



Public Service Pension Plan PSP Board

2011 - 2013 Business Plan

Public Service Pension (PSP) Board
5103 Windermere Blvd. S.W.
Edmonton, AB T6W 0S9

Telephone: 1-800-661-8198

Fax: (780) 421-1652

Web site: www.pspp.ca

PSP Board e-mail: pspp.bd.@gov.ab.ca

Table of Contents

	Page
Governance Statement.....	1
PSP Board Mission.....	1
Values and Principles.....	1
Core Business, Goals, and Strategies.....	2
Core Business One: Plan Funding and Investment Management.....	2
Core Business Two: Fiscal Management.....	4
Core Business Three: Governance Framework.....	5

Governance Statement

The *Public Sector Pension Plans Act* identifies the responsibilities of the PSP Board and charges the PSP Board with the responsibility for:

- setting policy guidelines for investing the Fund's assets and administering the Plan;
- establishing contribution rates to ensure the Plan is properly funded;
- recommending changes in Plan rules;
- conducting an actuarial valuation of the Plan at least every three years; and
- reviewing administrative decisions as delegated by the Minister of Finance and Enterprise.

At present, under legislation, the Minister of Finance and Enterprise is the Trustee and Administrator of the Plan while the PSP Board is the owner of the assets of the Plan. The current legislation enables the PSP Board, upon agreement of the Minister, to become the Trustee and Administrator of the Plan, and allows the PSP Board to review the responsibilities of the Trustee, the Minister, at least every five years.

In keeping with good governance practices, the PSP Board has its own Code of Conduct and Ethics policy to guide PSP Board and Committee members.

Mission

The PSP Board will act solely in the interests of the Plan and its members to ensure the Plan and its assets are managed prudently and efficiently.

Values & Principles

- The benefits promised under the Plan are delivered in a timely and cost-effective manner.
- The PSP Board is accountable to Plan members.
- All decisions made by the PSP Board are financially prudent, ensuring that the overall financial health of the Plan is maintained.
- The Plan complies with all related legislation and regulations.
- Costs and benefits are equitable among different generations of members.

Core Business, Goals and Strategies

Core Business One: Plan Funding and Investment Management

Goal One

The Plan is fully funded or an appropriate amortization schedule is in place to address any unfunded liability (on a going-concern basis).

What it Means

- The Plan is properly funded in accordance with governing legislation
- Valuation results reflect current and appropriate views of experience, assumptions and the future investment environment
- Statutory requirements for conducting PSPP actuarial valuations are met
- Funding rates and investment returns are sufficient to meet pension obligations and costs associated with the administration of the PSPP and investment of the PSPP Fund
- Funding rate volatility is minimized

Strategies

Annual Activities

- Monitor the overall investment performance of the PSPP
- When prudent, initiate a funding valuation report from the PSPP actuary to affirm the ongoing financial health of the PSPP
- Ongoing tracking of the PSPP's long-term investment objectives to ensure it continues to meet the investment return assumption used for on-going funding of the Plan

2011 – 2013 Action Plan

2011

- Conduct an extrapolation of the prior funding valuation of the PSPP, which may be used for CICA Section 4100 reporting
- Continue work, in consultation with Alberta Finance and Enterprise, on developing and implementing a funding policy for the PSPP
- Conduct an interim valuation of the PSPP as at December 31, 2010 which may be used to monitor the overall financial health of the PSPP or file for funding purposes and setting PSPP contribution rates

2012

- Conduct an extrapolation of the prior funding valuation of the PSPP, which may be used for CICA Section 4100 reporting
- If no funding valuation has been filed following the December 31, 2008 actuarial valuation of the PSPP, conduct a triennial actuarial valuation of the PSPP at December 31, 2011 and make any necessary plan rule change, following any recommendations made by the PSPP actuary, to adjust contribution rates commencing January 1, 2013

2013

- Conduct an extrapolation of the prior funding valuation of the PSPP, which may be used for CICA Section 4100 reporting
- Conduct an interim valuation of the PSPP as at December 31, 2012 which may be used to monitor the overall financial health of the PSPP or file for funding purposes and setting PSPP contribution rates

Goal Two

The return on investments is maximized while balancing the risk and return profile of the PSPP.

What it Means

- The PSPP Fund is invested in accordance with governing legislation
- Investment management and performance of the PSPP Fund is in compliance with the PSPP Statement of Investment Policies and Guidelines (SIP&G)
- The PSPP Fund's annual and long-term return investment objectives are achieved

Strategies

Annual Activities

- Regularly monitor Alberta Investment Management Corporation (AIMCo) investment performance and overall management of the PSPP Fund
- Annually review the SIP&G and provide recommendations for change, if necessary
- Review the Fund's investment portfolio and investment performance in the context of risk exposure relative to the long-term policy target asset weightings and to ensure risk tolerance requirements of the PSP Board are not exceeded
- Monitor the PSPP asset mix in relation to expected returns
- Review new investment opportunities for suitability with the stated long-term investment objectives of the PSPP Fund
- Review Statement of Investment Beliefs and SIP&G to ensure continued relevance

2011 – 2013 Action Plan

- Continue consultations with AIMCo regarding the implementation of risk-based reporting and monitoring in relation to the PSPP Fund investments
- Assess and, if prudent, amend the PSPP SIP&G to incorporate risk language appropriate for the PSPP
- Assess the results of the Asset Liability (AL) Study and, if prudent, amend the PSPP SIP&G to adopt any long-term policy asset mix changes considered appropriate for the PSPP
- If applicable, in consultation with AIMCo, establish a transition plan for the orderly and cost-effective implementation of any asset mix changes involving asset classes with restricted liquidity
- Establish appropriate monitoring mechanisms to ensure any asset mix changes are completed in a timely and cost-effective manner

Core Business Two: Fiscal Management

Goal Three

Costs related to investments and plan administration are managed fairly, efficiently and effectively.

What it Means

- Service levels meet or exceed standards for service performance identified in the protocols and agreements with the PSP Board, Alberta Pensions Services Corporation (APS), AIMCo, and the Ministry of Finance and Enterprise
- The average cost of administration and investment management services are reasonable

Strategies

Annual Activities

- Meet with, and provide feedback to, AIMCo and APS regarding their business plans and budgets
- Review APS service levels relative to set targets
- Monitor costs charged for plan administration and investment management services
- Review and document reporting requirements with AIMCo and APS
- Maintain and update a three-year rolling business plan and budget relative to PSP Board specific activities and initiatives
- In consultation with Alberta Finance and Enterprise and AIMCo, review and, if prudent, modify the Investment Management Services Operating Protocol and implement mechanisms and controls to define services and set service level standards in relation to investment management services of the Plan Fund

2011 – 2013 Action Plan

2011

- Ensure performance measures are established for APS
- Determine appropriate human resources necessary to provide support for the PSP Board
- Conduct request for proposal process for actuarial and pension consulting services as the five-year contract renewal period expires on December 31, 2011
- Explore efficiencies and effectiveness of shared legal opinions, joint studies and reporting with other public sector boards where common ground and agreement of parties exists

2012

- Conduct request for proposal process for investment consulting services as the five-year contract renewal period expires on December 31, 2012

Core Business Three: Governance Framework

Goal Four

The PSP Plan and Board governance framework is clearly articulated and documented.

What it Means

- Alberta Finance and Enterprise, the PSP Board, AIMCo and APS mandates, roles and responsibilities in relation to the PSPP are clearly documented and understood
- PSP Board policies are appropriately developed and maintained, and are reviewed at least once every three years
- Requirements of the Alberta *Public Agencies Governance Act* are met or exceeded

Strategies

Annual Activities

- Review PSP Board policies and update as required

2011 – 2013 Action Plan

- Continue to participate in a Plan governance review being led by Alberta Finance and Enterprise in order to (1) clarify roles, responsibilities and monitoring, and (2) formalize stakeholder input, and review PSP Board makeup and appointment process
- Implement processes and control mechanisms to review and monitor implementation of Operating Protocols and Service Level Agreements according to schedule
- Participate in discussions with Alberta Finance and Enterprise, APS and AIMCo and continue to assess and update PSP Board governance practices and policies to ensure compliance with the *Public Agencies Governance Act*

Goal Five

The PSP Board operates efficiently and effectively within its governance framework in order to meet its objectives.

What it Means

- The PSP Board operates within a sound governance framework and in an effective partnership with Alberta Finance and Enterprise, AIMCo and APS
- The PSP Board and its agents conduct their affairs in accordance with fairness, impartiality, integrity, and the highest ethical standards, and in compliance with any applicable laws
- Individual PSP Board members have sufficient knowledge and skills to carry out their fiduciary role
- The PSP Board is satisfied with the manner in which it carries out its objectives and fiduciary obligations
- The Annual Report and Highlights are published in a timely manner

Strategies

Annual Activities

- In accordance with the Operating Protocol, prepare and submit a report to the Minister of Finance and Enterprise regarding annual PSP Board activities
- Require each PSP Board member to individually review of and complete a declaration of compliance with the Code of Conduct and Ethics policy
- Ensure AIMCo and APS staff operate within a formal code of conduct
- Conduct a self assessment of the PSP Board
- Continue to develop PSP Board members' knowledge and skills through continuing education
- Meet with the Office of the Auditor General regarding the audit of the PSPP
- Consult with Alberta Finance and Enterprise regarding assumptions to be used for accounting valuations
- Publish the Plan Annual Report electronically on the PSPP web site
- Provide a Highlights document to PSPP members and pensioners
- Assess and provide feedback regarding the services and service deliverables to be provided to the PSP Board by its external service providers and advisors

2011 – 2013 Action Plan

- Assess and, if prudent, establish any Committees to facilitate effective fulfillment of PSP Board roles and responsibilities
- In accordance with the PSP Board policies work plan, continue to assess and update PSP Board governance practices and policies to ensure compliance with the *Public Agencies Governance Act* and, where applicable, develop new documentation on PSP Board processes and procedures