



Public  
Employees  
Benefits  
Agency

# Pension Governance

## March 8, 2010

### Older and Wiser





# Public Employees Pension Plan (Defined Contribution Plan)

- 🍃 **Created:** October 1, 1977
- 🍃 **Assets:** \$4.2B at Dec. 1, 2009
- 🍃 **Membership:** 48,975 at Dec. 31, 2009
- 🍃 **Governance:** Board of 9
  - 4 appointed by Union  
SGEU,IBEW,CUPE,CEP
  - 4 appointed by Employer Groups
  - External chair hired by the Board
- 🍃 **Contributions:**
  - 5% employee, 5% employer
  - Significant number at 7% employee & 7% employer
  - Corrections Workers at 9% employee, 9% employer



## Investments

- Outsourced to 15 Mandates

## Communications

- 4 newsletters annually
- Semi-annual member statements
- Annual benefit adequacy statement



# Public Employees Pension Plan (Defined Contribution Plan)

## Investment Choice

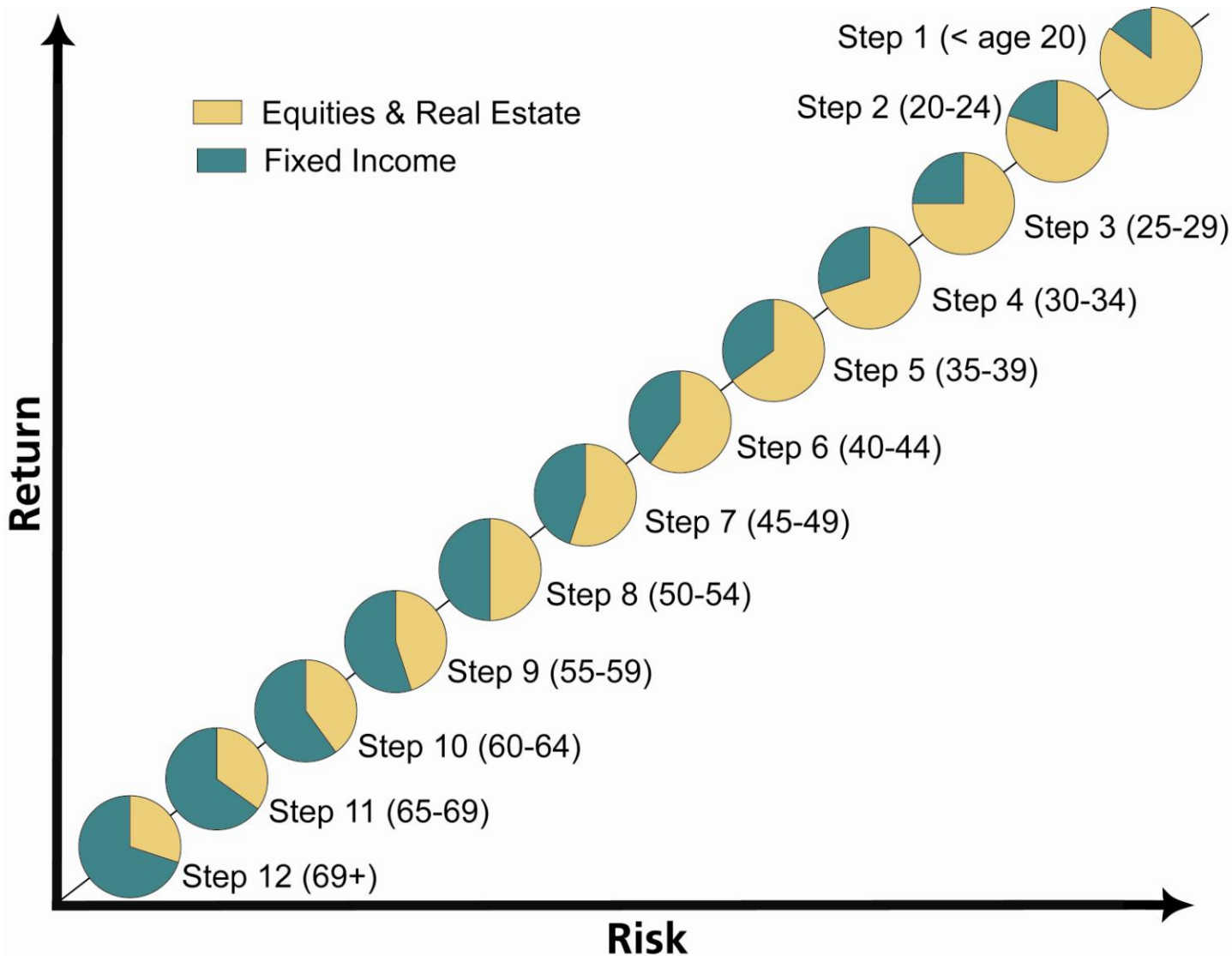
## Balanced Fund 1977 to 1998

- **Balanced Fund**
- **Short Term Bond Fund**

## Choice of 7 Funds as of November 2007







# The PEPP Steps Fund





## BENEFITS

-  **Variable Pension Benefit (from the Plan) May 2006**
-  **Life Annuity from an Insurance Company**
-  **Saskatchewan Pension Annuity Fund**
-  **pRRIF**



## Other Services:

- Online retirement planning tools
- Retirement planning seminars
- Information sessions

## Cost of Administration

- Investments – 23.8 bps
- Administration – 12.4 bps



# Municipal Employees' Pension Plan (Defined Benefit Plan)

 **Created: 1973** (Dates back to the 1940s)

 **Assets: \$1.2B @ Dec 31, 2009**

 **Membership: 21,700 @ Dec 31, 2009**



## Governance

- **Commission of 10**
- **5 appointed by Employee Groups (Unions included)**
- **5 appointed by Employer Groups**
- **Internal Chair**

## Contributions (Jan 1, 2011)

- **General members                      7.40%**
- **Public Safety members    10.20%**
- **Employer costs the same**



## Benefits

### Final Earnings

- **General Members**

**1.5% x years of service x average 3 yr highest salary**

**+**

**.5% bridge before age 65**

- **Public Safety**

**1.7% x years of service x average 3 yr highest salary**

**+**

**.3% bridge before age 65**

**Or**

**Commutated value to pRRIF or LIRA**



## Investments

- Outsourced to 10 mandates

## Communications

- 2 newsletters a year

## Other Services

- Online retirement planning tools
- Retirement planning seminars

## Financial Status (Dec 31, 2008)

- 1<sup>st</sup> solvency deficiency 4.9%

## Cost of Administration

- Investments 38.9 bps
- Administration 28 bps



## ➤ **Contracted Supplier**

- **Provide management and executive services**
- **Provide Plan member services to negotiated standards**
- **Provide Strategic Planning**
- **Provide Risk Management Services**
- **Report Quarterly/Annually**
  - **Service Standards**
  - **Investment Policy Compliance**
  - **Compliance with Legislation**



## ➤ **Lessons Learned:**

- **You can manage/govern a DC plan as cost effectively as a DB plan.**
- **Never spend DB surpluses on permanent benefit improvements.**
- **If you write it, does not mean anybody will read it.**



## ➤ **Governance - The responsibility of Boards of Directors**

- **Lay boards**
- **Expert Boards**
- **Policy Boards**
- **Operational Boards**
- **Best Practice Boards**
- **Governance models**



➤ **Work in progress**