

# REPORT TO MEMBERS

SEPTEMBER 2018



## Q&A with our Chair

Larry Murray, PSP Board Chair

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### What's happened since the last issue?

Since the March *Report to Members*, we have completed an actuarial valuation as at December 31, 2017. Based on the results, we're pleased to announce that there will be no change to contribution rates in 2019: contribution rates will remain at 10.47% on pensionable salary below YMPE, and 14.95% on pensionable salary above YMPE in 2019.

Learn more about the Plan's financial position [here](#).



### Have there been any changes to the Board?

No, but there has been a change to the make up of the Board's Investment Committee (IC). Craig Smith finished his term with the IC, and we would like to wish him well and thank him for his commitment to the IC over the past eight years. His diligence and insightful investment expertise have been paramount to the IC.

We're pleased to announce the appointment of Louise Poirier-Landry as a new external IC member. Louise has more than 35 years of national and international experience in finance, investment/portfolio management, pension, risk management and governance. Learn more about the IC members and their roles [here](#).



### What is the status of Board member appointments?

We still have an employer-nominated Board member position vacant, which we hope will be filled as soon as possible, as the vacancy continues to have a significant impact on the balance and workload of the Board.

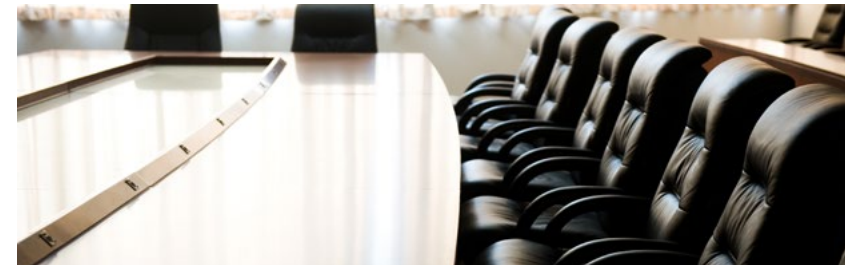
The Government of Alberta is responsible for the recruitment and appointment of employer nominees.



### Can you share an update on the funding of the Plan's Combined Pensionable Service benefit?

A working group between the Board and the Government of Alberta was established to identify solutions for funding the Plan's Combined Pensionable Service benefit. The working group continues to work towards resolving this inequity.

Learn more about Combined Pensionable Service in the [December 2017 Report to Members](#).



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### Changes to the Canada Pension Plan are coming in 2019. What does that mean for members of the PSPP pension?

With the exception of Quebec, federal, provincial and territorial finance ministers reached an agreement in 2017 to gradually expand the Canada Pension Plan (CPP). This means that your and your employer's CPP contributions will gradually increase starting January 1, 2019. In return, you will receive more money from the CPP in the future.

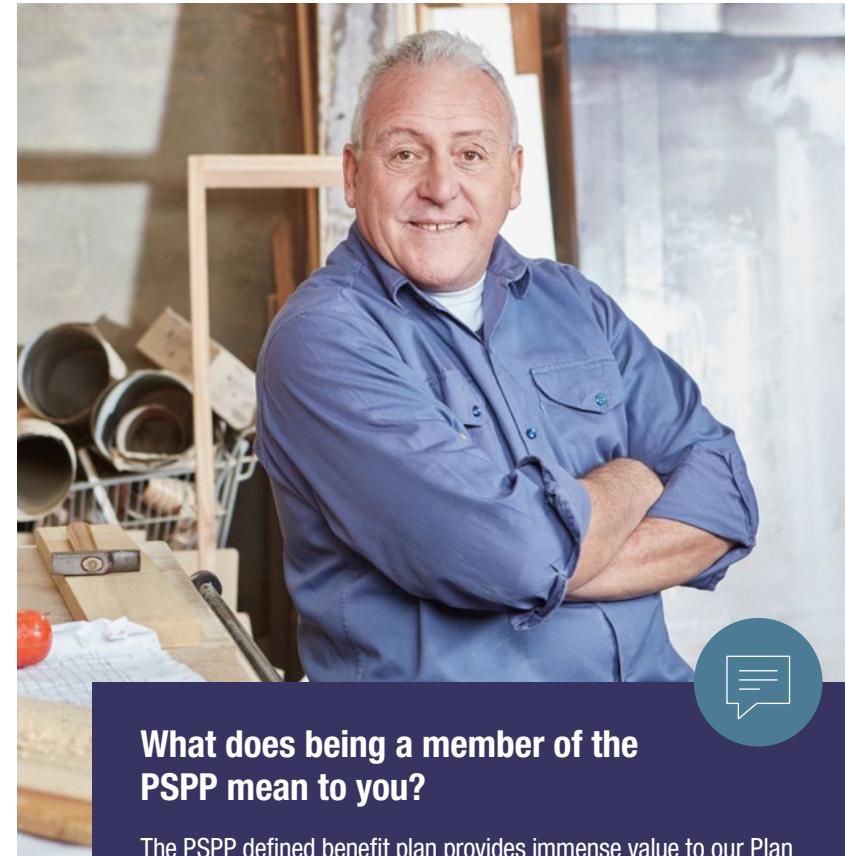
When it comes to your PSPP pension, the Board is not recommending any changes to the PSPP in anticipation of the upcoming changes to the CPP. Your PSPP contribution rates and benefits are unaffected by CPP changes.

Check out the [December 2017 Report to Members](#) for more details on the CPP changes.



### Anything else you'd like to share?

Our new and enhanced website is live! Make sure to visit [www.pspp.ca](http://www.pspp.ca) to learn more about the Plan, how to prepare for retirement and to access a variety of forms and resources. The website features improved navigation, a mobile-friendly design, and easier access to the various tools and calculators to help you plan your retirement.



### What does being a member of the PSPP mean to you?

The PSPP defined benefit plan provides immense value to our Plan members. We would love to hear how the Plan has helped you. Please share your story by sending an email to [board@pspp.ca](mailto:board@pspp.ca).

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## Plan updates

### The Plan's financial position

The Board completed an actuarial valuation of the Plan as at December 31, 2017. We looked at the difference between the Plan's assets (funds) and liabilities (projected costs to pay pension benefits) to help determine whether there is enough money in the pension fund to pay benefits to members. By legislation, actuarial valuations must be conducted and filed with the Canada Revenue Agency at least every three years.

The actuarial valuation reported an improvement in the funded status of the Plan. Download a full copy of the report [here](#).

#### December 31, 2017 valuation by the numbers

**\$1.35 billion**

The increase in the Plan's assets since the last actuarial valuation, which was conducted as at the end of 2016

**94.4%**

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

**42,252**

Number of active Plan members

**2026**

The Board has set contribution rates 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.

### Contribution rates will remain the same in 2019

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

#### 2019 member and employer contribution rates

On pensionable salary below YMPE

**10.47%**

On pensionable salary above YMPE

**14.95%**

#### What is the 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 2018, the YMPE is \$55,900.



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### A look back at 2017: PSPP Annual Report

Did you know that investment returns account for 58% of the Plan's total funding to date, while contributions from employees and employers provide 42%? That's why investment performance has such a significant impact on the Plan's overall financial health and contribution rates.

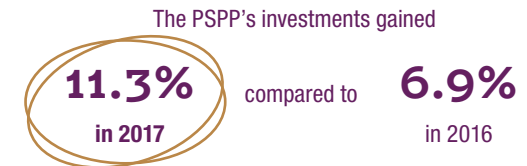
The Annual Report gives us a snapshot of how the Plan's investments are performing. Read on for some highlights from the 2017 Annual Report.

Want to learn more about how the Plan is invested? Download a full copy of the Report [here](#).



### Highlights of the PSPP's investment performance

The Plan's investments continued performing strong in 2017, and outperformed the 2016 returns.



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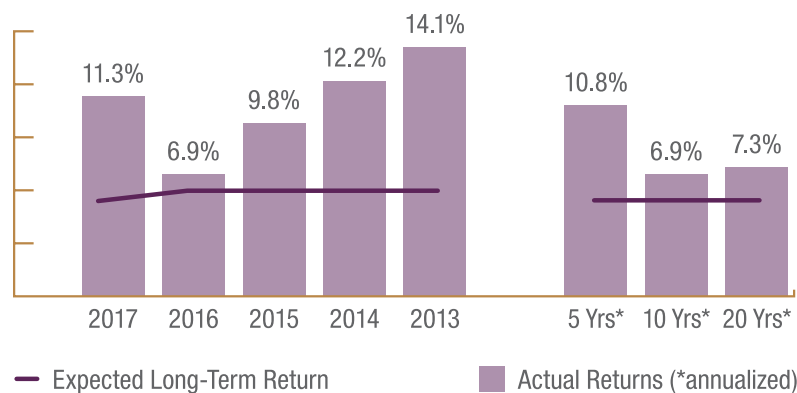
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## Plan updates

### Summary of investment returns



### Our target:

To meet the long-term funding needs of the PSPP, it was expected that investments earn a return of 5.5% per annum – the 11.3% rate of return in 2017 beat our target.



### Why do annual report results differ from those in an actuarial valuation?

The financial statements in the Annual Report use a different set of assumptions from actuarial valuations. The figures presented in the Annual Report represent the market value of the Plan's assets and liabilities using Canadian accounting standards for pension plans.

Contribution rates are based on actuarial valuations, which use a smoothed value of the Plan's assets and include a margin for volatility in the calculation of liabilities.



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## A member's perspective: meet Sharon Orescan

Sharon Orescan, Pensioner and former Department Administrator, Department of Physiology, Faculty of Medicine and Dentistry at the University of Alberta

### How the Plan helped Sharon prepare for retirement

**Q: You worked and were a member of the PSPP for 41 years before retiring in February 2018. Can you tell us a little bit about what you did and where you worked for all those years?**

**A:** I worked at the University of Alberta in five different departments over my career. I spent the last 10 years with the Department of Physiology in the Faculty of Medicine and Dentistry. I started there in 2008 as a graduate advisor, where I helped graduate students with any questions about their programs all the way to graduation. Three years ago I moved into the department administrator role, where I was responsible for various tasks, such as overseeing HR and recruitment. Helping students was always my passion, and relating to them made me feel young too.

**Q: What resources did you find the most helpful when planning your retirement?**

**A:** I attended a three-day seminar at the university, where we covered everything related to retirement planning. The seminar was very helpful and informative and gave me the tools I needed.

I also attended a one-on-one information session with Alberta Pensions Services last year to talk about my options. I got the advice I was looking for.



**Q: Did you try modelling your pension benefits for retirement using [mypensionplan.ca](https://mypensionplan.ca) or other tools before you retired? How did it help you think about your path to retirement?**

**A:** Yes. I planned my retirement for about 15 years, and started using the modelling tool a long time ago. The tool really helped me see how much pension I had earned, and allowed me to create different scenarios. I could see the difference in my pension if I chose to retire at age 55, age 57 or age 59.

I also considered government benefits like the Canada Pension Plan and factored it in when thinking about my total retirement income.

**Q: Why do you think it's important to take the time to understand how the Plan works?**

**A:** Retirement is confusing and can cause a lot of anxiety. When you're working, you have your income and things are more or less stable. Retirement is different and requires more planning. That's why the earlier you start, and the more information you have, the better. There will still be surprises, but at least you're prepared. It's never too early to start thinking about retirement.

**“It's never too early to start thinking about retirement.”**



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## A member's perspective: meet Sharon Orescan

**Q:** Now that you are retired, what aspects of the Plan are important to you?

**A:** If I didn't have a pension plan, I wouldn't be retired right now. When you're young, you don't think about your pension. I was a single mom with two kids, and back then when I looked at the money that was going toward the pension plan, it felt like a lot. Now I'm glad I have this money for my future.

**Q:** Does your pension also help you support your family? Could you tell us more about that and what it means to you?

**A:** It's very important to me to be able to support my children. I was able to choose an option with a 15-year guarantee period – my PSPP pension is paid to me for my life but if I die within 15 years of starting my PSPP pension, the pension will continue to be paid to my beneficiaries until the end of the 15-year guarantee period. I feel relieved knowing that if something were to happen to me, my kids will be supported.

**Q:** Do you have specific plans or dreams now that you've retired? Tell us about your life as a retiree.

**A:** When I first retired, I travelled to Mexico to just digest everything on the beach. After I came back, I really started cleaning my house. When I was working I never had the time on weekends. I first tried to do it all very quickly, but then slowed down as I realized I have the time. I just got new windows and window coverings. I also like gardening and have been able to spend more time taking care of my flowers.

I'm also planning to apply for a part time job with Canadian Blood Services. Not because I have to, but because I want to get out of the house and meet people every once in a while.



**Q:** How has your experience with the PSPP influenced your life in retirement?

**A:** I'm very pleased with how everything has worked out. I'm grateful to have a secure income that allows me to live life on my terms. The Plan administrator (Alberta Pensions Services) was great throughout the retirement process and everything went smoothly.

**Q:** What advice about planning for retirement would you give to current Plan members?

**A:** One thing that surprised me was the number of options for receiving my pension. I had no idea there were so many! I would recommend giving six months' notice to your employer's HR department so that they (and you!) have enough time to process everything.

Start planning and thinking about retirement early. Take advantage of the courses and tools the Plan offers. Think not only about the financial aspect of retirement, but also the mental one. Retirement is a big change and you need to know in your mind when it's the right time.

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# Getting to know the players...

## The Investment Committee

One of the Board's responsibilities is to ensure that the PSPP is funded according to the *Public Sector Pension Plans Act*. The Plan's investments play an important role in fulfilling this responsibility, as more than half of the Plan's funding comes from investment returns. There are a number of parties involved in managing and overseeing the Plan's **\$13.5 billion** in assets.

### Growing the pension fund

To ensure the Plan assets keep growing in the pension fund, they need to be invested in a responsible and effective way. That's why the Board has established an Investment Committee (IC) comprised of all of the members of the Board and three external investment or finance professionals chosen for their expertise in investments.

### The IC is responsible for...

- Monitoring and reviewing the Plan's investment performance
- Advising on the Plan's asset allocation and investment policy
- Monitoring investments for compliance with the investment policy

Denise Hamilton is the Chair of the IC, and Mike Dempsey is Vice-Chair.



### Did you know?

Compared to the assets of other Canadian pension funds, PSPP is ranked #22 in Benefits Canada's 2018 Top 100 Pension Funds Report!





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## Getting to know the players... The Investment Committee

### Meet the external IC members

The Board uses an open and skills-based recruitment process to appoint its external IC members and selects external members based on their experience and knowledge of institutional investments, risk management, and pension governance and funding.

External members are appointed to the IC by the Board for a two- or three-year term and may serve on the IC for a maximum of ten consecutive years. The Board evaluates each members' performance annually.



**Janet Julé**



**Day job:** Janet is the Chief Investment Officer for Saskatchewan Healthcare Employees' Pension Plan.



**Experience she brings to the IC:** Janet has 30 years of investment-related experience, including over 20 years in investment consulting prior to her current role. Janet was also consultant and director with Crown Investments Corporation of Saskatchewan.



**Other pension related activities:** Janet is active in the pension community including the Pension Investment Association of Canada, and is currently serving as committee chair for the organization's internal newsletter.



**Education and designations:** B. Admin from the University of Regina majoring in Accounting and Finance, CPA, CMA, and CFA designations, and the ICD.D designation from the Institute of Corporate Directors.



**An external IC member since:** December 2016

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## Getting to know the players... The Investment Committee



Wesley Peters



**Day job:** Wes is Vice President of Investments at the Wawanesa Mutual Insurance Company, managing the company's investments and investments for Canadian and US employees' defined benefit pension plans.



**Experience he brings to the IC:** Prior to joining Wawanesa, Wes managed pension investments for Canadian Pacific Railway and then for the Saskatchewan Teachers. He is a former Mercer consultant, past president of the Calgary CFA Society, and was Superintendent of Pensions for Manitoba.



**Other pension related activities:** Wes is a Board Member, Governance Committee member, and past chair of the Investment Committee of the Calgary Foundation.



**Education and designations:** B.Comm (Hons) from the University of Manitoba majoring in actuarial mathematics, and a CFA designation.



**An external IC member since:** January 2018



Louise Poirier-Landry



**Day job:** Louise is an executive, with more than 35 years of national and international experience in finance, investment/portfolio management, pension, risk management and governance.



**Experience she brings to the IC:** Louise has held senior-level investment positions at organizations such as AXA Canada, Standard Life and Caisse de dépôt et placement du Québec.



**Other pension related activities:** Louise has served on a number of boards and committees, including the Canada Mortgage and Housing Corporation, and N45, the first Canadian issuer of commercial mortgage-backed securities. Louise is also a member of the Quebec Financial Women's Association.



**Education and designations:** Bachelor of Economics and a Master of Economics from the University of Montreal, and the ICD.D designation from the Institute of Corporate Directors.



**An external IC member since:** May 2018



If you would like to submit topics or member profile suggestions for upcoming editions of the *Report to Members*, email [board@pspp.ca](mailto:board@pspp.ca)

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# Getting to know the players...

## Alberta Pensions Services Corporation (APS)

The PSPP probably comes to mind first when you think about your future pension. You might also have heard about APS, and wondered how it fits in the picture. Read on for everything you need to know!

### What's APS?

APS is a provincial Crown corporation that administers nine provincial pension plans, including the PSPP.

#### APS mission

As a pension benefits administrator serving Albertans, we are knowledgeable, caring professionals committed to guiding the pension experience, delivering the highest standard of accurate, cost-effective service.



### Why is the PSPP administered by APS?

The President of Treasury Board and Minister of Finance is the administrator of the Plan but has delegated certain functions regarding the administration of the PSPP to APS. APS has vast knowledge of public sector pension plans, including the PSPP. Together with APS, we can ensure you receive the support you need for all the things related to your pension.







### How does APS help members?

APS helps members make informed decisions about their pension through a number of services, including:

- Educating members and their employers about the PSPP
- Communicating with members and their employers
- Managing contributions
- Processing retirements
- Calculating and disbursing pension benefits

APS offers valuable tools like the online retirement applications tool PensionEase, Pension Estimator, and information management tool [mypensionplan.ca](http://mypensionplan.ca), all available through the newly redesigned [pspp.ca](http://pspp.ca) website.

### APS by the numbers in 2017

- 333**  One-on-one education sessions held
- 47**  Group education sessions held
- 167,715**  Member Services Centre calls answered
- 61,880**  Secure emails received
- 9,757**  New registrations to [mypensionplan.ca](http://mypensionplan.ca)
- 2,725**  Retirement files completed

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PART 2

## Ready, Set, Retire: Life changes



READY

Learn about the Plan

Life changes (Marriage, Change of job, Divorce)

Review pension statements

Seek financial advice

Check how savings track against goals

SET

When to start your pension

RETIRE

Pension Options

### Ready: Life changes – Changing jobs

In this edition of *Ready, Set, Retire*, we focus on life changes – specifically, changing jobs.

The PSPP is a defined benefit (DB) pension plan, which means that you know exactly how much pension you will receive at retirement.

Another great thing about the PSPP is that it's available for employees working for a number of public sector employers, such as Agriculture Financial Services Corporation, Government of Alberta and many universities in the province.

Even if you're coming from an employer where you participated in a different registered pension plan, there may be ways for you to transfer or buy service in the PSPP.

### Here are some common scenarios



#### Scenario 1: Changing jobs between two PSPP employers

If you change jobs and move from participating in PSPP with your old employer to participating in PSPP with your new employer, you will continue accruing pensionable service in the Plan. As long as you don't remove your benefit from the Plan in between, your two periods of participation will be connected and your pension at retirement will be based on all of your pensionable service.

See the full list of participating employers [here](#).



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### Scenario 2: Transferring into the PSPP from a pension plan that has a transfer agreement with the PSPP

If you were a member of another registered pension plan before joining the PSPP, you may be able to transfer the service you earned from that plan into the PSPP. The PSPP has transfer agreements with many Canadian public sector pension plans, including Local Authorities Pension Plan (LAPP), Management Employees Pension Plan (MEPP), Alberta Teachers' Pension Plan and Private School Teachers' Pension Plan. For the complete list of eligible pension plans, click [here](#).

You must request a transfer within one year of the date you join the PSPP.

Note: pension plans use different rules to figure out the value of members' pension benefits. The benefit you earned in your previous plan might not match the cost of buying the same amount of service in the PSPP. To help you decide, APS can calculate the cost of bringing the service you earned in the other plan over to the PSPP and send you a package with the details before you decide whether or not you want to proceed.

Learn more about plan transfers [here](#).



### Scenario 3: Buying prior service from a registered pension plan that does NOT have a transfer agreement with the PSPP

If your former plan does not have a transfer agreement with the PSPP, you may still be able to buy the service that you previously earned through a process called a buyback. Since you earn service for every day that you contribute to the PSPP, a buyback may increase your PSPP pension benefit. To learn more about key considerations for buying prior service, please see our [website](#) or refer to the [March 2018 Report to Members](#).



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### Scenario 4: Returning to work after a leave of absence

The longer you participate in the Plan, the higher your benefit at retirement will be. However, if you were off work for a period of time and not paid (a leave of absence), this will create a gap in your pensionable service, meaning there will be less service to count toward the calculation of your pension.

You may be able to buy back service to avoid a service gap. If you wish to increase your PSPP pension, you might consider a buyback to decrease the impact of your time off on your pension.

Learn more about leaves of absence [here](#).



### What if I start working part-time?

You may be able to work part-time and still be a member of the PSPP, but it impacts the rate at which you earn pensionable service and by extension, your overall pension calculation.

You are eligible to join the Plan as a part-time employee if you are:

- A permanent employee;
- Working at least 14 hours per week, or 728 hours per year; and
- Eligible according to your employer's policy.

Learn more [here!](#)



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### Scenario 5: Leaving the Plan

Once you leave your PSPP employer, you will stop participating in the Plan and will no longer make contributions. There are different options for what to do with your PSPP benefits if you leave the Plan depending on your age and your vesting status.

#### If you're under age 65 and have fewer than two years of service (not vested):

- You will not be eligible to collect a pension at retirement. This is what the term "not vested" means.
- You will receive a Termination Statement with your options. You will have 90 days to make a decision and let the Plan administrator know; otherwise your contributions with interest will be paid to you as cash, less income tax.
- If you do not want to receive your funds as cash, you can choose to:
  - Leave your funds with PSPP – this a good option if there is a chance you will be returning to a position with any PSPP employer
  - Transfer your funds to another pension plan (if that plan allows it)
  - Transfer your funds to a Registered Retirement Savings Plan (RRSP), tax-free

#### If you have two or more years of service (vested), you may:

- Leave your benefits with the Plan and receive a deferred pension when you're ready to retire
- Transfer your benefits to another pension plan (if that plan allows it, and if you are under 65 and not eligible for an unreduced pension)
- Transfer your benefits to a locked-in retirement account (LIRA) or a life income fund (LIF), if you are under 55 when you leave the Plan
- Start your PSPP pension if you are 55 or over

You may want to consult with a financial advisor before making your decision.

Learn more about leaving the Plan [here](#).

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SEPTEMBER 2018

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PART 2

# Ready, Set, Retire: A peek at your Pension Highlights statement

READY

Learn about the Plan

Life changes (Marriage, Change of job, Divorce)

Review pension statements

Seek financial advice

Check how savings track against goals

SET

When to start your pension

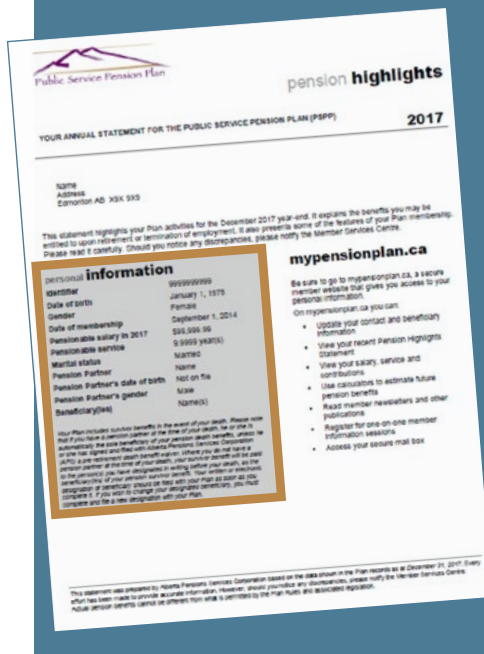
RETIRE

Pension Options

## Ready: Review pension statements

Every year, you receive Pension Highlights (formerly the Member Annual Statement), which is a statement that shows your pensionable salary, how much service you have in the Plan, your earned pension benefits to date, and your pension partner and/or beneficiaries.

Make sure to review this statement carefully, as it gives you important information about your PSPP pension. Here's a quick overview of the Pension Highlights (dig up your own statement while you read this):



Review your personal information on the first page of the statement. If any of your information is incorrect, log on to [mypensionplan.ca](http://mypensionplan.ca) to update your beneficiary(ies) and contact information, or contact the Member Services Centre.

A few notes:

- Most commonly, your **Date of membership** is the date that you became enrolled in the Plan and began making contributions
- **Pensionable salary** is used to calculate your retirement benefits – it may not be the same as your annual salary, because it doesn't include overtime, variable pay and some taxable benefits
- **Pensionable service** is the years during which you contribute to the Plan, plus service recognized from a transfer or purchase of prior service
- **Pension Partner** is your spouse or partner, who is automatically your beneficiary when you pass away
- If you don't have a Pension Partner, you can name anyone as your **beneficiary** to receive your pension benefit when you pass away

continued →



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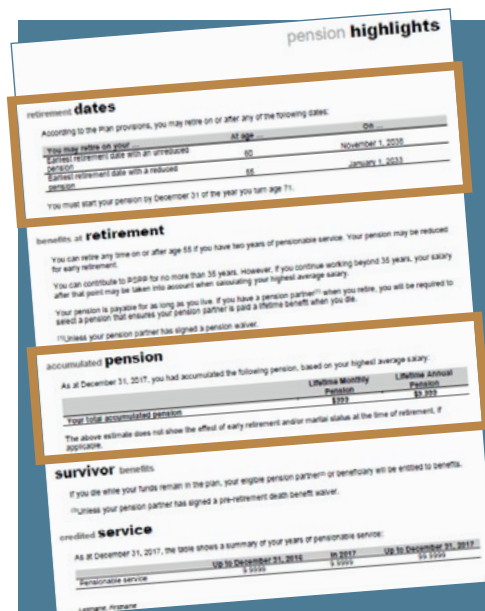
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### SET

When to start your pension

### RETIRE

Pension Options



On the second page, you will find your retirement dates for both an unreduced and reduced pension. You will also see your accumulated pension to date.

A few notes:

- The estimated pension amount is only one of several options you can choose from at retirement
- For more details about your options at retirement, run a pension estimate at [mypensionplan.ca](http://mypensionplan.ca)



On the last page, you will find your contributions to the Plan with credited interest.

Remember: Your pension benefit is calculated based on your pensionable salary and pensionable service and not on the amount of your contributions.

# Ready to retire?

You can now complete the application process online with PensionEase.

Visit [PSPP.ca](http://PSPP.ca) for more information



**PensionEase** – an online retirement tool. You can now complete most of your retirement process online, using a secure and simple tool with less paper, less wait time and no mailing required. You can find PensionEase when you log into [mypensionplan.ca](http://mypensionplan.ca).

Next up on **Ready, Set, Retire**... Learn how life changes, such as marriage or divorce/separation, impact your PSPP pension in upcoming editions of *Report to Members*.

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## For more information...

### 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](mailto:memberservices@pspp.ca)



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

Do you have questions about your Pension Highlights statement or forms? Need help understanding your pension options? Require a Commissioner for Oaths to complete a pension document? Book a one-on-one session and meet face-to-face with an information specialist.

These sessions are available by appointment year-round in Edmonton, and are regularly scheduled at locations around Alberta. One-on-one sessions normally take up to half an hour. The sessions do not include any financial planning, financial advice, or any information related to Canada Pension Plan, Old Age Security or your other employer benefits. Visit our website to find out more about the sessions, locations and dates. You can book online through [mypensionplan.ca](http://mypensionplan.ca) or by calling 1-877-1PSP (1777).

