

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



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Message from the Chair

While the Bank of Canada continues to review its policy rate, it is likely that the resulting burden of higher costs for goods and services will remain for the foreseeable future. However, in at least some respects, these current economic conditions bode well for the Management Employees Pension Plan (MEPP, or the Plan) members.

For one thing, retirement portfolios tend to withstand inflation's impact well. Periods of high interest typically mean stable and foreseeable returns for long-term investments. Additionally, it is important to note the inverse relationship between current interest rates and future pension valuations.

When interest rates are high, pension plan costs tend to be lower since money set aside today will earn greater returns in the future owing to the escalated interest rates.

A significant feature of MEPP is that the pension is protected against inflation. MEPP annually applies

indexation, or a Cost of Living Adjustment (COLA), which can help the retired and deferred membership keep pace with rising costs year to year. COLA is currently granted at 60 per cent of the increase in the Alberta Consumer Price Index. In 2024, this value is equal to 2.34 per cent on base pension

Read on for more details in this Newsletter about the latest Plan performance, as well as insights about Plan features, such as service buybacks and transfer agreements, which may increase the value of a MEPP pension. We also offer more information about some related members-only tools that can help with understanding, planning for, and managing MEPP-related retirement expectations.

Dale Beesley, MEPB Chair

2023 Member Communications Survey

Effective communication is a strategic priority within the Board's Business Plan.

To meaningfully assess the effectiveness of its regular communications activity, the Board conducted a member-focused survey in 2023. The results provided significant insight, including trends in member perceptions about the value of (and ease of access to) existing Plan-related information. The Board would like to share some of the feedback we received.

Of all those who responded to the survey, the majority of MEPP members (66%) reported they regularly read the Member Newsletters. Most found the content (as a whole) useful for improving pension awareness, and many felt the highest informational value came from its regular features, such as the Investment Performance section.

Similarly, 64% of all respondents reported that they regularly use the MEPP website at least once per year or more. Most felt the website was a valuable way to find more detail on specific topics, such as spouse or beneficiary-related information. Only 2.5% of users found the website difficult to navigate, which speaks to the overall quality of this informative tool.

Finally, the MEPP member education sessions were also found to be an effective way to receive topic-specific information. Approximately 77% of those surveyed and who had attended a session reported it was a valuable or very valuable experience for their awareness overall. For those who had never attended one, most said they had not done so because they were unaware of these sessions.

As always, direct feedback helps to align the Board's communications priorities with the expectations of the Plan membership. The trends noted in this survey will help to inform topics and features in future editions of this Newsletter. The Board wishes to thank all those who participated in this valuable process.

How to Attend an Online Education Session

If you would like a webinar coordinated for your workplace, please contact your employer's Human Resources area. They can contact their MEPP representative to make the arrangements.

MEPB Publications

View the *MEPB and Plan Governance* tab on the [MEPP website](#) for communications, policies, reports, and more.

MEPP Annual Report

The Annual Report details the previous year's financial operations and includes financial statements, the administrator's report and the Plan investment performance. The 2022 MEPP Annual Report is available for members to view on the [MEPP website](#).



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 and ensure effective Plan administration.

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.

Funded Status

In its obligation to provide prudent oversight of the Plan on behalf of the Minister, the Board is responsible for monitoring the MEPP funded status. As established in legislation, an external actuary must regularly perform valuations, which provide a point-in-time snapshot of the health of the Plan. These valuations help to determine the current financial position as well as to provide key information that informs the contribution rates needed to fund the Plan.

The Board is required to complete and file a valuation at least every three years for the purposes of determining the Plan's funded status and contribution rates.

As previously reported, the most recent valuation for the primary purpose of establishing the funding range was completed in 2022 for the year ending December 31, 2021. The full report may be viewed now on the [MEPP website](#). The next funding valuation will be completed as at December 31, 2024 with results to be posted in 2025.

Additionally, the Board collaborates with the Actuary to conduct interim valuations every two years, or at any other interval that may be determined as necessary, in order to actively monitor the financial health of the Plan. This year, the Board will conduct a valuation for monitoring purposes to be completed as at December 31, 2023.

Members are reminded that, when viewing either the valuation or annual reporting results, numbers in the Annual Financial Report and the Plan's actuarial valuations can differ. This is due to different standards, cost methods and assumptions used by each report. The Ministry of Treasury Board and Finance prepares its Annual Reporting statements according to Canadian accounting standards for pension plans. The valuations prepared by the Plan Actuary contain extrapolated values that are based on actuarial assumptions, and which generally take a more conservative approach to ensure the long-term viability of the Plan.

MEPP Investments

The Board regularly reviews the MEPP fund's investment results with the Plan Investment Manager (the Alberta Investment Management Corporation, or 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 (Q4 2023), as well as the four previous quarters:

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Beginning Market Value	\$5,894,612,271	\$6,107,523,127	\$6,283,568,575	\$6,375,325,639	\$6,276,580,757
Net Cash Flow*	\$(31,998,606)	\$(34,000,000)	\$(30,000,000)	\$(29,000,000)**	\$(30,000,000)
Investment Income	\$244,909,462	\$210,045,449**	\$121,757,065	\$(69,744,882)**	\$250,604,665
Ending Market Value	\$6,107,523,127	\$6,283,568,575	\$6,375,325,639	\$6,276,580,757	\$6,497,185,422

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

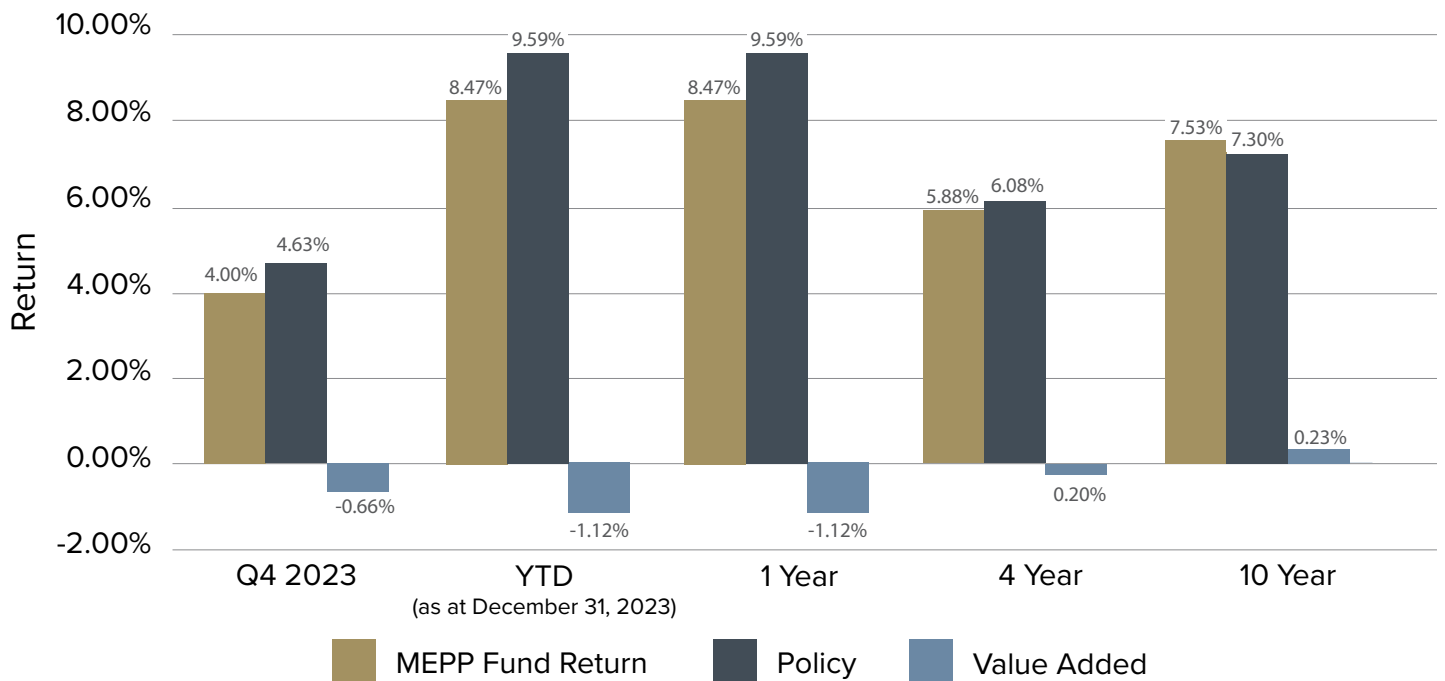
**These values were corrected after the initial publication of this newsletter.

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 Q4 2023, the actual investment return for the MEPP Fund was 4.00%. Results for this quarter were below expected to meet the Policy requirement of 4.67%, yielding a negative return of -0.67%.

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



**Annualized returns for YTD reflect the period ending December 31, 2023.*

AIMCo Investment Outlook – Next Steps for Canada’s Monetary Policy

By Jean David Tremblay-Frenette, *Chief Economist*

The Canadian economy ended 2023 having expanded by an average 1.1% on annualized basis. It also kicked off the new year with an uptick in growth, as it grew in January 2024 by 0.6% Month over Month, higher than consensus expectations. Canada's economy has held its footing in the face of high interest rates, which the Bank of Canada has maintained at a 22-year high of five percent for the last eight months in an effort to rein in elevated inflation (headline consumer inflation went from 8.1% in June 2022 to 2.8% in February, within the 1% to 3% band from the Bank of Canada).

How is Canada faring against its global advanced peers? While Canada performed better in 2023 than Japan and the UK, which slipped into a recession in the latter part of the year, the U.S. has been a clear outperformer, growing by 2.5% in 2023 (from 1.9% in 2022). Other major advanced economies, such as the Eurozone, have been evolving sideways or experiencing weak growth.

On the employment front, employment growth remained, overall, positive in Canada but the unemployment rate has increased materially between April 2023 (5.1%) and November of last year (5.8%) and now stands at 6.1% as of March 2024. This can be explained by the rapid immigration growth (accounting for most of the 3.2% increase in population growth in 2023, the fastest of the G7 countries), which has now outpaced employment growth. In comparison to its peers, Canada experienced a stronger rise in the unemployment rate last year, but the gradual fall in job vacancies in Canada as well as in other major jurisdictions is pointing towards an easing in labour supply/demand imbalances in the aftermath of the COVID-19 crisis.

A key question for the Bank of Canada currently is when to begin its rate-cutting cycle.

Whilst Canada has evaded a recession despite high interest rates, the country remains at risk of a material downturn given how monetary policy is transmitted to the household sector. Indeed, higher policy interest rates are impacting Canadian households in a much more direct and potent way than in most other major advanced economies, especially in contrast to the U.S. *Canada sits at the top of the global rankings in terms of the strongest transmission of monetary policy based on the combination of the mortgage market structure (a declining share of fixed-rate mortgages), level of household debt, loan to value limits and housing supply constraints.* Around 60% of residential mortgages at Canada's big banks are likely to be renewed in the next three years and the average mortgage rate already increased by 250bps in Canada since rate hikes began in 2022.

Article continues on following page

Moreover, as the Bank of Canada continues to fight inflation with higher policy interest rates to suppress demand, it may hit household income harder than in the U.S. Canada, in that regard, is akin to another commodity-linked economy with a similar mortgage market structure, namely Australia.

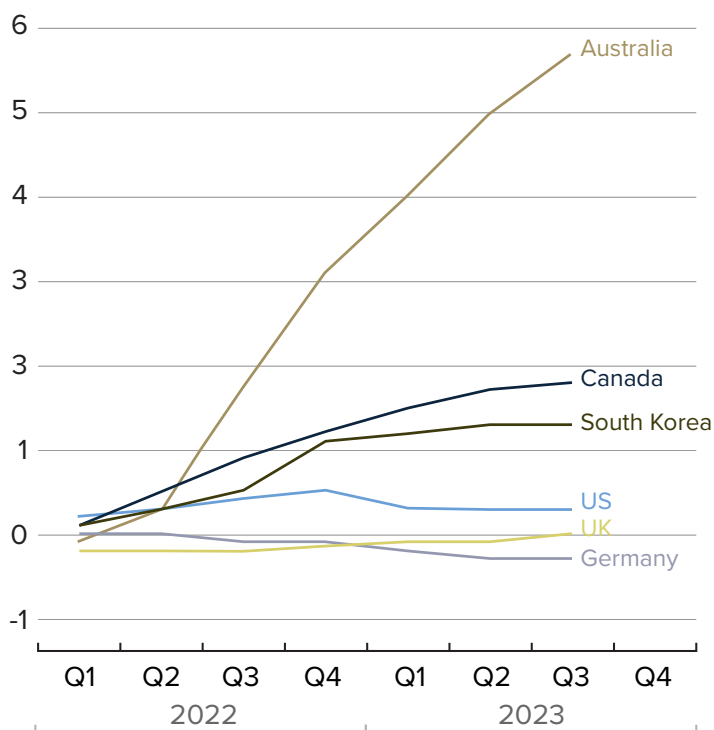
Canadian households are amongst the most indebted globally, with a 187% household debt to net income ratio (all household debt, including housing and consumer debt) vs 210% and 102%, respectively for Australia and the U.S., according to the OECD.

(Norway ranks first within OECD countries, with a 246% ratio). The combination of greater household indebtedness and a large floating rate mortgage market has seen Canadian households' cumulative debt service ratio rising the second-fastest across comparable major developed countries after Australia. *It is therefore no surprise that inflation-adjusted household consumption per capita dwindled in Canada since the monetary tightening cycle began early in 2022 (a per capita basis is a more useful measure as one can recall the outsized population growth Canada witnessed in the last few years).*

Cumulative change in debt service ratios and real household consumption

Change in debt service ratios

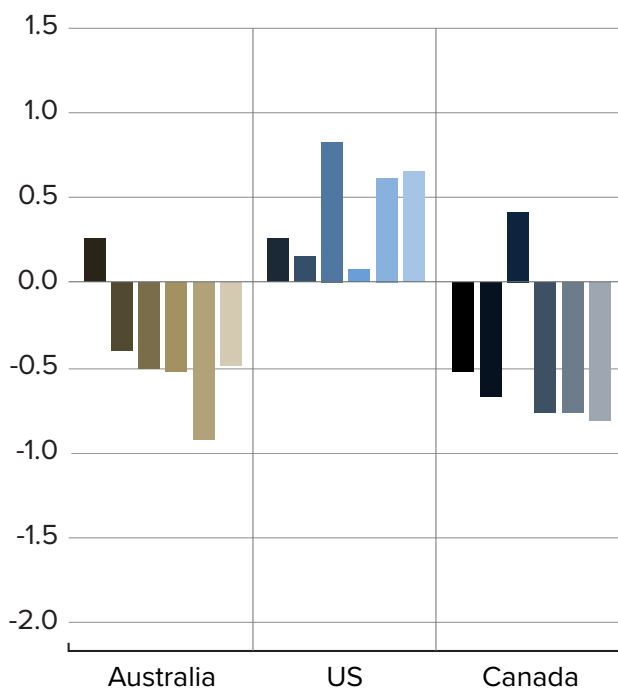
(household sector, cumulative since Q4 2021)



Source: ABS, BEA, BIS, StatsCan, Macrobond.

Household consumption

(real, per capita, quarterly change %, last six quarters to Q4 2023)



Lower real (inflation-adjusted) consumption or demand should, in theory, slow inflation. And we have started seeing that trend taking place, albeit at a slower pace than what would make our central bank comfortable to begin cutting rates. Yet, with the ongoing gradual disinflation, our base case at the time of writing is that the Bank of Canada will begin its easing cycle this summer with up to 150 bps of policy easing by the end of 2024.

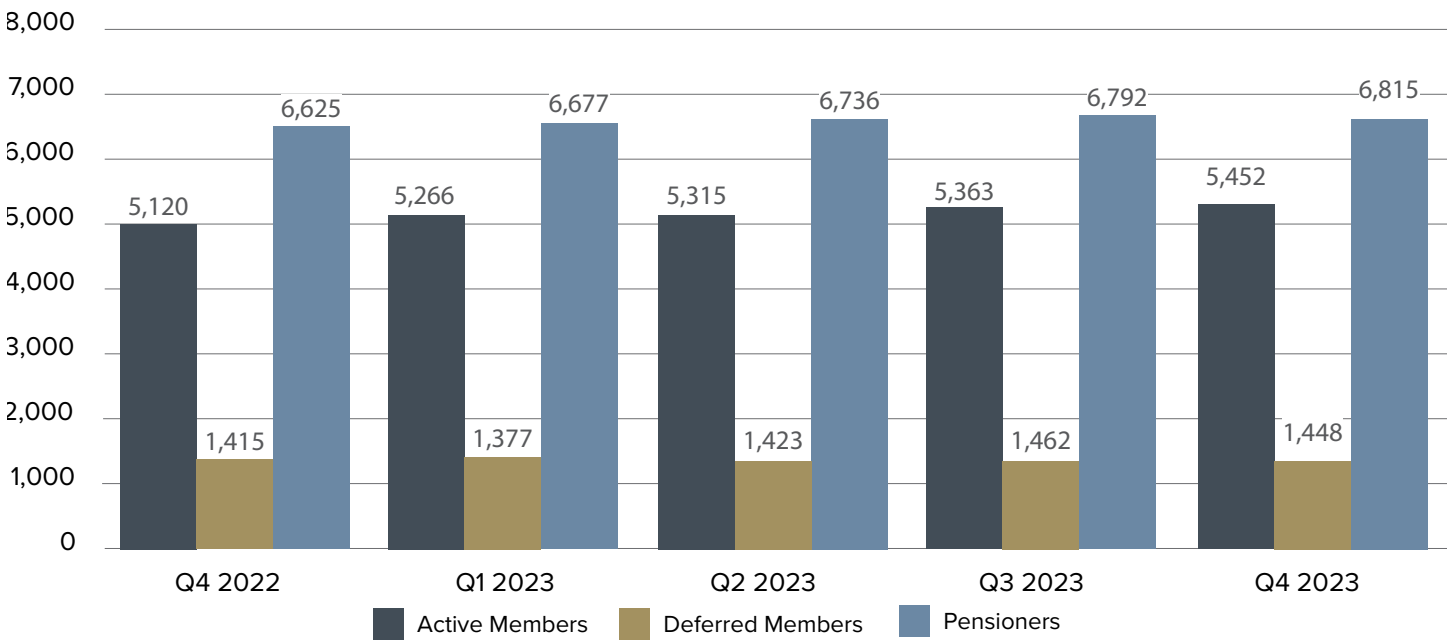
MEPP Administration Activity

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 membership activity.

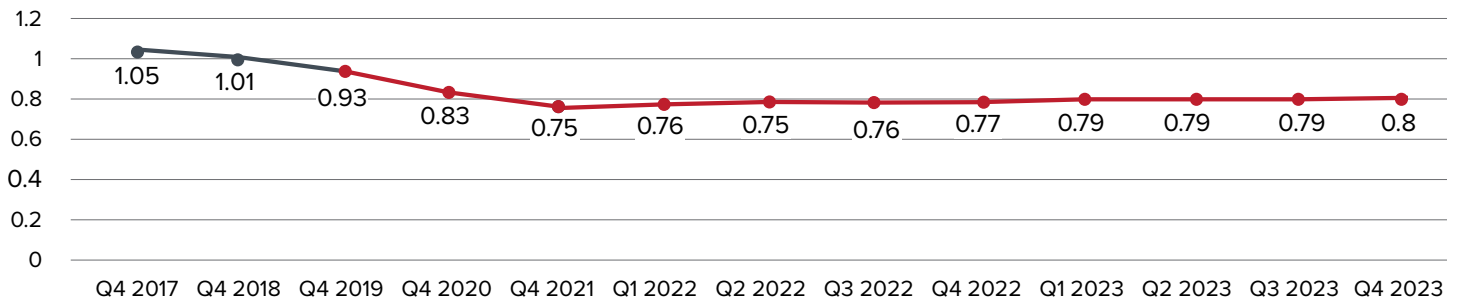
Alberta Pensions Services Corporation (APS), as the Plan administrator, analyzes Plan membership data for trends that may affect the health of MEPP and presents these results in its Quarterly Services Reports. The Board regularly monitors this data for trends that may affect the health of the Plan and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

Membership Trends

The MEPP membership highlights from Q4 2023 follow:



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



A declining membership trend indicates Plan maturity. As a pension plan matures, it tends to have more liabilities and higher risks for cash flow. However, a mature plan will also eventually reach a steady state (as shown by the graph above), which means it can maintain a relatively consistent proportion of assets versus liabilities.

While the Plan assets are in a strong, positive position, maturity has previously been identified as a risk. The Board continues to monitor the membership activity to ensure appropriate levels of conservatism are built into the valuations and funding policy.

Quarterly scores that consistently surpass the target score reflect an ongoing trend of high client satisfaction generally with the MEPP Member Services Centre.

Client Service Statistics

As the pensions services provider, APS 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 uses direct customer feedback about the service experience as well as various metrics, such as the reason for the call.

The latest results for Q4 2023 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.)

	Q4 2022		Q1 2023		Q2 2023		Q3 2023		Q4 2023	
	Score	Response	Score	Response	Score	Response	Score	Response	Score	Response
Buybacks	7.6	5	6.9	8	7.4	8	8.5	2	6.0	3
Retirements	7.7	32	8.7	69	8.9	44	8.3	36	8.5	27
Terminations	8.0	8	6.7	6	7.3	4	6.3	3	7.7	12
Transfers	6.3	6	7.4	16	6.7	10	7.3	10	6.8	9
Overall	8.6	112	8.5	309	8.7	179	8.4	136	8.4	128

The overall target score, established annually, is 8.2 / 10. The Q4 2023 score was 8.4 / 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.

Why Changes to Personal Information Matter

It is recommended that all MEPP members periodically check to ensure their personal details, such as contact information, are up to date with the Plan administrator. This simple act ensures that timely information from the Plan, including pension payments, will always be sent and received successfully.

Keeping a member profile up to date may include current relationships.

MEPP pensions can be affected by certain life events, including marriage, divorce, birth or death. As such, life events should also always be reported to the [MEPP Member Services Centre](#), or online through [Your Pension Profile](#).

Life Event	Impacts
Relationship changes	A member's married spouse is automatically the pension partner, except in cases where they live separate and apart for three or more years.
Birth of a dependent	This may mean adding new or changing existing beneficiary information. Members may choose to name more than one beneficiary. A beneficiary can be any person(s) other than the pension partner, or the member's estate or a named charity.
Death of a member, spouse or beneficiary	<p>The member's pension partner is automatically the recipient of the MEPP benefits unless they have completed a waiver to revoke this right prior to the member's death.</p> <p>Regardless, it is important for members to always designate the beneficiary(ies), especially if they do not have a pension partner or, in unforeseen cases, if the member and their spouse or partner should pass away at the same time. If the member passes away with no pension partner and no named beneficiary, funds will be paid out to the member's estate.</p>

Consider the Big Picture - Career Changes and Impacts on a Pension

Members who belonged to another registered pension plan before joining MEPP may be eligible to transfer their former plan benefit entitlements into MEPP through a transfer agreement. Whether the pension benefit entitlement can be transferred directly or requires a purchase of pensionable service, both options can significantly impact the future pension benefit. By increasing the pensionable service under MEPP, a member may become vested sooner, may be able to retire earlier with an unreduced MEPP pension, or may receive a higher single pension benefit (as opposed to receiving separate payments from multiple plans).

MEPP currently has transfer agreements with the following pension plans in Alberta:

- Local Authorities Pension Plan (LAPP);
- Public Service Pension Plan (PSPP);
- Teachers' Pension Plan; and
- Private School Teachers' Pension Plan.

MEPP also has transfer agreements with several public sector pension plans outside of Alberta.

Each transfer agreement has certain eligibility guidelines, timelines and application forms. The option to buy back periods of past service in other plans may also be a consideration in some cases. The costs to do so can vary by circumstance and by plan.

For more information on buybacks, read on in this Newsletter. For the full list of transfer agreements and pension plans covered by the agreements, visit the [MEPP website](#).

The Importance of Buybacks

Purchasing a past period of service is called a buyback. Active members may be eligible to initiate a buyback when they have periods of eligible service not recognized as pensionable in the Plan, such as a period of leave without salary or previous employment with another employer who participates in MEPP.

Why are buybacks an important MEPP feature? Service is a key factor in calculating the member's future pension amount. Gaps in pensionable service will impact the total future pension amount. The good news is that eligible periods of service may be purchased to ensure there is no gap, which can mean an increased future pension amount or, possibly, an earlier retirement date.

Why are buybacks especially important to think about right now? Buybacks consider eligible service and actuarial factors, such as the member's age, salary and current interest rates. When interest rates are high, costs for buybacks can be lower. Thanks to the current period of higher interest rates in Canada, MEPP members who choose to buy back their eligible periods of past service may find it more affordable.

Receiving a Buyback Proposal

When considering a buyback, there are certain factors to consider. A Buyback Proposal contains information that can help a member decide whether to proceed with the buyback process, including the amount of pensionable service available to purchase, the associated costs and certain deadlines, including when payments must be received by MEPP. To receive a Buyback Proposal, members must first complete the relevant application with your employer's Human Resources department. For more information about buybacks, visit the [MEPP website](#).

Defined Benefit Pension Planning 101 – Understand Salary and Service Expectations

Before considering any life plans or career changes that can impact the future MEPP pension, make use of the tools available on the MEPP member online portal, [Your Pension Profile](#). These tools can provide critical insight to Plan members who are making any decision that can affect their pension, or when discussing future retirement scenarios with a financial advisor. They can also significantly help members to understand the true cost (and value) of Plan features, such as a transfer or buyback.

Pension Planning

Pension Estimator

The Pension Estimator tool, which can be found on [Your Pension Profile](#), allows members to compare different “what if” retirement scenarios using their own values for highest average salary, pensionable service and retirement age. Since changes to any of these values can impact the future pension, the Estimator is a fast way to compare, understand and manage different career expectations or retirement considerations.

Pension Projection Calculator

The Pension Projection Calculator, which can be found on [Your Pension Profile](#), is another way to estimate the future pension amount using the actual reported pensionable salary. With the ability to adjust some of the key calculation factors, members can quickly see what effects the different values may have on their future pension amount.

How to Access Plan Information and Members-only Pension Tools

Most Plan-related topics can be found across the [MEPP website](#). This is an informative hub and a good place to start when looking for Plan rules, general information, and access to related resources.

To find specific details about the pension itself, members can click “Login” in the top right corner of the homepage. This will open [Your Pension Profile](#), a convenient and secure online portal for MEPP members only, to view and self-manage their personal pension details.

MEPP members should use this tool to:

- Safely transmit documents and other sensitive personal pension information to Member Services support staff;
- Check on personal buyback information, including available buyback opportunities or completed Buyback Proposals;
- Add or change beneficiary information;
- Access PDF-ready, printable documents, such as annual statements or tax slips;
- View or update member profile data, such as current mailing address and direct deposit information;
- See service and salary history, and use calculators and estimators to anticipate how changes may directly affect the pension amount; and
- Register for pension education opportunities or find other informational support.

Members who use the online portal can also opt to Go Green with MEPP, which means the reduction of Plan-related paper-mail correspondence. Going green delivers the latest news and important personal documents, like tax slips, in an eco-friendly, electronic-only format.

For all other questions and services, including access to direct support from a pension expert, contact the [MEPP Member Services Centre](#) Monday through Friday during the posted business hours.

Your 2024 Board



Dale Beesley
Board Chair
(employee nominee)



Shannon Patershuk
Board Vice-Chair
(employee nominee)



Brittany Jones
Board Member
(employer nominee)



Les Stelmach
Board Member
(employer nominee)



Sherri Wilson
Board Member
(employee nominee)

Contact

The Board is committed to good governance and welcomes your feedback. Please reach out to us with any questions related to Plan governance.

Management Employees Pension Board

Telephone: 780-391-3584

Email: board@mepp.ca

For Plan-specific inquiries or to discuss your personal pension information, please contact:

MEPP Member Services Centre

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

Fax: 780-421-1652

Email: memberservices@mepp.ca