

For Immediate Release

AIMCo Investment Results

April 22, 2020 - Recent media reports about AIMCo investment results have led to questions from members and stakeholders about the financial health and sustainability of the Local Authorities Pension Plan. We are issuing this press release to reassure our members that their pensions are secure and the Plan is strong enough to sustain investment losses.

LAPP Corporation has not yet received the Q1 2020 investment report from AIMCo. Typically, that takes several weeks after the quarter and when we do receive it, we always post it to the website so LAPP members and stakeholders can read about how LAPP investments are performing.

However, we have been advised by AIMCo that the Q1 report is likely to show significant losses as a result of the severe market volatility that characterized the first few months of 2019, in reaction to COVID-19.

“The important thing is that LAPP members can rest assured that their pensions are safe and that LAPP is positioned to be sustainable for many years to come. The value of a defined benefit pension plan is that it pools risks over time and provides a lifetime pension that is stable and secure, and not threatened by short-term market fluctuations,” says Chris Brown, President and CEO of LAPP Corporation.

“LAPP is almost 119% funded at the end of 2019 and we are in a strong position to take on some of the volatility, with a \$7.8 billion surplus,” says Brown.

“Of course, it remains to be seen how bad the markets will get as a result of COVID-19 and we will have to wait to see what that will look like, but LAPP is well poised to meet short-term losses without the need to increase contribution rates for members or employers.

“Fortunately, LAPP Corporation management implemented its own strategy for downside-protection, which was well-timed with the recent market downturn. We believe this strategy may provide a considerable shield against certain investment losses that might result, but only time will tell on that too,” says Brown.

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, preferring to maintain confidentiality in a very competitive market.

AIMCo is fully aware that our risk tolerances are as much a reflection of our pension obligations as the need for positive investment gains. The funding of pensions requires a balanced approach to risk, which LAPP regularly communicates to AIMCo.

LAPP Corporation is the trustee of the LAPP Pension fund, which ended December 31, 2019 at \$50.5 billion.

This money is held in trust for our 275,000 members and it is part of our fiduciary responsibility to report on performance results for the fund. We do this in our Annual Report and by posting quarterly investment results on our website.

LAPP continues to work with its investment manager to see improved results for its members. It is true that provincial legislation requires LAPP to use AIMCo as its investment manager, however AIMCo has produced good returns for LAPP over many years and LAPP expects that will continue.

Our members are **Always a LAPP Ahead!** Learn all about the Plan at www.lapp.ca

-30-

Media Contact

Sheri Wright

VP, Stakeholder Relations & Communications

Ph: 780-427-5349

Email: sheri.wright@lapp.ca

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 \$50-billion, LAPP is the 7th largest pension plan in Canada.

For more information please visit www.lapp.ca.