

MEMBER UPDATE

AUPE MEMBERS' PENSION PLANS ARE SECURE

News recently broke that the Alberta Investment Management Company (AIMCo), which manages funds for the Public Service Pension Plan (PSPP) and Local Authorities Pension Plan (LAPP), lost \$3 billion because of the market crash earlier this year.

This news may cause a lot of uncertainty for AUPE members who belong to these pension plans.

However, AUPE members should know that these pension plans are healthy, secure, and will be there for them when they retire. Your pension plans aren't going anywhere.

Below are some key facts to know if you have questions about this news.

YOUR PENSION PLAN IS SECURE

The COVID-19 pandemic and the crash in the price of oil are impacting the global economy. This means pension funds and plans around the world are facing losses.

The LAPP and PSPP are defined benefit pension plans, which means your pension is calculated based on your salary and years of pensionable service. Your pension remains a stable source of income when you retire. Your pension does not change when the market takes a downturn, like what the financial markets are experiencing now.

DOES THE LOSS AFFECT YOUR PENSION?

This \$3 billion loss may affect the LAPP and PSPP pension plans in the short-term. It is not clear what those effects might be as it will take some time before AIMCo's financial results are known to pension plan members.

But your pension plans are built to be strong for the long-term, regardless of short-term losses, as members' pensions are funded many years in advance.

HOLDING AIMCo ACCOUNTABLE

AUPE's pension board representatives are hard at work to ensure your pension plan is managed properly and in the best interests of all LAPP and PSPP members and retirees. This includes holding AIMCo to account for the investment decisions it makes.

However, the UCP government passed Bill 22 in fall 2019, which changed the governance structures of LAPP and PSPP. Some of these changes included:

- The corporate boards of LAPP and PSPP are now no longer independent of government and will become subject to various rules limiting how it conducts its business;
- Corporate Board of Directors will be appointed by the government, based on nominations from sponsor organizations;

- Representation on both the LAPP Corporate Board of Directors and the LAPP Sponsor Board have changed, with the number of seats held by AUPE nominees being reduced from 2 to 1;
- The relationship with AIMCo was made permanent, making PSPP and LAPP a captive client and made AIMCo a monopoly service provider. This means that should challenges like this one arise with AIMCo the corporate

board of directors have no recourse to seek alternative service providers, or to make changes in the future should any issues arise including addressing investment decisions and performance. There is no way for the plans to leave AIMCo if it does not meet our expectations.

This is why AUPE members have been fighting for more influence over our pensions, including joint-governance. AUPE members will continue to stand up for our pensions, continue to push for independence, and to work to make our plans even better.

MORE INFORMATION

The LAPP and PSPP have also issued statements about AIMCo and the continued health of the Plans.

Read the LAPP statement

<https://www.lapp.ca/page/whats-new/c18210c0-7d74-46bb-b1ae-08d7e674fa46?title=AIMCo%20in%20the%20Media>

Read the PSPP statement

<https://www.pspp.ca/page/whats-new/36e943b3-e0ec-4399-ee8c-08d7d5acd159?title=Recent%20Investment%20Market%20Impacts>

If you have more questions about your pension, read this FAQ from AUPE's Pensions Committee. If you still have questions, contact the AUPE Member Resource Centre at 1-800-232-7284 or email rc@aupe.org