



# 2015 ANNUAL REPORT HIGHLIGHTS

## *Private School Teachers' Pension Plan*

### PROFILE

The Private School Teachers' Pension Plan (PSTPP) is a defined benefit pension plan that provides a pension based on a benefit formula, which is in turn 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, which covers:

- 255 active teachers;
- 199 retired members; and
- 220 inactive teachers

### FUNDING RESULTS

The assets of the fund have grown to \$52.8 million at August 31, 2015. The 2014-15 fiscal year rate of return was 8.3%.

RATE OF RETURN  
2014-15 **8.3%**

4-YEAR RATE OF RETURN  
2011-15 **12.0%**

### CONTRIBUTION RATE REDUCTION

An actuarial funding valuation of the PSTPP was completed as at August 31, 2015, resulting in a contribution rate reduction effective September 2016.

#### Private School Teachers' Pension Plan Contribution Rates

(% of salary)

|                                | Sept 2016 | Sept 2015 |
|--------------------------------|-----------|-----------|
| <b>Teachers</b>                |           |           |
| Total Teacher Contribution     | 10.87     | 11.77     |
| Salary up to YMPE <sup>1</sup> | 9.09      | 10.22     |
| Salary above YMPE              | 12.98     | 14.60     |
| <b>Private Schools</b>         | 10.23     | 10.99     |

<sup>1</sup> YMPE is the Year's Maximum Pensionable Earnings used by the Canada Pension Plan (\$54,900 in 2016).

# Report of the BOARD CHAIR



I am pleased to report that ATRF had another strong year in 2014-15 with a rate of return of 8.3%. While not as high as the double-digit returns of the past two years, this is still a very healthy annual return and importantly,

marks the fifth year in a row that the return on the fund exceeded the long-term return expectation on which the plan's current long-term funding models are based. The total return over five years for the fund was 69%.

The strong investment returns over the past several years is certainly a good news story. However, the Board knows we must guard against falling into the trap of assuming that the capital markets are now somehow different than the past and investment returns will be strong every year. In fact, we fully expect there will be years in the future where returns are weak, even negative.

It continues to be a challenging time for pension plans. People generally, and even more so teachers, are living longer than ever before. Today the average retiring teacher is 60 years old and is expected to live to 90 years of age. While that is good news for our individual plan members, it presents challenges to us in managing their pension. Compounding that challenge, interest rates remain at historically low levels and capital markets are volatile.

Against this backdrop the Board must remain vigilant in ensuring the decisions we make will not only pay teachers' pensions today but also position the plan for long-term sustainability.

Last year the Board approved a funding valuation that strengthens the plan's actuarial assumptions which over time reduces the risk of the pension plan.

Given the prolonged low inflationary environment in most of the developed world, and broad expectations for continued low inflation in the long run, the long-term Canadian inflation assumption was reduced from 2.50% to 2.25%.

Based on the lower inflation assumption and the low interest rate environment, the long-term expected return on the investment portfolio was also lowered from 7.25% to 7.0%.

And finally, with a lower long-term return expectation the Board also lowered the discount rate used to value the plan's liabilities from 6.25% to 6.0%.

Lowering the discount rate causes an increase in the actuarial value of the liabilities. However, the Board feels this is a prudent step to further improve the long-term sustainability of the plans.

When these measures are combined with the expected normal growth in plan liabilities, the actuarial deficiency, which is the difference between the actuarial value of the plan assets and liabilities, increased slightly from \$5.617 million at August 31, 2014 to \$5.631 million at August 31, 2015.

## Plan Contribution Rate Changes

Even with the small increase in the deficiency, the solid investment returns over the past several years has resulted in a material improvement in the overall funded position of the plan. Based on the actuarial funding valuation of the Private School Teachers' Pension Plan as at August 31, 2015, the Board is pleased to implement a total contribution rate decrease, effective September 1, 2016, of 1.66% of total teacher salaries; 0.90% for teachers and 0.76% for the private school employers. Total contributions will decrease from 22.76% to 21.10%.

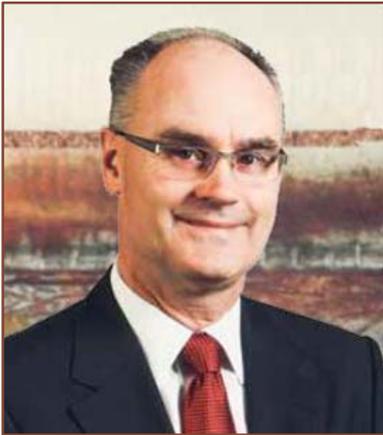
## Member Services

ATRF staff are dedicated to meeting the day-to-day pension needs of active and retired teachers in a professional, timely and accurate way. Whether it's helping a retiring teacher walk through the steps in this important life event, providing the online tool to run an estimate of a pension, or one-one-one interviews, the staff at ATRF strive to always deliver high-quality service.

The Board is pleased that teachers are very satisfied with the service they receive. In the member satisfaction survey conducted in 2014-15, 95% of the respondents rated the overall level of service received from ATRF as good to excellent.

A handwritten signature in black ink that reads "Greg Meeker". The signature is written in a cursive, flowing style.

Greg Meeker



I am truly honoured and privileged to take over the reins at ATRF from my predecessor, Emilian Groch. I am very fortunate to have stepped into a thriving and successful organization and be able to work with such talented,

motivated and dedicated colleagues and Board members who are all committed to delivering the pension promise to our 674 active, inactive and retired members in the Private School Teachers' Pension Plan.

2014-15 was a strong year for ATRF in all respects. Our investment professionals delivered investment returns that added significant value over the fund's benchmark rate of return and, the overall returns on the investment portfolio exceeded the long-term return necessary to meet the funding objectives of the plan. Member services continued to be our focus. All service benchmarks were met and often exceeded. As well, both active and retired members expressed a high level of satisfaction in the services they received.

In 2014-15 the Board took steps to bolster the long-term sustainability of the plan by reducing the long-term expected rate of return on plan assets and the discount rate used to value plan liabilities. These changes provide important further 'de-risking' of the plan even though they offset the impact of the positive investment returns in the short term. The funding deficiency of the Private School Teachers' Pension Plan was unchanged at \$5.6 million.

## Excellence in Member Service

Our investment and funding strategies are critical to the long-term sustainability of the plan, but it's our commitment to our members that drives everything that we do. Whether it's handling member phone calls, conducting personal interviews or presenting to members at seminars across the province, we continued our strong focus on meeting member needs.

To make sure we are hitting the mark, we conduct regular surveys of our members. I'm pleased to report

that 95% of those active members that responded to our biennial satisfaction survey in 2015 rated the overall service provided by ATRF as good to excellent. And 97% of respondents to our New Retired Member Questionnaire rated service and communication as good to excellent.

We will continue to listen to the feedback from members and enhance member services such as bringing on new features to the plan member website, enhancing the pension calculator in *MyPension*, and ensuring we have the resources to meet plan member interview needs.

## Continued Investment Success

The ATRF fund had another strong year. The fund had an investment return of 8.3%, which exceeded the return on the fund's benchmark by 1.8%. More importantly, we achieved our investment objective to earn a return greater than the annual investment return used in the funding plan designed to ensure the long-term sustainability of the plan. 2014-15 marks the fifth year in a row where this has happened.

## Focus on the Future

We are receiving contributions today from teachers in their 20s, who are counting on us to make pension payments to them in their 90s. That is a humbling thought that keeps everyone at ATRF focused on the very long-term horizon. We know that over that long time frame we will encounter periods of market turbulence, continued changes to member demographics and improvements in longevity. Our key objective will continue to be ensuring the pension plan remains strong and affordable regardless of the economic backdrop.

A handwritten signature in black ink, appearing to read 'Rod Matheson'. The signature is fluid and cursive.

Rod Matheson

# Plan FUNDING

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 an 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.

## PSTPP Funding Policy

The Board has also adopted a funding policy for the PSTPP that sets out the principles and guidelines governing the funding requirements of the benefits in respect of service under the plan in accordance with the plan's legislation and the objectives of the Board. The overall objective is to ensure the sustainability of the plan over the long term and to ensure the provision of benefits to plan members and their beneficiaries. No changes were made to the funding policy in the past fiscal year.

## PSTPP Funding Valuation Results

An actuarial funding valuation of the PSTPP was completed as at August 31, 2015. The assumptions used for this valuation were the same as those used in the funding study as at August 31, 2014 except the long-term expected return of the fund was reduced from 7.25% to 7.0% and the assumption for long-term inflation was reduced from 2.50% to 2.25%. The reduction in the long-term expected return assumption, combined with no change to the margin for future adverse plan experience, resulted in a reduction in the discount rate from 6.25% to 6.0%.

The use of a lower 6.0% discount rate increased the plan funding liabilities by \$2.30 million, which was partly offset by a reduction in plan liabilities of \$1.06 million due to the 0.25% reduction in the inflation rate assumption.

### Actuarial Funding Deficiency

| <i>at August 31, 2015 (\$Millions)</i> | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| Funding Value of Assets <sup>1</sup>   | \$ 52.843         | \$ 46.381         |
| Funding Liabilities                    | 58.474            | 51.998            |
| <b>Funding Deficiency</b>              | <b>\$ (5.631)</b> | <b>\$ (5.617)</b> |

<sup>1</sup> Market returns are smoothed over a five-year period to reduce the impact of volatile market returns on contribution rates. As a result, the value of the plan's assets used for funding purposes can be higher or lower than market value. As at August 31, 2015, the plan's funding value of net assets was \$5.871 million lower than the fair value of net assets.

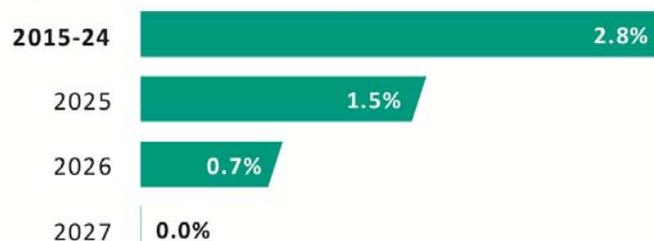
## Contribution Rate Reduction

The funding valuation results in a total contribution rate reduction of 1.66% of total teacher salaries effective September 2016; 0.90% for teachers and 0.76% for Private Schools.

The current total plan contribution rate is 21.10% of total teacher salaries, consisting of a current service cost of 18.28% of salaries and total deficiency contributions of 2.82% of salaries. The valuation as at August 31, 2015 shows the remaining total plan deficiency contributions will decrease over the next 12 years as the respective deficiencies are amortized over their respective 15-year funding periods as shown below.

### Estimated PSTPP Total Deficiency Contribution Rates

2015 to 2027



# Plan Member SERVICES

## A Full Range of Services for Plan Members

ATRF strives to provide members with exceptional customer service. Our staff are highly knowledgeable and experienced individuals who ensure members get timely service and whatever assistance they need to understand their ATRF pension plan. Members who get timely and accurate information about their pension are better prepared for any decisions they need to make at various stages of their careers. Whether members prefer to speak directly with an ATRF representative or access information through the website on their own, we are confident that we offer the services they need. Services include personal interviews, seminars, responding to phone calls and general correspondence.

| Service Provided                            | Benchmarks for 2014-15                      | Average Elapsed Time in 2014-15               | Average Elapsed Time in 2013-14               |
|---|---|---|---|
| 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 7 days of application                | 3 days  | 3 days  |
| Payment for new pensions                    | Within 7 days                               | 3 days  | 5 days  |
| Pension estimate                            | Within 7 days                               | 1 day   | 1 day   |
| Purchase estimate                           | Within 7 days                               | 2 days  | 2 days  |
| Termination benefit payment                 | Within 7 days                               | 4 days  | 3 days  |
| Reciprocal Transfer estimates               | Within 14 days                              | 3 days (Transfer In)<br>4 days (Transfer Out) | 6 days (Transfer In)<br>4 days (Transfer Out) |
| Written inquiries including email inquiries | Within 5 days                               | 1 day   | 1 day   |
| Telephone inquiries                         | Within 1 day                                | Within 1 day                                  | Within 1 day                                  |

## 2015 Plan Member Survey

To help us assess how well ATRF is meeting plan member needs, we conduct a biennial survey. The survey is sent by email to all active plan members (Teachers' Pension Plan and Private School Teachers' Pension Plan) for whom we have an email address.

We had an excellent response rate of 26% and ATRF achieved top marks again with 95% of the respondents rating our overall service as good to excellent.

Respondents also gave high ratings to our communication material:

- 96% indicated that the Annual Plan Member Statement helped them understand their pension benefits, it was informative, and it was easy to read.
- 95% found the Pension Points newsletter to be easy to read, informative and timely.
- Of the 41% who read the Annual Report Highlights, 96% indicated it was informative and 93% said it assisted them in understanding the financial status of the pension plan.

Plan members were asked to rate the Teachers' Lounge section of the website. Of the respondents who viewed the Steps to Retirement video, 91% rated the video as good to excellent. 89% of members who used the

Pension Option Selection Tool rated it as good to excellent.

We will use the feedback received from written comments to implement additional initiatives to improve communication material and access to personal interviews in 2015-16.

- Some respondents wrote that it would be more valuable to them if we focused plan member education on the three career stages – beginning, mid-career and near retirement. We will enhance our website to focus on career stages.
- Members indicated they want easy to find information written in plain language.
- Plan members indicated they want us to continue to provide personal interviews at locations throughout Alberta. We will ensure we have the resources to provide this important service.
- Some plan members are finding the pension and purchase calculators difficult to use. We will do the research to identify and fix the specific difficulties they are experiencing.

# INVESTMENTS

ATRF's investment portfolio is structured to deliver the returns necessary to fund pension benefits over the long term. It is diversified by asset type, geography and risk profile in order to control the impact of short-term volatility in investment markets to the extent possible. In the 2014-15 fiscal year, ATRF's investment portfolio returned 8.3%, which exceeded both the funding discount rate and the benchmark return, which is the return on the policy asset mix. An essential long-term assumption in determining the funding requirements of the plan is that net investment returns will, at a minimum, meet the funding discount rate used in the funding valuation of the plan. We review this measure of performance for time periods up to 15 years as this coincides with the 15-year amortization period of deficiencies required under the legislated funding structure.

Over the past 15 years, the funding discount rate of the plan has been reduced from 8.0% to 6.0%, as forecasts of long-term investment returns have fallen and the Board has reduced the overall funding risk of the plans.

Over the past 15 years the investment return for the Private School Teachers' Pension Plan was 5.2%.

## 15-Year Return vs. Long-term Funding Objective

to August 31, 2015

|  |      |
|--|------|
| Private School Teachers' Pension Plan Return | 5.2% |
| Average Funding Discount Rate                | 7.1% |

The financial markets have been quite strong over the past four years allowing ATRF's investment portfolio to return 12.0% over this time period, well above long-term expectations.

## Rates of Return

to August 31, 2015

| Asset Class                | 1 Year (%)  |            | 4 Years (%) |             | 10 Years (%) |            |
|----------------------------|-------------|------------|-------------|-------------|--------------|------------|
|                            | ATRF        | Benchmark  | ATRF        | Benchmark   | ATRF         | Benchmark  |
| <b>Fixed Income</b>        | <b>4.9</b>  | <b>5.5</b> | <b>4.8</b>  | <b>4.9</b>  | <b>5.0</b>   | <b>5.2</b> |
| Universe Bonds             | 4.7         | 4.9        | 4.7         | 4.4         | 5.1          | 4.9        |
| Long-Term Bonds            | 7.2         | 7.5        | 6.3         | 6.6         | —            | —          |
| Money Market               | 0.9         | 0.7        | 1.1         | 0.9         | 1.9          | 1.7        |
| <b>Return Enhancing</b>    | <b>9.2</b>  | <b>7.3</b> | <b>16.0</b> | <b>14.6</b> | <b>6.8</b>   | <b>6.7</b> |
| Global Equity              | 4.7         | 4.6        | 15.0        | 15.1        | 6.4          | 6.6        |
| Private Equity             | 36.2        | 22.2       | 20.4        | 17.3        | —            | —          |
| <b>Inflation Sensitive</b> | <b>12.8</b> | <b>5.9</b> | <b>9.9</b>  | <b>5.9</b>  | —            | —          |
| Real Estate                | 12.5        | 5.6        | 9.7         | 5.9         | —            | —          |
| Infrastructure             | 13.6        | 6.4        | 10.5        | 5.9         | —            | —          |
| <b>Absolute Return</b>     | <b>8.0</b>  | <b>4.9</b> | —           | —           | —            | —          |
| <b>TOTAL PLAN</b>          | <b>8.3</b>  | <b>6.5</b> | <b>12.0</b> | <b>10.6</b> | <b>5.9</b>   | <b>5.8</b> |

Investment returns are shown net of internal and external costs and fees.

## POLICY ASSET MIX - POST-1992 PERIOD

at August 31, 2015



## NET ASSETS AVAILABLE FOR BENEFITS AT AUGUST 31

| \$ Thousands                 | 2015             | 2014             |
|------------------------------|------------------|------------------|
| <b>Investments</b>           |                  |                  |
| Fixed Income                 | \$ 15,807        | \$ 14,333        |
| Global Equity                | 23,704           | 23,372           |
| Private Equity               | 5,574            | 4,113            |
| Infrastructure               | 2,644            | 1,945            |
| Real Estate                  | 5,303            | 3,491            |
| Absolute Return              | 6,314            | 4,159            |
| Other (Liabilities) / Assets | (632)            | 122              |
| <b>Net Assets</b>            | <b>\$ 58,714</b> | <b>\$ 51,536</b> |

## OUR MISSION:

*Working in partnership to secure your pension income*

### CORPORATE VALUES

High-Quality Service  
Accountability and Responsibility  
Integrity and Fairness  
Valuing Employees

### CUSTOMER SERVICE STATEMENT

We listen to understand your needs  
We provide what you need the first time  
We deliver value-added investment performance  
We provide accurate and timely information and benefit payments

## THE ATRF BOARD



*From left to right:* Sandra Johnston, Gene Williams, Greg Meeker (Board Chair), Lowell Epp, Harry Buddle, Karen Elgert

## EXTERNAL MEMBERS – INVESTMENT COMMITTEE

*Not shown:* Catherine Connolly, Richard Fortier, Robert Maroney, Jai Parihar

## ATRF MANAGEMENT



*From left to right:* Peggy Corner, Myles Norton, Rod Matheson, Albert Copeland, Derek Brodersen, Margot Hrynyk



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**To learn more about your pension, visit our website at [www.atrf.com](http://www.atrf.com)  
and read the complete 2015 Annual Report.**