

APEX Business Plan & Budget 2011-2013



Approved- December 16, 2010

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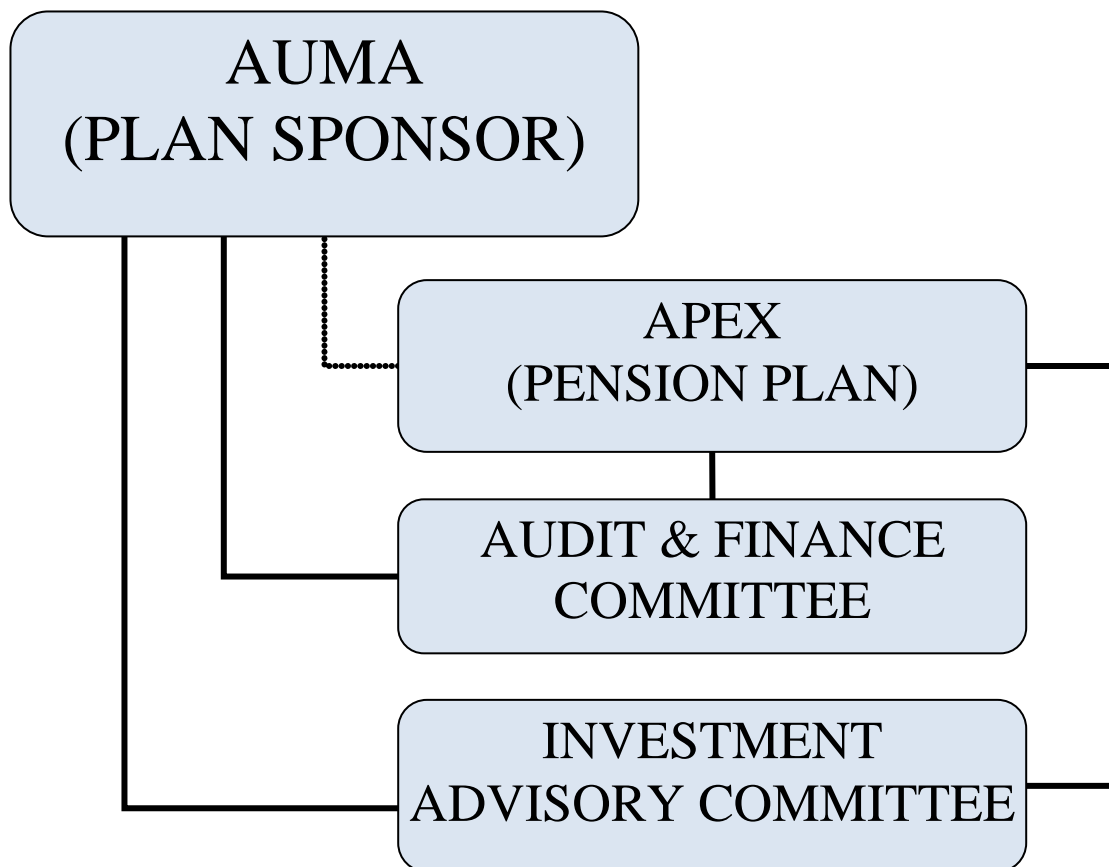
VISION

APEX is a secure and sustainable supplementary pension plan of choice for attracting and retaining employees.

MISSION

APEX provides a valued supplementary pension program to qualifying members participating in LAPP and demonstrates quality service and sound governance.

APEX Governance Structure



PLAN STAKEHOLDERS, GOALS, OPERATING OBJECTIVES, INITIATIVES, AND MEASURES

PLAN STAKEHOLDER: PARTICIPATING EMPLOYERS

GOAL 1: APEX is viewed as a valued employee retention and attraction tool.

The APEX Supplementary Pension Plan was established in response to requests from AUMA members looking to enhance the current LAPP pension benefits for their key employees. Unlike other provincially administered pension plans for management and professional staff, LAPP does not calculate pension benefits at a full rate on employees’ pensionable earnings. APEX was created to ensure the full rate (2%) is applied to 100 percent of employees’ total pensionable earnings.

The strategy which aligns to the delivery of this Goal is: *APEX demonstrates its value as a supplementary pension plan.* The tactical operating objectives to accomplish this strategy include:

1. Members realize the value of the APEX pension benefit
2. Employers view APEX as a good value

Initiatives

- Develop a Benefits Change policy, that will include a review of implications when changes are considered

Measures

Measure	Description	Last Actual 2009	2011	Targets 2012	2013
Participating APEX Employers	Number of Participating APEX Employers	44	50	52	54

GOAL 2: APEX employer contribution rates are affordable and stable

Employers have a variety of benefit options available, and therefore APEX must be affordable in order to compete with these other options. To assist with its affordability, APEX pension plan contributions can be reduced or offset by superior investment earnings and reasonable administrative costs. Employers also desire contribution stability for planning and budgeting purposes.

The strategies for delivering on this goal are: *APEX meets obligations by fulfilling the pension promise* and *APEX delivers administrative services at a reasonable cost*. The tactical operating objectives to accomplish these strategies include:

1. Employer contribution rates are determined to be affordable comparative to other employee benefit options
2. Long Term investment performance meets the needs of the plan within the defined risk parameters
3. Employer contribution rates fluctuate infrequently
4. The requirement for Special or Extra Contributions is minimized
5. Growth in the number of Participating Employers and Members, providing an economy of scale for Administration and Investment Costs

Initiatives

- Conduct a Benchmarking survey among plans of similar size to determine whether administration fees are in line with the market.

Measures

Measure	Description	Last Actual 2009	Targets		
			2011	2012	2013
Targeted Plan Surplus	As per the APEX Funding Policy, the Going Concern Surplus is targeted to be in the range of 100 to 110%	99.1% funded	Surplus to be Within Targeted Range	Surplus to be Within Targeted Range	Surplus to be Within Targeted Range

PLAN STAKEHOLDER: PARTICIPATING MEMBERS

GOAL 3: APEX is viewed as a valued employment benefit

APEX is a voluntary pension plan. It is imperative that administration communicate the value of the plan and any alterations or enhancements to the plan as they occur.

In addition, for the growth of the plan, it is desired that eligible employee groups request that their Employer extend the APEX coverage to non-included employee groups.

The strategies aligning to this goal are: *APEX demonstrates its value as a Supplementary Pension Plan* and *APEX provides excellence in customer service including effective communications to its plan members and participating employers*. The tactical operating objectives to accomplish this goal include:

1. High concentration of eligible employees choosing to participating in the APEX plan
2. Current members see value in the plan and that current contribution costs to received the future pension benefits are determined to be fair and reasonable
3. A solid communications strategy ensures that the APEX plan is transparent, well understood, and well governed

Initiatives

Measures

Measure	Description	Last Actual 2009	Targets		
			2011	2012	2013
Participating Members	Number of Active APEX Members	849	975	1100	1200
Member Communication	% of APEX Employers that are “satisfied” with the information received from APEX retirement services.	New Measure	85%	90%	90%

PLAN STAKEHOLDER: AUMA

GOAL 4: APEX is a well governed and funded plan

As mentioned, APEX is a pension plan that is governed and regulated accordingly. The strategies aligning to this goal are: *APEX maintains regulatory compliance as a well managed and respected public sector pension plan* and *APEX seeks out the appropriate expertise through establishing effective working relationships with service providers to assist in the management of APEX*. The tactical operating objectives to accomplish this goal include:

1. Targeted plan surpluses are maintained over a 3 year term.
2. APEX delivers effective plan administration at a reasonable cost.
3. APEX delivers effective communication to participating employers and members to ensure plan transparency
4. All regulatory and compliance requirements are met

Initiatives

- Develop a responsibilities chart, for the board, committees, staff, customers, and partners.
- Develop a strategy to work with Employers to coordinate APEX Contribution reporting and verification in conjunction with their LAPP audit.
- Provide input to the AUMA Disaster Recovery Plan.
- Develop an annual partner’s work plan.
- Update the APEX Governance Board’s Terms of Reference, along with those of the Audit and Finance and Investment Advisory Committees.
- Conduct a full Actuarial valuation for the 2010 fiscal year ended (as per the 3 year filing requirement).
- Develop investment and other non-financial performance measures, reporting templates and standards.

Measures

Measure	Description	Last Actual		Targets	
		2009	2011	2012	2013
Regulatory and Compliance	All regulatory and compliance requirements are met	Yes	Yes	Yes	Yes
Return on Investment	That the fund achieves the expected investment rate of the return, which gross of management fees is CPI + 3.5%	Achieved 2009 Rate of Return 11.3% 2009 CPI - 0.3	Meet benchmark	Meet benchmark	Meet benchmark

PLAN STAKEHOLDER: AMSC

GOAL 5: APEX is a value-add, enhanced product within the suite of AMSC business lines

APEX is a Pension Plan and is governed and regulated as such, but at the same time, APEX was created for and operates to provide a service to AUMA members. It is also a component of the overall model of AMSC’s Human Resource (HR), benefit, and retirement business suite of products.

APEX must be viewed as a valued product within this suite. It must be seen as enhancing the other products while not negatively affecting the image of AMSC as a superior service provider to AUMA members.

The strategies delivering on this goal are: *APEX provides excellence in customer service including effective communications to its plan members and participating employers, APEX seeks out the appropriate expertise through establishing effective working relationships with service providers to assist in the management of APEX, and APEX demonstrates its value as a Supplementary Pension Plan.* The tactical operating objectives to accomplish this goal include:

1. APEX encourages and delivers on cross-over sales of AMSC’s other HR and Retirement plan products
2. APEX delivers superior customer service that meets the standards of AMSC

Initiatives

- Ensure the APEX Pension Plan marketing strategies are incorporated in the development of the AMSC marketing plan.

Measures

Measure	Description	Last Actual 2009	Targets		
			2011	2012	2013
Member Customer Service Satisfaction	% of participating APEX employers that are “satisfied” to “very satisfied” with the customer service from AMSC Retirement Services	New Measure	85%	90%	90%

BUDGET PLANNING ASSUMPTIONS

External Environment

Sources of Information

1. Alberta Economic Development – Economic Outlook – 2010-13
2. Desjardins Economic Studies – Economic and Financial Outlook – Fall 2010
3. Alberta Government – Pay Plans and Salary Grids

Relevant Statistics

	2011	2012	2013
Growth Rate – Alberta	3.0 %	3.0 %	3.0 %
Inflation – Alberta CPI	2.1 %	2.1 %	2.1 %
Prime Interest Rate – Canada	3.5 %	4.5 %	5.5 %
Unemployment Rate – Alberta	6.0 %	5.3 %	4.9 %
Remuneration Increases	3.0 %	3.2 %	3.2%

Summary

The Alberta economy will be entering a recovery mode, from the 2008-2009 downturn which resulted in lower or negative growth, reduced inflation, and the current low interest rate environment.

In contrast to the early portion of the decade, Alberta wage settlements returned to their historic median levels in 2010, and will remain in line with productivity growth and inflation for the next few years.

Alberta unemployment peaked in 2010, and it is expected that all the Alberta economic indicators will return to normal growth levels in 2011.

Internal Environment

A. Contributions

1. Rates – will remain at 2.5% for employees and 3% for Employers (5.5% in total)
2. Composition of the 5.5% contribution – 4.5% is collected to fund future pension liabilities and 1% is collected to pay for the administration costs of the plan
3. Contributions – will be projected to increase by 3.0% to account for Salary increases
4. Member Base – no change budgeted for 2011

B. Investment Earnings

Investment returns will be budgeted at the investment policy's long term expectation, which is at least equal to the rate of inflation, as measured by the CPI plus 3.5% per annum.

C. Expenses

All operating expenses are budgeted on a bottom-up basis where applicable

1. Consultants - budget compiled from the 2011 strategic initiative list, and planned outsourced activities
2. Actuary Fees - budget compiled from the 2011 strategic initiative list, and the actuary contract
3. Staff Development - budgeted at the staff member level
4. Travel - budgeted at the staff member level
5. Legal – budgeted at 2008 expense level
6. Accounting and Audit – budgeted as per the 2010 engagement letter, plus 5 %
7. Management and Administration Fees – the AUMA expense and resource allocation, which derives the management and administration fees, will be updated for the 2011 budget
8. Governance Board Expenses – budgeted with the assumption that all Board members are attending all meetings.
 - 4 Board meetings in 2011
 - 1 Board Retreat session in 2011
 - Honorarium rates will follow the Alberta Provincial Committee Remuneration Order, which is expected to remain frozen at 2010 levels
 - 2011 per diems and mileage will be budgeted to remain at 2010 levels

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS – APEX Supplementary Pension Trust

	2011 <u>Budget</u>	2012 <u>Forecast</u>	2013 <u>Forecast</u>
Increase in Assets			
Pension Contributions	\$ 4,700,000	\$ 4,900,000	\$ 5,200,000
Investment earnings	\$ 1,050,000	\$ 1,175,000	\$ 1,300,000
	\$ 5,750,000	\$ 6,075,000	\$ 6,500,000
Decrease in Assets			
Plan Reductions			
Pension Benefit Payments	\$ 400,000	\$ 425,000	\$ 450,000
Pension Withdrawals	\$ 750,000	\$ 800,000	\$ 850,000
subtotal	\$ 1,150,000	\$ 1,225,000	\$ 1,300,000
Administration Expenses			
General Consulting Expense	\$ 40,000	\$ 40,000	\$ 40,000
Legal Expense	\$ 10,000	\$ 10,000	\$ 20,000
Accounting & Audit Fees	\$ 18,000	\$ 19,000	\$ 20,000
Actuary Fees	\$ 70,000	\$ 70,000	\$ 80,000
Pension Administration Fees	\$ 4,000	\$ 4,000	\$ 4,500
Subscriptions & Memberships	\$ 3,000	\$ 3,000	\$ 3,000
Promotions & Marketing	\$ 2,500	\$ 3,000	\$ 3,500
Supplies	\$ 6,000	\$ 6,000	\$ 6,000
Travel	\$ 8,000	\$ 8,500	\$ 9,000
Staff Development	\$ 5,500	\$ 6,000	\$ 6,000
Bank and service charges	\$ 500	\$ 1,000	\$ 1,000
Insurance expense	\$ 7,000	\$ 7,000	\$ 7,000
Pension Filing Fee Expense	\$ 6,500	\$ 6,500	\$ 7,000
Miscellaneous Expense	\$ 1,000	\$ 1,000	\$ 1,000
Software Purchases and Support	\$ 5,000	\$ 5,000	\$ 5,000
Governance Board Expenses	\$ 30,000	\$ 30,000	\$ 32,000
Management Fees	\$ 248,000	\$ 255,000	\$ 260,000
Administration Fees	\$ 95,000	\$ 95,000	\$ 100,000
subtotal	\$ 560,000	\$ 570,000	\$ 605,000
	\$ 1,710,000	\$ 1,795,000	\$ 1,905,000
Increase in Net Assets	\$ 4,040,000	\$ 4,280,000	\$ 4,595,000

PROFORMA STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS – APEX Supplementary Pension Trust

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<u>Net Assets Available for Benefits</u>		
Current Assets		
Cash and Accounts Receivable	480,000	470,000
Investments	20,655,000	16,625,000
	<u>21,135,000</u>	<u>17,095,000</u>
 <u>Liabilities</u>		
Current Liabilities		
Accounts Payable and Accrued Liabilities	100,000	100,000
Net Assets Available for Benefits	<u>21,035,000</u>	<u>16,995,000</u>
Accrued Benefits	<u>-</u>	<u>-</u>
Actuarial Value of Accrued Benefits	<u>20,660,000</u>	<u>16,865,000</u>
Actuarial Surplus (Unfunded Actuarial Liability)	<u>375,000</u>	<u>130,000</u>