

The Management Employees Pension Board (MEPB or the Board) welcomes you to the Fall/Winter 2021 edition of the Member Newsletter. This report contains some of the latest news and information for members of the Management Employees Pension Plan (MEPP or the Plan).



## In this Issue

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

Governance Update .....	2
Investment Manager Update.....	3
Financial Overview .....	5
Administration Update.....	6
Plan Maturity and Risk.....	7
Commuted Values Changes .....	7
Preparing for Retirement.....	8
Go Green .....	9
Your 2021 Board.....	9

Already retired? Additional topics for MEPP pensioners include:

Cost of Living Adjustment.....	7
Preparing for Tax Season.....	8

## Message from the Chair

As we approach the close of 2021 and collectively reflect on a most interesting year, the Board remains steadfast in its focus to assess the pension landscape and to make prudent decisions and recommendations that position the Plan for continued sustainability.

The President of Treasury Board and Minister of Finance (the Minister) is the Plan Trustee. The Board provides advice to the Minister on any pension matter that is of interest to Plan members, as well as consults with the Minister regarding various oversight responsibilities. To inform its recommendations, the Board monitors information and activity related to risk, cashflow and investment performance of the Plan, as well as external trends in the pension environment.

**Understanding the risk environment within which the Plan operates remains an important focus for the Board's work in 2021.**

With an eye on risk management opportunities and mitigation strategies, the Board has undertaken environmental scans this year to better understand topical information ranging from geopolitical and economic activity to membership trends. Inflation, interest rates and Plan maturity are key risk considerations for MEPP at this time. The Board continues to work closely with the Plan actuary and the investment consultant, and an actuarial valuation and the Asset Liability Study have been completed in 2021. Results of this work will be used to inform the Investment and Funding policies, which are currently being reviewed by the Board. Further highlights

may be found in the Plan Governance Update section of this Newsletter.

The Board's commitment to diligent and responsible governance of the Plan also includes maintaining awareness of its service providers, including the Plan Investment Manager, Alberta Investment Management Corporation (AIMCo).

The Board is aware of recent changes to AIMCo's organizational structure, including the transition to a new Chief Executive Officer. The Board will continue to monitor developments, in context of AIMCo's delegated responsibility to provide investment management services to the Plan, to ensure MEPP is not adversely impacted by any changes.

The Board would like to take this opportunity to welcome new employee nominees, Brittany Jones and Sherri Wilson. Ms. Jones and Ms. Wilson were each appointed to serve a two-year term effective June 23, 2021. The Board would also like to thank departing member, Ms. Sarah Carr, for her service to the Board as the Public Service Commissioner nominee.

On behalf of the Board, I invite you to review this edition of the *Member Newsletter* and, as always, to provide related feedback or questions by email: [board@mepp.ca](mailto:board@mepp.ca).

**Jon Himmens, MEPB Chair**



\*Source: Benefits Canada. Figures are based on the top 100 plans participating in the 2021 Canadian Institutional Investment Network pension fund survey or annual reports.

# MEPP Governance Update

Governance is about the responsibility for operations and sound management of a pension plan, including administration, funding and the management of its assets.

## Governance Statement

The Minister is the statutory Administrator of MEPP and holds all assets of the Plan in trust to provide benefits pursuant to the Plan and to meet Plan costs. MEPP is subject to the [Public Sector Pension Plans Act](#) (PSPPA) and its regulations. The PSPPA sets out the main objectives of the Board with respect to funding, administration, investments, and amendments to the Plan. The Board monitors the management of the Plan and advises the Minister.

## Plan Governance News

The Board actively monitors the health of the Plan and its Fund on an ongoing basis and reports findings, key risks, and recommendations for opportunities and strategic considerations to the Minister. The Board also uses this information to make regular updates to the Investment and Funding policies that proactively manage the short and long-term risks to the Plan.

To inform its work, the Board engages a variety of reporting tools and pension expertise throughout the year to perform reporting and risk analysis activities, such as experience studies, asset liability studies, actuarial valuations, and other related projects.

Further to the Board's commitment to responsible oversight of MEPP in 2021, the Board has focused its work on:

**Funding sustainability.** This includes current awareness monitoring the ongoing health of the Plan and informed projections that assess risks related to Plan maturity.

- The Board has continued work on an Asset Liability Study to review the 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 valuation for monitoring purposes was performed as at December 31, 2020. The next actuarial valuation will be performed in 2022 and will be used to inform subsequent reviews of the funded ratio and current contribution levels.
- MEPP membership trends provide important information about the ongoing health of the Plan and its Fund, as well as key insights for Plan maturity considerations. These trends are reviewed by the Board on a quarterly basis. The latest information can be found in this Newsletter under [Membership Trends](#).

**Investment risk adjustment returns.** This aspect of the Board's work assesses the overall expectations for future investment earnings, market volatility, and specific investment risks such as inflation, interest rates, and impacts from the COVID-19 pandemic.

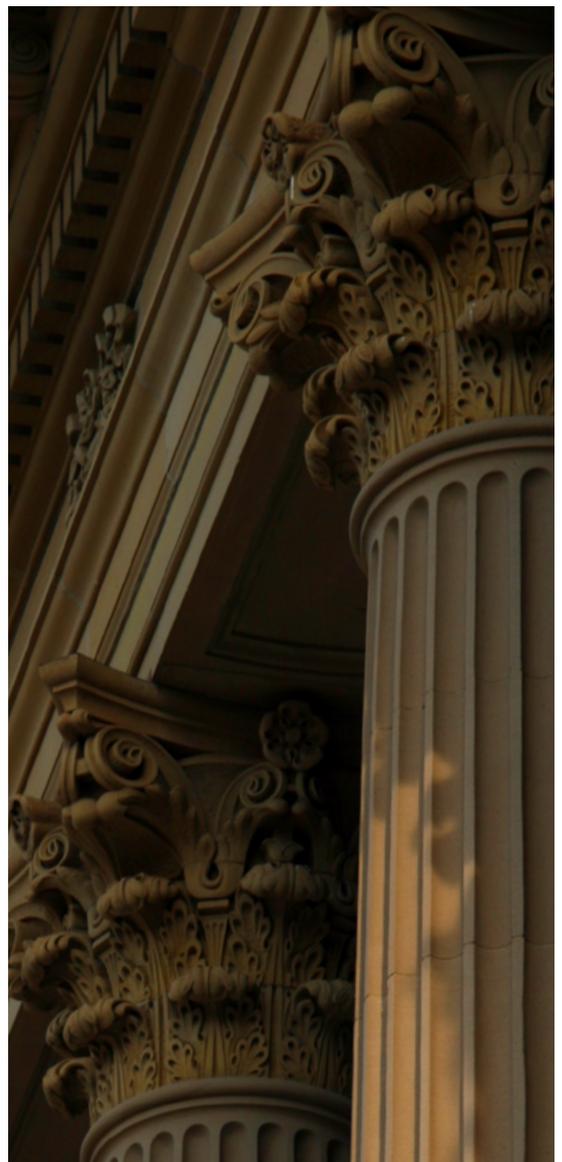
## MEPB Vision and Mission

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.



The Board reviewed environmental scans in 2021 to inform its awareness of the effects of market volatility and potential investment impacts on the pension landscape and, specifically, on the Plan Fund



# MEPP Investment Manager Update

The following article was provided by AIMCo to describe current market volatility factors as they relate to Plan investment activity.

## The Top 3 Economic Threats of 2022

### A path to normalcy could still be uneven and difficult.

The last couple of years have been difficult. And while there are signs that the global economy and markets are awakening after a pandemic-induced slumber, this year has proven that a path to normalcy is going to be uneven and challenging. As 2021 draws to a close, there are a few risks that could affect markets in the new year.

Below are the top three risks that AIMCo believes the global economy faces in 2022. The risks are listed in descending order, ending on the greatest risk that the global economy is up against.

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### 3. COVID Variants

Vaccines, improved testing and greater information about COVID-19 triggered optimism about how nations would navigate out of the pandemic. But this past summer, worries surfaced about new variants, specifically the Delta variant. This mutation of the original COVID-19 virus is more severe and about two times more contagious than previous variants.

Now, however, there is a faster-spreading variant named Omicron. This mutated version of the original COVID-19 virus was first detected in South Africa and is now spreading across Africa, Europe and North America. Even though early research suggests that Omicron is more infectious than past variants, the good news is that for now, health experts have found no evidence it causes more severe illness. Furthermore, research to date suggests that current vaccines remain effective against fighting infection and spread.

Why does this matter? The longer the pandemic lasts, the greater the likelihood of spread and mutation, the greater the risk of markets pricing weak growth.

### 2. Supply Chain Issues

Back in 2020, governments around the world shut down factories to prevent the furious spread of COVID-19. This shutdown caused a shortage of goods and induced demand for all types of products and services. Now in 2021, as the global economy re-emerges and demand continues to surge, serious bottlenecks and supply chain disruptions are a significant downside risk to domestic and global economic growth.

The consequences of the logistics crunch are extensive. A lack of cargo containers and containers sitting idle at ports is affecting the transportation of medical supplies and even food. Additionally, a shortage of supply chain workers such as truck drivers and warehouse workers is causing delays in the supply chain and other labour-related issues. Simultaneously, small businesses face lengthy lead times and are worried that without key inputs to their business and other essential business goods they'll lose critical holiday season sales and may have to close their doors.

Although AIMCo expects global supply chain issues to be mostly resolved by the second half of 2022, the longer the supply chain disruption lasts, the greater the risk to economic growth and to markets.

If the current logistics issues aren't dealt with, the recovery from COVID-19 will be even more choppy. Prices for goods and services may continue to rise significantly causing chronic inflation.

## 1. Inflation

From gasoline to the cost of a new sofa, prices are on the rise. The main reason for the drastic rise in the price of goods and services has to do with reopening the economy after a lengthy shutdown. Government-mandated shutdowns inflicted turmoil and many sectors and businesses have since had to increase their prices to stay open. Rising prices are also linked to the increase in the amount of money circulating in the financial system. This is a result of federal stimulus packages like the Canada Recovery Benefit (CRB) which have helped cushion the economic shock of the COVID-19 pandemic.

Even though COVID has made filling your car and redecorating your living room more expensive, AIMCo believes the risk of prices rising consistently into the future is low, for now.

“Inflation expectations are expected to gradually rise throughout 2021 and the early part of 2022. As a result, central bank rhetoric has begun preparing for moves to control inflation. But even with a measured exit from extremely accommodative conditions via asset purchase tapering, monetary policy is not anticipated to become materially restrictive in the near term,” said Jean David Tremblay-Frenette, AIMCo’s Director of Investment Strategy Research.

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The Bank of Canada and other central banks around the world have begun or signalled that they will taper their monetary policies, like quantitative easing. They’ve also expressed that they will continue to provide the appropriate degree of monetary policy stimulus to support a healthy economic recovery and achieve stable inflation for the long term. Still, if central banks around the world act too late and if supply chain issues aren’t resolved in the immediate term, the outcome may be higher prices for a longer period of time.

High inflation makes life more difficult for people whose incomes don’t keep pace with rising prices, such as low-income earners and pensioners. This is because high inflation decreases the value of their incomes and savings.

The post-pandemic recovery is expected to pick up momentum next year and that means that many economic indicators like employment will continue to improve. With these improvements, global growth and economies around the world are on track to see better days. Still, the three economic risks outlined in this article could derail the economic momentum that has been building and prove problematic in 2022.



# 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.

## 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 these results in [Quarterly Updates](#), which include the latest market and investment information.

These are the latest figures:

## Market Value (unaudited)

Market values (in thousands) for Q3 2021 as well as the four previous quarters follow.

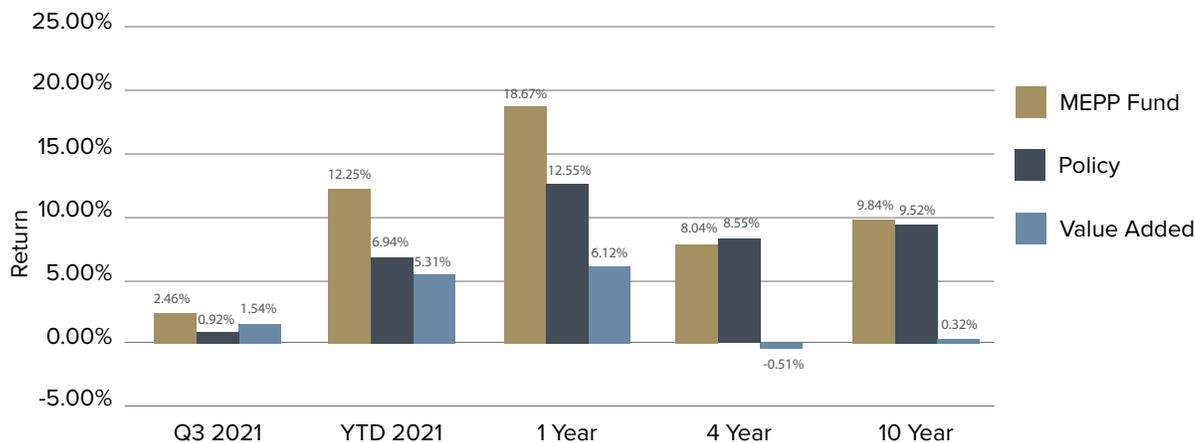
	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
<b>Beginning Market Value</b>	<b>\$5,162,834</b>	<b>\$5,341,112</b>	<b>\$5,621,869</b>	<b>\$5,789,659</b>	<b>\$6,091,609</b>
<b>Net Cash Flow*</b>	\$(23,901)	\$(25,102)	\$(27,585)	\$(36,053)	\$(32,502)
<b>Investment Income</b>	\$202,179	\$305,859	\$195,373	\$338,005	\$149,758
<b>Ending Market Value</b>	<b>\$5,341,112</b>	<b>\$5,621,869</b>	<b>\$5,789,657</b>	<b>\$6,091,609</b>	<b>\$6,208,866</b>

\*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 Q3 2021 was 2.46%, surpassing the policy requirement of 0.92% for a value add of 1.54%.

The long-term investment performance return for the MEPP Fund follows.



- '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

The APS Member Services Centre reports its client service statistics quarterly and compares these values annually to help monitor active trends and services considerations.

## Client Service Statistics

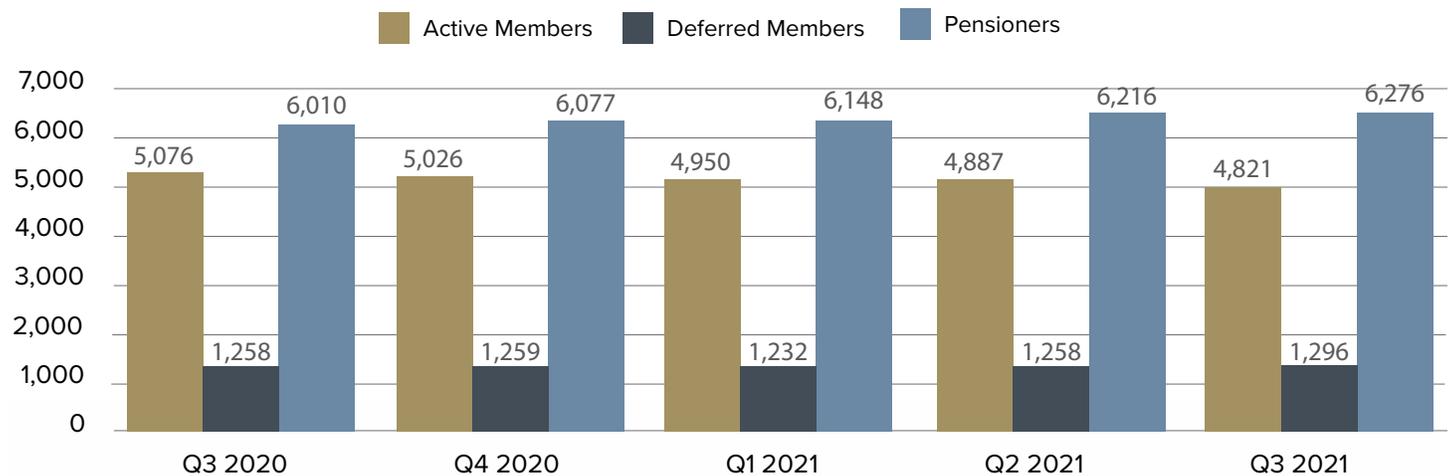
Feedback on member and pensioner interactions with APS' Member Services Centre is reported as a service metric called the Voice of the Customer score.

Overall, Voice of the Customer scores for MEPP members consistently report above the established service targets, quarter-over-quarter, with one recent exception. By Q3, total call volumes offered by the Member Services Centre had seen a significant increase, by 47.7% year-over-year, with calls handled increasing by 47.8%. This anomaly in higher-than-normal inquiries was primarily related to tax slips, as this was the first year that Go Green pensioner and member tax slips were not mailed, as well as a direct deposit payment delay in July that resulted in increased calls from pensioners. Though still 0.7% above target, Q3 Voice of the Customer scores reported a slight decrease of 1.0% overall. An interactive voice response enhancement was launched as part of call services in 2021, which will help to streamline inquiries generally and manage unusual demand activity going forward.

## Membership Trends

As part of its ongoing work, the Board monitors Plan membership data for trends that may affect the health of MEPP.

Here are the latest results from Q3 2021 as well as the past four quarters.



The MEPP membership highlights show the number of active members has decreased from Q2 2021 by 1.4%, and 5.0% from Q3 2020. The number of deferred members increased 3.0% from Q2 2021, and 3.0% from Q3 2020. The number of pensioners increased 1.0% from Q2 2021, and 4.4% from Q3 2020.

The current ratio of working-to-retired members moved from 0.79:1 in Q2 to 0.77:1 in Q3 2021.



# Risks of Increasing Plan Maturity

## Membership trends are monitored for indicators of Plan maturity which can impact sustainability.

Pension plan assets accumulate over time through the careful oversight and investment of active member contributions. As a plan matures, these assets are increasingly required to fulfill the pension obligation to its aging and retiring membership.

The Board proactively monitors maturity-related risk through a variety of data, such as the retired-to-active member ratios and the asset liabilities in contrast to contributions. The following graph shows the MEPP membership trend since 2014 based on the working-to-retired (or active member-to-pensioner) ratio:



According to its membership data, MEPP is a relatively mature Plan.

The Board works with AIMCo to ensure the prudent short and long-term investment of MEPP funds, and with the Plan actuary to explore risk-mitigating strategies that ensure MEPP's maturity profile continues to be manageable.

## Cost-of-Living Adjustment for Pensions in Pay

### MEPP pensions are protected against inflation. Not every plan offers this advantage.

A significant feature of MEPP is the Cost-of-Living Adjustment, which is currently granted to MEPP pensions at 60% of the yearly increase of the Alberta Consumer Price Index.

When you retire, your MEPP base pension amount is measured annually against inflation (as indicated by the Alberta Consumer Price Index), and your pension payments are adjusted accordingly to help offset the rising costs of goods and services.

Based on the current economic landscape, effective January 1, 2022, the Cost-of-Living Adjustment granted to MEPP pensioners will be 1.56% on base pension. This is an increase from 2021, when it was granted at 0.78%.

## Commuted Values Changes

### A reminder of the MEPP Amendment Regulation, which came into effect on April 1, 2020.

The Government of Alberta has introduced changes to the way assumptions are used when determining commuted values. Commuted value represents the lump sum amount today that is equivalent to the member's expected future pension amount.

Prior to the MEPP Amendment Regulation, commuted values were calculated in accordance with assumptions that were set by the Canadian Institute of Actuaries more than twenty years ago. These assumptions include retirement dates, and interest and mortality rates.

Now, commuted values calculated on or after April 1, 2020 use the same assumptions that are currently used to fund the Plan and set member and employer contributions. This change ensures better alignment between payout amounts and the basis at which MEPP is funded.

For more information, please see the full article on the [MEPP website](#).

# Preparing for Retirement

## Tips on how you can plan ahead to make the process easier.

When you have made the decision to retire, there is nothing worse than getting bogged down in unnecessary paperwork and avoidable delays. There are a few simple things you can do to ensure retirement is ready for you when you are ready for it.

**Register for Your Pension Profile by visiting [MEPP.ca](https://mepp.ca) and clicking Login in the top right corner.** Your Pension Profile is a secure online portal that allows you to view and update your personal information, change communication preferences, send secure messages to our benefit administrator, and even access a retirement tool.

**Use your personal email address in Your Pension Profile.** This will allow us to send timely notifications to your personal email address rather than being limited to communication when you are at your desk. If you are away from work for any reason, such as being on vacation, you will be able to receive important updates about the status of your retirement file.

**Update your marital status.** Whether you are single, divorced, or in a common-law relationship, up-to-date pension partner information will save you time and paperwork later. If you are planning to retire sometime soon, ensure you have birth certificates for yourself and your spouse or pension partner, as well as photo identification such as a driver's license and passport. With these documents already in-hand, you are one step closer to your preferred retirement date.

**Update your beneficiaries.** Take some time to think about who you want to add as beneficiaries and update that information in Your Pension Profile. You can choose any number of beneficiaries and can add a registered charity as a beneficiary. In addition, you can decide what percentage each beneficiary receives if you or your pension partner pass away before your guaranteed term expires.

**Research your pension options.** Visit [MEPP.ca](https://mepp.ca) to help you better understand the options as you get closer to your preferred retirement date. Take some time to review the available pension options and think about which one is best for you based on your individual circumstance. Take advantage of the online pension estimator tools available on [MEPP.ca](https://mepp.ca) and when you login to Your Pension Profile. If you have questions, you can use online booking tool found in Your Pension Profile to schedule a one-on-one session with one of our information specialists.

**Start the retirement process online.** To make things quicker and easier, you can start the retirement process online using the retirement tool that is available in Your Pension Profile. We recommend starting the retirement process 90 days before the date that you want your pension to begin.

# Preparing for Tax Season

## Just like retirement planning, it is best to start early!

Tax season is on its way and if you are a retiree, you will need your pension benefit tax slip.

Go to [MEPP.ca](https://mepp.ca) before January 25, 2022, and login to Your Pension Profile to confirm that your current contact information is in the system. At the same time, you can choose your preferred way of communication: email or mail.

The fastest way to get your tax slip is by accessing it online at [MEPP.ca](https://mepp.ca). All you need to do is register and log in to Your Pension Profile. If you choose to receive your pension documents electronically ([find out how you can Go Green here](#)), your tax slip will only be provided online. As soon as it is ready, you will receive a notification email telling you to log in to access your tax slip. From the website, you can download, save and print tax documents starting the first week of February.

If you prefer to have your tax slip mailed, it will be sent to the most recent mailing address on your account as of January 25, 2022. Mailed tax slips can take as long as March 15 to arrive.



# Consider Going Green Today

**Go Green is all about secure and paperless efficiency. Sign up today to help you save time – and a tree!**

Did you know? Important Plan documents, such as annual statements, tax slips, and the latest MEPB newsletter and other information, can all be delivered electronically to your secure inbox on demand whenever you need them.

That means no more waiting for the mailman and, most importantly, no more paper.

All MEPP members—active and retired—can sign up for Go Green now by logging into Your Pension Profile. The link can be found on the top right corner of the [MEPP.ca](http://MEPP.ca) homepage.

**When you sign up to Go Green, please note that you will no longer receive any printed annual statements or tax slips.**

Instead, an email notification will let you know annually whenever new documents are ready for you to view in Your Pension Profile.

Recently, APS made some access and security improvements to Your Pension Profile. For more information, please see the [News section](#) of the MEPP website.

## Your 2021 Board



**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)



**Brittany Jones**  
MEPB and Investment  
Committee member  
(employee nominee)



**Sherri Wilson**  
MEPB and Investment  
Committee member  
(employee nominee)

## Contact

The Board welcomes your feedback. Please reach out to us with any questions related to Plan governance. You can also submit suggestions for topics you would like to see covered in future editions of the *Member Newsletter*.

Management Employees Pension Board

Telephone: 780-391-3584

Email: [board@mepp.ca](mailto: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](mailto: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 to the complete mandate of the Board and the Minister, members should refer to the [Public Sector Pension Plans Act and Alberta Regulation](#).*