



Alberta Teachers'
Retirement Fund Board

2014 ANNUAL REPORT HIGHLIGHTS

TEACHERS' PENSION PLAN

75
years

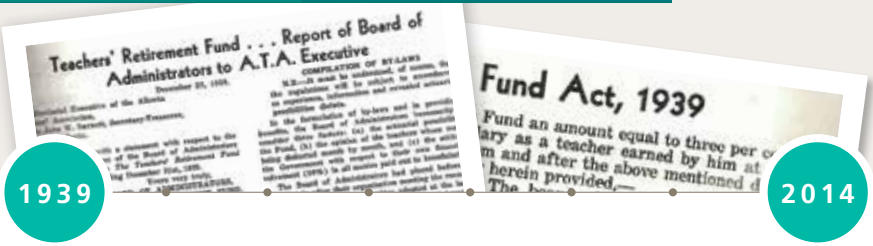
WORKING TO SECURE YOUR PENSION SINCE 1939

ATRF CELEBRATES 75 YEARS OF SECURING YOUR PENSION



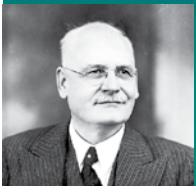
March 31, 1939: Alberta Legislature passed the Act establishing the Teachers' Retirement Fund (TRF), which is now known as Alberta Teachers' Retirement Fund (ATRF).

CHECK OUT THE 75TH ANNIVERSARY TAB ON OUR WEBSITE FOR ADDITIONAL INFORMATION.



Solon E. Low, ATRF's 1st Board Chair, was a school teacher and principal. He was elected to the Legislative Assembly of Alberta in 1935 and was Member of Parliament for Peace River.

The ATA released John W. Barnett, their Secretary-Treasurer, so he could accept the appointment of Secretary-Treasurer of the ATRF Board. The first Board established policies and practices that formed the basis of the first teachers' pension organization.



According to the Official Bulletin of the Department of Education Alberta - No.28, John Paul LeBlanc was the first person to register in the Teachers' Retirement Fund and the first to receive a pension from this Fund.

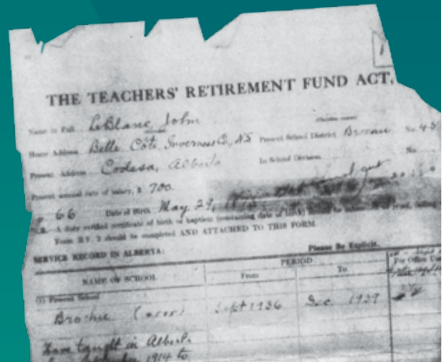


Photo Credits

Top: TRF documents, courtesy of the ATA Archives;
 Middle Left: Solon E. Low, Member of Parliament for Peace River, Alta., 1946 - Source: Library and Archives Canada/Credit: Arthur Roy/Arthur Roy fonds/c000700;
 Bottom Left: John W. Barnett, courtesy of the ATA Archives;
 Right: 1st TRF pension application, courtesy of the ATA Archives.

2013-2014 HIGHLIGHTS

Fund Results

- For the year ended August 31, 2014, the fund returned 19.2% exceeding the fund's benchmark of 18.4% by 0.8%
- Over the past 15 years the investment return for the Teachers' Pension Plan was 6.6%, which was 0.9% below the investment objective of 7.5%
- The extremely weak investment markets experienced during 2000-02 and 2008-09 continue to impact the funding of the plans. The amortization of the funding shortfall which resulted from these time periods, combined with the reduction in the funding rate of return assumption, have been the largest contributors to the increase in funding contribution from active teachers and taxpayers over the last 15 years

Key Accomplishments - 2013-14

- Met or exceeded all service turnaround benchmarks for our services to active, retired and inactive plan members
- 98% of the new retired members, who responded to a survey, rated ATRF service and communication as good to excellent
- Created a motion graphic video and a web-based pension option decision tool to further enhance website service for plan members
- Recognized as having one of the lowest plan member administrative service costs in the industry at \$87 per member
- Successfully managed the growth in staff, the fund and our operations
- Successfully implemented change to the asset mix of the fund

TABLE OF CONTENTS

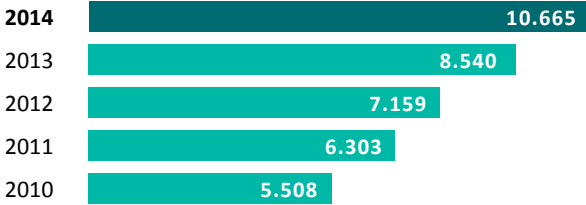
2013-2014 Highlights	1	Plan Funding	8
Financial Highlights	3	Investment Performance	10
Report of the Board Chair	4	Plan Member Services	
Message from the Chief Executive Officer	6	Exceed Benchmarks	12
		ATRF Profile	13

Change in Net Assets

The 2013-14 fiscal year returned a fifth consecutive year of growth in net assets with a year-over-year increase in fund assets of \$2.125 billion (an increase of 24.9%) leaving the fiscal year-end value at \$10.665 billion. Investment earnings of \$1.683 billion and \$442 million of positive net cash flows from contributions above benefit payments and expenses, accounted for this change.

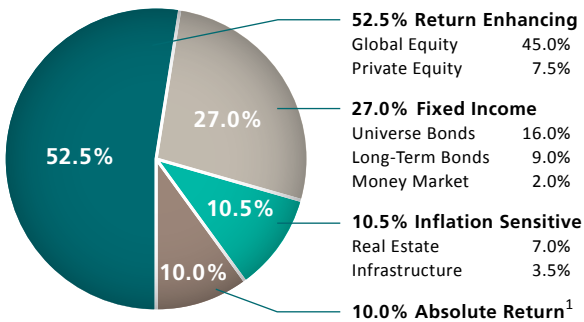
Net Assets of ATRF

(\$ Billions)



Asset Mix

at August 31, 2014



¹ Investments in this asset class reflect a variety of different investment approaches with a common goal of generating relatively stable returns with very low correlation to ATRF's other major asset classes, particularly equities.

		Teachers' Pension Plan Post-1992 Period	
11.899	9.610	Funding Liabilities	11.899
	2.289	Funding Value of Assets	9.610
		Funding Deficiency	2.289
at August 31, 2014		(\$ Billions)	

TEACHERS' PENSION PLAN FINANCIAL HIGHLIGHTS

Net Assets Available for Benefits at August 31

(\$ Thousands)

	2014	2013
Investments		
Fixed Income	\$ 2,966,221	\$ 2,616,907
Public Equities	4,836,794	4,604,312
Private Companies	851,277	588,811
Infrastructure	402,613	276,897
Real Estate	722,442	443,862
Absolute Return	860,655	-
Accrued Income and Other	30,296	14,945
	10,670,298	8,545,734
Other Assets/(Liabilities)	(5,040)	(6,215)
Net Assets Available for Benefits	\$ 10,665,258	\$ 8,539,519

Funding Actuarial Deficiency at August 31

(\$ Thousands)

	2014	2013
Funding Liabilities	\$ 11,899,000	\$ 10,930,000
Funding Value Assets ¹	9,610,000	8,071,000
Funding Deficiency	\$ (2,289,000)	\$ (2,859,000)

¹ The 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, 2014, the plan's funding value of net assets available was \$1.055 billion lower than the fair value of net assets available (2013 - \$469 million lower).

1939: ATRF leases office space from ATA in the Imperial Bank Building at 101 Street and Jasper Avenue.

Photo courtesy of the ATA Archives



REPORT OF THE BOARD CHAIR



GREG MEEKER

Defined benefit pension plans have been challenged since 2000 with low interest rates, severe equity market volatility and ongoing longevity improvements. This has led to concerns from all plan stakeholders in the long-term funding sustainability of defined benefit pension plans. These challenges and concerns apply equally to the plan for Alberta teachers. Consequently, the main focus of the ATRF Board has been and continues to be on plan funding and ensuring that sufficient assets are in place to meet future pension payments.

I am pleased to report that the funding position of the plan has improved since the 2008-09 financial crisis, in particular due to the strong fund returns over the past two fiscal years. The fund returned 19.2% in the fiscal year ended August 31, 2014, following a 14.0% return in the previous fiscal year. While the funding level of the plan has increased, the plan continues to have funding deficiencies related to prior years, and faces ongoing investment and liability risks. We remain focused on these risks and on the strategies we have implemented to ensure they are effectively managed.

Funding the Plan Benefits

The benefits under the plan are set by the plan sponsors, The Alberta Teachers' Association and the Government of Alberta. The funding of these benefits is the responsibility of the Board. The only option available to the Board when deficiencies occur is to raise contribution rates and this has been done in prior years to ensure the deficiencies are funded within the maximum period permitted under legislation.

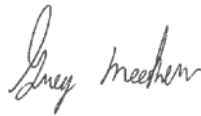
Current contribution rates will ensure that the remaining \$2.289 billion deficiency is fully funded within the 15-year period required by legislation. The funding position of the plan has improved over the past year.

- The ratio of funding assets to funding liabilities has increased from 74% to 81%.
- The plan's deficiency has decreased by \$570 million.
- The asset-smoothing adjustment increased to \$1.055 billion, from \$469 million at the end of the prior fiscal year, and this will serve to offset any lower than expected market returns over the next five years.

Longer-Term Funding Sustainability

The significant fund rates of return over the past two fiscal years have accelerated the original funding sustainability plan from that based on the original assumptions used to set the current contribution rates as of September 1, 2013. There may be an opportunity to either reduce contribution rates ahead of schedule, increase margins for potential future adverse plan experience, or some combination of the two. At the same time, it is prudent to consider whether the recent strong fund rates of return will be offset by reduced lower returns in the future. If future expectations are reduced, a modest reduction in the fund's expected future long-term rate of return may be necessary to maintain the current funding policy.

Any action that deviates from the expectations already established pursuant to the current funding policy and contribution rates requires careful assessment, discussion with plan sponsors and a re-evaluation of the current funding policy. Accordingly, the Board intends to consider the current favourable funding development, assess it with the plan's actuary and management, and decide on the appropriate action going forward by the spring of 2015. We will communicate and implement any changes to the plan's funding policy of the plan and/or future contribution rates to plan members at that time.



Greg Meeker
Board Chair

THE BOARD



From left to right: Greg Meeker, Harry Buddle, Karen Elgert, Lowell Epp, Sandra Johnston, Gene Williams.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



ROD MATHESON

I am honoured to take over leadership of ATRF from my predecessor, Emilian Groch. Emilian dedicated 20 years to building ATRF into the thriving and successful organization that it is today. I am also extremely fortunate to be working with committed and motivated colleagues and Board members who are all focused on providing high quality services and retirement security for members.

ATRF completed its 75th year of operations by successfully meeting customer expectations with strong performance results measured against our established business plan objectives. Benefit and information services to plan members surpassed benchmarks, we received very positive feedback on our services, investment returns exceeded the fund's benchmark, and business plan initiatives that enhanced the operations of ATRF were effectively completed.

Most importantly, the long-term funding sustainability of the plan has improved.

- The provisions for future adverse plan experience have been enhanced.
- A significant asset-smoothing adjustment is in place that will serve to offset lower than expected market returns over the next five years.
- Adjustments were implemented to optimize the policy asset mix of the plan given the funding policies and underlying liability structures.
- Mortality and other demographic assumptions have been adjusted based on a study of plan experience and aligned with most-recent industry mortality research.

While the plan is in a more favourable financial position and has recovered somewhat from the impacts of the 2008-09 financial crisis, investment and funding risks are an ongoing reality of defined benefit pension plans. ATRF remains focused on effectively managing funding, investment and operational risks in order to secure the pensions of Alberta teachers.

- The funded ratio of the plan has increased.

Our Focus on Member Services

ATRF continues to receive high survey ratings from plan members on services. These services are provided using a very cost-effective structure with costs that are almost half of the average cost of a group of similar Canadian pension plan organizations. We are always considering ways to enhance those services and our service response times, and to introduce new value-added communication and information features. New features were added to the plan member website and our service operations in the past fiscal year and additional enhancements are planned for the coming year.

Strong Investment Returns

In the 2013-14 fiscal year, the fund returned a very strong positive gross return of 19.2%. This rate of return exceeded the fund's 2013-14 fiscal year benchmark by 0.8%, and more importantly, surpassed the funding rate-of-return objective of the plan. Over the past four years, the investment portfolio of the ATRF fund has returned an annual average gross return of 12.1% as compared to the 10.8% fund benchmark, providing an average value-added return of 1.3% per year and adding \$387 million in additional fund growth.

Growth of ATRF

The liabilities of the Teachers' Pension Plan relate only to pensionable service after August 1992 making the plan a very young plan. This plan will have positive cash flow for the next 14 years and assets under management are projected to reach \$15 billion in four years. The focus is on investing these growing fund assets in an increasingly competitive investor world, while still achieving the appropriate risk-return profile necessary to fund the plans over the long term.

ATRF is committed to using appropriate, cost-effective internal resources to continue to build and maintain a successful investment program for the assets of the fund. As planned, in the past fiscal year, there was a further increase to the number of our investment-related staff, particularly in building the investment programs for private equity, infrastructure and real estate. Also, several enhancements to administrative, control and reporting functions to support best-practice operations of these illiquid asset classes were implemented. Additional staff will continue to be hired as required in future years to prudently support ATRF's growth.



Rod Matheson
Chief Executive Officer

PLAN FUNDING

Teachers' Pension Plan: Post-1992 Period Funding Structure

The cost of benefits being earned for service after August 1992, including the 60% cost-of-living pension adjustment provision, is shared equally between active members and the Government of Alberta. Active members are responsible for an additional 10% cost-of-living pension adjustment provision. Funding deficiencies under the plan are funded by additional contributions from active members and the Government of Alberta over a 15-year period. Since Post-1992 Period benefits are not guaranteed if the plan is terminated, the primary objective is to ensure there are sufficient assets to pay all Post-1992 Period benefits.

Plan Funding Sustainability

The funding policy 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 funding sustainability of the Post-1992 Period plan over the long term and to ensure the provision of benefits to plan members and their beneficiaries.

The Board and management review the funding policy for the Post-1992 Period Teachers' Pension Plan annually. No changes were made to the funding policy in 2013-14.

Current Plan Funding Results

A funding study of the Post-1992 Period was completed as at August 31, 2014. The study's assumptions were the same as those used in the funding study as at August 31, 2013. The funding study showed the contribution rates that were implemented September 1, 2013 remain adequate.

Teachers' Pension Plan Current Contribution Rates

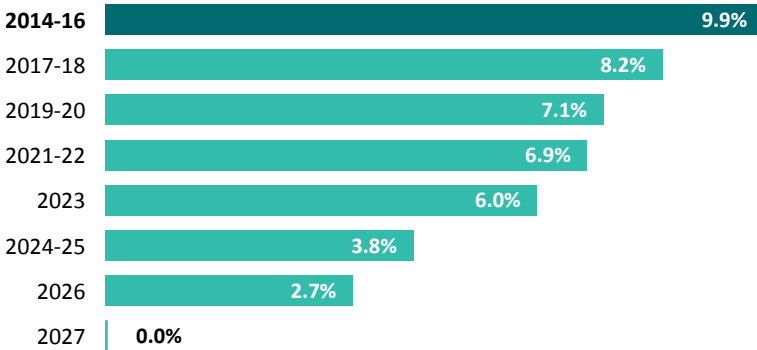
	(% of Salary)
Teachers	
Total Teacher Contribution	13.46
Salary up to YMPE ¹	11.44
Salary above YMPE	16.34
Government	12.65

¹ YMPE is the Year's Maximum Pensionable Earnings used by the Canada Pension Plan (\$53,600 in 2015).

The current total plan contribution rate is 26.11% of total teacher salaries, consisting of a current service cost of 16.2% of salaries and total deficiency contributions of 9.91% of salaries, and was set effective September 1, 2013. Our estimates as of that date showed that the total plan deficiency contributions would decrease over the next 13 years as the deficiencies are funded over their respective 15-year funding periods.

Estimated Current Total Deficiency Contribution Rates

2014 to 2027



Plan Funding Challenges

As noted in the Report of the Board Chair, the significant fund rates of return over the past two fiscal years have accelerated the original funding sustainability plan from that based on the original assumptions used to set the contribution rates as of September 1, 2013.

The Board intends to consider the current favourable funding development, assess it with the plan's actuary and management, and decide on the appropriate action going forward by the spring of 2015. We will communicate and implement any changes to the funding policies of the plan and/or future contribution rates to plan members at that time.

INVESTMENT PERFORMANCE

Long-Term Investment Objective

The primary long-term investment objective of the fund is to meet the assumed funding rate of return of the plan net of investment costs over the long term. This target is an essential long-term assumption in determining the funding requirements of the plan to ensure that plan benefits are funded in accordance with the established funding structure. We examine the investment performance of the fund for time periods of up to 15 years as this coincides with the 15-year funding period required for deficiencies under the legislation.

Over the past 15 years, both the funding rate of return and investment costs of the plan have changed. Over this time period, the funding rate of return of the plan has been reduced from 8.00% to 6.25%, as forecasts of long-term investment returns have fallen and the Board has reduced the overall funding risk of the plan. Investment costs have increased slightly as illiquid asset programs have grown. While our illiquid asset classes of private equity, real estate and infrastructure generate attractive returns for the fund, they tend to have a higher cost of management relative to publicly-traded assets.

Over the past 15 years the investment return for the Teachers' Pension Plan was 6.6%, which was 0.9% below the investment objective of 7.5% over the same time period.

The extremely weak investment markets experienced during 2000-02 and 2008-09 continue to impact the funding of the plan. The funding of the funding shortfall which resulted from these time periods, combined with the reduction in the funding rate of return have been the largest contributors to the increase in funding contributions from active teachers and taxpayers.

15-Year Return vs. Long-Term Investment Objective

to August 31, 2014



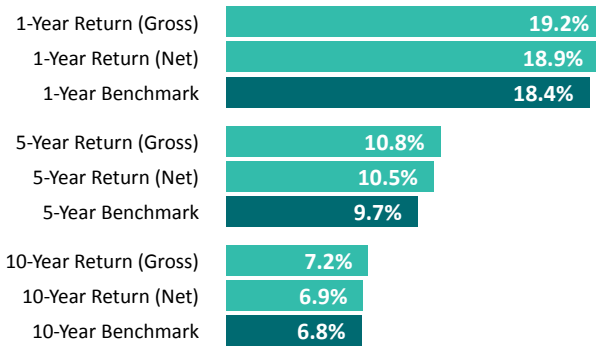
Benchmark Performance

Investment performance benchmarks have been established as a measure of the overall effectiveness of our active investment strategies. 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 according to the fund's policy asset mix. We then compare the actual performance of the investment portfolio to the return on the fund's benchmark over both short and long-term periods.

Over the five years ended August 31, 2014, the fund return exceeded the benchmarks by 1.1% (0.8% net of costs) annually. Over 10 years the fund return exceeded its benchmark by 0.4% (0.1% net of costs) annually.

Teachers' Pension Plan Return vs. Benchmark Performance

to August 31, 2014



Rates of Return

to August 31, 2014

Asset Class	1 Year (%)		10 Years (%)	
	ATRF	Benchmark	ATRF	Benchmark
Global Equity	26.7	26.7	7.7	7.6
Private Equity	26.0	24.1	n/a	n/a
Universe Bonds	7.8	7.6	5.6	5.5
Long-Term Bonds	12.4	13.3	n/a	n/a
Money Market	1.2	0.9	2.1	1.8
Real Estate	9.5	7.0	n/a	n/a
Infrastructure	11.3	7.6	n/a	n/a
Total Fund	19.2 (gross)	18.4	7.2 (gross)	6.8

PLAN MEMBER SERVICES EXCEED BENCHMARKS

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

We have established benchmarks for the delivery of services and measure our benefit delivery against those benchmarks. For the 2013-14 fiscal year, we shortened our benchmarks for two services – pension options package decreased from 10 days to seven days, and written inquiries from 10 days to five days. Below are our results for the 2013-14 fiscal year, with comparisons for the 2012-13 fiscal year. We exceeded the benchmark in all processes.

Service Provided	Benchmarks for 2013-14	Average Elapsed Time in 2013-14	Average Elapsed Time in 2012-13
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	5 days	4 days
Pension estimate	Within 7 days	1 day	1 day
Purchase estimate	Within 7 days	2 days	2 days
Termination benefit	Within 7 days	3 days	1 day
Reciprocal Transfer estimates	Within 14 days	6 days (Transfer In) 4 days (Transfer Out)	9 days (Transfer In) 6 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



Photos courtesy of the ATA Archives

Left: Miss Jean A. Topp retired Dec. 31, 1939 after 46 years of teaching in Quebec, Olds and Calgary.

Middle: Mr. C. E. Brandow, who was a teacher in Ontario and Alberta, retired Dec 31, 1939.

Right: Mrs. Elsie A. Smith retired Dec. 31, 1939 after 36 years of teaching in Ontario and Alberta.



The Alberta Teachers' Retirement Fund Board (ATRF) is a corporation established under the *Teachers' Pension Plans Act*.

ATRF is the trustee, administrator and custodian of the assets of the Teachers' Pension Plan for all Alberta teachers employed in school jurisdictions and charter schools.

The plan is a defined benefit pension plan registered under the *Income Tax Act* and is sponsored by the

Government of Alberta and the plan members, who are represented by The Alberta Teachers' Association. These plan sponsors are responsible for changes to plan design, benefits and funding, and share in plan gains and losses.

The Teachers' Pension Plan covers

- 38,878 active teachers
- 25,520 retired teachers
- 12,169 inactive teachers

MANAGEMENT



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

ROD MATHESON

Chief Executive Officer

DEREK M. BRODERSEN

Chief Investment Officer

ALBERT COPELAND

Director, Information and Technology Services

PEGGY CORNER

Director, Benefit Information Services

MARGOT HRYNYK

Director, Human Resources and Communications

MYLES NORTON

Director, Financial Services



Alberta Teachers'
Retirement Fund Board

600 BARNETT HOUSE
11010 142 ST NW
EDMONTON, ALBERTA, T5N 2R1

Telephone: 780-451-4166

Toll Free: 1-800-661-9582

Email: info@atrf.com

Web: www.atrf.com

Visit our website to view the complete 2014 Annual Report.

