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Cost-Of-Living Adjustment (COLA)

The Cost-Of-Living Adjustment for 2010 is 0.06 per cent. The adjustment will automatically be applied to your pension, effective January 1, 2010. Members who retired during 2009 will receive a prorated portion of this increase. COLA is calculated on your base pension, which excludes coordination. If you are currently being paid an estimate of your pension because calculations are not finalized, your amount will not have increased yet. Once calculations are complete, COLA will be applied retroactively.

According to pension plan legislation, COLA is based on 60 per cent of the increase in the *Alberta Consumer Price Index (ACPI)*, a weighted basket of goods and services, typically purchased by Albertan households each month. The adjustment is calculated using the monthly average of the *ACPI* for a 12-month period ending in October. See the table of *ACPI* values on the next page.

$$\left[\frac{\text{Total ACPI (Nov. 2008 to Oct. 2009)}}{\text{Total ACPI (Nov. 2007 to Oct. 2008)}} \right]^* - 1 \times 60\% = \text{COLA}$$

$$\left[\frac{1,455.8}{1,454.8} \right]^* - 1 \times 60\% = 0.06\%$$

* Result is rounded to three decimals.

This year's adjustment is significantly lower than last year's COLA due to the decline of prices of consumer goods over the past year, primarily driven by energy products such as gasoline. According to Statistics Canada, gasoline prices in October 2009 were 13.1 per cent lower than prices in October 2008. For more information on COLA and *ACPI*, visit the APS website at www.apsc.ca.

Contact us

Alberta Pensions Administration Corporation (APA) changed its name to Alberta Pensions Services Corporation (APS) and moved to a new location in southwest Edmonton. If your personal information has changed, or if you do not receive your tax slip by March 16, 2010, please contact us, noting our new address and contact information on the back page of this newsletter.

S. McNeil, CMA, CPM
Team Lead, Pension Payroll

FROM THE MAILBOX

"...I and my employer have been quietly paying into a conservative, solid (pension) plan for over 20 years and I feel very well prepared for later life.

LAPP has very commendably resisted temptation and should be praised by all for keeping us out of more serious trouble in a very troubled time. And I can't think of a better team to steer us out of the inevitable losses we did take, as the economy recovers and opportunities to recoup losses appear.

I only wish I could toss the rest of my private investments into the LAPP fund. I'd like them to be that solid as well."

Roy Brander, P. Eng.
City of Calgary

Alberta Consumer Price Index Values

November 2008–October 2009

The table provides the monthly ACPI values, along with the corresponding 60 per cent of monthly year-over-year percentage changes from October 2007 to 2009.

	2007/2008 ACPI	2008/2009 ACPI	60% of monthly Year-Over-Year Change (%)
Nov	119.1	121.6	1.30
Dec	118.9	121.2	1.20
Jan	118.8	120.2	0.70
Feb	119.0	121.5	1.30
Mar	119.8	120.9	0.60
Apr	121.3	120.4	-0.40
May	122.2	121.4	-0.40
June	124.0	122.0	-1.00
July	123.3	121.5	-0.90
Aug	124.1	122.0	-1.00
Sept	122.8	121.5	-0.60
Oct	121.5	121.6	0.00
TOTAL	1454.8	1455.8	

COLA	0.06%
Effective	Jan. 1, 2010



Message from the CEO



Meryl Whittaker was recently selected as LAPP's new President and Chief Executive Officer, effective January 1, 2010.

Who is watching over your pension fund?


A few weeks ago, sixteen individuals gathered in the LAPP Boardroom to discuss a complex and vitally important topic. The language used in the meeting was not easy to follow – terms like “international accounting standards” and “5970 reports” were thrown about at will. But, in the end, the final result was something all of us should find quite easy to understand – “comfort”.

The meeting was LAPP's Audit Committee – a group charged with the responsibility of making sure that controls and safeguards are in place to protect your pension funds. The Auditor General of Alberta was there, along with representatives of Alberta Finance and Enterprise, and several other organizations that work with LAPP. Collectively, the group was looking at one question: were LAPP's assets – namely, member and employer contributions and investment returns – adequately protected?

The answer, I am pleased to report, was a resounding “yes”. Every year, LAPP goes through a rigorous audit of its financial practices, with the Auditor General making suggestions on how to make them even stronger. Once a set of suggestions are reported and acted upon, the audit process starts all over again.

So where does the word “comfort” fit in to this? Well, surprisingly, it too is an accounting term, designed to signal that all of us – retirees, members, employers and unions – can take comfort in the fact that the right protections are in place for LAPP's funds.

And I, for one, am comfortable with that.


Meryl Whittaker



Message from Trustee Ken Balkwill

Ken Balkwill was recently reappointed as the Retiree Nominee to the LAPP Board of Trustees. His four year term begins in January 2010.

To start, I would like to thank everyone who selected my name in the recent Retiree Nominee process. I am pleased to be able to represent your interests on the LAPP Board for the next four years.

The one question I've been asked more frequently in the past year than any other is "how is the pension plan doing?" Here's a simple answer to a surprisingly complex question.

The total value of the LAPP pension plan is back over \$15 billion – significantly higher than it was a year ago (when it was \$13.6 billion), but not quite as high as it was two years ago, before all the credit crunch turmoil started. I am pleased that we have been able to restore so much of the lost value so quickly.

However, as the value of the plan has moved up and down, the liabilities of the plan (the money we must pay to current and future retirees) have continued to climb. Because of this, our active, employed members will pay increased contribution rates each year for the next three years.

The real drivers behind these rate increases are the current record low interest rates, which force LAPP to hold an enormous amount of money in the bank for each member and retiree. When interest rates start to rise, the pressure on LAPP will ease, and the overall funding picture should improve.

So how is the pension plan doing? For retirees, it is doing just fine. Funds are secure, the plan is growing, and LAPP is safe and strong. For current members, the plan has become a bit more expensive... but as we know, good things often cost a little bit more.

Ken Balkwill
LAPP Trustee

Looking for more information?

For information about your personal pension call LAPP's Administrator, Alberta Pensions Services Corporation

5103 Windermere Boulevard SW
Edmonton AB T6W 0S9

Phone: 1-877-422-4748

Fax: (780) 415-8792

www.apsc.ca

CEO Updates

Every 3 months, the CEO provides a quarterly update of the plan's performance. View these updates at www.lapp.ca or sign up for our on-line newsletter and receive them automatically.

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

Local Authorities Pension Plan Executive Offices

P.O. Box 1315

Edmonton, Alberta T5J 2M8

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