment policy.
- **Diligent fiscal management** – That investment, administration and operational costs are allocated fairly, and managed efficiently and effectively.
- **Effective communications** – That proactive, reliable communication is provided to members, employers, and other key stakeholders regarding matters within the Board's mandate in an easily accessible and understandable manner.
- **Prudent Plan and Board governance** – That the Board operates in an effective and efficient manner, and in accordance with best governance practices and applicable legislation, and has a clear understanding of its roles and responsibilities.

In 2021, the Board will undertake various activities in support of the strategic priorities, including:

- Review of its Enterprise Risk Management framework.
- An Asset Liability Study (ALS), the purpose of which is to review investment and funding needs of the Plan, to establish risk parameters to better match assets to liabilities, and to ensure these needs are accurately reflected in the asset mix.
- An actuarial funding valuation to inform Plan funding requirements and status.
- Annual review of MEPP's Investment and Funding Policies.
- Review of the Strategic Communications Plan.

MEPP Financial Overview

Responsible oversight for the Plan Fund requires ongoing assessments of the value of MEPP assets, which includes monitoring the investment and market activity.

Funded Status

As established under PSPPA, and as reflected in the [MEPP Funding Policy](#), the Board is mandated to perform regular reviews of, and to set policy for, MEPP where investment and fund management is concerned. Part of this work means the ongoing monitoring of the financial health of the Plan through the annual financial statements, the results of the actuarial valuations, the quarterly investment performance reports and the asset mix review.

MEPP must file an actuarial valuation for funding purposes with Canada Revenue Agency, at minimum, every three years. The next valuation dated December 31, 2020 will be completed in 2021 for monitoring purposes.

An actuarial valuation is essentially a financial checkup for the Plan. The Plan Actuary conducts a full valuation every three years and an interim valuation every two years. In between those valuations, the Board requests interim or mini valuations and other analyses to stay fully informed and current as to the funding status of the Plan.

In an actuarial valuation, the Plan Actuary estimates the cost of future MEPP benefits by making assumptions about future conditions. These estimated costs are then compared with the estimated funding, which represent the Plan's assets and expected contributions (i.e., money going out versus money coming in). Contribution rates may be adjusted up or down depending on these results.

Annually, the Actuary also completes an extrapolation of the fund based on the last filed funding valuation. The extrapolation is then used for determining actuarial information for annual financial statement reporting.

Below is a summary of the latest extrapolation results which provide the the current funded position of MEPP, based on the actuarial valuation results as at December 31, 2018.

MEPP's Extrapolated Funding Position *		
\$ (thousands)	2020	2019
Actuarial Value of Assets	\$5,583,883	\$5,376,892
Actuarial Liabilities	\$5,236,136	\$5,109,980
Surplus (Deficit)	\$347,747	\$266,912
Funded Ratio	1.0664	1.0522

* Based on actuarial valuation as at December 31, 2018.

The 2020 MEPP Annual Report and Financial Statements will be published to the [MEPP website](#) later this summer.

NOTE: When viewing this information, it is important to remember that the numbers in the Annual Financial Report and the Plan's actuarial valuation can differ. This is because these reports have different objectives, are conducted according to different standards, and use different cost methods and assumptions.

The MEPP financial statements are prepared by Alberta Treasury Board and Finance according to Canadian accounting standards for pension plans, whereas the actuarial valuation uses actuarial standards which adopt a conservative approach to assumptions in order to ensure the long-term viability of the Plan.

Investments

The Board's Investment Committee regularly reviews MEPP's investment results with the investment manager (AIMCo) and with the assistance of the Board's investment consultant. The Board publishes [quarterly updates](#) for Plan members, which include the latest market and investment information.

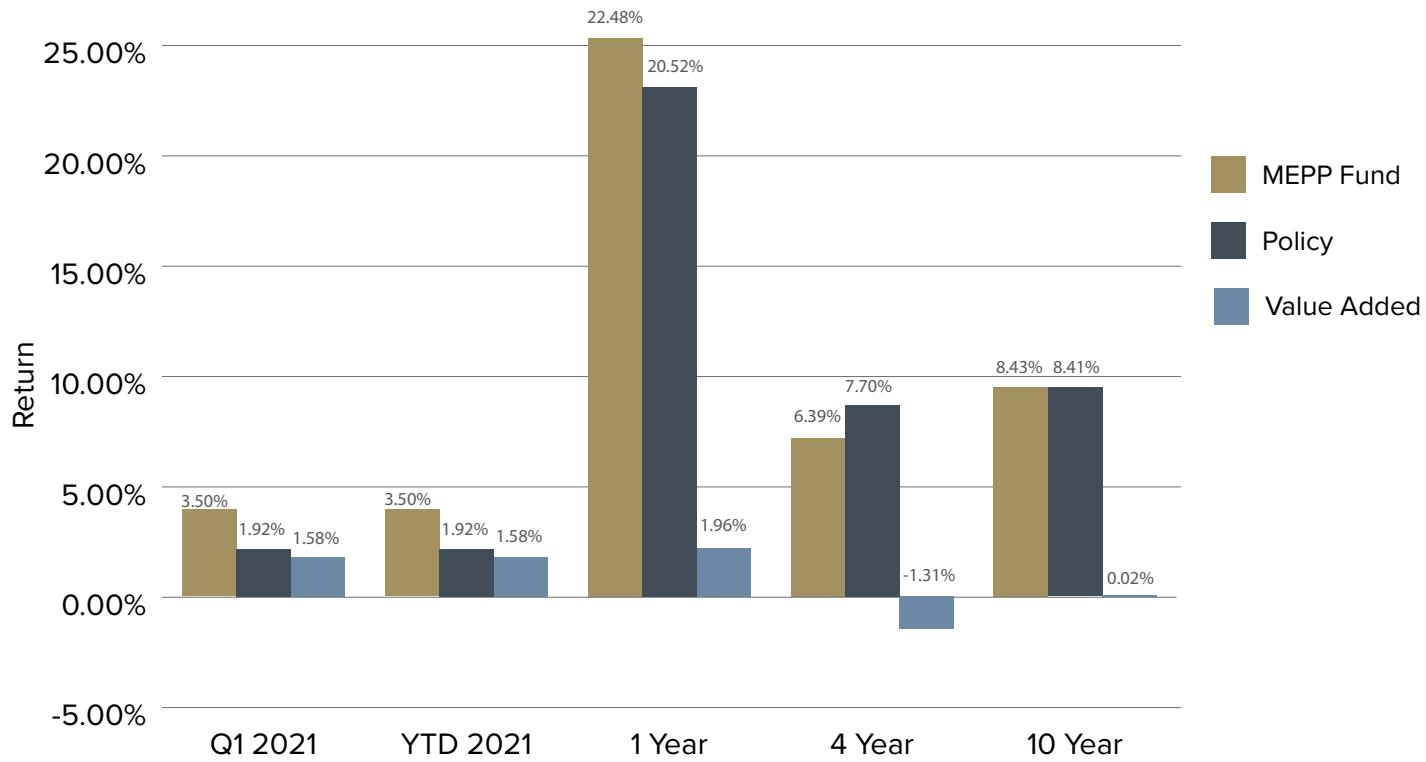
Market Value (unaudited)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Beginning Market Value	\$5,648,063,878	\$4,864,756,287	\$5,162,833,777	\$5,341,111,794	\$5,561,868,816
Net Cash Flow*	\$(24,030,591)	\$(47,975,116)	\$(23,900,616)	\$(25,102,033)	\$(27,584,869)
Investment Income	\$(785,334,463)	\$346,052,604	\$202,178,631	\$305,859,054	\$195,372,915
Ending Market Value	\$4,864,756,287	\$5,162,833,777	\$5,341,111,794	\$5,621,868,816	\$5,789,656,861

*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 investment performance in Q4 2020 was 1.94%, which was above the policy benchmark return of 0.73% for a value add of 1.21%. Investment performance in Q1 2021 was 3.5%, exceeding the policy benchmark return of 1.92% for a value add of 1.58%.



- 'MEPP Fund' 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

MEPP Administration Activity

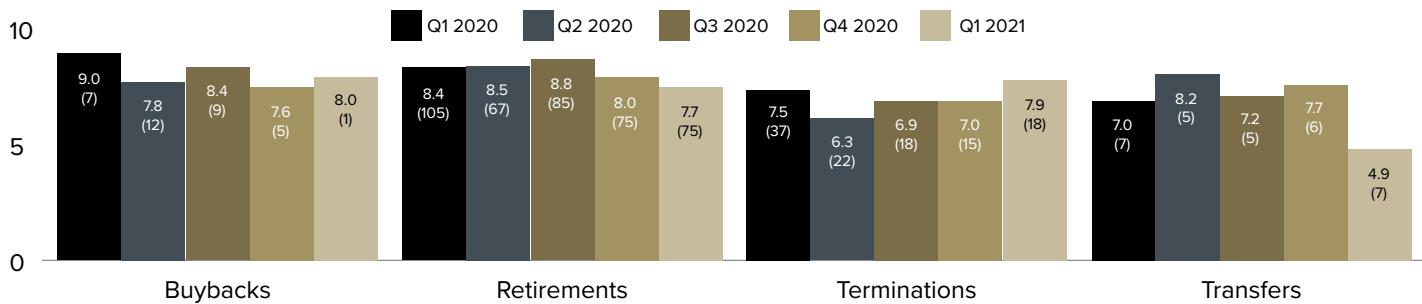
APS' Member Services Centre reports client service statistics quarterly and compares these values annually.

Client Service Statistics

These are the latest service metrics related to incoming calls from MEPP members.

Total call volume offered in Q1 2021 increased to 1,991 from 855 in Q4, 2020. Total call volumes offered in Q1 increased by 56% year-over-year and calls handled increased by 54%. This increase was mainly driven by retirement calls from active members, and tax slip and Your Pension Plan calls from pensioners. 2021 was the first year of not mailing pensioner and member tax slips as APS transitioned to going paperless (the Go Green initiative). This drove significant increases to both tax slip and *Your Pension Plan* related calls. Feedback on member and pensioner interactions with APS' Member Services Centre is gathered and reported as what is called the Voice of the Customer (VOC) score. In Q1, even with the increased call activity, MEPP members continued to receive great service and receive the help they needed; the average VOC score was 84.6%, 2.6% better than the target, and a year-over-year increase of 1.3%.

The Board appreciates the efforts of APS to continue to respond to member and pensioner questions and provide services on behalf of MEPP, even as the organization dealt with many of the same challenges so many others faced during this last year of challenge and uncertainty.

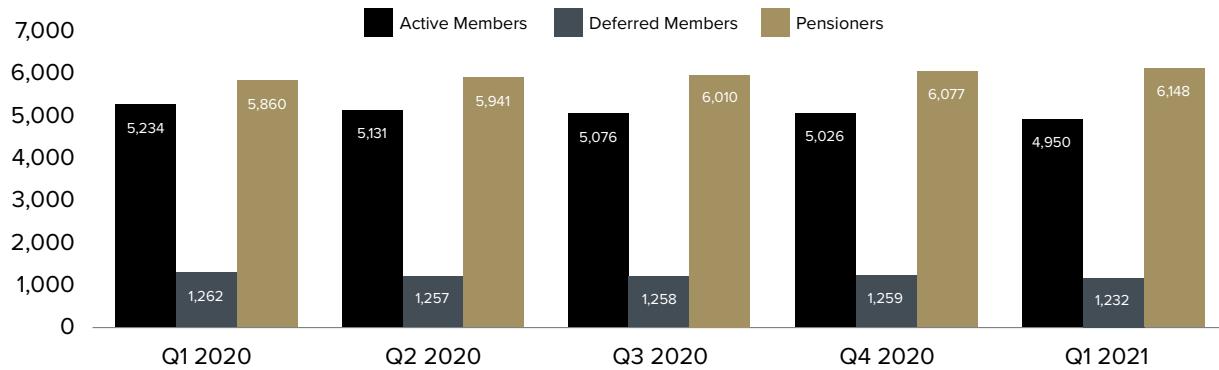


The value at the top of each bar reflects the MEPP VOC score, which is out of 10. The Response Count (in parentheses) is shown by quarter and grouped according to reason for the call.

Membership Trends

The value of the Plan's assets is compared against the pension obligation to its members. APS analyzes Plan membership data for trends that may affect the health of MEPP and presents these results quarterly.

In Q1 2021, the number of active MEPP members decreased by 1.5%, deferred members increased by 2.1%, and pensioners increased by 1.2% on a quarter-over-quarter basis.



The current ratio of working-to-retired members moved from 0.83:1 in Q4 2020 to 0.81:1 in Q1 2021.

Alberta Pension Services' Offices Remain Closed to Public Access

Updates will be posted to the MEPP and APS websites as new information becomes available.

The MEPP member services centre is available to answer questions during regular [hours of operation](#).

All in-person education sessions remain postponed, but telephone or video sessions are available upon request.

Important Pension Information

This secure online feature helps MEPP members stay current and get the most out of the Plan.

Keeping your information up to date is critical. All members – active, deferred and retired, as well as any spouse or pension partner receiving a survivor benefit – can use [Your Pension Profile](#) to access, manage and edit their personal pension information whenever and wherever life may lead.

This fall, the login system and how to reset a forgotten password or username will be improved. A verification code by text message or phone will be sent, instead of email being the only option.

Your Pension Profile also contains a quick-view dashboard, the ability to easily send and receive important Plan documents, and a drop-down menu to access even more pension tools, like calculators. Members can also opt to Go Green to receive their annual statement, tax slips, MEPB newsletter and Plan news in an eco-friendly electronic format.

To access *Your Pension Profile*, visit [MEPP.ca](#) and click “Login” in the upper right corner.

Cost of Living Adjustment Update

MEPP pensioners have received an increase of 0.78% for 2021.

According to the [Alberta Consumer Price Index \(ACPI\)](#), the consumer cost for nearly all commodities has increased. Albertans paid 1.9% more for their goods and services in March 2021 than in the same month a year ago, while the national average CPI was up 2.2%.

A MEPP pension is protected against inflation. Once you start collecting your pension, you will receive an annual cost-of-living adjustment (COLA) that is intended to offset the rising cost of goods and services.

Currently, COLA for MEPP is granted at 60% of the increase in the ACPI.

That means, effective January 1, 2021, the cost-of-living-adjustment is 0.78% of base pension.

Contact

For general information about MEPP, please visit the [MEPP website](#).

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

For specific Board-related questions or information related to Plan governance, contact: board@mepp.ca or boardchair@mepp.ca.