



## Strategic Plan 2009–2011



# Strategies



## Mission

LAPP is a secure, well understood pension plan that delivers high quality services to its stakeholders.

## Vision

Jointly sponsored and trusteeed, LAPP is highly respected, fully funded and the pension plan of choice for all Alberta local authorities and their employees.

## Operating Principles

### LAPP will:

1. Conduct its business with trust and integrity;
2. Be open, accessible and accountable to stakeholders;
3. Seek to be efficient and cost-effective and strive for best practices;
4. Strive to maintain stable contribution rates;
5. Work effectively with service providers to deliver services seamlessly;
6. Seek superior long-term investment performance within defined risk parameters; and
7. Be visionary, proactive and open to productive change.

## Strategy 1: Strengthen plan governance

Good pension plan performance begins with good governance. LAPP will strive to continuously improve its governance practices and structures.

The provincial government is conducting a review of the governance of all the Alberta public sector pension plans, including LAPP, for the purpose of clarifying the responsibilities of, and relationships between, all parties involved in governing and administering those plans. For LAPP the review is now in Phase 2, which is focused on formalizing the involvement of LAPP's stakeholders in providing input regarding plan design, and ensuring that the make-up and appointment process of the LAPP Board is appropriate. LAPP will work actively and constructively with the provincial government, the other Alberta public sector plans, and LAPP stakeholders to support this review and encourage the best possible results.

LAPP will also continue to make such additional improvements to its internal governance practices as it is able to implement directly, on its own and with plan stakeholders.

LAPP will maintain constructive and mutually respectful relations with the provincial government in all its relevant manifestations. The LAPP Board and management will be, and will strive to be seen as, trustworthy and prudent fiduciaries.

LAPP will strive to be a cooperative and constructive member of the Alberta "family" of public sector pension plans. Where there is a sound reason for LAPP to be different from the other plans, LAPP will advance its position assertively but constructively.

## Strategy 2: Improve plan funding

LAPP currently has a significant funding deficit. There are four basic controls over defined benefit pension plan funding:

- i. changing expected investment returns;
- ii. changing plan design.
- iii. changing contribution rates;
- iv. changing actuarial assumptions; and

Investment returns are dealt with in Strategy 5 and any plan design issues would be dealt with pursuant to Strategy 1.

As regards contribution rates, the LAPP Board will annually deal with contribution rate decisions, as circumstances require and in accordance with its funding policy, which requires the Board to balance the goal of achieving full funding with the goal of maintaining reasonable stability of contribution rates.

As regards actuarial assumptions, the LAPP Board will continue to adopt assumptions which reflect its best estimates of future investment and demographic experience, together with a reasonable provision for possible adverse experience.

### **Strategy 3: Foster confidence in, and understanding of the value of, the pension plan**

Confidence in LAPP is vital for its long-term viability. The health of LAPP depends on maintaining a large and, ideally, growing membership, especially of active members. That in turn depends on the confidence that employers, unions, and plan members have in LAPP to thrive and keep the pension promise.

Communication is a fundamental fiduciary obligation for a pension plan. LAPP will strive to pro-actively strengthen its reputation and to protect the goodwill and trust already established. The conduct and activities of the LAPP Board, ALAPP Corp. management and service providers are all under constant scrutiny and must be such as to foster confidence in the plan. The LAPP brand will be built and strengthened.

Communications will be delivered seamlessly, with the active involvement of APA and in the most efficient and cost-effective manner. Communications will be adequately resourced to meet the Mission objective of “well-understood” pension benefits, and to properly fulfill the plan’s fiduciary responsibility to communicate and consult with members, employers, and other stakeholders.

### **Strategy 4: Strive to improve plan benefit administration**

Day-to-day benefit administration is performed for LAPP by APA. The LAPP Board does not directly control or oversee APA, but will work in cooperation with APA to optimize benefit administration. LAPP will seek to have its management cooperate and collaborate with APA to maximize APA’s responsiveness to LAPP member needs and to obtain optimal results from the combination of both organizations.

LAPP will seek to maintain benefit administration at a service level approximately equal to the median of LAPP’s peer Canadian public sector defined benefit plans, and at a cost level appropriate to that service level.

The LAPP Board will monitor benefit administration performance by receiving and reviewing quarterly and other reports from APA and annually receiving and reviewing APA’s strategic and business plans. The monitoring will focus on qualitative as well as quantitative measures. The LAPP Board will establish

its desired service level standards through a service level agreement with APA, and monitor performance under that agreement. The LAPP Board will also monitor APA’s performance with the assistance of an independent external benchmarking service.

The LAPP Board may also establish general administrative guidelines from time-to-time, as appropriate, to guide APA.

### **Strategy 5: Optimize investment performance**

LAPP, with assets of approximately \$15 billion, is a global-scale investor. Its investment strategies will take advantage of additional scale available through its investment manager Alberta Investment Management Corporation (“AIMCo”).

LAPP will seek to optimize investment returns relative to risk and volatility by focusing on the specific investment needs of the LAPP fund and striving to customize asset class products and tactics to meet LAPP’s specific needs. LAPP will conduct independent research and analysis in support of recommendations about investment and risk management issues.

LAPP’s investment objectives are set out in its Statement of Investment Policies and Goals (“SIP&G”), but most fundamentally are to achieve long-term investment returns that meet or exceed its actuarial assumed returns. LAPP’s investment policy will establish expectations for value-added returns that are rationally linked to the selected asset classes and products, benchmarks, leverage, risk, and discretion given to AIMCo so as to allow and encourage optimal performance.

LAPP will continue to implement risk budgeting as a best practice in guiding investment policy decisions.

### **Strategy 6: Enhance relations with government, APA and AIMCo.**

LAPP will be, and be seen to be, maintaining and enhancing a cooperative and collaborative relationship with the provincial government and LAPP’s service providers in maintaining a strong pension plan that provides reliably and cost-effectively for the retirements of our members and is responsive to the needs of our stakeholders.

LAPP will maintain and enhance good communications and trust with government and LAPP’s service providers.

**Alberta Local Authorities  
Pension Plan Corp.**

**Executive Offices**

PO. Box 1315  
Edmonton, Alberta T5J 2M8  
Phone: (780) 427-5447  
Fax: (780) 427-5030  
Email: [lapp.bd@gov.ab.ca](mailto:lapp.bd@gov.ab.ca)

**For information about your personal  
pension call Alberta Pensions  
Administration (APA) Corporation**

Phone: (780) 427-5101  
In Alberta, call toll-free: 1-800-358-0840  
Email: [lapp.pb@gov.ab.ca](mailto:lapp.pb@gov.ab.ca)

[www.lapp.ab.ca](http://www.lapp.ab.ca)

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