Q&A with our Chair

What’s happened since the last issue?

It’s been a busy couple of months – towards the end of 2019, the Government of Alberta introduced unexpected reforms that impacted the governance and independence of PSPP and the Corporation.

New PSPP governance structure

The Alberta legislature passed Bill 22 in November 2019 – resulting in some changes to the PSPP’s governance structure:

<table>
<thead>
<tr>
<th>Before Bill 22</th>
<th>Now</th>
<th>Impact</th>
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</thead>
<tbody>
<tr>
<td><strong>PSPP Corporation</strong></td>
<td>PSPP Corporation was not an agent of the Crown or a public agency.</td>
<td>PSPP Corporation is a provincial corporation and is subject to legislation that applies to government agencies, boards and commissions.</td>
</tr>
<tr>
<td><strong>Auditor</strong></td>
<td>PSPP Corporation Board of Directors appointed an auditor for the Corporation and the Plan. The Auditor General was previously not the auditor of the Corporation or the Plan.</td>
<td>The Auditor General of Alberta is the auditor of the Corporation and the Plan. The Auditor General audits every Alberta government ministry, department, regulated fund and most provincial agencies. The Auditor General operates independently from the Government and reports directly to the Legislative Assembly.</td>
</tr>
<tr>
<td><strong>Appointment process for directors</strong></td>
<td>The applicable sponsor organization appointed director(s) to the Board by giving notice to the Corporation.</td>
<td>Sponsor organizations nominate an individual for appointment to the Board. The appointment is formalized by the Government. Directors are appointed to the Board by the Lieutenant Governor through an Order in Council.</td>
</tr>
<tr>
<td><strong>Permanent service providers</strong></td>
<td>After a five-year period, PSPP Corporation had the ability to select its own service providers for investment management and pension administration.</td>
<td>PSPP Corporation must continue to use AIMCo and APS as its exclusive service providers for investment management and pension administration services, respectively.</td>
</tr>
</tbody>
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*Bill 22, Reform of Agencies, Boards and Commissions and Government Enterprises Act*
Legislated changes coming April 1, 2020

On February 12, 2020, PSPP Corporation posted a news article on the PSPP website communicating that, as a result of Bill 22 passed by the Government of Alberta, changes to the calculation of commuted values and contribution rate excess will come into effect starting April 1, 2020. See the article to find out more about those changes.

Did contribution rates change for 2020?

Since we did not conduct an actuarial valuation of the Plan last year, contribution rates remained unchanged for 2020. Employer and employee contribution rates for 2020 are:

- **10.47%**
  - On pensionable salary below YMPE

- **14.95%**
  - On pensionable salary above YMPE

What is the YMPE?

YMPE stands for Year’s Maximum Pensionable Earnings. It is set by the Government of Canada each year. In 2020, the YMPE is $58,700.

Is there an update on 2020 special projects?

As we mentioned in our last issue, we are working on three special projects in 2020. The outcomes of these projects, including any updates, will be shared in future editions of the Report to Members. In the meantime, click to learn more about how they contribute to a healthy and sustainable PSPP!
A look back at 2019

Year-end figures

- **ACTIVE PLAN MEMBERS**: 42,172
- **RETIRES**: 27,970
- **INACTIVE MEMBERS**: 15,497
- **TOTAL PLAN INVESTMENTS (ASSETS)**: $15.40 billion
- **2019 RETURN ON INVESTMENT**: 12.35%

2019 investment performance

In addition to contributions from members and employers, investment earnings are integral to increasing the Plan’s assets and to improving the Plan’s financial health. All decisions related to investing PSPP assets are guided by a statement of investment policy.

The Plan posted higher investment earnings in 2019 compared to 2018. For the 2019 year, PSPP returned 12.35% net of fees, compared to 1.54% in 2018. However, there was no value added as a result of active management. The Plan underperformed the benchmark by 1.46% in 2019, compared to an outperformance of 0.55% in 2018.

Detailed investment performance information will be available in the 2019 PSPP Annual Report, to be released in summer 2020. You can also visit the Publications page for quick updates about the Plan’s quarterly performance.
Special projects in 2020
What are they and why are these projects important?

Actuarial valuations...
- Compare the Plan fund’s assets with liabilities at a specific point in time
- Help determine whether there is enough money in the Plan fund to pay benefits to members
- Help set contribution rates at sufficient levels to fund benefits currently being earned
- By legislation, must be completed and filed with the pension regulator at least every three years
- As directed by the PSPP Sponsor Board, will be conducted every year going forward to monitor the health of the Plan

Experience studies...
- Analyze the actual events that happened in the Plan, such as the actual age of members retiring and mortality rates, merit and promotion, etc.
- Help set appropriate demographic assumptions for actuarial valuations

Asset liability studies...
- Take a comprehensive modelling approach to Plan liabilities and required cash flows to determine an optimal, risk-adjusted investment strategy to ensure that all Plan benefits are paid to Plan members and to enhance the sustainability of the Plan
- Help determine whether adjustments to the Plan’s investment strategy and asset allocation are required to optimize investment performance and to reduce unnecessary risk exposure

Stay tuned – we will provide detailed results once they are available!
Can you tell us a little bit about your career, including how it has evolved with the Government of Alberta since 2006?

I have worked in an assistant role through my 13 years with Government of Alberta’s Public Service Commission. I started with the Labour Relations Team, then moved to the Government of Alberta Learning Centre. Eventually, I found my way to the Pension and Benefits area. I have always had great colleagues and have learned from each role.

At what point in your life did you start saving for retirement?

I have always tried to keep a long-term perspective. Once I finished my schooling and things became more stable, I started giving retirement more consideration. In addition to PSPP, I have been able to save by investing in a tax-free savings account. I am also building equity through a mortgage.

What aspects of the pension plan are important to you? Are there particular elements or features that you find to be most valuable?

It would have to be the security. Knowing that I have something I can rely on, regardless of what happens to other savings or the value of my home or interest rates, relieves uncertainty and stress. I understand that I still have a lot to do to prepare, but when I compare my situation to that of others of my generation, I think I am quite fortunate.

A few years ago my condo building required major repairs. The assessment issued exceeded what was in my savings and I had to take out a small loan to pay for it. As bad as that was, I understand that if I did not have a secure pension plan, this would have probably wiped all my retirement savings as well.

Closing remarks

You hear a lot of things in the media about defined benefit pension plans, like PSPP. Without some knowledge of how your pension is set up, governed and funded, you can easily get caught up in a frightening web of misinformation.

‘‘When you learn how well PSPP is governed and funded, it gives you a sense of security and confidence in your savings and the Plan.”

How would you say your experience with PSPP has influenced your retirement planning?

PSPP has allowed me to think about retirement. I also learn a lot from listening to my elder colleagues as they get ready for retirement. Hearing about their experience and concerns is enlightening.

What advice about planning for retirement would you give to current members of the Plan, specifically those who are starting their career?

When I started working for the government, I thought that it would be for five years or so. I had no idea how fast the time would go or how rewarding my time with government would be. Soon I was getting my 10-year service award and I thought, “Wow, really!” It’s hard to know when you need to start shifting part of your focus towards what you are going to do after your work life. However, when you are ready to make the shift, there is real sense of comfort in knowing that you are prepared. Preparing for retirement does not mean you need to give up on your dreams or start accepting less than the best from yourself physically, mentally and professionally.
Ready, Set, Retire – part 4

In this edition of Ready, Set, Retire, we provide you with a list of key considerations to help you plan for retirement.

We have all looked forward to retirement at one point or another, visualizing the life we want to live after our working years, whether it is travelling, spending time with family, giving back to the community or retreating to a remote cabin.

However, choosing when to retire may not be as easy as it sounds. There are a number of considerations to keep in mind before making this important life decision. The earlier you start planning, the more prepared you will be.

Key dates to retirement

- **Anytime**
  - Sign up for mypensionplan.ca and take advantage of the site’s features

- **3–5 years before retirement**
  - Think about your desired long-term retirement lifestyle and make a plan

- **1 year before retirement**
  - Revisit your retirement plan

- **3–6 months before retirement**
  - Apply for your pension

- **At least 1 month before retirement**
  - Arrange for payment

- **1 day before retirement**
  - Celebrate and eat cake!

Ready to retire? Complete your application online with PensionEase!

PensionEase is an online retirement tool. You can 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.
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Retirement checklist

Anytime

- Get a pension estimate
- Review and update your personal information (including your pension partner, beneficiaries, etc.)

3–6 months before retirement

- Notify your employer, if applicable
- Apply for your PSPP pension (2 ways):
  - Online – use the PensionEase tool (available at mypensionplan.ca) to submit an application online (note: you need to print the application and have your employer sign it before completing the process online)
  - By mail – Obtain a Retirement Application Form (PS21) from your employer; complete and return the form to your employer, who will mail it to PSPP
- Apply for Government pension plans (Canada Pension Plan, Old Age Security, Guaranteed Income Supplement)
- Apply for any other pensions you may have

3–5 years before retirement

- Gather realistic estimates about your monthly retirement income to determine whether it could support your desired retirement lifestyle
- Review your RRSP accounts
- Meet with a financial advisor
- Prepare a preliminary budget
- Consider adjusting your investment strategy
- Make any necessary big purchases

1 year before retirement

- Sign up for a one-on-one session with a Member Services Representative
- Meet with a financial advisor
- Revisit and refine your retirement budget
- Review and update your personal information

At least 1 month before retirement

- Review, sign and return the PSPP Retirement Benefit Statement package
- Confirm your first pension payment date
- Review any other pensions for which you applied

(CONTINUED ON NEXT PAGE)
Think through the psychological and social implications of retirement

The psychological and social aspects of retirement are just as important to consider in your preparation as financial elements.

Ask yourself:
- Am I mentally ready for retirement?
- What will I do when I am retired?
- Does my retirement affect other people?
- Is my spouse or partner retiring too?

Estimate how much money you will need

To make informed decisions about your retirement, it is helpful to know how much money you will need.

To get started, create a preliminary budget so that you can accurately assess any retirement income shortfalls and make up the gap.

Consider your various expenses:
- Financial support to your children or other family members
- Unexpected or unavoidable expenses such as future renovations, replacing electrical appliances or car repairs
- Social activities
- Travel
- Health care costs

Review all your potential sources of income

Now that you have made a budget, you will need to determine if you are saving enough to fund your desired retirement lifestyle. The easiest way to do this is to look at all your potential sources of retirement income.

- Your PSPP pension
- Pension plans with previous employers
- Government pension plans
- Personal assets

Experts report that you will need approximately 50% to 70% of your current annual household income before tax to maintain your current lifestyle. This percentage reflects the fact that certain expenses decline in retirement. Once you retire, you no longer contribute to certain government plans and you typically pay less income tax because your income will be lower. Of course, the level of income you need may be higher or lower, depending on your personal situation.
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Your PSPP pension

The best way to assess your retirement income from the Plan is to use the following helpful tools:

Pension Estimator: Compare different “what if” scenarios by entering your own values for highest average salary, pensionable service and retirement age.

Pension Projection Calculator: Access the secure mypensionplan.ca and use your pensionable salary and service to project your future pension.

Buyback Estimator: Estimate the cost to buy back prior service.

Income Tax Deductions: A Government of Canada calculator to help determine what the income tax deductions will be on your PSPP pension.

Pension plans with previous employers

If you have a pension from a previous job(s), review your annual statement(s) to get a sense of how much you can expect. If you need more information, contact the plan administrator(s).

Personal assets

Part of your retirement income will likely come from personal savings. These may include:

- Registered Retirement Savings Plan (RRSP)
- Tax-Free Savings Account (TFSA)
- Bank account
- Investments
- Sale of personal assets (e.g., property, car, stocks or bonds)
- Part-time work
- Inheritance
- Business income
- Rental income

Government pension plans

Canada Pension Plan (CPP): The pension from CPP is part of the basic retirement income you can expect to receive, if you have contributed to the CPP. CPP typically starts at 65, but you can also start it as early as 60 or as late as 70.

Old Age Security (OAS): The OAS pension is payable starting at age 65. Your eligibility is based on residency—to receive a full OAS pension, you need to have 40 years of residency in Canada. If you have lived in another country, a period of residency in that country may count towards OAS.

Guaranteed Income Supplement (GIS): The Guaranteed Income Supplement (GIS) provides a monthly non-taxable benefit to Old Age Security (OAS) pension recipients who have a low income and are living in Canada.

For more details on government benefits and estimates of how much you could receive, visit the Service Canada website.

Note: Pensions received under government plans have no impact on the pension you receive from PSPP.

Next up in Ready, Set, Retire…

In an upcoming edition, we will cover the pension options available for your PSPP pension. Stay tuned!
One-on-one member sessions

In response to the current COVID-19 situation, one-on-one information sessions will be conducted by phone or postponed until further notice.

If you are already registered for an upcoming one-on-one session, Alberta Pensions Services Corporation (APS) will contact you to reschedule or conduct the session by telephone or video.

For updates and further information

See the What’s New? section on the PSPP website.

Our Member Services Centre remains open for calls or send an email to our confidential, secure mailbox:

1-877-453-1777
memberservices@pspp.ca

We also encourage you to log in to mypensionplan.ca to:

• Update your personal and beneficiary information, and
• Access Member Services Centre’s confidential, secure mailbox.