

REPORT TO MEMBERS

APRIL 2019

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Q&A with our Chair

A look back at 2018

- The Plan's financial health
- Contribution rates remain the same for 2019
- How did the Plan's investments perform in 2018?

You've asked, we're answering

- What is joint governance? How does it affect my Plan membership?

Meet the new Board members

- PSPP Sponsor Board
- PSPP Corporation Board of Directors

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Q&A with our Chair

Lowell Epp, Chair



What's happened since the last issue?

The New Year has brought a lot of change to the governance of PSPP, including changes to who makes decisions about the Plan and how. In December 2018, the Government of Alberta passed legislation that allows PSPP to be jointly governed by those who contribute to it – employers (represented by the Government of Alberta as the largest participating employer, and the University of Alberta and University of Calgary) and employees (represented by the Alberta Union of Provincial Employees and Non-Academic Staff Association).

This means that, since March 1, 2019, employer and employee groups have shared control of the Plan's design and responsibility for the financial health of the Plan. Before this legislation, the Government of Alberta had final approval on changes to the Plan. Read more about this change [here](#).



How does the new governance structure impact the PSP Board?

With the implementation of joint governance, the PSP Board ceased to exist effective March 1, 2019. In its place, a new governance structure, made up of three new entities, has been created. These new entities took over responsibilities previously held by the President of Treasury Board and Minister of Finance and former PSP Board:

1. **Sponsor Board:** comprised of representatives appointed by employer and employee sponsor organizations.
2. **PSPP Corporation:** the new trustee of the Plan Fund and administrator of the Plan. The PSPP Corporation is not an agent of the Crown or a public agency.
3. **PSPP Corporation Board of Directors:** governs the PSPP Corporation, oversees the overall activities of the PSPP Corporation and is responsible for Plan management.

Learn more about the new structure and players [here](#)!



What would you like to say to the former PSP Board?

I would like to sincerely thank all the members of the former PSP Board for their dedication toward effective PSPP governance over the years. With their groundwork, we feel confident in our next steps for joint governance.

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Who are the members of the new Sponsor Board and Board of Directors?

We have a group of extremely experienced and capable members who will allow us to continue on the path of responsible Plan governance. Meet all the new Board members [here](#).



What are the goals of the new Board of Directors and PSPP Corporation?

The overarching goal of the new Board of Directors and PSPP Corporation is to ensure that:

- Contribution rates remain stable and affordable for Plan members,
- Earned benefits are secure, and
- The Plan continues to contribute to a financially secure retirement for members.



Are the Plan benefits changing as a result of the new governance legislation?

The new legislation does not introduce any changes to benefits, or how the Plan is funded. The Sponsor Board is responsible for establishing a Plan Text that sets out benefits. The Plan Text will need to be registered under the *Employment Pension Plan Act (EPPA)* and is subject to regulatory oversight by the Alberta Superintendent of Pensions.

Any changes to pension benefits will be determined by the Sponsor Board, and are subject to discussion and agreement between employer and employee sponsors.



What about contribution rates?

The new legislation does not affect contribution rates. The contribution rates that were established in 2018 remain unchanged for 2019: 10.47% on pensionable salary below YMPE* and 14.95% on pensionable salary above YMPE*.

* YMPE stands for Year's Maximum Pensionable Earnings. It is set by the Government of Canada each year, and reflects the maximum level of salary on which Canada Pension Plan contributions can be made. In 2019, the YMPE is \$57,400.

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What's new with the Canada Pension Plan (CPP) and how does it impact PSPP?

The federal government started gradually enhancing the CPP on January 1, 2019. In the first phase, your and your employer's CPP contributions will gradually increase by 1% over a five-year period starting January 1, 2019.

Canadians who currently earn more than the YMPE neither contribute nor earn a CPP benefit on salary above the YMPE. In the second phase starting 2024, there will be a two-year phase-in to increase the maximum earnings covered under the CPP. If you earn more than the YMPE, both you and your employer will contribute an additional 4% of your earnings that fall between the YMPE and a new limit called the Year's Additional Maximum Pensionable Earnings (YAMPE). In return, you may receive more money from the CPP in the future depending on how much and for how long you contribute to the enhanced CPP.

There are no planned changes to PSPP as a result of the enhancements to the CPP. Your PSPP contribution rates and the benefit formula remain the same.

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A look back at 2018

The Plan's financial health

The former PSP Board completed an actuarial valuation of the Plan as at December 31, 2017, which showed an improvement in the Plan's funded status. The Plan's funded status increased to 94.4%, compared to 90.8% reported in the last valuation as at December 31, 2016.

94.4% 

The Plan's funded ratio – up from 90.8% at the last actuarial valuation.

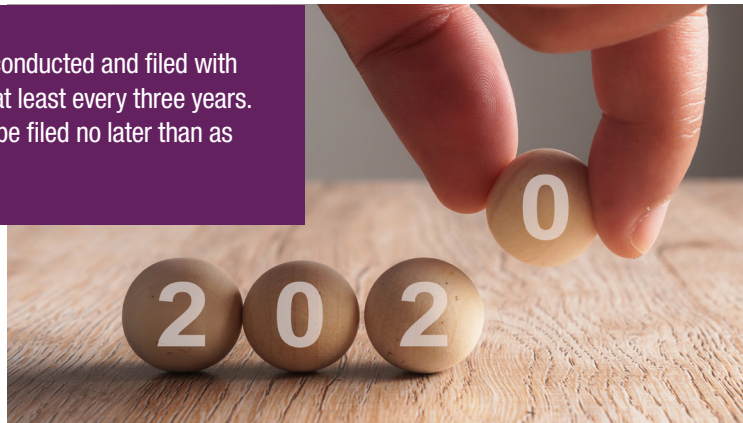
2026

Contribution rates are set at a level that targets reaching a fully (100%) funded status by 2026. This meets the standards set in our governing legislation for eliminating funding shortfalls.

Download a full copy of the valuation report [here](#).

Based on the financial health of the Plan, the Board of Directors will not be conducting an actuarial valuation as at December 31, 2018.

Actuarial valuations must be conducted and filed with the Canada Revenue Agency at least every three years. The next Plan valuation must be filed no later than as at December 31, 2020.



What is a valuation?

A valuation compares the Plan's assets and liabilities (projected costs to pay pension benefits) to determine whether there is enough money in the pension fund to pay benefits to members.

Assets **higher** than liabilities

= **Surplus**

(more than 100% funded)

Enough funds to pay benefits

Assets **lower** than liabilities

= **Deficit**

(less than 100% funded)

The Plan needs to increase assets to the level required to pay full benefits

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A look back at 2018

Contribution rates remain the same for 2019

Contribution rates were reduced in 2018 as a result of the Plan's improved financial position. We're pleased to confirm that the same contribution rates apply in 2019.

2019 member and employer contribution rates

On pensionable salary below YMPE*

10.47%

On pensionable salary above YMPE*

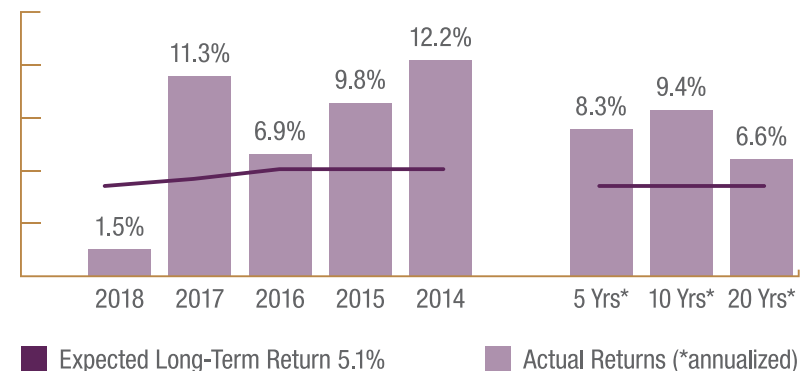
14.95%



How did the Plan's investments perform in 2018?

Investment earnings are an essential way to increase the Plan's assets and to improve the Plan's financial health. All decisions related to investing PSPP assets are guided by a statement of investment policy.

The Plan's investments did not perform as well in 2018 as in 2017 due to challenging and volatile market conditions. The 2018 year ended with a one-year return of 1.54%, compared to the benchmark return of 1.67%.



For more details about the Plan's investment performance, visit the [Publications page](#).

* YMPE stands for Year's Maximum Pensionable Earnings. It is set by the Government of Canada each year, and reflects the maximum level of salary on which Canada Pension Plan contributions can be made. In 2019, the YMPE is \$57,400.

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What is joint governance? How does it affect my Plan membership?

Joint governance means collaboration between many players who administer, manage and operate the Plan on a daily basis. It is where participating employers, and employees/unions all come together to help ensure we can continue to provide a valuable defined benefit pension plan well into the future.

Your membership in PSPP is not affected by governance changes.



What are the benefits of joint governance?

There are many benefits to joint governance for members:

- Joint governance establishes shared trusteeship of Plan assets and creates clear roles and responsibilities between the different players
- The Sponsor Board, consisting of representatives from employer and employee sponsor organizations, is responsible for Plan design and the financial health of the Plan
- Employer and employee sponsor organizations nominate individuals to the Sponsor Board and Board of Directors without final approval from the government
- The new Sponsor Board can make or amend the Plan rules (Plan Text) without government approval

What is governance?

Pension plan governance refers to the processes and procedures that are put in place so that the parties involved in the administration and management of a pension plan can ensure the plan is administered in the best interest of its members and beneficiaries.



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Who is responsible, and for what?

Here is an overview of the roles and responsibilities of the new players in Plan governance:

Before March 1, 2019	Now	What they do
Former PSP Board and/or the President of Treasury Board and Minister of Finance	Sponsor Board*	<ul style="list-style-type: none"> • Set/change Plan rules • Set contribution rates • Evaluate options for an alternative Plan design • Consider retiree interests • Establish a funding policy • Set frequency of Plan actuarial valuations • Set risk tolerances related to investments and other issues • Set rules regarding employer participation in the Plan (admission/withdrawal)
The President of Treasury Board and Minister of Finance	PSPP Corporation	<ul style="list-style-type: none"> • Plan Trustee (together with the Board of Directors) <ul style="list-style-type: none"> ◦ Act in the best interest of Plan members and beneficiaries • Responsible for the Plan Fund, including investments • Pay Plan costs from the Plan Fund • Carry out and perform all of the duties, functions and responsibilities of an administrator under the <i>Employment Pension Plans Act</i> • Arrange for external service providers • Ensure legislative and regulatory Plan compliance • Communicate with members and employers
The President of Treasury Board and Minister of Finance	PSPP Corporation Board of Directors*	<ul style="list-style-type: none"> • Oversee activities of the Corporation • Make bylaws governing the business and affairs of the Corporation • Appoint an auditor for the Corporation

*appointed by employer and employee sponsor organizations

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Who are the employer and employee sponsor organizations?

Employers:

- Government of Alberta (the largest participating employer)
- University of Alberta
- University of Calgary

Employees:

- Alberta Union of Provincial Employees
- Non-Academic Staff Association (of the University of Alberta)



What's NOT changing?

While there are many new players, not everything is changing. You can expect the same level of service and online tools and continue to use the same communication channels for Plan information and support.

To do this:

Obtain Plan information and support	Contact the Plan administrator, Alberta Pensions Services Corporation (APS) 1-877-453-1777
Learn about the Plan and governance	Visit www.pspp.ca
• Run personalized pension projections	Visit mypensionplan.ca
• Complete an online retirement application (PensionEase)	
• Contact APS through a Secure Mailbox	

What legislation governs the Pension Plan?

Previously, PSPP was registered under the *Public Sector Pension Plans Act (PSPPA)*. The PSPPA applied only to public sector pensions and outlined all the legislative requirements for the operation, governance, and pension plan rules that applied to the Plan. Under the new joint governance structure, PSPP will be registered under the *Employment Pension Plans Act (EPPA)* and is subject to regulatory oversight by the Alberta Superintendent of Pensions to ensure proper Plan operation, governance and rules. The EPPA governs pension plans in the private sector.

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Meet the new Board members

PSPP Sponsor Board

We're excited to start our journey as a jointly governed Plan with a group of dedicated and experienced professionals. For the members' full bios, please visit [PSPP Sponsor Board](#) and [PSPP Corporation Board of Directors](#).

Employee appointments <i>Appointed by</i>	Susan Slade, Chair <i>Alberta Union of Provincial Employees</i>	Mike Dempsey <i>Alberta Union of Provincial Employees</i>	Tom Fuller <i>Non-Academic Staff Association</i>	Jason Heistad <i>Alberta Union of Provincial Employees</i>
Employer appointments <i>Appointed by</i>	Gene Williams, Vice-Chair <i>Government of Alberta</i>	Gitta Kulczycki <i>University of Alberta*</i>	Shannon Marchand <i>Government of Alberta</i>	Dan Stadlwieser <i>Government of Alberta</i>



*Rotational appointment. Power of appointment rotates to University of Calgary for a period of three years starting March 1, 2022.

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PSPP Corporation Board of Directors



Employer appointments
Appointed by

Lowell Epp,
Chair
Government of Alberta



Linda Dalgetty
*University of Calgary**



Emilian Groch
Government of Alberta



Elaine Noel-Bentley
Government of Alberta



Employee appointments
Appointed by

Elizabeth Johannson,
Vice-Chair
Non-Academic Staff Association



Terry Agoto
Alberta Union of Provincial Employees



Lauren Montgomery
Alberta Union of Provincial Employees

Appointment pending
Alberta Union of Provincial Employees

**Rotational appointment. Power of appointment rotates to University of Alberta for a period of three years starting March 1, 2022.*

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For questions about your pension benefits, contact:

Alberta Pensions Services Corporation
Member Services Centre
5103 Windermere Blvd. SW
Edmonton, AB T6W 0S9
1-877-453-1777
memberservices@pspp.ca



Register for a one-on-one information session with APS: Spring schedule now open

Book a one-on-one session to speak face-to-face with a specialist, discuss your pension options or questions, or have a Commissioner for Oaths help you complete a pension document.

These 30-minute sessions are available by appointment year-round in Edmonton, and are regularly scheduled at locations around Alberta. The sessions do not include any financial planning, financial advice, or any information related to Canada Pension Plan, Old Age Security or other employer benefits. Visit our website to find out more about the [sessions, locations and dates](#). You can book online through mypensionplan.ca or by calling 1-877-453-1777.

