

LAPP: Update and Future Directions

APEX Board Update at 2016 AUMA Annual Convention

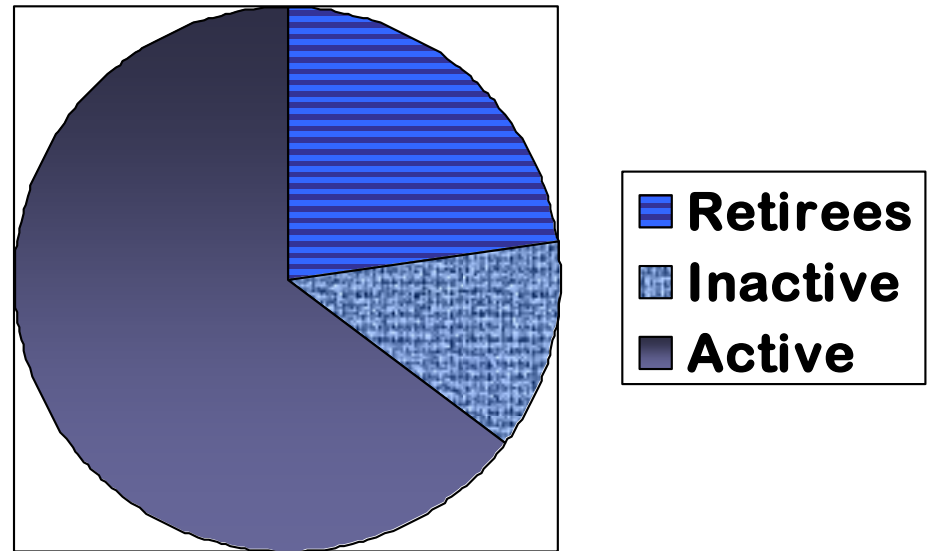
Christopher Brown, CEO
Alberta Local Authorities Pension Plan Corp.
October 5, 2016

LAPP

- ◆ Largest pension plan in Alberta
- ◆ 7th largest pension plan in Canada
- ◆ 216th largest pension plan in the world

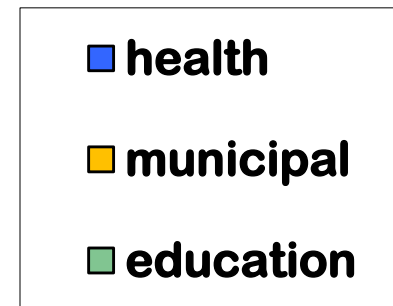
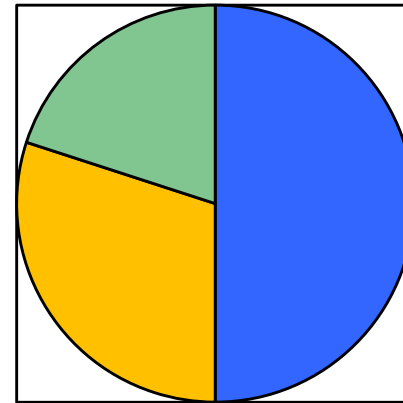
LAPP Membership (Dec. 31, 2015 unaudited)

- ◆ 426 employers
- ◆ 49 unions
- ◆ 244,621 members
(2014: 237,612)
- ◆ 156,141 active
(2014: 152,583)
- ◆ 30,393 inactive
(2014: 29,607)
- ◆ 58,087 retirees
(2014: 55,422)



LAPP Stakeholders

- ◆ Sectoral membership approximately:
 - ❖ 51% Health
 - ❖ 30% Municipal
 - ❖ 19% Education



Financial Statements

(\$ millions)

| | 2015 | 2014 |
|-----------------------------------|------------|-------------|
| Net assets available for Benefits | \$34,419.6 | \$30,790.4 |
| Pension Obligation | \$35,343.0 | \$33,245.0 |
| Surplus (Deficiency) | (\$923.4) | (\$2,454.6) |
| % on Accounting Basis | 97.4% | 92.6% |

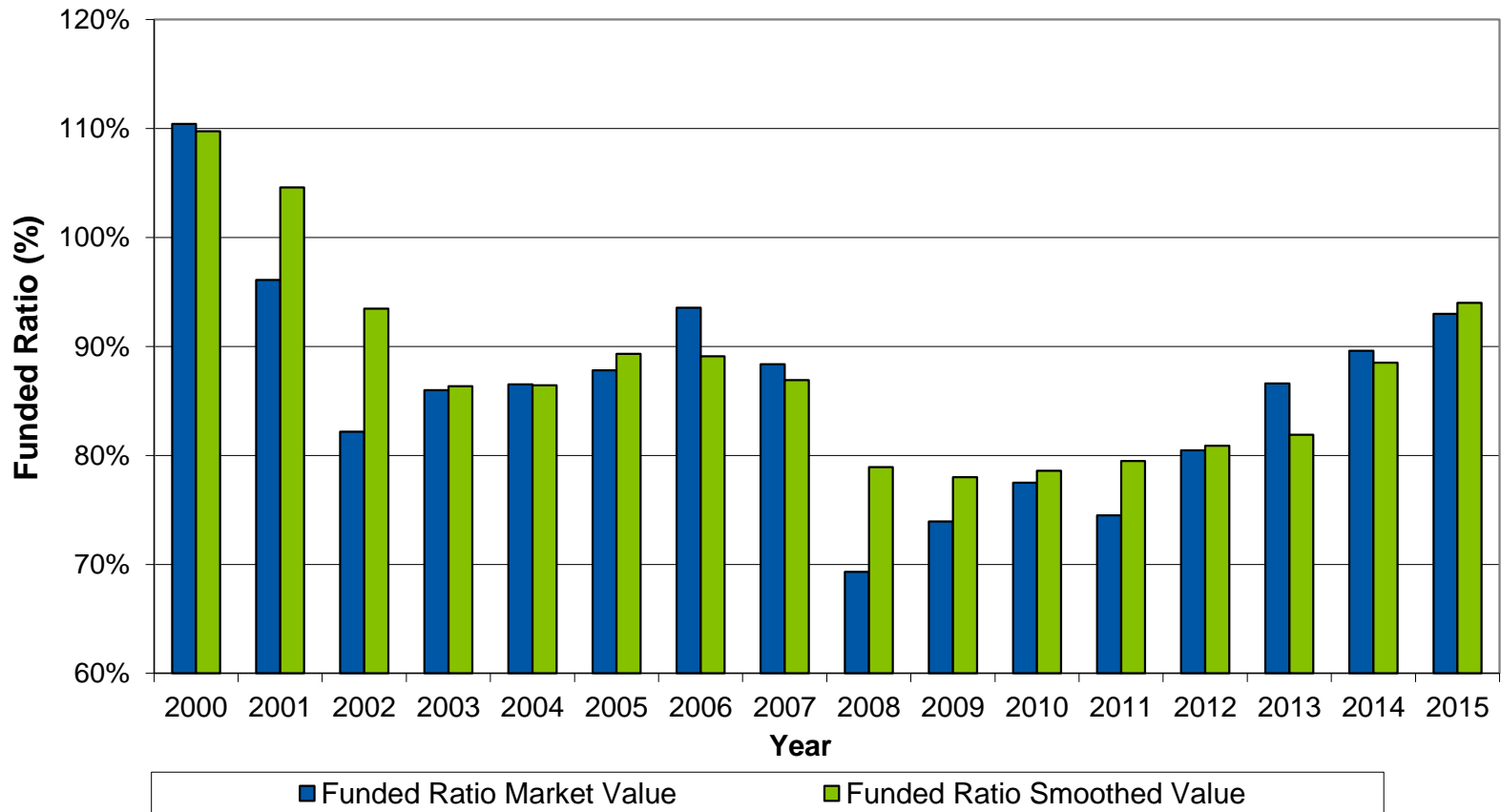
Actuarial Valuation

(\$ millions)

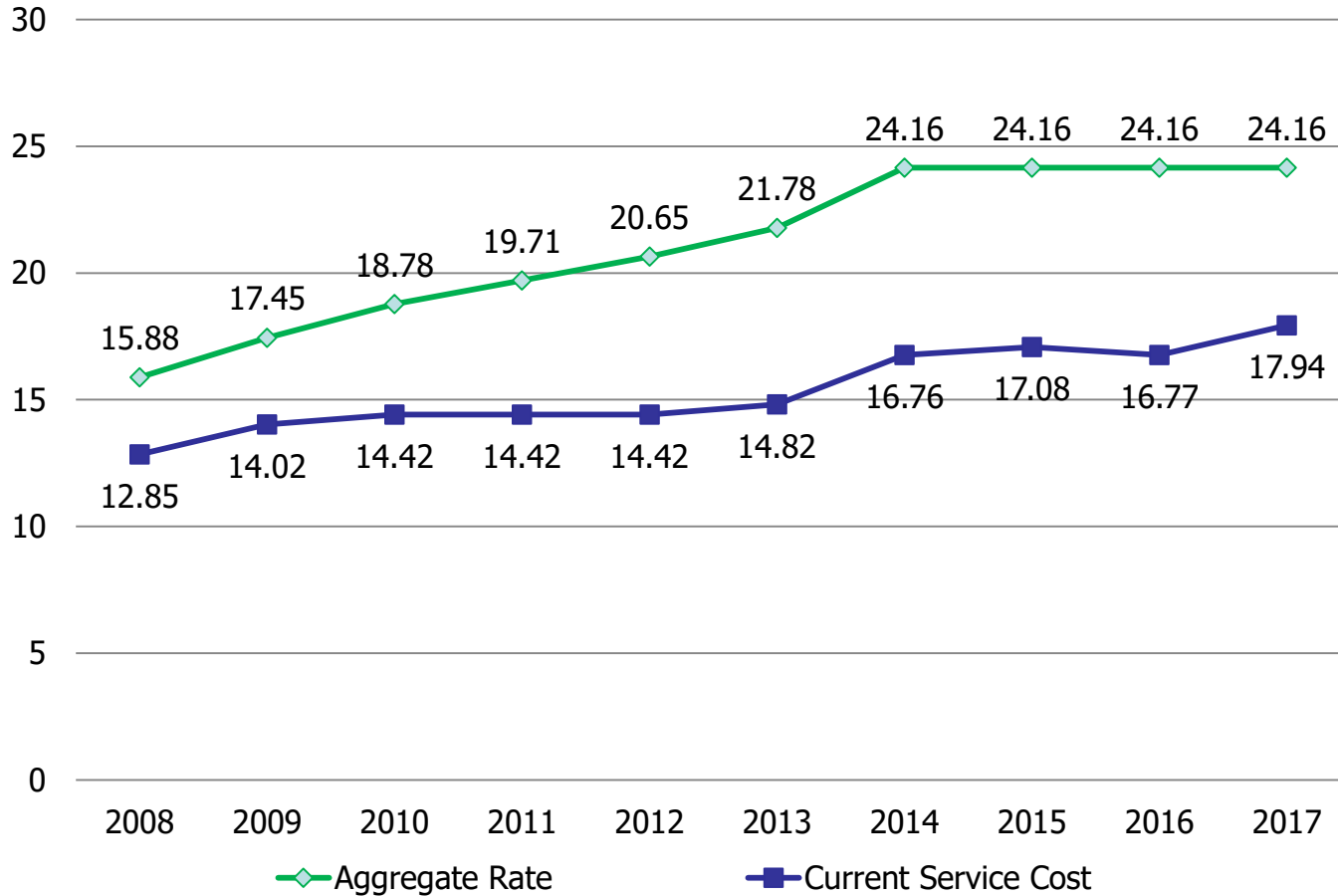
| | 2015 | 2014 |
|-------------|--------------|--------------|
| Assets | \$34,724.3 | \$30,427.5 |
| Liabilities | \$36,904.9 | \$34,385.6 |
| (Deficit) | (\$2,180.6) | (\$3,958.1) |
| % Funded | 94.1% | 88.5% |

Funded Status

LAPP Historical Funded Ratio



Contribution Rate Structure



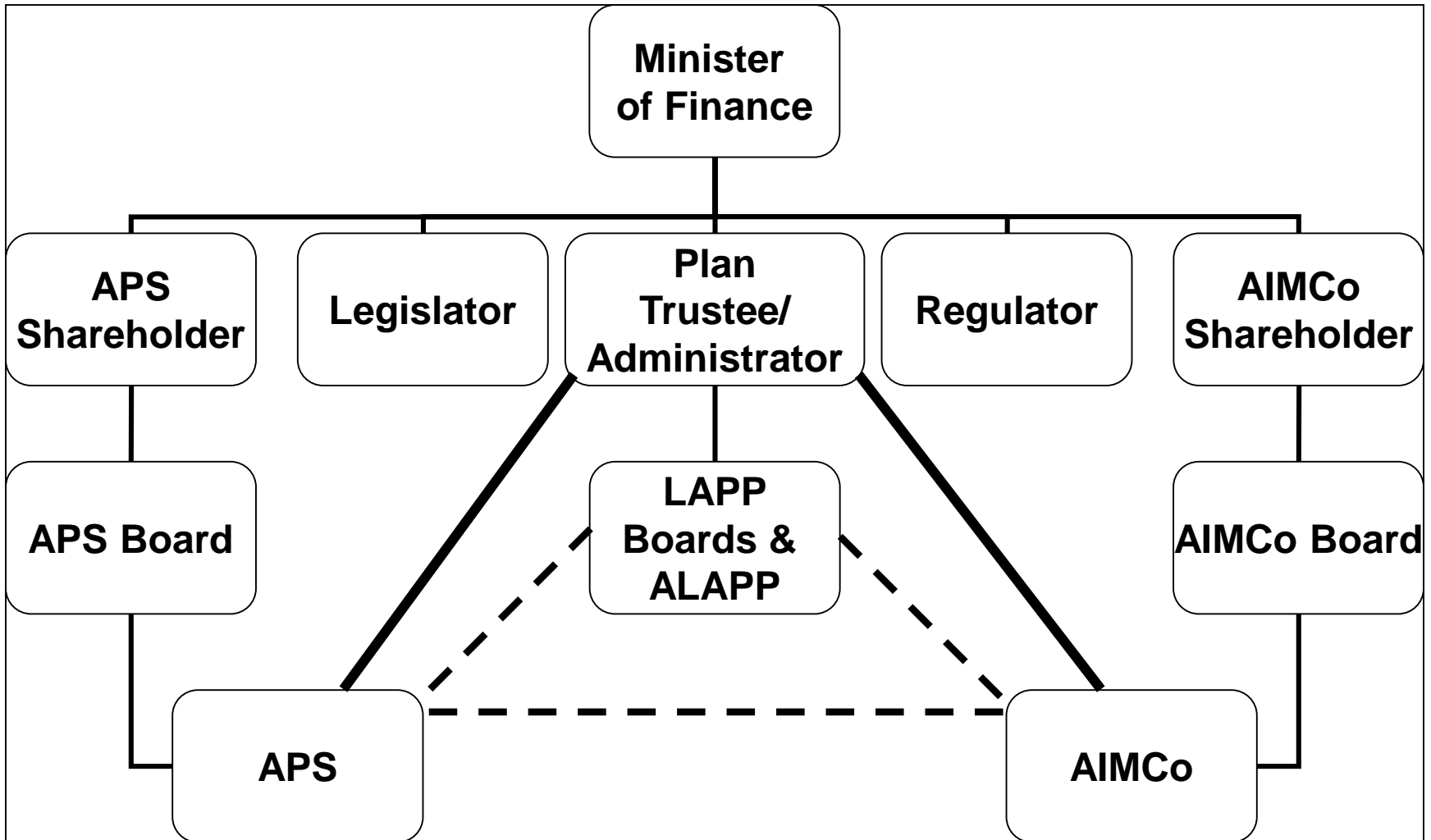
Contribution Rates

| | 2014 – 2017 |
|---|----------------------|
| Employees' Rate up to YMPE* | 10.39% |
| Employees' Rate over YMPE* | 14.84% |
| Employers' Rate up to YMPE* | 11.39% |
| Employers' Rate Over YMPE* | 15.84% |
| Total | 24.16% of pay |
| 2016 YMPE* <small>*Year's Maximum Pensionable Earnings</small> | \$54,900 |
| 2016 Salary Cap | \$160,970 |

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- ◆ Agreement in principle reached in June, 2016:
 - ❖ Income replacement level to increase to 1/3 of income from the current 1/4
 - ❖ Upper earnings limit will be targeted at \$82,700 upon full implementation in 2025
 - ❖ Gradual 7-year phase-in beginning on January 1, 2019
 - ❖ Increase to the Working Income Tax Benefit to help low-income earners
 - ❖ Employee contributions to the enhanced portion of the CPP will be deductible

 - ◆ Impact on LAPP benefits and contributions to be assessed once details to implement the changes are tabled in legislation

Current Governance Structure



- ◆ Lack of clear roles & accountabilities (including sponsors, APS, AIMCo)
- ◆ Lack of coordinated decision making
- ◆ Inability to make change quickly
- ◆ Minister wears many hats, with conflicting priorities
- ◆ Employees / Employers bear the risk, with no direct decision-making role
- ◆ Government does not backstop the Plan

- ◆ Awaiting formal mandate from government
- ◆ In the meantime, LAPP Board and ALAPP focused on education and engagement of sponsors in the process
- ◆ Board's strategic plan calls for moving ahead to allow greater sponsor voice
- ◆ Reviewing potential options for governance structuring
- ◆ Identifying issues of importance to sponsors requiring input and agreement
- ◆ Identifying sectoral representation

Municipal Sector Representation

- ◆ Municipal sector in LAPP includes both AUMA and AAMD&C members
- ◆ With sheer number of employers, not all will be able to directly participate in discussions
- ◆ Can AUMA/APEX play a role in choosing someone from your membership to represent your portion of the municipal sector in governance discussions?

Questions?