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LAPP FACTS

The way it was in 2015:

- Average age at retirement - 63
- Average age of all active members - 44.81
- Average age of all LAPP retirees - 71
- Increase in membership over 2014 – 3%
- Average monthly pension paid - \$1,457

Read more about LAPP's 2015 numbers inside.



Natalie Chubala
Emergency Communications Officer, Calgary

Message from the Chair



Financially, 2015 was a very good year for the Local Authorities Pension Plan (LAPP). Our pension fund grew by \$3.6 billion (11.8%) and we ended the year almost fully funded at 97% on an accounting basis. Even with oil prices taking a big hit and the Canadian dollar

tumbling ever lower, 2015 turned out to be a good year for us. In fact, as far as annual financial statements go, this one stands out as LAPP's best looking balance sheet in 14 years.

Also worth celebrating is the steady growth in Plan membership (2.9%), which brings the number of LAPP members to 244,621. LAPP paid pensions to more than 58,000 retirees last year while more than 156,000 members continue to actively contribute to the Plan. LAPP remains, by far, the largest pension plan in Alberta and one of the top 10 in Canada. LAPP is strong, healthy and well positioned for many good years ahead.

Each year, the Board works with its expert management staff at Alberta Local Authorities Pension Plan Corp. (ALAPP Corp.) to review investment policies and goals, establish funding requirements, set contribution rates, manage risks to the Plan and keep members, stakeholders and government informed about LAPP. We work continuously to achieve our strategic goals, which you will read more about in the pages ahead, called Board Discussion and Analysis.

Participation in LAPP ensures that a large percentage of Alberta seniors will have a secure workplace pension when they retire. A LAPP pension, added to other retirement savings and federal pension programs, will allow LAPP seniors to enjoy their retirement years in comfort as they make a positive contribution to the economy instead of relying on government social programs to get by.

As more data comes to light about the growing number of Canadians not covered by workplace pensions, we are grateful LAPP employers provide this benefit for their employees. Research shows an increasing number of seniors without a pension plan are retiring with too much debt and inadequate savings. The value of contributing to a

defined benefit pension like LAPP, throughout one's working career, is the security that comes in retirement from receiving a pension for life.

In fact, the value of a LAPP pension cannot be overstated, especially in years where the economy is in a downturn. Despite volatile markets that threaten the value of individual retirement savings or defined contribution plans, a LAPP pension remains the same, based on salary and years of service. This value is why we remain committed to the Plan, ensuring that risks are constantly monitored and managed. It is what motivates us to keep pension contributions at a manageable level and what focuses us on eliminating our deficit so we can work towards reducing the cost of contributions sooner.

Sometimes we hear from young members of the Plan about how they would rather put their pension payments towards a car or something else they need today. On the other hand, we always hear from retirees about how their pension is the best investment they ever made and how grateful they are to have it.

It is difficult for younger members to set aside money today for something that seems so far into the future. It helps that the employer is matching that contribution, and paying an extra 1%, to ensure employees have a secure pension in retirement. It is a significant commitment from employers and employees and what results is a predetermined, lifetime pension that provides security no matter what the economy is like.

A LAPP pension is a benefit you can bank on and it is a worthwhile investment at any age.

At the close of 2015, my two-year term as chair came to an end. I want to thank fellow Board members and the management of ALAPP Corp. for making this responsibility such a rewarding experience. I welcome incoming Chair, Darren Sander and look forward to working with him and our fellow Board trustees in my new role as vice chair.

Terry Agoto
LAPP Board Chair

2015 Highlights

Year at a Glance

- Net assets (what we have after expenses): **\$34.4 billion**
- Pension obligations (current and future accrued pension benefits): **\$35.3 billion**
- Deficiency: **\$923 million**
- Funding status: **97% funded**, up from 93% in 2014
- Total membership: **244,621** up from 237,612 in 2014
- Total participating number of employers: **426**



Benjamin Staley
Firefighter, City of Calgary

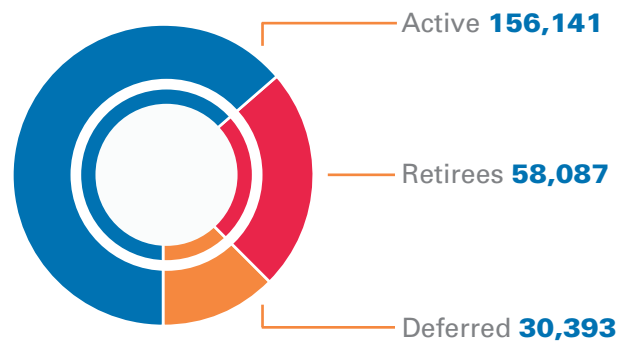
Summary of Financial Position

(As at Dec. 31, 2015)

(thousands)	2015	2014
Net assets available for benefits	\$34,419,584	\$30,790.364
Pension obligation	\$35,343,000	\$33,245,000
Deficiency	\$923,416	\$2,454,636

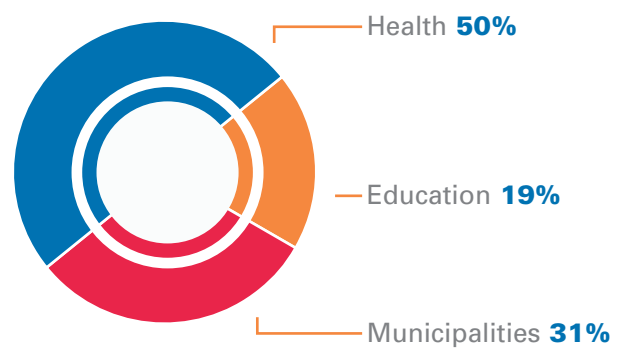
Membership

December 31, 2015



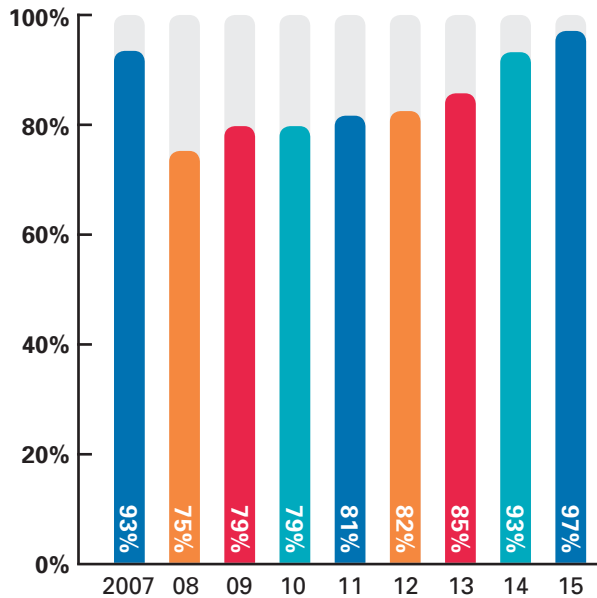
Total: **244,621** members

Membership by Sector



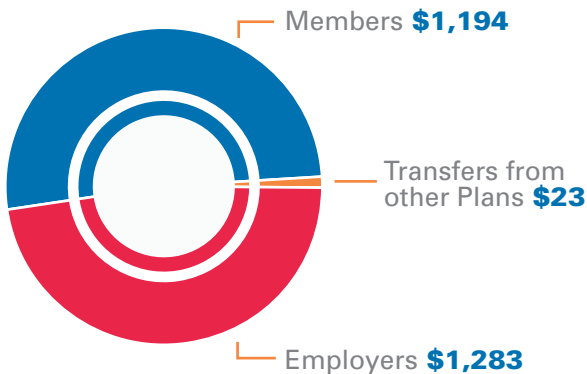
Funding Status

(% funded by year)



Pension Contribution and Transfers

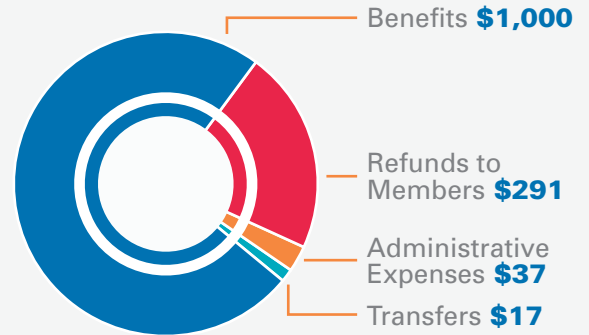
(\$ millions)



Total: **\$2,500 million**

Pension Payments

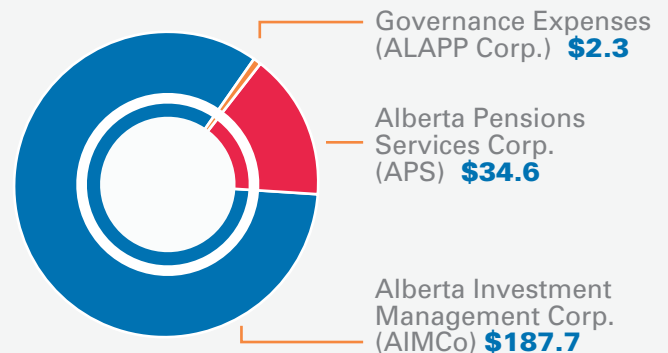
(\$ millions)



Total: **\$1,345 million**

Plan Expenses

(\$ millions)



Total: **\$224.6 million**

Administration and governance costs: \$151 per member, up from \$140 per member in 2014

- APS costs to administer the Plan: \$34.6 million
- Governance expenses for overseeing the Plan: \$2.1 million
- Actuarial fees \$0.2 million

Investment Costs: \$767 per member, up from \$700 in 2014

- AIMCo costs to manage plan's funds, including external managers: \$187.7 million

Message from the CEO



It is gratifying to look back on 2015 and review the significant progress made on strategic goals for LAPP related to financial security, investment performance, plan funding and risk management. LAPP's improved financial position, its sustained operational efficiencies and its positive

outlook for the future are all the result of a tactical approach to prudently managing our gains while responding appropriately to risk.

Our plan is both strategic and agile. It is based on responsible assumptions, realistic expectations and measured discipline. It results from significant research, targeted stress testing and rigorous environmental analyses. Above all, our plan for LAPP is working.

LAPP's 2015 financial statements show the Plan's net assets grew by 11.8% in 2015 to a new high of \$34.4 billion. That includes a 7.9% return on investments by our investment manager, AIMCo (Alberta Investment Management Corporation) and a 3.9% increase in net revenue from contributions. In fact, 2015 is our fourth straight year for double-digit growth of the LAPP fund. These gains, taken together with the estimated cost of our future pension obligation, show the Plan is 97% funded on an accounting basis, which is different from the funding basis we use to set contributions rates. (Read more on this difference below.)

It is tempting to conclude that after another year like this one the Plan might be fully funded. However, it would not be prudent or responsible for us to simply assume that will happen. History has taught us how quickly things can change for the worse and why it is important to be prepared. Before the global financial crisis hit in 2008, LAPP was 93% funded. By the end of the year, we fell to 75% funded and it has taken seven years to get us back to where we are today.

In any case, we will not know the true funded status of the Plan until the Board completes its actuarial valuation in July and sets contribution rates. Though the financial statements give us an accurate picture of the asset side of our balance sheet, for the liability side we need to review all the economic and demographic assumptions used to estimate the future cost of paying out pensions for many decades to come. Then, based on a balanced funding and investment strategy that ensures we have a financial cushion in place to protect the Plan from unexpected events, we establish contribution rates for the Plan.

At the base of all our efforts and planning is a strong commitment to a rigorous process of risk management. In 2015 the Board began a review of its risk management practices, which will continue through 2016 and include an updated assessment of risk appetite and the development of tools to monitor and communicate risk to stakeholders. Annually, the Board completes a risk management assessment of LAPP which it has a mandate to share with the President of Treasury Board and Minister of Finance, who is Trustee and Administrator of the Plan. At the suggestion of the Auditor General of Alberta, the Minister has been advised to develop a risk management framework that will assess the management of risk for all public sector plans in Alberta. We are well ahead with our own processes and can easily refine our framework to meet both purposes.

The close of 2015 marks the end of my first year as President and CEO of ALAPP Corp. and it has been an exciting year filled with valuable work and much progress toward important goals. I am grateful for the support of the Board and the work of our professional management team at ALAPP Corp. I look forward to the years ahead as we continue to serve the best interests of Plan members while working to keep the Plan strong and healthy many decades into the future.

Christopher Brown

President and CEO, ALAPP Corp.

LAPP seeks new trustee to fill Board vacancy

The LAPP Board of Trustees is currently seeking a new Board member to serve as the nominee representing all management and out-of-scope employees who are members in LAPP. Anyone interested in learning more detailed information about this position can find an explanation and a copy of the application form on the LAPP website at www.lapp.ca

The LAPP Board is made up of 14 trustees, 12 of whom are nominated by organizations or associations representing employees (6) and employers (6). One trustee is appointed by government and one is chosen to represent retirees, bringing the total number of Board trustees to 14. The management and out-of-scope position that is currently vacant is one of the six employee nominees on the Board.

The Board of Trustees is responsible for key functions in the management of the Local Authorities Pension Plan, including establishing contribution rates for members and employers,

recommending plan rule changes to the Minister, and setting investment and administration policy. Board members also serve on the Board of Directors of Alberta Local Authorities Pension Plan Corp., which supports the Board of Trustees and provides high level strategic guidance of the Plan.

The Management / Out-of-Scope nominee on the LAPP Board should have extensive business experience and success in leadership roles, and significant financial, investment and risk management expertise. LAPP Board members should have exceptional interpersonal and communication skills, and a track record of building collaborative relationships. Those interested in more information on the position, the qualifications needed and how to apply, please see the [position posting online](#) at www.lapp.ca.

The closing date for applications is September 23, 2016.



Lana Harney, Hedy Stor-Rank & Wendy Sarchuk
Handibus Operators,
Town of Strathmore

News from LAPP

This July 2016 edition of LAPP News is a special edition published for all LAPP stakeholders (members, retirees, employers, unions and associations) to provide some highlights from the 2015 Annual Report. You will find more in-depth information on all these subjects by going to LAPP's website at www.lapp.ca.

LAPP Board focused on pensions for members

The Local Authorities Pension Plan (LAPP) is a jointly-sponsored, jointly-funded defined benefit pension plan serving employers and employees of local authorities in Alberta. The “local authorities” are public sector employers providing health, education and municipal services to Albertans. These employers, there are 426 of them, include Alberta Health Services, municipalities of all sizes, school boards, colleges and technical institutes throughout Alberta.

The Plan is funded through contributions paid by employers and employees and through the money earned investing those funds. All of the money is pooled into the LAPP Fund and is used to pay out pensions when the contributing employees retire. There are 244,621 LAPP members some working, some retired and some holding on to a deferred pension.

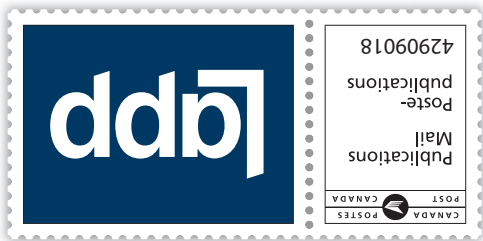
The primary goal of the LAPP Board of Trustees is to pay a secure lifetime pension benefit to members when they retire. To that end, the Board remains focused on its mission statement: *“Financially secure pensions for members at a reasonable cost to all.”* Throughout the year the Board and its management staff at ALAPP Corp. are working to secure your pension benefit, while keeping it affordable for you and your employer.

Over the years, as LAPP has faced a number of economic and demographic challenges, the cost of contribution rates has risen to an aggregate rate of 24.16% of salary (that includes employer and employee contributions). Fortunately, that rate has not increased since it was implemented in 2014, and the goal is to keep it stable until we can eliminate unfunded liabilities, re-price the cost of the Plan and reduce contribution rates in the future. The Board just completed its actuarial valuation this month and is forecasting there will be no need for a contribution rate increase in 2017 and probably no increase in 2018 either.

The Board’s stated vision for LAPP is “a secure defined benefit plan with engaged Stakeholders.” The Board believes strongly that a defined benefit pension plan is a superior retirement savings model because it creates efficiencies through the pooling of investments, costs and risks while providing members with a secure lifetime benefit that does not fluctuate with investment markets. Read more about LAPP in our [Annual Report online](#).



Dave Grabski
Associate Chair, CNC Machinist Technician, NAIT



It's all on our website

Whether you want to read the full Annual Report or learn more about your own personal pension and what you can expect at retirement, all the information you need is on LAPP's website at www.lapp.ca. Visit the website soon. Your pension is one of the most valuable assets you will own and you owe it to yourself to learn more about LAPP.

Contact Us

For information about your personal pension, please contact the Plan administrator, Alberta Pensions Services at:

1-877-649-5277
5103-Windermere Boulevard SW
Edmonton, AB, T6W 0S9

Looking for more information?

The LAPP Board of Trustees is committed to providing members with easy-to-understand pension information on a regular basis. If you have thoughts on how this newsletter or other communications can be improved, please send an email to news@lapp.ca.

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