



# **Business Plan 2018-2020**

**PUBLIC SERVICE PENSION BOARD**  
5103 Windermere Blvd. SW  
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[www.pspp.ca](http://www.pspp.ca)

## VISION

The Public Service Pension Plan is a highly valued, reliable component of compensation recognizing dedicated public service and contributing to a secure retirement.

## MISSION

To govern the Plan to ensure its sustainability by:

- following best practices in pension plan governance and management,
- prudent investment of the fund, and
- adherence to applicable rules, laws and regulations.

## VALUES & PRINCIPLES

The following values will guide the Board in carrying out its mission:

- Collaboration – working together to achieve results.
- Stewardship – management and care of Plan resources for the benefit of Plan members.
- Independence – acting in the interests of Plan members.
- Equity – costs and benefits are shared equitably among different generations of members.
- Transparency – providing relevant information to the Trustee, Stakeholders and Plan members.

## MANDATE

The mandate of the Public Service Pension Board (PSP Board or the Board) as established under the *Public Sector Pension Plans Act* and regulations is to:

- recommend changes in Plan rules;
- set policy guidelines for investing the Fund's assets and administering the Plan;
- establish contribution rates to ensure the Plan is properly funded;
- conduct an actuarial valuation of the Plan at least every three years;
- review administrative decisions as delegated by the President of Treasury Board & Minister of Finance;
- review the responsibilities of the Trustee every five years; and
- participate in consultations with the President of Treasury Board & Minister of Finance with respect to the cost to be charged for the administration of the Public Service Pension Plan (PSPP).

## GOVERNANCE STRUCTURE

### The PSP Board

There are six PSP Board members. The Government of Alberta nominates three employer representatives and the Alberta Union of Provincial Employees nominates three employee representatives.

The President of Treasury Board & Minister of Finance is the Trustee and Administrator of the Plan while the PSP Board is the owner of the assets of the Plan. Current legislation enables the PSP Board, upon agreement of the President of Treasury Board & Minister of Finance, to become the Trustee and Administrator of the Plan, and requires the PSP Board to review the responsibilities of the Trustee at least every five years.

### Management of PSPP

The President of Treasury Board & Minister of Finance delegates the administration of PSPP to Alberta Pensions Services Corporation (APS), which provides administrative services to the Plan under an Administrative Services Memorandum of Understanding with the President of Treasury Board & Minister of Finance. APS administers benefits for members, pensioners and employers by paying pension benefits, collecting pension plan contributions, maintaining membership records and providing information to members, pensioners and employers.

The President of Treasury Board & Minister of Finance is responsible for the investment management of Plan assets through the provincial corporation, Alberta Investment Management Corporation (AIMCo). AIMCo invests the Plan's assets for the benefit of Plan members and pensioners, subject to legislation and the Statement of Investment Policies & Guidelines (*SIP&G*) approved by the Board. An Investment Committee comprised of the PSP Board and up to three external members who are experienced in the investment field also monitor all aspects of the Plan's investments.

The Auditor General of Alberta performs an audit of PSPP financial statements and reports the findings to the PSP Board.

The PSP Board engages George & Bell Consulting Inc. to provide actuarial services and Aon Hewitt for investment consulting services to the PSP Board.

Since there are a number of different organizations involved in the governance and operations of the Plan, ongoing communication, cooperation and collaboration between all parties is essential. For that reason, PSPP has operating protocols with APS and with AIMCo that detail how the organizations will work together.

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

## STRATEGIC DIRECTION

This Business Plan has been prepared based on the Board's current legislated mandate.

Plan sustainability continues to be a focus of the Board. A key measurement of a sustainable Plan is a funded status of 100% or greater. This means that on the valuation date, the Plan has sufficient assets to pay all benefits earned by members. The Plan's current funded status is less than 100%, but the Board has set contribution rates to reach funded status by 2027. Whether the fund is actually 100% funded by that date will depend primarily on the markets and interest rates. Favourable economic circumstances could result in reaching 100% funded earlier. In contrast, unfavourable circumstances could require future contribution rate increases.

The Board manages the overall risk of the Plan. The Board's *SIP&G*, which is reviewed annually, and the Plan's target asset mix are aimed at maximizing investment returns within the risk tolerance levels set by the Board.

The Board monitors the administration and investment management of the Plan to ensure costs are managed in a financially prudent and fair manner.

The Board recognizes the importance of a well governed Plan, consistent with governing legislation, applicable agreements and industry best practices. The Board follows effective governance practices and supports constructive relationships with key parties and stakeholders.

### Three-Year Action Plan

	2018	2019	2020
<b>PLAN FUNDING &amp; SUSTAINABILITY</b>	<b>Overall Goal: Improve the funded status of the Plan.</b>		
	Conduct an extrapolation of prior funding valuation for use in financial reporting.	Conduct an extrapolation of prior funding valuation for use in financial reporting.	Conduct an extrapolation of prior funding valuation for use in financial reporting.
	Obtain an actuarial valuation as at December 31, 2017. Results may be used to file for funding purposes and to set contribution rates.	Consider obtaining an actuarial valuation as at December 31, 2018. Results may be used to file for funding purposes and to set contribution rates.	Consider obtaining an actuarial valuation as at December 31, 2019. Results may be used to file for funding purposes and to set contribution rates.
	Monitor and apply the funding policy as financial results become available and decisions are required.	Monitor and apply the funding policy as financial results become available and decisions are required.	Monitor and apply the funding policy as financial results become available and decisions are required.
	Conduct an annual review of the funding policy.	Conduct an annual review of the funding policy.	Conduct an annual review of the funding policy.
		Consider if an Experience Study is required.	Consider if an Experience Study is required.

### Three-Year Action Plan

	2018	2019	2020
<b>INVESTMENT</b>	<b>Overall Goal: Achieve optimal risk-adjusted investment returns.</b>		
	Monitor investment performance and compliance with <i>SIP&amp;G</i> .	Monitor investment performance and compliance with <i>SIP&amp;G</i> .	Monitor investment performance and compliance with <i>SIP&amp;G</i> .
	Conduct annual review of <i>SIP&amp;G</i> .	Conduct annual review of <i>SIP&amp;G</i> .	Conduct annual review of <i>SIP&amp;G</i> .
	Monitor risk.	Monitor risk.	Monitor risk.
	Monitor Investment Management Agreement.	Monitor Investment Management Agreement.	Monitor Investment Management Agreement.
	Complete and monitor investment scorecard.	Complete and monitor investment scorecard.	Complete and monitor investment scorecard.

### Three-Year Action Plan

	2018	2019	2020
<b>FISCAL MANAGEMENT</b>	<b>Overall Goal: Costs related to investments and Plan administration are managed efficiently, effectively and fairly.</b>		
	Provide feedback to AIMCo and APS on their business plans and budgets.	Provide feedback to AIMCo and APS on their business plans and budgets.	Provide feedback to AIMCo and APS on their business plans and budgets.
	Monitor costs charged for Plan administration and investment management services	Monitor costs charged for Plan administration and investment management services.	Monitor costs charged for Plan administration and investment management services.
	Monitor progress of APS' and AIMCo's major system upgrades.	Monitor APS' and AIMCo's major systems.	Monitor APS' and AIMCo's major systems.
	Maintain and update a three-year rolling business plan and budget relative to PSP Board specific activities and initiatives	Maintain and update a three-year rolling business plan and budget relative to PSP Board specific activities and initiatives.	Maintain and update a three-year rolling business plan and budget relative to PSP Board specific activities and initiatives.
	Conduct annual evaluation of service providers for investment, actuarial and pension, communications, legal and governance consulting services.	Conduct annual evaluation of service providers for investment, actuarial and pension, communications, legal and governance consulting services.	Conduct annual evaluation of service providers for investment, actuarial and pension, communications, legal and governance consulting services.
	Conduct a Request for Proposal for investment consulting services.		

### Three-Year Action Plan

	2018	2019	2020
<b>GOVERNANCE</b>	<b>Overall Goal: The PSP Board governance framework is effective, clearly documented and articulated.</b>		
	Comply with Mandate and Roles Document. Review Mandate and Roles Document.	Comply with Mandate and Roles Document.	Comply with Mandate and Roles Document.
	Participate in the development of a Pensions Services Agreement.	Review Pensions Services Agreement.	Review Pensions Services Agreement.
	Conduct 2017 audit by Auditor General. Adopt a 2018 Audit Plan with Auditor General.	Conduct 2018 audit by Auditor General. Adopt a 2019 Audit Plan with Auditor General.	Conduct 2019 audit by Auditor General. Adopt a 2020 Audit Plan with Auditor General.
	Review services, financial and human resources, provided to fulfill Board mandate.	Review services, financial and human resources, provided to fulfill Board mandate.	Review services, financial and human resources, provided to fulfill Board mandate.
	Continue ongoing Board member education.	Continue ongoing Board member education.	Continue ongoing Board member education.
	Review Board policies.	Review Board policies.	Review Board policies.
	Conduct a meeting with Stakeholders.	Conduct a meeting with Stakeholders.	Conduct a meeting with Stakeholders.
	Assess relationship with APS, AIMCo & ATBF.	Assess relationship with APS, AIMCo & ATBF.	Assess relationship with APS, AIMCo & ATBF.
	Document and maintain a Board risk management framework.	Document and maintain a Board risk management framework.	Document and maintain a Board risk management framework.
	Encourage restructuring of governance framework.	Encourage restructuring of governance framework.	Encourage restructuring of governance framework.