



**Alberta Teachers'
Retirement Fund Board**



Business Plan 2010 - 11 to 2012 - 13

June 2010



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The Corporation

The Alberta Teachers' Retirement Fund Board (ATRF) is an independent corporation established under the Teachers' Pension Plans Act. From its office in Edmonton, ATRF administers the Teachers' Pension Plan for all Alberta teachers employed in school jurisdictions and charter schools. ATRF also administers the Private School Teachers' Pension Plan for teachers employed by those private schools in Alberta that have elected to join the plan. The plans are defined benefit plans partially indexed to inflation.

ATRF is sponsored by the Government of Alberta and the plan members, who are represented by The Alberta Teachers' Association (ATA). The members of the Board, which include three nominated by the Government of Alberta and three nominated by the ATA, are appointed by the Lieutenant Governor in Council. The plan sponsors are responsible for setting benefit and funding policies, which must be enacted through legislation.

The Board is the trustee and administrator of the plans and custodian of their assets. The Board is responsible for the corporate governance of ATRF and oversees the implementation of fiscal, investment and administrative policies by ATRF staff. Pension plan services are customarily provided to employees by their employers. ATRF is one of very few organizations that provides these services directly to employees, and does so for 93 employers.

The Teachers' Pension Plan covers approximately 72,000 members and 83 employers. There are no assets with respect to the Pre-September 1992 benefit period of the plan and all benefit payments are guaranteed, and are being funded on a "pay-as-you-go" basis, by the Government of Alberta. Benefits for service after August 1992 are being fully funded by active members and the Government of Alberta on a current basis. As of August 31, 2009, the Post-August 1992 benefit period of the plan had an actuarial value of assets of \$5.304 billion and an overall shortfall of \$1.820 billion. This deficiency is being funded by additional contributions of active plan members and the Government of Alberta over the period ending in 2024.

The Private School Teachers' Pension Plan covers 541 members and 10 employers. As of August 31, 2009, this plan had an actuarial value of assets of \$29.5 million and an overall shortfall of \$4.6 million. This deficiency is being funded by additional contributions of active plan members and the private school employers over the period ending in 2024.

Working in partnership to secure your pension income

In pursuit of our mission, ATRF provides services to meet customer needs as they relate to:

- benefit and retirement income information
- pension and other benefit payments
- investment management
- collection and reconciliation of plan member data
- collection and reconciliation of contributions
- benefit, funding and investment policy assessment and development
- management of emerging issues

Key Corporate Values

1. Quality Service

- We are dedicated to providing quality service to our customers in everything we do.
- We listen to customers and request their input on services provided.
- We set measurable results for our services, and evaluate our progress towards achieving those results.

2. Accountability and Responsibility

- We are accountable and responsible for our actions and results.
- We are responsible for cost effective and efficient use of resources.
- We expect our customers to be accountable for clarifying their needs, accepting their responsibilities and providing feedback on service provided.

3. Integrity and Fairness

- We treat individuals and groups equitably and honestly.
- We pursue mutual respect and dignity in our dealings with others.
- We ensure our conduct is ethical and adheres to non-partisan standards.

4. Valuing Employees

- We value and respect employees.
- We value team work.
- We treat employees fairly and consider them for available opportunities.
- We support employee development and expect employees to be responsible for developing their skills and knowledge.
- We foster an environment where employees can balance their work and family responsibilities.

Customer Service Statement

We provide what you need the first time

- We listen to understand your needs
- We provide accurate and timely information and benefit payments
- We deliver value-added investment performance

Strategic Directions 2010 to 2013

ATRF will pursue the following strategic directions for the period ending in August 31, 2013:

1. Provide accurate and timely benefit payments and information to plan members in a cost-effective manner.

Strategies:

- accurate plan member and contribution data for timely benefit payments and plan information
- secure systems that effectively and efficiently meet the benefit payment and information needs of plan members
- communication initiatives that create a sense of value for the plans with plan members and assist them in making informed decisions, with a focus on enhancing internet-based services

2. Achieve maximum, risk-controlled, cost-effective, long-term investment returns.

Strategies:

- a policy asset mix that maximizes long-term investment returns within the risk tolerance of the plans
- long-term investment returns that meet the real rate of return assumed in the funding valuations of the plans
- investment policies supporting long-term risk parameters and return objectives
- ranges for asset categories and classes that allow for variations from the policy asset mix in order to enhance long-term investment returns
- portfolio managers that meet benchmarks for passive portfolios and add value above benchmarks for active portfolios
- investment systems that effectively and efficiently meet investment management, risk management and reporting requirements

3. Proactively manage issues and information to secure the pensions of members and enhance the value of the plan for plan members, plan sponsors and employers.

Strategies:

- effective partnerships and collaboration with the plan sponsors
- proactive provision of information and advice for the plan sponsors to assist them in setting benefit and funding policies
- information to plan sponsors on the current and future impacts of the funding agreement under the respective plans
- positive business relationships with employers
- secure, effective and efficient systems to obtain accurate and timely plan member and contribution data from employers
- a sense of value with employers for ATRF and the pension plans

4. An organization that maximizes contribution of staff and the Board to meet customer needs.

Strategies:

- a team-oriented work environment that encourages employee involvement
- a work environment where employee learning and development is encouraged
- enhanced staff capability on an ongoing basis
- effective organizational policies, risk management and internal control processes
- appropriate governance best practices
- enhanced Board effectiveness on an ongoing basis

Action Plans

To implement the strategic directions outlined in this Business Plan, related strategies for each strategic direction will be pursued. In addition, specific action plans have been developed. These action plans highlight the key initiatives that are to be undertaken by ATRF over the three years commencing September 1, 2010.

1. Provide accurate and timely benefit payments and information to plan members in a cost-effective manner.

2010-11	2011-12	2012-13
<p>Implement enhancements to member services and operational efficiency.</p> <ul style="list-style-type: none"> ◆ implement a reciprocal transfer agreement with the federal public service pension plan; and ◆ implement a secure process for electronic authentication of a plan member's identity to authorize pension commencement and termination benefit decisions 	<p>Implement enhancements to member services and operational efficiency.</p> <ul style="list-style-type: none"> ◆ establish a plan for the implementation of the use of unique plan member identification numbers for data, communication and benefit processes; and ◆ assess business case for providing automatic purchase estimates to plan members when they have completed an employer-approved leave. 	<p>Implement enhancements to member services and operational efficiency.</p> <ul style="list-style-type: none"> ◆ implement the use of unique plan member identification numbers ◆ implement process to provide automatic purchase estimates to plan members ◆ assess the business case for processing individual plan member data into ATRF systems from employers immediately as the data is validated rather than the current process of waiting for all plan member data from an employer for a particular month to be validated, to enhance the timeliness of services to plan members.
<p>Complete implementation of plan member communication plan, with the focus on:</p> <ul style="list-style-type: none"> ◆ electronic communication being the primary communication tool; ◆ enhancing communication material and vehicles; ◆ incorporating key corporate messages into communications; and ◆ highlighting the value of the plans. 	<p>Update the plan member communication plan.</p>	<p>Commence implementation of action plans arising from updated plan member communication plan.</p>
<p>Conduct a plan member survey, evaluate results and identify customer service enhancements.</p>	<p>Implement customer service enhancements arising from surveys.</p>	<p>Conduct a plan member survey, evaluate results and identify customer service enhancements.</p>

2010-11	2011-12	2012-13
<p>Design and implement an ongoing plan for testing of the operational effectiveness of internal controls over financial reporting to provide increased due diligence and security in ATRF's internal controls, financial operations and reporting systems.</p> <ul style="list-style-type: none"> ◆ key internal controls and processes documented; ◆ operational effectiveness of key internal controls tested; ◆ enhancements to internal controls identified and implemented; and ◆ oversight and compliance processes strengthened. 	<p>Implement ongoing testing of the operational effectiveness of internal controls over financial reporting.</p> <p>Assess need for a review process for key internal non-financial reporting control processes and systems.</p>	<p>Ongoing testing of the operational effectiveness of internal controls over financial reporting.</p> <p>Commence review of key internal non-financial reporting control processes and systems.</p>
<p>Update ATRF's Enterprise-Wide Risk Management Plan and develop an enhanced related reporting structure.</p>	<p>Implement ongoing reporting structure for ATRF's Enterprise-Wide Risk Management Plan.</p>	
<p>Assess, develop and implement technology initiatives in support of business plans.</p> <ul style="list-style-type: none"> ◆ ongoing security testing and implementation of upgrades ◆ implement upgrades to personal computer software and server operating software; ◆ implement upgrade to accounting/financial system; ◆ implement upgrades to telephone system; and ◆ develop plan for upgrade of business application workflow software. 	<p>Assess, develop and implement technology initiatives in support of business plans.</p> <ul style="list-style-type: none"> ◆ ongoing security testing and implementation of upgrades ◆ implement upgrade to business application workflow software; ◆ develop upgrade plan for personal computer system hardware and; ◆ develop plan for upgrade of benefits system application development software. 	<p>Assess, develop and implement technology initiatives in support of business plans.</p> <ul style="list-style-type: none"> ◆ ongoing security testing and implementation of upgrades ◆ implement upgrades to benefits system application development software; ◆ implement upgrades to personal computer system hardware; ◆ develop upgrade plan for accounting/financial system; and ◆ develop upgrade plan for personal computer software and server operating software.
<p>Implement enhancements to business continuity plans.</p> <ul style="list-style-type: none"> ◆ ongoing review and update of business continuity plans; ◆ implement upgrades to replication hardware and software; ◆ digitize and back up critical, legacy corporate paper; and ◆ implement back up internet for main internet connection. 	<p>Implement enhancements to business continuity plans.</p> <ul style="list-style-type: none"> ◆ ongoing review and update of business continuity plans; and ◆ implement upgrades to replication hardware and software. 	<p>Implement enhancements to business continuity plans.</p> <ul style="list-style-type: none"> ◆ ongoing review and update of business continuity plans; and ◆ implement upgrades to replication hardware and software.

2. Achieve maximum, risk-controlled, cost-effective, long-term investment returns.

2010-11	2011-12	2012-13
<p>Implement new policy asset mix; new real estate and infrastructure asset classes; and revised asset class structures.</p> <p>Manage the related growth in internal and external resources, and associated Board/Investment Committee/ATRF reporting and internal controls.</p>	<p>Ongoing implementation of new policy asset mix, asset classes and asset class structures.</p>	<p>Ongoing implementation of new policy asset mix, asset classes and asset class structures.</p>
<p>Examine non-core investment processes, controls and reporting; establish responsibilities of the Investment Department and the Financial Services Department and the appropriateness of external service providers; and set a related implementation plan.</p>	<p>Commence implementation of changes to responsibilities for non-core investment processes, controls and reporting.</p>	<p>Complete implementation of changes to responsibilities for non-core investment processes, controls and reporting.</p>
<p>Continue active risk budgeting; examine the potential transition to total fund risk budgeting; assess key investment risk elements.</p>	<p>Ongoing measurement, reporting and management of investment risk.</p>	<p>Ongoing measurement, reporting and management of investment risk.</p>
<p>Review internal asset management function capability for public equity asset classes that could be more effectively managed internally and prepare related business cases.</p>	<p>Ongoing review of the effectiveness of internal and external asset management functions.</p>	<p>Ongoing review of the effectiveness of internal and external asset management functions.</p>

3. Proactively manage issues and information to secure the pensions of members and enhance the value of the plan for plan members, plan sponsors and employers.

2010-11	2011-12	2012-13
<p>Provide plan sponsors proactive support and information regarding the funded status of the plans and assist them communicating to their stakeholders on funding and benefit issues.</p>	<p>Provide plan sponsors proactive support and information regarding the funded status of the plans and assist them communicating to their stakeholders on funding and benefit issues.</p>	<p>Provide plan sponsors proactive support and information regarding the funded status of the plans and assist them communicating to their stakeholders on funding and benefit issues.</p>

Develop an updated value of plan statement with the plan sponsors targeted at plan members and other stakeholders.	Assess impact of anticipated Government changes to private sector pension plan standards with the plan sponsors and implement changes.	
Provide continued support to employers for data submission and information requests.	Provide continued support to employers for data submission and information requests.	Provide continued support to employers for data submission and information requests. Assess the business case for website training for employers.

4. An organization that maximizes contribution of the Board and staff to meet customer needs.

2010-11	2011-12	2012-13
Complete implementation of depth-of-knowledge broadening plan to mitigate risks related to ATRF’s business continuity in the event of the departure of key staff; ongoing activity to strengthen information sharing, documentation and cross-training.	Assess and update depth-of-knowledge broadening plan.	Ongoing implementation of depth-of-knowledge broadening plan.
Review and update succession plan and related individual staff development plans.	Ongoing initiatives to enhance succession planning.	Ongoing initiatives to enhance succession planning.
Implement corporate training initiatives. Assess team and staff development needs and implement supporting plans.	Implement corporate training initiatives. Assess team and staff development needs and implement supporting plans.	Implement corporate training initiatives. Assess team and staff development needs and implement supporting plans.
Develop office space plans for the next five years and finalize renovation plans.	Complete office space renovation activities.	
Implement Board action plans to continue to enhance ATRF corporate governance. ♦ implement requirements of the Alberta Public Agencies Governance Act; ♦ executive compensation review; and ♦ ongoing induction of new Board members and Board member development.	Assess emerging issues relating to corporate governance and implement Board action plans to continue to enhance ATRF corporate governance. Conduct a comprehensive bi-annual corporate governance and strategic planning session.	Assess emerging issues relating to corporate governance and implement Board action plans to continue to enhance ATRF corporate governance.

Result Measures

ATRF monitors and evaluates its progress on business plan initiatives to ensure that activities are on track and are meeting identified targets. Regular progress reports assess the status of each initiative. Performance benchmarks have been established for all major initiatives, and are used to determine whether ATRF is meeting its targets.

Results achieved are measured against established benchmarks in the following areas.

1. Response Time to Plan Member Requests

Benchmarks have been established for responding to various plan member service requests. These benchmarks are assessed annually to determine if they can be adjusted to further improve service to plan members. Reporting under the plan member benefit and information system and related workflow processes provides detailed benchmark tracking, and is used to identify areas where service can be enhanced.

Completion of a service process is dependent on the receipt of required information from an employer, another pension plan or the plan member. The following benchmarks are in place for major service processes, where all required documentation is complete.

Service Process	Benchmark
Ongoing pensioner payments	on the third last business day of the month
Pension options package for new pensioners	within 10 days of application
Pension payment for new pensioner	within 7 days
Pension estimate	within 7 days
Termination benefit	within 10 days
Death benefit	within 10 days
Purchase of service estimate	within 10 days
Urgent written or email inquiry	within 7 days
Non-urgent written or email inquiry	within 10 days
Telephone inquiry	within 1 day

ATRF also conducts plan member and pensioner surveys that are used to evaluate the quality of service and benchmarks set, and to enhance customer service.

2. Rate of Return on Investments

The rate of return on investments is tracked monthly. Results are reported monthly to management, quarterly to the Investment Committee and the Board, and annually to plan members, the ATA and the Government of Alberta. The long-term investment objective is based on the long-term real rate of return assumption used in the actuarial valuation of the plans, currently 4.25% above the level of Alberta inflation.

Asset Category	Benchmark
Liability Matching	
▪ Canadian Universe Bonds	DEX Universe Bond Index
▪ Canadian Long-Term Bonds	DEX Long-Term Government Bond Index
▪ Money-Market Securities	DEX 30-day T-Bill Index
Return Enhancing	
▪ Global Equities	Morgan Stanley Capital International World Index
▪ Canadian Equities	S&P/TSX Composite Index
▪ Private Equities	<u>Mature Portfolio</u> : Morgan Stanley Capital International World Index plus 2% Emerging Portfolio: portfolio return (as the portfolio is in its early stages of implementation)
Inflation Sensitive	
▪ Real Estate	Portfolio return (as the portfolio is in its early stages of implementation)
▪ Infrastructure	Portfolio return (as the portfolio is in its early stages of implementation)

3. Cost Effectiveness

(a) Expenditures Compared to Budgets

ATRF is committed to cost-effective delivery of client services. Budgets are reviewed by the Finance and Planning Committee and approved by the Board. Actual expenditures are compared to budgeted amounts on a monthly basis. Results are reported regularly to the Board and annually to plan members, the ATA and the Government of Alberta.

(b) Investment Expenditures Compared to Benchmark Cost

Total investment expenditures are compared to a benchmark cost on an annual basis. The benchmark cost is based on the average cost of a Canadian fund with an asset size and asset mix similar to those of ATRF. Investment expenditure comparisons are reported annually to the Investment Committee, the Board, plan members, the ATA and the Government of Alberta.

(c) Plan Administration Expenses Compared to Those of Similar Pension Plans

ATRF plan administration costs are compared to those of other public sector pension plan organizations based on the number of active members and pensioners. This comparison provides an indication of the relative plan administration costs, recognizing the limitations of comparing administration costs of different plans. These limitations arise due to the unique administrative structure of each plan, and the differing services and service levels adopted by the plans. The 2010-11 ATRF budget estimate represents a plan administration cost of about \$74 for each active plan member and pensioner.

ATRF also participates in a benchmarking study with several other public sector pension plans. Under this study, core business functions are costed and service levels compared. This provides a more detailed cost comparison for core business functions over time and between plans.

2010-11 Expenditure Profile

Effective September 1, 2009, important changes occurred to the funding and liability structure of the Teachers' Pension Plan. The invested assets of the plan now represent plan liabilities for pensionable service after August 1992, making the plan a very young plan with positive cash flow for at least the next 15 years. In addition to the significant anticipated growth of assets under management, in January 2010 the Government of Alberta repaid a loan of \$1.185 billion that represented about 24% of the plan assets.

The Board approved a new policy asset mix for the investment of the assets of the pension plan. The new policy asset mix required considerable changes to investment policy and structures, and related operational and resourcing matters. Management has developed a plan to execute on the establishment of the new infrastructure and real estate asset classes, and on the expansion of the private equity asset class.

Historically, the biggest challenge to success in these illiquid asset classes for many investors has been the high cost associated with funds and fund-of-funds in the form of manager fees and carried interest. Looking ahead, ATRF's asset growth and significant total allocation of 35% of fund assets to these asset classes will give it the scale to reduce, but not eliminate its reliance on high-cost external providers, by enhancing its internal investment operation.

Management has developed the long-term vision, strategy, process and resource requirements involved in building and maintaining a successful, cost-effective investment program for illiquid asset classes that is expected to result in material net cost savings to ATRF. Achieving this however will require ATRF to make a significant commitment to internal resources. The majority of the 10% increase in the budget for the 2010-11 fiscal year over the 2009-10 budget is related to the additional staff and advisory services required to build the investment programs for infrastructure, real estate and private equity and commence investment in these asset classes.

2008-09 Actual	2009-10 Budget	2009-10 Forecast	2010-11 Budget
Operating Budget			
\$18,540,000	\$23,915,000	\$20,856,000	\$26,275,000
Full-Time Equivalents			
38.0	38.0	39.3	47.0

Note: Full-time equivalents represent the annual number of equivalent full-time staff positions.