

1.1 2012 – 2016 LAPP STRATEGIC PLAN

EFFECTIVE DATE AND REVISION DATES
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March 2014, October, 2011

Preamble

The Local Authorities Pension Plan (LAPP) is a jointly sponsored, jointly funded defined benefit pension plan for local authorities' employees in Alberta.

Mission

Financially secure pensions for members at a reasonable cost to all.

Vision

Secure defined benefit plan with engaged Stakeholders.

Operating Principles

LAPP will:

1. Conduct its business with trust and integrity
2. Be open, accessible and accountable
3. Seek to be efficient and cost effective while striving 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
7. Be visionary, proactive and open to productive change

Strategic Priority #1: Plan Financial Viability				
Goal	Strategies	Key Results/Outcomes	Performance Indicators	
LAPP is financially viable	Develop, implement, monitor and adapt as required by the 2016 pension reform a long range funding plan.	A long-range funding plan is in place that: <ul style="list-style-type: none"> • secures plan benefits; • strives for financial stability of the plan; • maintains stable contribution rates; • makes strategic use of margins; and • addresses inter-generational equity. 	LAPP is fully funded, or if not fully funded, has a plan to achieve full funding within legislated requirements.	
	Anticipate requirements and actively maintain acceptable contribution rates.		Accrued plan benefit levels remain in place.	
	Make strategic use of margins.		Contribution rates remain within a level that is acceptable to a majority of members, employers, unions and other related employer and employee organizations (“Stakeholders”).	
	Seek inter-generational equity.		An actuarial valuation is completed annually, building up margin in excess funding years and using margin in under-funded years.	
	Monitor and adapt to the impacts of demographic changes on plan viability.		A 30-year demographic projection study is conducted once every 5 years.	Contribution rates and investment risk levels take into account anticipated demographic changes.
	Actively monitor and manage investment risk levels.		A risk budgeting framework is in place with defined risk tolerance levels.	Investments do not exceed risk tolerance levels.
	Optimize investment performance taking into account tolerance for risk and potentials for return.		A SIP&G is in place that: <ul style="list-style-type: none"> • establishes a strategy that flows from the funding policy; • establishes a risk tolerance level; • establishes an asset mix that seeks to optimize returns within the risk tolerance level. 	Rolling ten year annualized investment returns meet long term funding investment assumptions for that ten year period.
	Review and adapt the Statement of Investment Policy and Goals (“SIP&G”) to meet the long-term evolution of the funding plan.			Asset growth exceeds liability growth.

Strategic Priority #2: Governance			
Goal	Strategies	Key Results	Performance Indicators
The Plan is successfully transitioned to self-governance	Proactively support and influence the transition of stewardship to new governing bodies	The new structure results in clear understanding of board and sponsor roles, stronger accountabilities, improved representation of sponsor's interests and reduced conflict of interest for board members.	Two boards are in place that separate fiduciary and sponsor functions. Governing documents are in place for a new governance structure.
	Be a stabilizing, objective force during the self-governance transition period.	The Minister and Sponsors rely on LAPP Corp. to assist them in preparing and finalizing documents, structures and processes as necessary for successful implementation of self-governance.	A joint sponsorship and trust agreement is executed by Sponsors and trusteeship is transferred from the Minister to a new Board of Trustees.
	Proactively assert LAPP's needs with respect to the mandates, roles and accountabilities of Alberta Investment Management Corp ("AIMCo") and Alberta Pensions Services Corp. ("APS").	AIMCo, APS and LAPP Corp. demonstrate alignment, cooperation, responsiveness, respect; and an ability to resolve difficult issues in a timely manner.	Governance documents are in place defining roles and all parties agree and understand roles.
	Provide effective orientation and education for current and new Trustees and for new Sponsor Board, once named.	New Board members and Sponsors are oriented in a timely fashion. Board and Sponsors members are properly equipped to fulfill their role.	Orientation and mentorship program is in place for new members. Ongoing educational program is in place for all Board members.
	Conduct annual Board evaluations.	Opportunities for improvement are incorporated into Board processes.	Evaluations are done annually that identify strengths, weaknesses and opportunities for improvement.
	Provide strategic advice to the Minister and to Sponsor Board.	Minister is aware of his fiduciary duties and risks facing LAPP. Sponsors are aware of their duties and risks facing LAPP Minister and Sponsors are supportive of the Board's actions.	Minister and Sponsor Board, once named, receive report on risks annually. Minister and Sponsors are kept abreast of strategic issues.
	Determine our advocacy role, if any, with respect to defined benefit public sector pensions.	An advocacy strategy is defined.	Board members have a clear understanding of their advocacy role.

Strategic Priority #3: Risk Management			
Goal	Strategies	Key Results	Performance Indicators
Risks are identified, quantified, managed and mitigated	Be informed, vigilant and active in our approach to identifying and quantifying existing and emerging risks in each risk category of an enterprise risk management framework.	An enterprise risk management framework is in place that identifies risks facing LAPP including new risks associated with changes to plan rules and governance structures, and risk trends are regularly and systematically analyzed. Protocols and action plans are implemented to mitigate risks.	Risks are mitigated as required. No risk within the Board's sphere of control remains in the red zone.
	Work with APS and AIMCo to understand and monitor the risks inherent in a) their operations; and b) the nature of our relationships with them.	Transparent reporting is received on a regular basis from APS and AIMCo on their operations. The Board influences APS's and AIMCo's mitigating actions within existing governance constraints and keeps the Minister informed of ongoing risks. Governance documents are in place that mitigate risks in the relationship by providing a clear definition of respective roles.	The Board understands the risks arising from APS and AIMCo operations and from the nature of our relationship with them, and informs the Minister of those risks. APS and AIMCo take steps to mitigate risks. Periodic reviews of APS and AIMCo's risk management frameworks are done.
	Understand our investment risk tolerance level and manage the implications of changes in risk tolerance levels.	The SIP&G clearly defines market risk and active risk tolerance levels. Protocols are in place to address risk levels and AIMCo understands and accepts the tolerance levels.	AIMCo's investment management approach aligns with stated tolerance levels and investments do not exceed those levels.

Strategic Priority #4: Stakeholder Relationships			
Goal	Strategies	Key Results	Performance Indicators
Engaged and informed Stakeholders understand the Plan and trust its governance	Maintain confidence in the Plan	A communications strategy is being implemented that provides clear, regular and consistent messaging about the viability of LAPP	Stakeholders value LAPP as demonstrated by continued membership, paid contributions, survey responses and other feedback.
	Maintain acceptable contribution rates.	Contribution rates are at an appropriate level to fund LAPP while also being understood and accepted by Stakeholders. Advance notice of increases is provided.	Contribution rates are acceptable to Stakeholders as demonstrated by continued membership, paid contributions, survey responses and other feedback.
	Engage Stakeholders and increase their level of involvement.	Stakeholders understand issues facing LAPP and are involved through a new sponsor board and through various forms of consultations.	Sponsor board is established. Consultations are operating effectively as demonstrated by increased levels of Stakeholder knowledge, discussion and input on issues.
	Educate Stakeholders on upcoming changes to Plan rules.	A communications strategy is being implemented that provides clear, regular and consistent messaging on plan rule change	Stakeholders understand the plan rule changes are evidenced by survey responses and other feedback.
	Educate Stakeholders on the new governance structure, once it is determined.	A communications strategy in developed and being implemented that provides education on the new governance structure and how it strengthens the plan	Stakeholders have information on governance changes and are aware of how it strengthens the Plan, as evidenced by survey responses and other feedback.

Strategic Priority #5: Investment Performance			
Goal	Strategies	Key Results	Performance Indicators
Investment performance is optimized within acceptable risk tolerance levels	Review and adapt the SIP&G to guide and measure AIMCo's investment management and support our long range funding plan.	<p>A SIP&G is in place that includes:</p> <ul style="list-style-type: none"> • a strategy that flows from the funding policy; • an investment risk tolerance level; • an asset mix that seeks to optimize returns within the risk tolerance level; • benchmarks for performance; and • other guidelines for AIMCo to achieve alignment with the Board's needs. 	<p>AIMCo is in compliance with the SIP&G.</p> <p>Asset growth exceeds liability growth.</p> <p>Investment policy meets expectations and adjustments are made to policy in a timely manner.</p>
	Establish and periodically review an active management strategy for AIMCo.	An active management strategy is in place that establishes the Board's active management expectations for alignment by AIMCo, links the Board's assessment of active management performance to a prudent level of active risk exposure and establishes a protocol for timely adjustments to active risk exposure.	<p>AIMCo is in compliance with the active management strategy.</p> <p>The Board is satisfied with active management performance and active risk levels.</p> <p>Adjustments to active risk exposure are made in a timely manner.</p>
	Implement an annual investment monitoring plan based on best practices that meets the Board's fiduciary obligation to monitor AIMCo's investment management performance.	A monitoring plan is in place that allows the Board to: understand AIMCo's investment management approach; establish metrics to monitor and evaluate AIMCo on an ongoing basis; receive appropriate, transparent reporting from AIMCo; amend investment policy as necessary; and alert the Minister to investment performance concerns.	<p>The Board understands and is satisfied with AIMCo's investment management approach and performance and takes action in a timely manner when not satisfied.</p> <p>The Minister is aware of investment management issues.</p>
	Research and analyze opportunities in capital markets and adapt the SIP&G accordingly.	Investment trends and developments are monitored and analyzed on an ongoing basis and opportunities for improvements to our SIP&G are identified.	The SIP&G is amended as appropriate, and AIMCo implements the new strategy resulting in improved investment performance within established risk parameters.

Strategic Priority #6: Benefits and Administration			
Goal	Strategies	Key Results	Performance Indicators
	Be a stabilizing, objective force during the plan benefit reform transition period.	The Minister and APS rely on LAPP Corp. to support them in preparing and finalizing documents, structures and processes as necessary for successful implementation of plan benefit reform. Sponsors rely on LAPP Corp. to support them in the transition of LAPP out of statute and under the EPPA.	New plan rules are implemented as scheduled on January 1, 2016. Sponsors are aware of process and implications of a transition out of statute.
Plan benefit reform is successfully transitioned, while maintaining optimal benefit administration performance within acceptable cost levels	Implement an annual administration monitoring plan based on best practices that meets the Board's fiduciary obligation to monitor APS's benefit administration performance.	A monitoring plan is in place that allows the Board to: understand APS's benefit administration practices; establish metrics to monitor and evaluate APS on an ongoing basis; receive appropriate, transparent reporting from APS;; and alert the Minister to benefit administration performance concerns.	<p>The Board understands and is satisfied with APS's benefit administration approach, cost-effectiveness and performance.</p> <p>The Minister is aware of benefit administration issues.</p>
	Proactively assert LAPP's needs with respect to APS's role, mandate and accountabilities.	Governance documents are in place defining LAPP Corp. and APS roles and agreements are in place establishing protocols for their relationship that both parties understand and accept.	APS and LAPP Corp. demonstrate cooperation, responsiveness, respect; and an ability to resolve difficult issues in a timely manner.
	Work collaboratively with APS to identify and address issues impacting service to members and employers.	An agreement is in place between LAPP Corp. and APS that establishes protocols for collaborating to identify and address issues impacting service to members and employers.	APS and LAPP Corp. demonstrate cooperation, responsiveness, respect and an ability to resolve difficult issues in a timely manner.