



Alberta Teachers'
Retirement Fund Board

2015 ANNUAL REPORT HIGHLIGHTS

TEACHERS' PENSION PLAN

YOUR PENSION CONNECTION



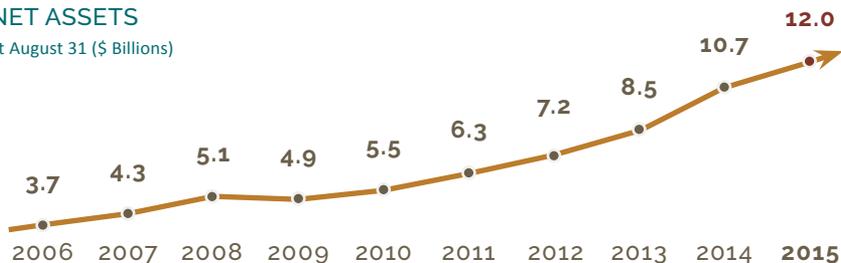
FINANCIAL HIGHLIGHTS

TEACHERS' PENSION PLAN

The **assets** of the fund have grown to **\$12.0 billion** at August 31, 2015. The 2014-15 fiscal year rate of return was **8.3%**

NET ASSETS

at August 31 (\$ Billions)



		POST-1992 PERIOD TEACHERS' PENSION PLAN	
13.174	10.810	Funding Value of Assets ¹	10.810
	2.364	Funding Liabilities	13.174
		Funding Deficiency	2.364

at August 31, 2015

(\$ BILLIONS)

¹ Market returns are smoothed over a 5-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. At August 31, 2015, the plan's funding value of net assets was \$1.20 billion lower than the fair value of the net assets.

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

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

TEACHERS' PENSION PLAN CONTRIBUTION RATES

(% of salary)

	Sept 2016	Sept 2015
Teachers		
Total Teacher Contribution	12.68	13.46
Salary up to YMPE ¹	10.74	11.44
Salary above YMPE	15.34	16.34
Government	11.95	12.65

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

PLAN MEMBER HIGHLIGHTS

TEACHERS' PENSION PLAN

In 2014-15 there were



	2015
Active member average age	41.8
Active member average years of pensionable service	10.3
Retired member average age	67.8
New retired member average age	60.0
Average pensionable service of new retired members	25.6

NUMBER OF NEW PENSIONS GRANTED



Approximately **1,000** per year - for the next decade.



PERSONAL INTERVIEWS WITH TEACHERS

800
In the
ATRF Office

1,110
Around
Alberta



PENSION ESTIMATES

38,322
Completed in
MyPension

2,787
By Pension
Counsellors



PENSION APPLICATIONS SUBMITTED

1,080
Online
or Paper

NUMBER OF



Incoming
Telephone
Calls

over
30,000

Member Email
Inquiries -
Responded to



almost
3,000



TEACHERS WHO ATTENDED A SEMINAR

600@
Teachers'
Convention

1,250@
19 Locations
in Alberta

REPORT OF THE BOARD CHAIR

– GREG MEEKER

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%. This is the primary reason the assets of the fund grew over that same period from \$4.9 billion as of August 31, 2009 to \$12.0 billion at August 31, 2015.

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 plan.

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's assets and liabilities, increased slightly from \$2.3 billion at August 31, 2014 to \$2.4 billion 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 Teachers' Pension Plan as at August 31, 2015, the Board is pleased to implement a total contribution rate decrease, effective September 1, 2016, of 1.48% of total teacher salaries; 0.78% for teachers and 0.70% for the Government of Alberta. This brings total contributions down from 26.11% to 24.63%.

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 presenting a pension seminar at a teachers' convention, the staff at ATRF strive to always deliver high-quality service.

In 2014-15 the staff handled 30,000 incoming phone calls from active and retired teachers, met with nearly 1,000 members in the office and 1,100 at conventions and locations throughout the province. 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.



Greg Meeker
Board Chair

THE BOARD

From left to right:

Sandra Johnston, Gene Williams, Greg Meeker, Lowell Epp, Harry Buddle, Karen Elgert.



REPORT OF THE CHIEF EXECUTIVE OFFICER

– ROD MATHESON

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 78,000 active, inactive and retired members.

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 Teachers' Pension Plan increased slightly from \$2.3 billion to \$2.4 billion. It's important to note the deficiency amount excludes a smoothing adjustment of \$1.2 billion. This adjustment, which reduces the value of the plan's assets for actuarial purposes, is designed to smooth changes in the asset values of the plan caused by capital market volatility over a five-year period.

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 continue our strong focus on meeting member needs. 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%. The extra return above benchmark added \$185 million in fund growth. 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. The plan's assets reached the \$12 billion mark by the end of the fiscal year. That is remarkable growth - more than doubling in five years. And the growth will continue. We expect the plan's assets will more than double again in less than 10 years.

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.



Rod Matheson
Chief Executive Officer

CORPORATE MANAGEMENT

From left to right:

Peggy Corner, Myles Norton, Rod Matheson,
Albert Copeland, Derek Brodersen, Margot Hrynyk.



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 amortized 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.

Funding Valuation Results

An actuarial funding valuation of the Post-1992 Period Teachers' Pension Plan 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 \$551 million, which was partly offset by a reduction in plan liabilities of \$256 million due to the 0.25% reduction in the inflation rate assumption.

Actuarial Funding Deficiency

as at August 31 (\$ Thousands)

	2015	2014
Funding Value of Assets ¹	\$ 10,810,000	\$ 9,610,000
Funding Liabilities	13,174,000	11,899,000
Funding Deficiency	\$ (2,364,000)	\$ (2,289,000)

¹ Market returns are smoothed over a 5-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. At August 31, 2015, the plan's funding value of net assets was \$1.20 billion lower than the fair value of the net assets.

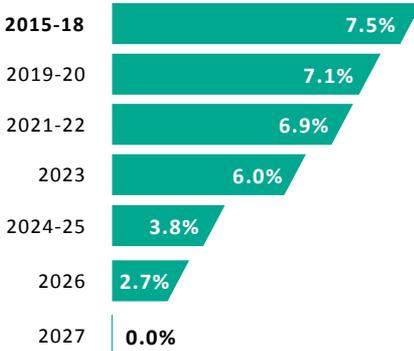
Contribution Rate Reduction

The funding valuation results in a total contribution rate reduction of 1.48% of total teacher salaries effective September 2016; 0.78% for teachers and 0.70% for the Government of Alberta.

The total contribution rate is 24.63% of total teacher salaries, consisting of a current service cost of 17.12% of salaries and total deficiency contributions of 7.51% of salaries. The valuation as at August 31, 2015 shows the remaining total plan deficiency contributions will decrease over the next 12 years as deficiencies are amortized over their respective 15-year funding periods as shown in the following chart.

Estimated Total Deficiency Contribution Rates

2015 to 2027



Plan Funding Challenges

A key assumption in the funding of the plan is that the fund will earn an average investment return each year equal to the discount rate used for funding purposes net of investment costs. Actual investment returns year-to-year can be quite volatile and absent any adjustment would lead to frequent contribution rate adjustments. 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. Over any five-year period, however, the two values are expected to converge to the same amount.

Due to the recent strong positive fund returns, the plan had a funding value of assets of \$1.2 billion less than market value as at August 31, 2015. This now places the plan in a position that market returns may be \$1.2 billion less than assumed for the plan's funding needs with no resulting impact on contribution rates.

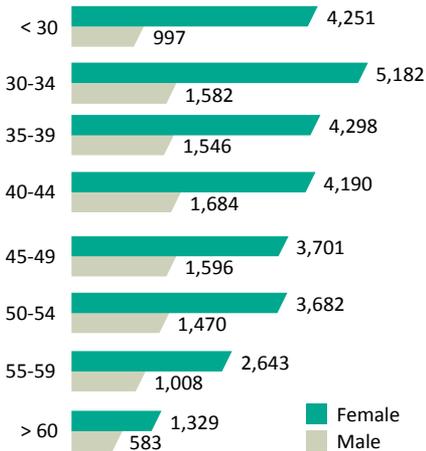


PLAN MEMBER SERVICES

Plan Members

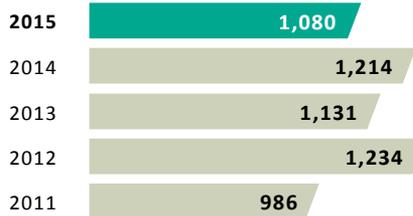
- 39,742 active members who accrued pensionable service during the 2014-15 fiscal year
- 26,283 retired members
- 12,032 inactive members

Age and Gender Distribution of Active and Disabled Members



Number of New Pensions Granted

for the period ended August 31



Full Range of Services for Plan Members

- Personal interviews with ATRF Pension Counsellors in our Edmonton office or at locations throughout Alberta
- Seminar presentations – ‘Steps to Retirement’ and ‘Your Pension Matters’
- Responses to inquiries by telephone, email or letter
- Website – information for teachers at every career stage
- MyPension – the secure online access to personal information
- The Teachers’ Lounge – videos and interactive tools
- Join Our Email List – email notification that information is available electronically



Timely Service to Plan Members

Service Provided	Benchmarks for 2014-15	Average Elapsed Time in 2014-15
Ongoing pension payments	On the third last business day of the month	All payments made on time
New pension option package	Within 7 days of application	3 days
Payment for new pensions	Within 7 days	3 days
Pension estimate	Within 7 days	1 day
Purchase estimate	Within 7 days	2 days
Termination benefit payment	Within 7 days	4 days
Reciprocal Transfer estimates	Within 14 days	3 days (Transfer In) 4 days (Transfer Out)
Written inquiries including email inquiries	Within 5 days	1 day
Telephone inquiries	Within 1 day	Within 1 day

2015 Plan Member Survey Results

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 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.

Of those who rated our communication material:

- 96% said 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.
- 96% indicated the Annual Report Highlights was informative and 93% said it assisted them in understanding the financial status of the pension plan.

- 91% rated the Steps to Retirement web video as good to excellent.
- 89% rated the Pension Option Selection Tool 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. These initiatives include:

- focusing plan member education on the three career stages – beginning, mid and near retirement,
- using plain language in plan member communication material, and
- ensuring we have adequate resources to provide interviews at Teachers' Conventions.

INVESTMENTS

Investment Performance

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. While traditional assets such as equities and bonds had modestly positive returns, alternative asset classes such as private equity, infrastructure and real estate were very strong. The weakness in the Canadian dollar relative to most other major currencies also had a positive impact on investment returns given that a significant proportion of ATRF's equity assets are held outside of Canada. For example, returns on U.S. stocks were negligible when measured in U.S. dollars, but exceeded 20% when measured in Canadian dollars.

Long-Term Investment Objective

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 plan.

Over the past 15 years the investment return for the Teachers' Pension Plan was 5.5%, which was 1.6% below the average funding discount rate of 7.1%. Despite strong investment returns in recent years, the extremely weak investment markets experienced during 2000-02 and 2008-09 continue to impact the funding of the plan. The amortization of the funding shortfall which resulted from these time periods, combined with the reduction in the funding discount rate have been the largest contributors to the increase in funding contributions from active teachers and taxpayers over the last 15 years.

15-Year Return vs. Long-term Funding Objective

to August 31, 2015



Net Assets

as at August 31 (\$ Thousands)

	2015	2014
Investments		
Fixed Income	\$ 3,233,422	\$ 2,966,221
Global Equity	4,849,030	4,836,794
Private Equity	1,140,312	851,277
Infrastructure	540,839	402,613
Real Estate	1,084,842	722,442
Absolute Return	1,291,559	860,655
Other (Liabilities) / Assets	(129,292)	25,256
Net Assets	\$ 12,010,712	\$ 10,665,258

Rates of Return

to August 31, 2015

Asset Class	1 Year (%)		4 Years (%)		10 Years (%)	
	ATRF	Benchmark	ATRF	Benchmark	ATRF	Benchmark
Fixed Income	4.9	5.5	4.8	4.9	5.0	5.2
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
Return Enhancing	9.2	7.3	16.0	14.6	6.8	6.7
Global Equity	4.7	4.6	15.0	15.1	6.4	6.6
Private Equity	36.2	22.2	20.4	17.3	—	—
Inflation Sensitive	12.8	5.9	9.9	5.9	—	—
Real Estate	12.5	5.6	9.7	5.9	—	—
Infrastructure	13.6	6.4	10.5	5.9	—	—
Absolute Return	8.0	4.9	—	—	—	—
TOTAL PLAN	8.3	6.5	12.0	10.6	5.9	5.8

Investment returns are shown net of internal and external costs and fees. As a measure of the overall effectiveness of our investment strategies, ATRF's Board and Investment Committee have approved a set of benchmarks against which those strategies are compared. The total fund benchmark is calculated by aggregating the benchmark returns of each asset class, and weighting them according to the fund's policy asset mix.



Policy Asset Mix – Post-1992 Period

at August 31, 2015

● 51.5% Return Enhancing	● 12.0% Inflation Sensitive
Global Equity 43.0%	Real Estate 8.0%
Private Equity 8.5%	Infrastructure 4.0%
● 26.5% Fixed Income	● 10.0% Absolute Return
Universe Bonds 15.5%	
Long-Term Bonds 9.0%	
Money Market 2.0%	

ATRF PROFILE

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.

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



CORPORATE DIRECTORY

BOARD & CORPORATE

BOARD

Greg Meeker, Chair

Assistant Principal, Ross Sheppard
High School, Edmonton Public
School Board

Lowell K. Epp, Vice Chair

Assistant Deputy Minister,
Treasury and Risk Management,
Alberta Treasury Board and Finance

Harry Buddle

Retired - President and CEO of Capital
City Savings - Servus Credit Union

Karen A. Elgert

Principal, Ecole Queen Elizabeth Jr. High,
Wetaskiwin Regional School Division

Sandra Johnston

Coordinator, Teacher Welfare,
The Alberta Teachers' Association

Gene Williams

Assistant Deputy Minister, System
Excellence Division, Alberta Education

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Derek M. Brodersen, Chief Investment
Officer

Albert Copeland, Vice President,
Information and Technology Services

Peggy Corner, Vice President,
Pension Services

Margot M. Hrynyk, Vice President,
Corporate Services

Myles Norton, Vice President,
Finance

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Greg Meeker, Vice Chair
Harry Buddle

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Harry Buddle, Chair

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Gene Williams, Chair

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Gist Capital Solutions

Richard Fortier

Formerly President and COO,
Desjardins Financial Security

Robert Maroney

Independent Investment Advisor

Jai Parihar

President and CEO,
UBC Investment Management Trust Inc.



Alberta Teachers'
Retirement Fund Board

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To learn more about your pension, visit our website at www.atrf.com
and read the complete 2015 Annual Report.

