

For Immediate Release

## LAPP Fund Loses \$3.4 Billion - Q1 Investment Results

**June 3, 2020** - The first quarter of 2020 was an exceedingly difficult quarter for many investors, world-wide. LAPP was not immune to the COVID-19 pandemic which hit financial markets hard and put an end to a decade-long bull market of positive returns.

"The global health crisis has had a profound impact on both people and the economy," says LAPP Corporation CEO Chris Brown.

"While it will take time for the LAPP fund to recover the losses incurred, the funded status of the Plan remains strong and the pensions promised to LAPP's 275,000 members are secure," says Brown.

LAPP began the year with \$50.6 billion in assets and ended the first quarter (Q1) of 2020 at \$47.2 billion. The loss of \$3.4 billion reduces the size of the fund by about 6.5%, according to investment results for the quarter. Total asset losses sustained by LAPP's investment manager, Alberta Investment Management Corporation (AIMCo), were 10.2% or \$5.1 billion for the quarter, but a downside-protection strategy (DPS) initiated by LAPP Corporation reversed about 4% of AIMCo's losses and saved the fund almost \$1.9 billion.

"Nevertheless, putting LAPP's strategy aside, the remaining \$3.3 billion loss is still significant and sets LAPP Corporation back in its goal to further de-risk the Plan.

"We will continue to work with AIMCo to achieve LAPP's goals, and we are considering all available options for attaining better alignment with AIMCo on its approach to taking risk in investing LAPP's assets. "The upcoming review of our investment management agreement required by legislation provides a timely opportunity for LAPP and AIMCo to explore those options."

The Q1 report identifies there were few corners of the LAPP investment portfolio that were not impacted by the prevailing conditions resulting from the COVID-19 pandemic. Although recent media attention has focused on significant losses resulting from AIMCo's volatility investment strategy (VOLTS), investment strategies for nearly all asset classes at AIMCo also underperformed during the quarter.

Details of this performance, in different asset classes and relative to market benchmarks, is contained in the [\*\*Q1 report\*\*](#) and is discussed further in the [\*\*Q1 analysis prepared by LAPP Corporation\*\*](#). As the practice is to share quarterly results openly with LAPP members, the [\*\*Q1 report\*\*](#) is posted in the Investment Results section of LAPP's website, where results are posted every quarter.

On May 22, LAPP communicated the funded status of the Plan in a [\*\*LAPP CEO Message to Members\*\*](#). As explained there, LAPP remains in very good shape at 109.6% funded at March 31, 2020. This is down from 119% funded when the year began. That explanation already takes into account the Q1 results released today.

AIMCo is designated in legislation to be the mandatory sole investment manager for the Local Authorities Pension Plan. As the Plan administrator, LAPP Corporation has fiduciary responsibility to ensure delivery on the pension promise and continues to work with AIMCo as its investment manager to see improved results for its members.

LAPP has an investment management agreement with AIMCo that requires AIMCo to invest the LAPP fund according to a set of guidelines that reflect diversification based on asset mix, policy weights, and other factors. Within that framework, AIMCo is responsible to make decisions on where and how to invest the fund.

Typically, AIMCo does not provide its clients with detailed information on investment strategies, in order to maintain confidentiality in a very competitive market. The funding of pensions requires a balanced approach to risk, which LAPP regularly communicates to AIMCo.

Our members are **Always a LAPP Ahead!** Learn all about the Plan at [www.lapp.ca](http://www.lapp.ca)

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## **Local Authorities Pension Plan**

Local Authorities Pension Plan (LAPP) is a jointly-sponsored defined benefit pension plan, providing retirement security for more than 275,000 members throughout Alberta. With assets totalling more than \$47-billion, LAPP is the 7th largest pension plan in Canada.

For more information please visit [www.lapp.ca](http://www.lapp.ca).