

The Management Employees Pension Board (the Board or MEPB) is pleased to present this edition of the member newsletter.

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We are pleased to present the following information for the interest of all MEPP members:

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Message from the Chair

The Board recognizes market volatility in its approach to managing governance activity for the Management Employees Pension Plan (MEPP). Since 2020, widespread instability and inflation have continued to dominate the daily news, affecting market conditions and the pension landscape at large. The Board pays close attention to many different risk factors as market volatility remains top of mind this year; however, despite ongoing risks and uncertainties that the future may hold, the Board remains confident about the overall long-term health and sustainability of the Plan.

On behalf of the President of Treasury Board and Minister of Finance, the Administrator and Trustee of MEPP, the Board works to support the best interests of the Plan and its membership. With volatility as a key consideration for effectively managing risk, the Board sets the Investment Policy using prudent risk management to account for market fluctuations. The Board also regularly reviews risks to identify and manage threats to the business and policy objectives. As part of its approach, the Board, in cooperation with the Plan Investment Manager, AIMCo (Alberta Investment Management Corporation), targets investment practices that focus on long-term performance rather than short-term gains, and works with industry experts who help guide best practices for oversight of the Fund. With this governance framework in place, the various implications that come with uncertainty are well-managed for the foreseeable future. In 2023, volatility awareness will continue to be a regular discussion point for the Board with

its external advisors. Read on in this newsletter for [AIMCo's outlook](#) on these turbulent times.

Periodically, the Board completes actuarial valuations to determine the Plan's funded status and to support its recommendations to the Minister regarding the contribution rates.

Based on the results of the most recent valuation, the Minister has decreased the MEPP contribution rates effective April 1, 2023.

Find more on this announcement and results for the most recent valuation in the [Financial Overview](#) section.

The Board would like to take this opportunity to welcome new member, Mr. Les Stelmach, who was recently appointed to the Board as an employer nominee for a two-year term. The Board is also pleased to report that Ms. Shannon Patershuk has been reappointed. Ms. Patershuk was initially appointed to the Board as an employer nominee in 2018. Her current term expires December 31, 2025. For more information about all current Board members, a bio section can be found on the MEPP website.

As required by legislation, the Board rotates its chairmanship between the employer and employee nominees every two years. At this time, MEPB would like to thank the outgoing Chair, Mr. Jon Himmens, for his dedicated service.

First appointed as an employer nominee in March of 2020, he supported the Board throughout significant periods of challenge due to the Covid-19 pandemic. I am honoured to assume the role of MEPB Chair now and carry forward the good work as set by Mr. Himmens' example.

Dale Beesley, MEPB Chair

Dale Beesley

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

Actuarial valuations are a point-in-time snapshot of the health of the Plan that help to determine its current financial position. These results inform critical awareness about the funded status as well as the contribution rates required to support the Plan's obligation to its membership over the long term.

A triennial valuation for funding purposes was completed in 2022 for the year ending December 31, 2021. In this report, the MEPP assumptions were amended, including a decrease in the discount rate (expected rate of return) from 6.65% to 6.35% - a more conservative return in an uncertain investment market.

Based on this latest actuarial valuation, even with changes to the assumptions and the decrease in the discount rate, the going concern assets are \$5,944,565,000 and liabilities are \$5,593,637,000 resulting in a surplus of \$350,928,000. This is an improvement since the last actuarial valuation performed in 2018, at which time the surplus was \$101 million.

Overall, the Plan has been fully funded for accounting purposes since 2013 and remains in good shape, finishing 2021 in a strong position.

The full report may be viewed on the [MEPP website](#). As established in legislation, the next required valuation will be performed by the Plan Actuary no later than as at December 31, 2024.

Please note that the numbers in the Plan's Annual Financial Report may differ from those found in the actuarial valuation. These reports have different objectives and reporting standards (accounting vs. actuarial) and use different cost methods, Plan assumptions, and discount rates. Annual Financial Statements are prepared by Alberta Treasury Board and Finance according to Canadian accounting standards for pension plans. The actuarial valuation, on the other hand, is prepared by the Plan Actuary and uses a more conservative approach to ensure long-term viability. By law, it is the actuarial valuation that determines funding needs and required contributions for the Plan.

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.

MEPB Publications

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

Annual Report

The 2021 [MEPP Annual Report](#) is available on the MEPP website. This 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 will be posted as soon as it is available.



"The Board's recommendation took into consideration the Actuary's reported 19% increase to the funded ratio as well as the overall stability of the Plan, which has remained in a fully funded position over the last decade."

Contribution Rates

Despite different aims and accounting methods, positive results shown by both the latest funding valuation and the financial reporting reflect that MEPP is well-positioned to support the pension obligation to its membership over the long term.

In context of these results, the Board elected to recommend to the Minister that contributions be reduced to 24% of pensionable earnings, down from 26% previously, and that those contributions be split equally between members and employers. This recommendation was subsequently approved by the Minister, and the contribution rates for MEPP decreased effective April 1, 2023.

The Board's recommendation took into consideration the Actuary's reported 19% increase to the funded ratio as well as the overall stability of the Plan, which has remained in a

fully funded position over the past decade. Although MEPP contribution rates have decreased, the future pension amount active members will receive someday is not affected by this change since it is determined by a formula based on service and salary, and not how much one contributes.

Read more about contribution rates for members and employers on the [MEPP website](#).

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 Value (Unaudited)

Market values for Q1 2023, as well as the four previous quarters are:

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Beginning Market Value	\$6,563,074,415	\$6,361,979,186	\$5,967,551,586	\$5,894,612,271	\$6,107,523,127
Net Cash Flow*	\$(38,321,876)	\$(32,161,427)	\$(43,739,550)	\$(31,998,606)	\$(34,000,000)
Investment Income	\$(162,773,354)	\$(362,266,173)	\$(29,199,765)	\$244,909,462	\$210,045,449
Ending Market Value	\$6,361,979,186	\$5,967,551,586	\$5,894,612,271	\$6,107,523,127	\$6,283,568,575

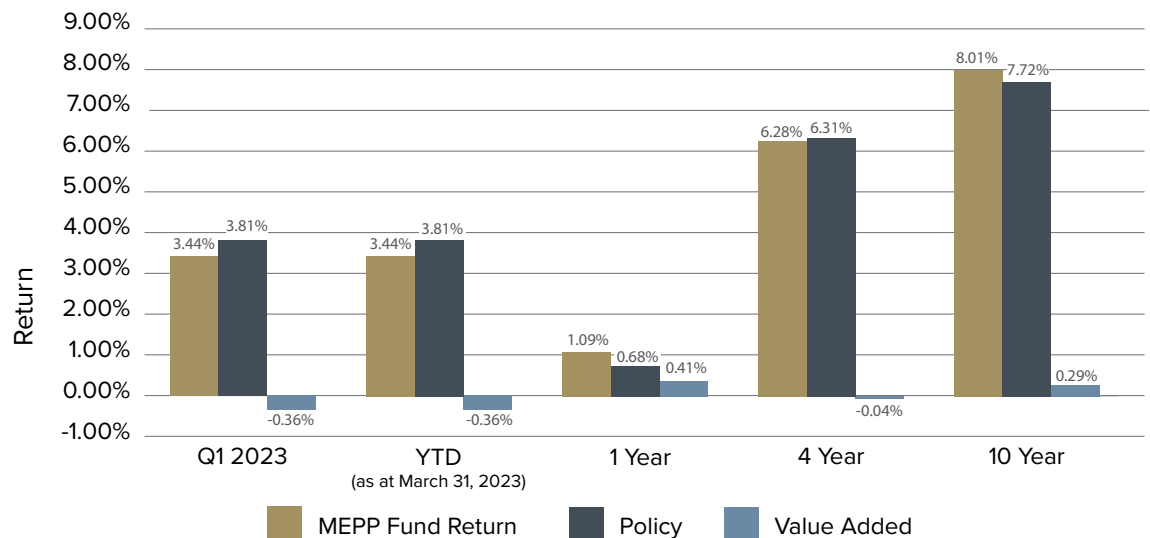
*Due to backdates and timing of information, the quarterly cashflow values may not always add up to the ending market value.

Investment Performance (Unaudited)

The investment performance is reviewed quarterly against the objectives set by the MEPP [Investment Policy](#).

In Q1 2023, the actual investment return for the MEPP fund was 3.44%. Results for this quarter were below the Policy requirement of 3.81%, with an under-performance of -0.36%.

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



AIMCo Investment Outlook – Flying in Turbulence

Over the past couple of years, markets have been incredibly rocky. And, if you are feeling nauseous by the market turbulence, you are not alone.

At the root of the current bout of volatility is stubbornly high price inflation. High inflation is the result of COVID-19's supply chain challenges and federal stimulus packages which increased the amount of money circulating in the financial system. These high rates of inflation have caused central banks around the world to raise key interest rates at an unprecedented pace.

The historic policy rate increases have caused pressure on businesses, and consumers as well as created significant stress in the U.S. banking system.

This year, the run-up in interest rates exposed fractures in a few U.S. banks for various reasons, but mainly for those who had limited liquidity as a result of inappropriately investing assets on their balance sheets. For example, in March, the U.S. Federal Deposit Insurance Corporation (FDIC) took over the Silicon Valley Bank of Santa Clara (SVB) after the bank sold a portion of its bond portfolio at a deep discount, a red flag for the bank's depositors and its investors. This prompted customers of the bank to begin withdrawing deposits from their accounts, ultimately causing the bank to shut down. At its core, SVB had a very basic banking business model of gathering deposits and making secured loans. However, SVB's client base was also very exposed to startups and technology, two industries that have had to weather economic headwinds the most in recent years.

With the spotlight on SVB, investors and analysts began investigating other banks. Signature Bank, First Republic, and Credit Suisse also faced similar fates as SVB. Even though there was and has been no indication there are system-wide problems, these events caused shares of U.S. small, regional banks to sink. The volatile environment also caused massive moves in rate markets which saw some dramatic moves.

In March, the 2-year U.S. Treasury rates dropped from roughly 5% to about 4% over the month as market expectations of policy rates abruptly moved from hiking to easing. Earlier that month, treasuries had their largest 3-day drop since 1987. The 2-year Canadian government bond yield

Continued on next page

declined from 4.2% to 3.7%. Still, that same month, the Federal Reserve, European Central Bank and the Bank of England all raised rates, and even the Swiss National Bank hiked by 0.5% days after facilitating UBS's takeover of Credit Suisse.

Unlike the Great Financial Crisis (GFC) in 2008, there were quick and coordinated actions by governments, regulatory bodies, and central banks to stem potential bank contagion. In addition, there has been a stronger focus on monetary policy, ensuring financial system stability and fighting inflation. Despite fractures shown in the U.S. banking sector, major central banks have shown their faith in the system. Most have continued their rate hiking journey through the crisis even as they took actions to support the stability of the entire financial system.

When flying by plane, sometimes it hits turbulence. Currents of air move up and down, change direction, and can change speed making for an uncomfortable part of your journey. For pilots, sometimes these air changes are easy to predict and sometimes they are not. Pilots will use information and

instruments to gather clues on how to avoid turbulence, but sometimes predicting turbulence is not always possible. The most important thing to know is that turbulence is not dangerous. Although it is uncomfortable for a short duration of the flight, planes are built to handle the worst and are safe for the entire flight. Even in the most severe turbulence, your plane is not moving nearly as much as you think.

There is no denying that the current rate of volatility has increased. The increasing interconnectedness of financial flows and swift reactions to macroeconomic conditions (and other external forces) will, generally, increase the frequency of volatility swings. Like pilots navigating through turbulence, AIMCo will use information, tools, and instruments like active management to be alert and proactive to reverberations across all asset classes and all-time horizons. As fiduciaries of our clients' money, we will always use the instruments and information at our disposal that will be attractive for our clients' and their beneficiaries' long-term goals.

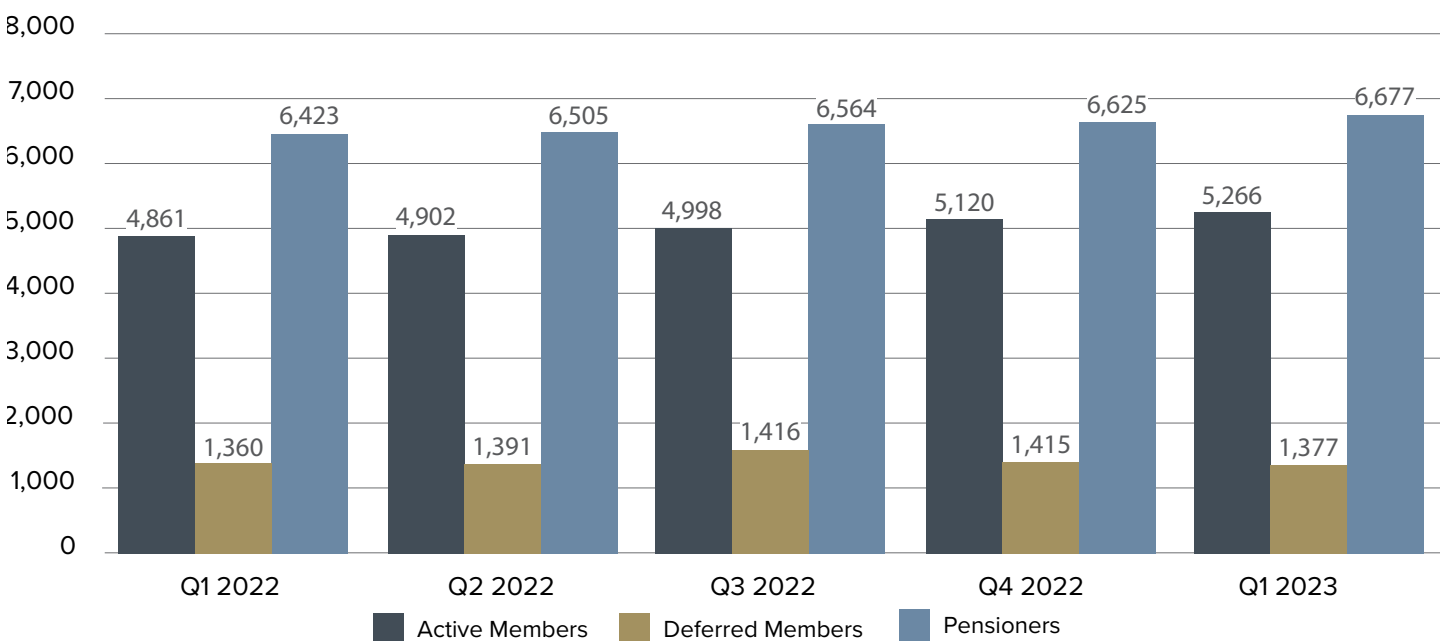
MEPP Administration Activity

A key to understanding Plan risk is to maintain ongoing awareness of the membership activity.

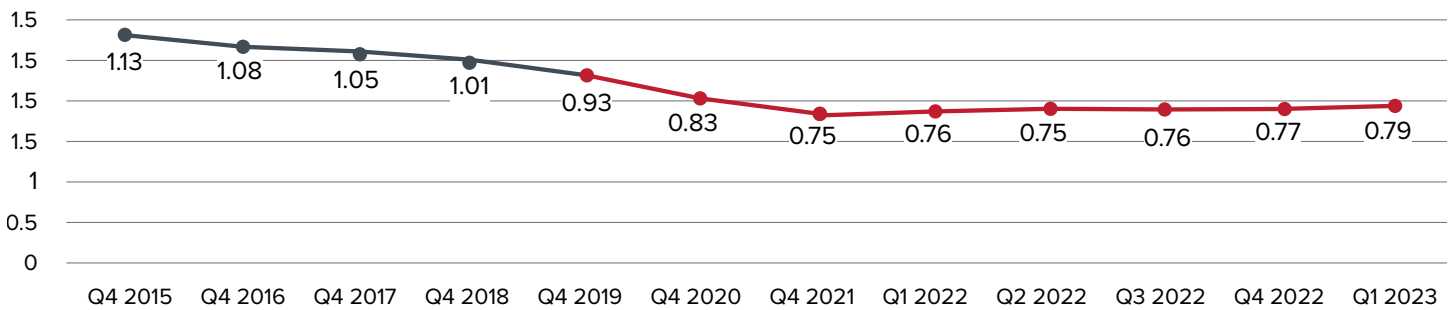
Alberta Pensions Services Corporation (APS), as the Plan Administrator, provides important membership data in its quarterly services reports. The Board regularly monitors this data for trends that may affect the health of the Plan and reports the information to members. View the [quarterly updates](#) for the complete information.

Membership Trends

The MEPP membership highlights from the Q1 2023 QSR follow:



The ratio of the working-to-retired membership depicts a decline over time:



Specific to MEPP, which is a mature pension plan, this trend has been identified as a risk which the Board continues to monitor.

Since Q1 2022:

Active Members



up 8.3%

Deferred Members



up 1.3%

Pensioners



up 4.0%

Client Satisfaction Statistics

As the Plan Administrator, APS continues to enhance its service features to help improve the pension experience overall for Plan members. Direct feedback and other information about service interactions are monitored for indicators of both quality and efficiency. These results are recorded and reported to the Board.

The Voice of the Customer (VoC) score is one such measure that the Board reviews to assess ongoing satisfaction with the member service experience. Results below reflect direct interactions with the MEPP Member Services Centre over the past year, captured by quarter and according to reason for the call:

	Q1 2022		Q2 2022		Q3 2022		Q4 2022		Q1 2023	
	Score	Response	Score	Response	Score	Response	Score	Response	Score	Response
Buybacks	8.7	6	7.3	8	9.4	9	7.6	5	6.9	8
Retirements	7.9	69	7.8	36	8.4	31	7.7	32	8.7	69
Terminations	7.8	20	8.7	17	6.7	6	8.0	8	6.7	6
Transfers	6.1	9	7.4	11	6.6	9	6.3	6	7.4	16
Overall	8.5	357	8.2	187	8.6	129	8.6	112	8.5	309

The VoC target score is 8.2/10. the Q1 2023 score was 8.5/10. We are pleased to report that this satisfaction metric was also met or exceeded in every other quarter throughout 2022.

Information for Plan Members

Understanding the retirement process overall provides a smoother transition into the next chapter of life.

The Member Online Portal

MEPP members have access to a variety of tools and information to help them plan ahead. One major tool available any time is [Your Pension Profile](#). This online portal provides pension information and resources, as well as offering members the ability to view and edit personal details any time, from anywhere.

Features of this convenient online tool include:

- A secure direct electronic channel to send and receive sensitive personal pension information, including direct messaging to connect with Member Services support staff.
- An easy way to keep information on file current. Self-manage or update personal details whenever change happens, including beneficiary information.
- Access to PDF-ready, printable documents such as annual statements or tax slips.
- Quick-view dashboards to see and manage critical member profile data, such as a mailing address, direct deposit information or beneficiary details.
- At-a-glance service and salary history, as well as calculators and estimators, to see the value of belonging to a pension plan.
- Access to pension education opportunities or direct information support.

Members can also opt to Go Green, which means timely access to the latest Plan news and information, all delivered in an eco-friendly, electronic format.

Read on for other ways to use the online tool, or visit the [MEPP website](#) and click “Login” in the upper right corner now.

View and Book a Member Education Session

Members who are interested in learning more about their pension may consider attending an online webinar session that covers general information on pension-related topics.

For members who are nearing retirement or are working on the application process and have related questions, most answers can be found on the [MEPP website](#) or by calling the Member Services Centre during regular business hours. Contact information is located at the end of this newsletter.

If additional support is still required, the option to book a one-on-one session with a pension specialist is also available. For more information, access [Your Pension Profile](#) to view the schedule of upcoming information sessions or to find out how to book an appointment.

Buying Back Prior Service

Service is an important factor in calculating a pension. Any unpaid leaves of absence will create a gap in a member's pensionable service, which will impact the total future pension amount. This service can be purchased to ensure there is no service gap, which means an increased pension amount or, possibly, an earlier retirement date.

Purchasing a period of service is called a buyback. As when taking any leave of absence from work, there are also many important factors to consider before initiating a buyback. View the [MEPP website](#) for complete details before considering the options, and be sure to run estimates for total cost and related value using the tools found on [Your Pension Profile](#).



Working Hard for the Money: MEPP is an Investment

A pension is a substantial asset that provides a predictable monthly income for life. It is important to recognize that the pension-related decisions made today will affect future retirement income.

Expert investment management at a low cost. Pension funds are invested by a professional investment management company, which offers peace of mind. Because they manage significant funds for large groups, they often have access to more investment opportunities and investments are generally unaffected by daily market performance. Management fees are generally much lower in group plans than with plans offered to individual investors. Even a savings as small as 0.5% can add up to several thousand dollars more at retirement.

The investment stays active in retirement, with no associated management fees. Management fees are not deducted from pension cheques.

Protection for loved ones. Choose a pension option that best supports personal circumstances. If a vested member passes away before their spouse, a pension benefit will be passed along.

A pension adjusts with cost-of-living. A MEPP pension is measured against inflation and pension payments are adjusted annually to reflect the cost-of-living increase.

Contributions made into a pension plan are tax deductible. Investment income generated by the pension fund in which contributions are accumulated is tax exempt. However, leaving a pension plan early means the funds are removed from the fund and subject to taxes via the Canada Revenue Agency.

Security for life. Even before retirement, members can estimate the amount they will receive and know when they will receive it, making it easy to plan ahead.

For members who are thinking of leaving MEPP or who have questions, please contact us first through [Your Pension Profile](#).

Your 2023 Board



Dale Beesley
Board Chair
(employee nominee)



Brittany Jones
Board Member
(employee nominee)



Shannon Patershuk
Board Member
(employer nominee)



Deborah Polny
Board Member
(employer nominee)



Les Stelmach
Board Member
(employer nominee)



Kristin Ward Diaz
Board Member
(Public Service
Commission
representative)



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

Information contained within this newsletter is provided solely for information purposes. The Management Employees Pension Board, in its advisory capacity, does not speak on behalf of the Trustee (the President of Treasury Board and Minister of Finance). To review the complete mandate of the Board and the Minister, members should refer to the [Public Sector Pension Plans Act and Alberta Regulation](#).