



Q&A with our Chair

A look back at 2019

Latest news

At your service

## Q&A with our Chair

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

#### Governance changes



2020 has been a year of significant change for everyone, including here at PSPP. In our **last issue**, we announced that in late 2019,

the Government of Alberta introduced Bill 22, bringing about reforms that affected the governance and independence of PSPP and the Corporation.

Within this new structure, PSPP Corporation is building the resources to ensure success. One of the first steps is to renegotiate the investment management agreement with Alberta Investment Management Corporation (AIMCo) and the pension services agreement with Alberta Pensions Services Corporation (APS) by the end of 2020. The current agreements were negotiated in 2019 when the Corporation still had the option of choosing other service providers after five years. However, Bill 22 requires PSPP Corporation to permanently use AIMCo and APS exclusively, which will change the nature of our agreements.

#### How is the Plan doing?

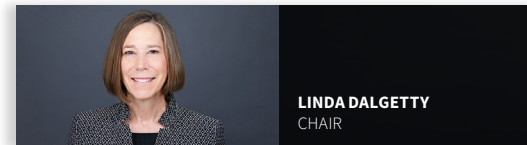


The PSPP fund gained 12.3% in 2019 thanks to strong market performance. So far, 2020 has been extremely volatile for financial markets, with the pandemic

and low oil prices affecting investment returns and the global economy. At the end of the first quarter, the Plan fund earned an investment return of -12.69%, compared to a benchmark return of -7.00%.\* The value of the fund decreased from \$15.4 billion at the end of 2019 to \$13.6 billion at March 31, 2020. Market upheaval and losses posted by one of AIMCo's volatility trading strategies were responsible for the decline. The volatility trading strategy has since been discontinued.

Although some losses have since been recovered, the Plan fund is still down year-to-date. As of June 30, 2020, the Plan fund returned -5.61%, underperforming the benchmark by -6.47%.\* The fund size increased slightly in the second quarter to \$14.5 billion.

While we can't dismiss short-term losses, it's long-term performance that matters most to pension investments.



Importantly, the PSPP fund remains well positioned to meet the return objectives and funding requirements of the Plan over the long term.

The Board has been working with the Plan actuary on stress tests to get a sense of how reduced earnings expectations and a prolonged volatile market may impact the Plan. The results confirm that the Plan is well positioned to weather the storm. Your pension remains secure.

#### COVID-19

The COVID-19 pandemic has turned the world upside down since March, disrupting everyday lives and financial markets. In the midst of this turmoil, the Corporation is proud to have continued operations virtually without interruption. We continue to monitor the COVID-19 situation, working with APS to ensure essential operations are maintained and with AIMCo to review the market impact and the Plan's investment strategy.



\*Investment performance results are unaudited.

**What corrective action has been taken in response to the significant losses from the volatility trading strategy?**

PSPP Corporation and the Board continue to work with AIMCo to ensure better alignment on the risk management approach for PSPP's assets.

Following significant losses incurred in the first quarter by one of AIMCo's volatility trading strategies (VOLTS), the strategy was discontinued and AIMCo conducted a review to confirm that no other investment strategies could generate the same degree of negative impact as VOLTS. The AIMCo Board also conducted a review of the VOLTS strategy and the processes and controls in place to prevent any reoccurrence of a similar outcome. The AIMCo Board's report is publicly available on [AIMCo's website](#).

**How do market fluctuations affect my pension?**

They don't! PSPP is a Defined Benefit (DB) Pension Plan, which means that your benefit is calculated based on a formula that includes your pensionable salary and years of service. Your pension is not affected by how much you contribute to the Plan or by stock market fluctuations and economic downturns. That's the benefit of a DB Pension Plan.

Rest assured, whether you are currently contributing to the Plan, or retired and receiving a pension, your PSPP pension is secure.



**What else are you doing to evaluate the Plan's performance?**

The Corporation recently completed an actuarial valuation to confirm that there are enough assets in the Plan fund to pay benefits to members and to help set contribution rates at sufficient levels to fund benefits currently being earned. For the latest results, see "**Update on the Plan's funded position**" on page 3.

There are also two special projects underway for monitoring the Plan's performance:

**1. Experience study**

This study analyzes the actual events that happened in the Plan, such as the actual age of members retiring, mortality rates and salary changes.



The results will help set appropriate demographic assumptions for future actuarial valuations.

**2. Asset liability study**

This study takes a comprehensive modelling approach to Plan liabilities and required cash flows to determine an optimal, risk-adjusted investment strategy to enhance the sustainability of the Plan.



The results will help determine whether adjustments to the Plan's investment strategy and asset allocation are required to optimize investment performance and reduce unnecessary risk exposure.





## A look back at 2019

### Highlights from the PSPP Annual Report

Each year, we prepare an annual report summarizing the Plan's performance and administration. The 2019 Annual Report is now available on the Plan [website](#). Here are three key takeaways:



#### Plan membership

At December 31, 2019, the Plan had 41,911 active contributing members, with an average age of 44.5 years.



#### 10-year investment performance was strong

Over a 10-year period, the Plan generated an average annualized return of 9.3%, outperforming long-term funding expectations.



#### Total Plan investments (assets) have risen

\$15.4 billion in 2019 vs. \$13.7 billion in 2018

### Update on the Plan's funded position

An actuarial valuation of the Plan was conducted as at December 31, 2019. The valuation 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.

We conduct actuarial valuations every year to monitor the health of the Plan. By legislation, they must be conducted and filed with the Canada Revenue Agency and the Alberta pension regulator at least every three years.

We're pleased to advise that the actuarial valuation reported an improvement in the funded status of the Plan. **As at December 31, 2019 the Plan's funded status was 104.9%.** You can download a full copy of the report [here](#).





## Latest news

### Contribution rates will remain the same in 2021

While the results of the latest actuarial valuation were favourable, the impact of recent events on the Plan's assets and continued uncertainty surrounding the financial markets and Plan demographics should not be ignored. For these reasons, the PSPP Sponsor Board determined that current PSPP member and employer contribution rates will remain unchanged for 2021.

#### 2021 member and employer contribution rates

**10.47%**

ON PENSIONABLE  
SALARY BELOW YMPE\*

**14.95%**

ON PENSIONABLE  
SALARY ABOVE YMPE\*

\*YMPE stands for the 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 2020, the YMPE is \$58,700.

### Welcome Graham Statt

Graham Statt is the newest member of PSPP Corporation's Board of Directors. Appointed by the Government of Alberta in May, Graham is an innovative and inspirational leader who believes strongly in the value of public service.



**Day job:** Graham is the Assistant Deputy Minister (ADM) of the Pharmaceutical and Supplementary Benefits Division in Alberta Health. He is also the current Vice-Chair for the Governing Council of the Pan-Canadian Pharmaceutical Alliance, Canada's national body for negotiating drug pricing.



**Previous experience:** Graham was previously the ADM of the Operations Division for Environment and Parks, and the ADM of Parks in the Ministry of Tourism, Parks and Recreation. He has also worked as an executive in Alberta's Aboriginal Relations Ministry.



**Education:** Bachelor of Arts degree in Anthropology and a Master's degree in Anthropology with an interdisciplinary study in the Faculty of Law, focusing on aboriginal law.



#### On the frontline

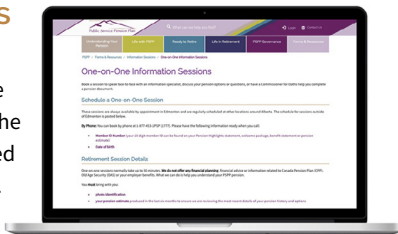
Graham had a leadership role in the response and recovery for the 2013 Southern Alberta Floods and the 2016 Fort McMurray fires and, most recently, is the Incident Commander for the COVID-19 Emergency Operations Centre, guiding Alberta Health through the pandemic response and recovery.



## At your service

### One-on-one member sessions

Thinking of retiring? Need help understanding your pension options? Register for a one-on-one session with a pension specialist. As a result of the COVID-19 situation, sessions are being conducted by telephone or video for the remainder of 2020.




### Sign up for Go Green


Here's a simple way to reduce your carbon footprint and get fast, convenient, 24/7 access to your pension documents: sign up for Go Green. With Go Green, you'll receive an email notification whenever a new pension document is ready, including annual statements, tax slips and the latest PSPP news and updates. You can then log in to your [mypensionplan.ca](https://mypensionplan.ca) account to view – or print if you must – your documents. Sign up for Go Green through your [mypensionplan.ca](https://mypensionplan.ca) account.




### For information about your pension

 See the **What's New?** section on the PSPP website.

Call the Member Services Centre or send an email to our confidential, secure mailbox:

 **1-877-453-1777**

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

We also encourage you to log in to [mypensionplan.ca](https://mypensionplan.ca) to:

- Estimate your pension amount
- Update your personal and beneficiary information
- Access Member Services Centre's confidential, secure mailbox
- Book a one-on-one session