



2013 ANNUAL REPORT HIGHLIGHTS

PRIVATE SCHOOL TEACHERS' PENSION PLAN

Key Accomplishments 2012-13

- Met or exceeded all service turnaround benchmarks for our services to plan members
- Received very high approval ratings on member surveys
- Redesigned and implemented the ATRF website and the secured plan member website, now called *MyPension*
- Successfully implemented the new plan member identification system
- Recognized as having one of the lowest annual plan member administrative service costs in the industry at \$87 per member
- Completed a comprehensive asset-liability modelling study and revisions to the fund's target policy asset mix and investment policy
- Continued further enhancements to systems, processes, controls and reporting that will contribute to ATRF's ongoing success

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Profile

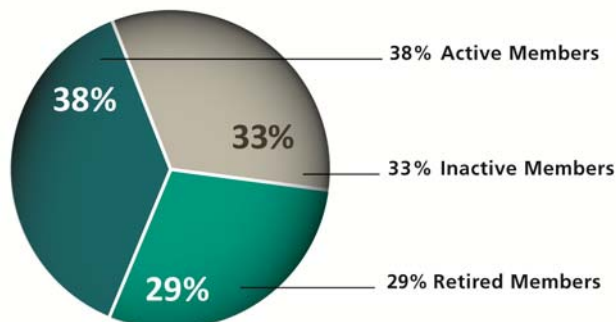
The Private School Teachers' Pension Plan (PSTPP) is a defined benefit pension plan – a plan that provides a pension based on a benefit formula based on salary and years of service.

ATRF is the trustee, administrator and custodian of the PSTPP for teachers employed by those private schools that have elected to join the plan.

The Plan covers:

- 247 active members;
- 185 retired members; and
- 215 inactive members.

Total Membership Profile





Action to Ensure Longer-Term Funding Sustainability

Ensuring the long-term funding sustainability of defined benefit pension plans is a major focus of all pension plan boards, the sponsors of plans and the contributors to those plans. This key issue has become more challenging over the past decade due to the low interest rates, weak market returns and increasing longevity of plan members. Almost all plans have increased contribution rates. Some plans have decreased benefits. Some plans have changed benefits, so that they will be paid only if the plan is fully funded.

Focus on Meeting the Pension Promise

Our principal objective is to secure the pensions of the members of the plan, which means that our main focus is on plan funding and ensuring that sufficient assets are in place to meet future pension payments. The plan benefits that are to be provided by ATRF are set by the Alberta Teachers' Association and the Government of Alberta. The ATRF Board's responsibility is to ensure that these benefits are funded within the prescribed legislative provisions. The Board has only one option available when deficiencies occur, and that is to raise contribution rates. The necessary contribution rate increases have been implemented to ensure the long-term funding sustainability of plan benefits and the funded position of the plan has improved over the past year.

Contribution rates have been increased to ensure that the \$9.096 million deficiency is fully funded over a 15-year period. Our recent investment results have been strong, with the fund returning 14.0% in the past fiscal year ended August 31, 2013. Consequently, the previously anticipated additional contribution rate increase of almost 2% in 2015 no longer appears necessary.

In the 2011-12 fiscal year, we completed a comprehensive review of the funded position and funding policy of the plan. The key result of this review was the decision to improve the funding margin for potential future adverse plan experience by decreasing the liability discount rate to 6.25% per year.

In the past fiscal year, we conducted a detailed asset-liability modelling study with the Investment Committee, management, and external funding and investment advisors. The purpose of the asset-liability modelling study was to:

- seek the optimal policy asset mix of the fund investments for the plan given the funding policy and the underlying liability structure;
- minimize the probability that the funding contribution rate may exceed a maximum threshold; and
- maintain an acceptable average long-term contribution rate (i.e. maximize investment return within the risk tolerance of the active members and employers).

Following detailed modelling, stress analysis and testing, the results of the asset-liability modelling study showed that some modest changes to the target policy asset mix had the potential to offer a more favourable risk-return profile for the plan in the future. The target policy asset mix will be changed to add an allocation to strategies targeted to enhance downside protection and improve diversification by offering returns that have little correlation to ATRF's other major asset classes. In addition, our Canadian and global public equities will be consolidated into a single asset class and expanded with the addition of an emerging market component.

Greg Meeker
Board Chair





Managing Growth in Fund Assets

ATRF achieved ongoing strong performance in all areas in the 2012-13 fiscal year.

- Investment returns exceeded the fund's benchmark and the funding objective of the plan.
- Plan member service turnaround benchmarks were surpassed.
- High ratings were received from plan member surveys.
- Planned growth in ATRF operations was implemented.
- New business plan initiatives were successfully completed.

The ATRF fund returned a very strong positive return of 14.0% in the past year. This rate of return exceeded the fund's 2012-13 fiscal year benchmark by 2.5%, surpassed the funding rate-of-return objective of the plan and added significantly to additional fund growth. Over the past four years, the investment portfolio of the plan has returned an annual average return of 8.8% as compared to the 7.6% benchmark, providing an average value-added return of 1.2% per year.

However, these positive rates of return have not fully mitigated the impacts that two severe equity market downturns have had on rates of return over the past 13 years. The Private School Teachers' Pension Plan has a funding deficiency of \$9.096 million as at August 31, 2013. This deficiency is being funded by additional contributions from active members and employers over 15 years.

Service to Plan Members

Results from the surveys of active members, retired members and newly retired members in the past year were very positive, with high ratings received in all areas. We have service turnaround benchmarks for all service processes and exceeded these benchmarks in all areas last year. In addition, ATRF continues to

have a very cost-effective structure with industry-leading plan member services, with costs that are

almost half of the average cost of a group of similar Canadian pension plan organizations.

We redesigned and implemented a new plan member and corporate website. Online service enhancements for plan members registered for the secured plan member website, *MyPension*, were put in place. Also, a new plan member identification number system was launched successfully for all plan members. Based on feedback received from plan members, and our review of industry best practices, we will continue to make further enhancements to plan member services and communications.

Ongoing Fund Growth

We continue to implement our plans to build and maintain a successful, cost-effective investment program for the assets of the fund, including a significant commitment to utilizing cost-effective internal resources. We were successful in recruiting additional staff, particularly in building the investment programs for infrastructure, real estate and private equity. We also implemented the required administrative, control and reporting functions to support best-practice operations of these illiquid asset classes.

Total ATRF fund assets under management are projected to reach \$15 billion in five years. Our focus for the next year will be in investing these growing fund assets, and identifying investment opportunities to grow our infrastructure, real estate and private equity asset classes.

Emilian Groch
Chief Executive Officer

Private School Teachers' Pension Plan (PSTPP)

The cost of benefits being earned, including the 60% cost-of-living pension adjustment provision, is shared equally between active members and private school employers. Active members are responsible for the additional 10% cost-of-living pension adjustment provision. Funding deficiencies under the plan are amortized by additional contributions from active members and the private school employers over a 15-year period. Since benefits are not guaranteed if the plan is terminated, the primary objective is to ensure there are sufficient assets to pay all benefits.

Enhancing Plan Funding Sustainability

The overall objective is to ensure the funding sustainability of the plan over the long term and to ensure the provision of benefits to plan members and their beneficiaries. Effective September 1, 2012, we increased the margin for adverse plan experience, by decreasing the plan's liability discount rate to 6.25% per year, to more effectively manage year-to-year volatility and to enhance intergenerational funding equity. The resulting increase in plan funding contribution rates came into effect September 1, 2013.

Current Plan Funding Results

An actuarial funding study of the PSTPP was completed as at August 31, 2013. The following table outlines the results of the funding study as at August 31, 2013.

Private School Teachers' Pension Plan	
at August 31, 2013	
	(\$Millions)
Funding Liabilities	48.582
Funding Value of Assets	39.486
Funding Deficiency	9.096

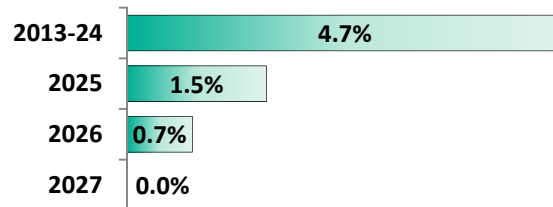
The Funding study showed the contribution rates that were implemented September 1, 2013 remain adequate.

Private School Teachers' Pension Plan	
Contribution Rates	
September 2013	
	(Percent)
Teachers	
Total Teacher Contribution	11.77
Salary up to YMPE ¹	10.22
Salary above YMPE	14.60
Employers	10.99

¹ YMPE is the Year's Maximum Pensionable Earnings used by the Canada Pension Plan (\$52,500 in 2014).

The current total plan contribution rate is 22.76% of total teacher salaries, consisting of a current service cost of 18.09% of salaries and total deficiency contributions of 4.67% of salaries. The total plan deficiency contributions will decrease over the next 14 years as the respective deficiencies are amortized over their respective 15-year funding periods as shown in the chart below.

Estimated PSTPP Total Deficiency Contribution Rates
2013 to 2027



PSTPP Plan Funding Challenges

To dampen the impact of volatile market returns on the plan’s funded status, the plan uses an actuarially accepted practice of smoothing market returns over a five-year period. This practice produces a funding value of plan assets that in any given year can be higher or lower than market value. This approach dealt effectively with investment losses stemming from the 2007-2009 financial crisis as it provided time for markets to recover thereby avoiding unnecessary contribution rate increases.

As at August 31, 2012, the funding value of assets was \$2.287 million higher than market value. This meant that market returns would have had to exceed

the required long-term funding rate of return by \$2.287 million over the course of the following five years in order to avoid a contribution rate increase of about 2% of salary. However, due to the recent strong 14.0% rate of return investment performance in the 2012-13 fiscal year, the plan now has funding value of assets of \$2.022 million less than market value as at August 31, 2013. This now places the plan in a position that market returns may be \$2.022 million less than assumed for the plan’s funding needs with no resulting impact on contribution rates.



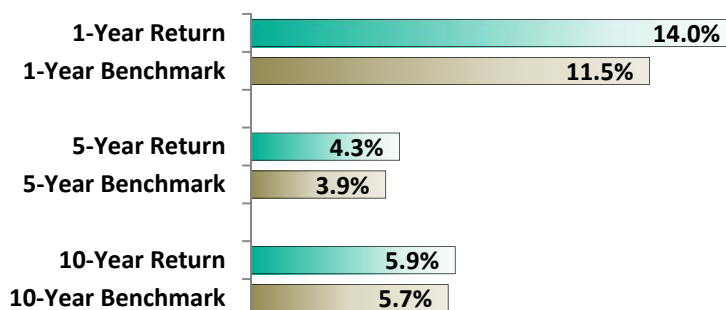
PERFORMANCE

Benchmark Performance

As a measure of the overall effectiveness of our active investment strategies, we compare the actual performance of the investment portfolio to the return on the fund's benchmark over both short and long-term periods. The benchmarks for each asset class are selected by the Board and Investment Committee. The total-fund benchmark is calculated by aggregating the returns on each asset class benchmark, and weighting them to reflect the fund's policy asset mix.

The Private School Teachers' Pension Plan fund return is 0.4% ahead of its benchmark over five years, while it is 0.2% ahead of the benchmark over 10 years.

Private School Teachers' Pension Plan Return vs. Benchmark Performance to August 31, 2013



Private School Teachers' Pension Plan

Net Assets Available for Benefits at August 31, 2013			
\$ Thousands	2013		2012
Investments			
Fixed Income	\$	12,747	\$ 11,996
Public Equities		22,380	18,603
Private Companies		2,862	1,746
Infrastructure		1,346	909
Real Estate		2,157	1,631
Accrued Income and Other		10	118
		41,502	35,003
Other Assets		6	16
Net Assets Available for Benefits	\$	41,508	\$ 35,019
Funding Actuarial Deficiency at August 31, 2013			
\$ Thousands	2013		2012
Funding Liabilities	\$	48,582	\$ 45,716
Funding Value Assets ¹		39,486	37,305
Funding Deficiency	\$	(9,096)	\$ (8,411)

¹The Plan uses an actuarially accepted practice of smoothing market returns over a five-year period to moderate short-term adjustments to contribution rates. This practice is intended to even out the impact from the volatility of market returns on the plan's funded status. As at August 31, 2013, the plan's funding value of net assets available was \$ 2.021 million lower than the fair value of net assets available (2012: \$2.287 million higher).

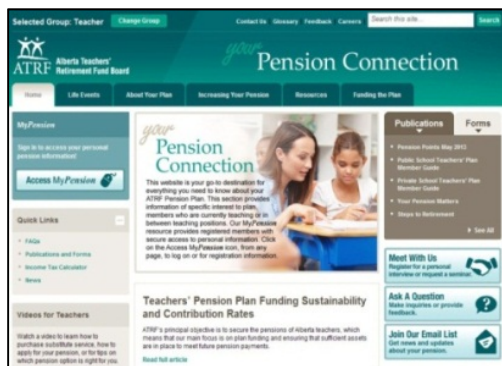
EXCEED BENCHMARKS

ATRF has a dedicated and knowledgeable team of employees providing services in a cost-effective manner to active, retired and inactive members, beneficiaries, and their representatives.

We have established benchmarks for the delivery of services and measure our benefit delivery against those benchmarks. For the 2012-13 fiscal year, we shortened our benchmarks for three services – purchase estimates and termination benefit payments decreased from 10 days to 7 days, and urgent written inquiries from 7 days to 5 days. Below are our results for the 2012-13 fiscal year, with comparisons for the 2011-12 fiscal year. We exceeded the benchmark in all processes.

Service Provided	Benchmarks for 2012-13	Average Elapsed Time in 2012-13	Average Elapsed Time in 2011-12
Ongoing pension payments	On the third last business day of the month	All payments made on time	All payments made on time
Pension options package for new pensions	Within 10 days of application	3 days	2 days
Payment for new pensions	Within 7 days	4 days	3 days
Pension estimate	Within 7 days	1 day	1 day
Purchase estimate	Within 7 days	2 days	2 days
Termination benefit	Within 7 days	1 day	1 day
Reciprocal Transfer estimates	Within 14 days	9 days (Transfer In) 6 days (Transfer Out)	6 days (Transfer In) 3 days (Transfer Out)
Urgent written inquiries including email inquiries	Within 5 days	1 day	1 day
Non-urgent written inquiries including email inquiries	Within 10 days	1 day	1 day
Telephone inquiries	Within 1 day	Less than 1 day	Less than 1 day

Website and Online Services



During 2012-13 we redesigned and implemented a new website. We also revamped the secured plan member website called *MyPension*. We reorganized web content and updated navigation tools to make it easier for plan members to find the information they need. In

conjunction with the website launch, we mailed all plan members an ATRF Identification Number. Plan members can use this number to identify themselves when they call us and to access their confidential information through *MyPension*. All registered plan members can view and update their personal information online through *MyPension*.

While our website and *MyPension* services are key elements in our customer service and communication initiatives, plan members always have the choice of accessing services and information in the manner they prefer – in person, in writing, by telephone, or online.

Plan Member Survey

A survey was distributed electronically to active plan members who were registered for online services.

ATRF achieved top marks again, with 96% of respondents rating our overall service as good to excellent.

The objectives of the survey were to assess how well ATRF is meeting plan member information and services needs, and to evaluate the effectiveness of ATRF programs and information sources.



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