



Alberta Teachers'  
Retirement Fund Board

# BUILDING ON A SOLID FOUNDATION

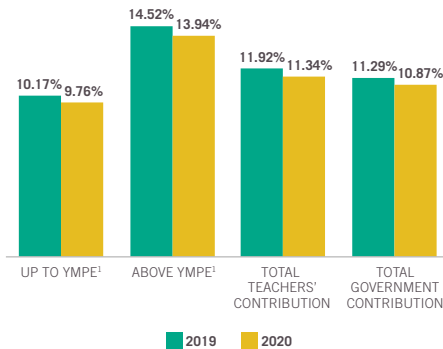
2019 ANNUAL REPORT HIGHLIGHTS

# 2018-19 HIGHLIGHTS

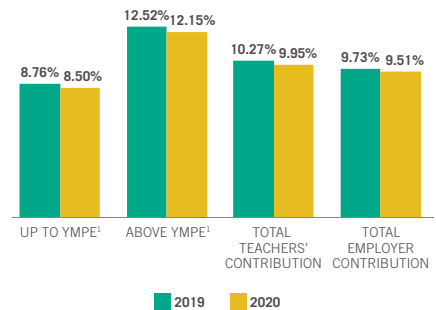
## CONTRIBUTION RATE REDUCTION

As a result of strong investment returns, prudent planning, and sound pension management, the ATRF Board has determined that the plans are in a position to reduce contribution rates for this year. This is the third reduction since 2016 and will come into effect on September 1, 2020.

### Teachers' Pension Plan

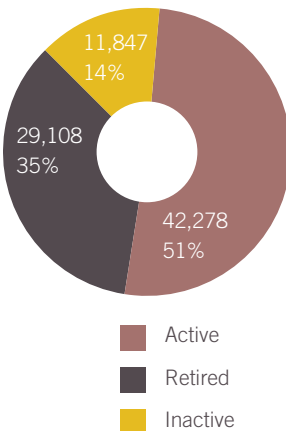


### Private School Teachers' Pension Plan



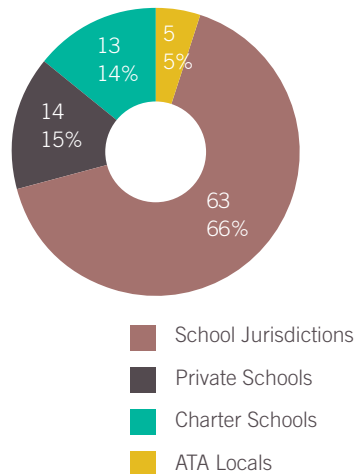
<sup>1</sup>YMPE: Yearly Maximum Pensionable Earnings used by the Canada Pension Plan (\$58,700 in 2020)

### 83,233 Plan Members



Of which 802 are members of the Private School Teachers' Pension Plan.

### 95 Employers



Total contributions  
**\$844 million**

Total benefits paid  
**\$558 million\***

Administrative cost **\$120**  
per member compared  
to **\$156** average cost per  
member for a peer group  
of Canadian public sector  
pension organizations

\* An additional \$483 million was received from the Government of Alberta for benefits paid by ATRF relating to the pre-1992 period.

## NET ASSETS

*As at August 31*



## PLAN FUNDING

- **95%** funded—Teachers' Pension Plan—up from **74%** funded in **2013**
- **102%** funded—Private School Teachers' Pension Plan—up from **81%** funded in **2013**

See more detail on page 9

## INVESTMENT RETURNS

- \$18.1 billion—net assets at August 31, 2019
- 7.8%—annual rate of return (net)
- 7.9%—four-year rate of return (net)

See more detail on page 11

# BOARD CHAIR MESSAGE

As a member of the ATRF Board for the past seven years, and now in my new capacity as Board Chair, I've seen remarkable transformation in our organization. ATRF has spent decades safeguarding teachers' retirement, protecting their best interests, and continually working to improve at both. This ability to innovate and evolve is made possible by the stable base of excellent governance and management we've carefully constructed over the past 80 years.

Looking back, 2018-19 was another year dedicated to solidifying ATRF's future success. As the funded status of the plans continued to rise and our member services and investment management operations remained solid, the organization continued to engage in major projects—all with a razor-sharp focus on long-term pension plan sustainability. This past year we made good progress on projects that lay the groundwork that will help us continue to meet members' ever-changing needs.

With all this development, the Board remains focused on maintaining the high level of organizational efficiency we've come to expect from ATRF. Generations of exceptional member service combined with investment expertise and innovative thinking across the organization have built a solid foundation—the secure funding of the plan through prudent, responsible growth.

This includes continual increases in the funded status of the Teachers' Pension Plan (TPP), that improved again this year and remains on a solid trajectory to being fully funded. The plan's deficiency (the difference between the actuarial value of the plan's assets and liabilities) decreased again this year from \$1.19 billion to \$863 million. The ratio of funding assets to funding liabilities increased to 95% from 93% last year.

Ensuring benefit security is our primary objective when monitoring the plan's funding and determining contribution rates. The August 31, 2019 actuarial valuations showed that strong investment returns resulted in an improved funded status of the plans and an earlier than planned funding of prior deficiencies. This allowed the Board to reduce contributions, while also continuing to prudently build a margin for adverse experiences in the future. I'm pleased to announce that total contribution rates will decrease effective September 1, 2020 by 1% of teachers' salaries for the TPP and 0.54% for the PSTPP.

After the close of our fiscal year, the Government of Alberta's Bill 22, *Reform of Agencies, Boards and Commissions and Government Enterprises Act*, was tabled and became law, altering the legislative framework within which ATRF operates. ATRF is required to transfer investment management of all Pension Funds to the Alberta Investment Management Corporation (AIMCo). This will require significant change at ATRF, and I am confident that years of hard work from ATRF employees and Board members have built a strong foundation that can support members and the organization during this time of transition.

Although this change was unexpected and has a significant impact on how the plan assets are managed, what will stay the same is the dedication of the Board to ensuring teachers' best interests are protected, and



our commitment to maintaining a pension plan that will provide for the retirement of future generations of teachers as it has served those in the past.

I feel honoured and privileged to be a part of this organization and, on behalf of the Board, I'd like to acknowledge the incredibly hard work that's made this year such a success. In particular, I'd like to thank outgoing Board Chair, Greg Meeker—the impact of his 12-year commitment to the Board, the

organization, and our members cannot be overstated—and to former Board members Marvin Romanow and John Butler for their service to the teachers of Alberta.

Looking ahead, we can be confident that both our solid foundation and our pioneering spirit will endure for years to come.

- Sandra Johnston

# ATRF BOARD MEMBERS



**Sandra Johnston**  
Board Chair



**Catherine Connolly**



**Karen Elgert**



**Greg Francis**



**Paul Haggis**



**Maria Holowsinsky**



**Kareen Stangherlin**

## Board Committees\*

### The Investment Committee

Catherine Connolly, Chair,  
Karen Elgert, Greg Francis,  
Paul Haggis, Maria Holowsinsky,  
Sandra Johnston, Kareen Stangherlin

### The Audit and Finance Committee

Kareen Stangherlin, Chair,  
Maria Holowsinsky, Sandra Johnston

### The Governance Committee

Maria Holowsinsky, Chair,  
Catherine Connolly, Greg Francis

### The Human Resources and Compensation Committee

Sandra Johnston, Chair,  
Catherine Connolly, Karen Elgert,  
Greg Francis, Kareen Stangherlin

### The Review Committee

This committee consists of the entire Board.

*\*As at August 31, 2019*

# CEO MESSAGE

I was asked recently to choose a few words to describe ATRF. My answer? Secure, stable and agile. Fortunately, secure, stable and agile are the materials you want your organizational structure built from when navigating times of change.

ATRF has been delivering the finest quality both in our service and investment portfolios for many years. It's this foundational excellence that has seen us through the past 80 years.

What does a solid foundation look like for ATRF? It comes in the form of a 7.8% return in 2018-19 and 7.9% over the past four years—surpassing our benchmark of 7.1% for the same period and equating to \$470 million in real dollars. It also translates to assets now over \$18 billion, a funded status of 95% and member satisfaction scores averaging 92%. Ultimately, ATRF is seeing years of hard work paying off in real ways. It's helping to contribute to the secure retirement of the dedicated educators who teach Alberta's children and help shape its future, and that's an accomplishment that makes us all incredibly proud.

Of course, as the needs of our members continue to evolve, so too must our organization in order to adapt and respond. To this end, we expanded our workforce to support core and ongoing initiatives designed to facilitate future innovation and build out our service delivery models. We hired key positions to support these demands, including at the executive level, as we welcomed Vice President, Fund Risk & Strategy, Gary Smith, and Vice President, People & Culture, Marcie Chisholm.

Amidst all these developments, we stay committed to our people and unique corporate culture. While we're undertaking

significant transitions and major projects and bolstering the services we provide to members, we remain dedicated to nurturing the family atmosphere that ATRF employees have come to cherish. In fact, ATRF was once again thrilled to receive an Alberta's Top 75 Employer Award—a direct reflection of both the great work being undertaken by all our dedicated employees and the top-notch corporate culture that emerges as a result.

We are fortunate to have this solid foundation as we enter a time of significant transition. Implementing the changes included in the Government of Alberta's Bill 22 while remaining focused on providing excellent member service and ensuring stable pensions for Alberta teachers will be a substantial undertaking. I am confident that the strong foundation we have built over the last 80 years will support our members and our organization through this change.

I'd like to thank the ATRF Board members for their continued support and guidance and, in particular, Greg Meeker, whose term on the Board recently ended. Greg was Board Chair for my tenure at ATRF thus far and I'm grateful for his leadership and wisdom. I'd also like to thank all ATRF employees for their tireless commitment to realizing the pension promise for our members. It's no small feat that we have, at our core, the level of stability we do. As we move forward and continue to evolve through transition, I'm looking forward to sustaining that solid foundation—together.

- Rod Matheson



# ATRF EXECUTIVE



**Rod Matheson**  
*Chief Executive Officer*



**Tina Antony**  
*VP, General Counsel  
& Corporate Secretary*



**Derek Brodersen**  
*Chief Investment Officer*



**Albert Copeland**  
*VP, Information &  
Technology Services*



**Julie Joyal**  
*VP, Pension Services*



**Myles Norton**  
*VP, Finance*



**Gary Smith**  
*VP, Fund Risk & Strategy*

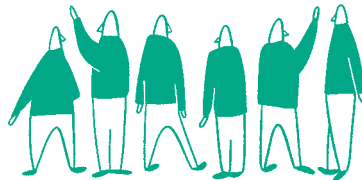


**Marcie Chisholm**  
*VP, People & Culture*

## Alberta's



ATRF was proud to have again been selected as one of Alberta's Top 75 Employers for 2019. This is the third consecutive year the organization has been recognized as an employer that leads their industry in offering exceptional places to work.



# CONTRIBUTION RATES

The ATRF Board carefully reviews a number of factors when determining the plans' contribution rates, and this year, for the third time since 2016, the Board determined the rates will be reduced. Several considerations went into this decision, including:

- strong investment returns,
- prudent management that continues to build margins and reinforce the plans' long-term sustainability, and
- determination that the plans will be able to continue to meet funding objectives of benefit security, intergenerational equity, and contribution rate stability and affordability.

Teachers' Pension Plan Contribution Rates (% of pensionable salary)	Sept1, 2020
up to YMPE <sup>1</sup>	9.76
above YMPE	13.94
Total Teachers' Contribution	11.34
Total Government Contribution	10.87

<sup>1</sup> YMPE: Yearly Maximum Pensionable Earnings used by the Canada Pension Plan (\$58,700 in 2020)

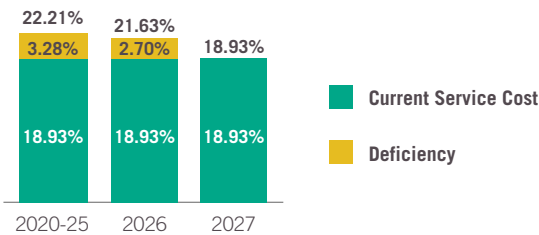
Based on the August 31, 2019 actuarial valuation, the total contribution rate effective September 1, 2020 will be 22.21% of teacher salaries, consisting of a current service cost of 18.93% of salaries and total deficiency contributions of 3.28% of salaries. The deficiency contributions are planned to decrease according to the following schedule.

Private School Teachers' Pension Plan Contribution Rates (% of pensionable salary)	Sept1, 2020
up to YMPE <sup>1</sup>	8.50
above YMPE	12.15
Total Teachers' Contribution	9.95
Total Employer Contribution	9.51

<sup>1</sup> YMPE: Yearly Maximum Pensionable Earnings used by the Canada Pension Plan (\$58,700 in 2020)

Based on the August 31, 2019 actuarial valuation, the total contribution rate effective September 1, 2020 will be 19.46% of teacher salaries, representing the current service cost (i.e. the cost of benefits being accrued in a year). There are no deficiency contributions required under the Private School Teachers' Pension Plan since this plan no longer has a deficit.

## Teachers' Pension Plan Contribution Rates



Of course, these projections assume that all assumptions remain unchanged and will be realized as expected. Actual experience will vary and the actual results recognized in future actuarial valuations can be better or worse than these projections. Therefore, the rates illustrated above may vary.



# FUNDING

## PLAN FUNDING OBJECTIVES

The ATRF Board established a funding policy with principles and guidelines that govern how the plans are funded. The overall objective is the sustainability of the plans—to ensure the plans will be able to pay the promised pensions to members and their beneficiaries, today and over the long term.

## BUILDING PLAN FUNDING

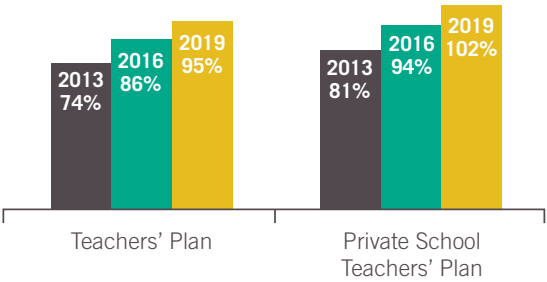
ATRF regularly conducts actuarial funding studies to assess the value of the plans' liabilities compared to their assets and to ensure adequate funding. An actuarial valuation is a report on the health of the plans.

The funded status of the plans based on the most recent actuarial valuations as at August 31, 2019 is:

<b>Teachers' Pension Plan Post-1992 Period (\$ Billions)</b>		<b>Private School Teachers' Pension Plan (\$ Millions)</b>	
Funding Value of Assets	17.232	Funding Value of Assets	86.96
Funding Liabilities	18.095	Funding Liabilities	84.95
Funding Deficiency	0.863	Funding Surplus	2.01
Funded Ratio	95%	Funded Ratio	102%

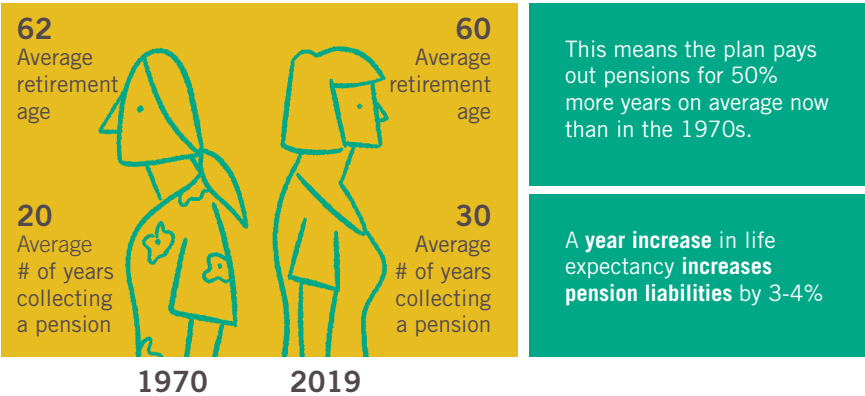
Based on these valuations, the funded status of the Teachers' Pension Plan (TPP) continues to prudently build towards being fully funded. The Private School Teachers' Pension Plan (PSTPP) is fully funded once again this year.

## Funding Status



# PLAN MEMBERS' INCREASING LONGEVITY

Increased life expectancy presents a funding challenge for pension plans. It means pensions are paid for a longer period of time after retirement—and yet they still need to be funded with employer and employee contributions over a similar number of years in an average career. The last several decades have seen significant changes in retirement experiences. Teachers are living longer and retiring earlier.



## PLAN MEMBER STATISTICS

*As at August 31*

	2019	2000
Active and disabled member average age	42.0	42.7
Active and disabled member average years of pensionable service	11.5	12.0
Retired member average age	71.8	68.0
New retired member average age	59.7	57.8
Average pensionable service of new retired members	25.8	26.6

- The number of centenarian retired plan members is 41.
- The oldest plan member is 109 years old, and has been receiving a pension for 45 years.
- The average annual pension payment is \$33,491, an increase of 3.3% over last year.

# INVESTMENT PERFORMANCE

The past fiscal year was an interesting one in global financial markets. While most economies continued to show positive growth, persistent geopolitical unrest—Brexit, strained trade relations between the U.S. and China and unrest in the Middle East—created uncertainty and impacted market stability. Overall, ATRF's investment performance remained strong through 2018-19. The significant improvement in the funded position of the plans over the past 10 years is primarily due to these strong investment returns.

## Rates of Return (net of costs)

*As at August 31, 2019*

	1 Year (%)		4 Years (%)		10 Years (%)	
	ATRF	Benchmark	ATRF	Benchmark	ATRF	Benchmark
<b>TOTAL PLAN</b>	<b>7.8</b>	<b>6.4</b>	<b>7.9</b>	<b>7.1</b>	<b>9.2</b>	<b>8.3</b>

## 2019 NEW INVESTMENT HIGHLIGHTS

In 2018/19 ATRF added a number of new investments to the fund. Here are some examples.

### Numotion

Based in the U.S., Numotion is a value-added service provider of complex rehabilitation technology (primarily complex power and manual wheelchairs) for adults and children with permanent ambulatory disabilities.

### The Summit at Lantana

The Summit at Lantana is a fully leased, 818,000 square foot, LEED-Gold certified office campus located in Austin, Texas. In 2017, the Building Owners and Managers Association awarded The Summit The Outstanding Building of the Year Award for excellence in property management and operations. The Summit includes a number of sustainable features and tenant amenities including a rainwater collection system, solar-shaded exterior, running trails, fitness facility, cafeteria, gaming/event spaces, barbeque grills and conference facilities.

### Proxiserve

Proxiserve is a French utility services provider that installs, rents and maintains water and heat sub-meters for multi-residential buildings. With over 3,000 employees, the business has installed over 3.7 million meters throughout France. In addition to its sub-metering business, Proxiserve provides maintenance services to multi-residential buildings through plumbing and boiler installation and maintenance.

# BUILDING ON A HISTORY OF QUALITY SERVICE

ATRF's solid foundation starts with our members. They are at the heart of what we do, and this commitment drives us to continually improve our connections with them, whenever and however they access our services.

Whether a member has a one-on-one conversation with an ATRF representative, is looking for information on our website or accesses their *MyPension* account for a pension calculation, our goal remains the same—to provide an exceptional experience and make a meaningful difference for the members we serve.

## SURVEY SAYS!

To the more than 14,000 members who participated in our 2019 Plan Member Survey, we thank you for your feedback! The insights we glean from these surveys are critically important as they allow us to assess how ATRF is doing in our response to evolving member needs.

This year, you told us our customer service levels remain high, and that you continue to find value in our website, communications material and our online *MyPension* tools and service. We also heard where we can improve, including more information for teachers at different stages in their careers, and an enhanced website experience that uses simpler terminology.

### Key Results from Monthly New Retired Member Survey

<b>Overall Service During Retirement Process</b>	95% (good to excellent)
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*"I want to tell you how grateful I am that there are people like you in the world who genuinely show care for the people who they deal with."*

- former plan member

*"Our experiences were very positive and productive and we felt valued by all the employees of ATRF."*

- retired plan member

### Key Results from the 2019 Plan Member Survey

<b>Customer Service</b>	94% (good to excellent)
<b>MyPension</b>	95% (good to excellent)
<b>Website</b>	94% (good to excellent)
<b>Communications Material</b>	90% (good to excellent)
<b>Services Provided</b>	87% (satisfied or very satisfied)

## HOW WE SERVE

### In 2018-19, we:

- met with **1,722** plan members for personal interviews with our pension counsellors, in various locations across Alberta and in our office in Edmonton,
- responded to more than **26,000** phone calls,
- presented **47** seminars to **1,913** teachers in various locations around the province,
- provided more than **4,800** responses to member emails, and
- granted **1,180** new pensions (an increase of **8%** from 2017-2018).

### Highlights of a Year Online

- More than **1,000** applications for retirement, service purchase and termination benefits were made online by plan members in 2018-19, compared to more than **900** last year—a **10%** increase.
- **46,270** plan member statements have been generated online by plan members. On average, that's one for each active plan member.
- More than **69,000** estimates (pension, service purchase and termination benefits) have been accessed online. That's **190** per day and a **20%** increase over last year!

## A POLICY OF IMPROVEMENT

Last year, ATRF was excited to announce the kickoff of Project Lantern—a multi-year initiative designed to assess and modernize the way we deliver services to our plan members to ensure we continue to meet their needs over the long term. In order to ensure ATRF continues to deliver exceptional services while effectively supporting the important work of Project Lantern, we created two key positions:

### Translating Policy into Practice

Natane Voegtlin, Manager of Pension Policy, ensures ATRF is continuously integrating legislation and plan rules into business processes.

“When you’re looking at your systems and how your processes work, you have to understand the rules that guide things like benefit calculations,” said Natane. “Our plans are legislated, but we also have tax rules that impose limits as well.

So, our plan rules tell us what we can provide, and our policy takes the often complicated, heavy legislation and translates it into plain speak, processes and benefits available to our members.”

### Championing Change

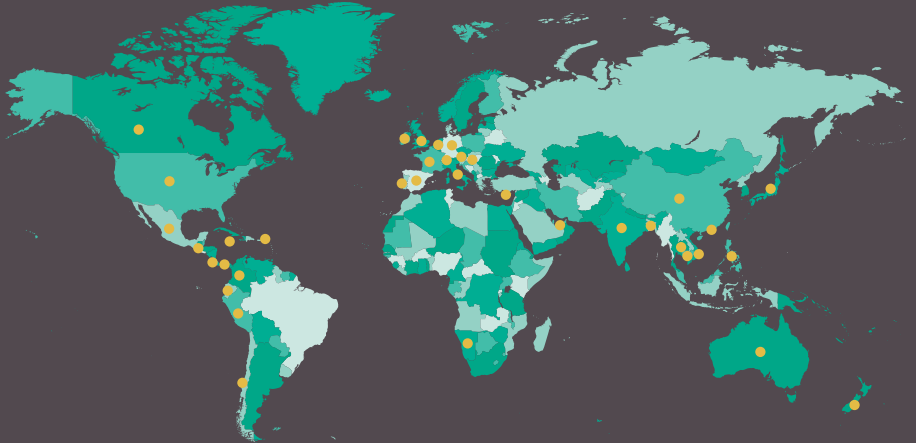
Of course, when our policies require a change, our pension processes must be modified to reflect those adjustments. Lisa Bitensky, who has been a pension counsellor with ATRF for many years, was recently promoted to Manager of Continuous Improvements. This new role has Lisa focusing on documenting all of ATRF’s pension procedures—including developing robust training materials that ensure continuity, which is particularly important in an era where life situations have become increasingly complex.

“I love finding creative ways to enhance the fantastic service members have come to expect from ATRF,” said Lisa.

## SPOTLIGHT ON OUR ONLINE SERVICES

It's official—half of our plan members are now registered for *MyPension*! This secure portal allows plan members to obtain a pension estimate or service purchase estimate, view their member

statement, update personal information and subscribe to our e-newsletter, Pension Points. And for our retired members, *MyPension* offers the enhanced flexibility of staying in touch while living abroad. Check out where some of our members are spending their well-earned retirement in the map below.



## ENHANCING OUR COMMITMENT TO RESPONSIBLE INVESTING

This year we were proud to become a signatory to the Principles for Responsible Investment (PRI) as a demonstration of our commitment to responsible investing. Established by the United Nations in 2005, the international PRI network identifies six foundational principles that connect the long-term interests of investment beneficiaries with societal objectives:

1. *We will incorporate Environmental, Social and Governance (ESG) issues into investment analysis and decision-making processes.*
2. *We will be active owners and incorporate ESG issues into our ownership policies and practices.*
3. *We will seek appropriate disclosure on ESG issues by the entities in which we invest.*
4. *We will promote acceptance and implementation of the Principles within the investment industry.*
5. *We will work together to enhance our effectiveness in implementing the Principles.*
6. *We will each report on our activities and progress towards implementing the Principles.*

# A COMMUNITY OF CARING

## NAILED IT!

On two sunny days in May, a group of committed ATRF employees grabbed hammers and hard hats and worked alongside other local Habitat for Humanity volunteers (and future homeowners!) to make a difference building affordable housing for families in need.

ATRF employees were set to work installing insulation, securing vapour barriers or painting for the day. “It was a great way to spend the day,” said Jordan Parker, Fixed Income Analyst with ATRF. “I’ll definitely be helping out again next year.”

This particular Habitat for Humanity site in the Laurel community in Edmonton, called Carter’s Place, will be home to 58 families upon completion. Carter’s Place was named in honour of Jimmy and Rosalynn Carter, who made a visit to Edmonton in 2017 to break ground on this important project.

## FINDING THE (UNITED) WAY

In 2017, ATRF employees raised \$12,004 to support the United Way—a non-profit

organization designed to move people out of poverty, support kids to reach their full potential and build strong and healthy communities. Not a year later we set a fundraising goal of \$14,000. The 2018 campaign saw staff enjoying a number of entertaining fundraising activities including a stock market competition and email bingo, among others. After all was said, done and tallied up, ATRF was proud to donate a whopping \$15,168 to the United Way to continue their important work!

## CLOTHING WITH COMPASSION

ATRF employees set their compassion to action last December as they collected winter clothing and gear to donate to the Bissell Centre in Edmonton—an organization committed to a poverty-free community.

Each year, approximately 2,100 children and adults access clothing free of charge from Bissell’s Community Closet. ATRF was excited to contribute three large boxes of winter clothing this year to help families in need in our community.





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