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## Message from Trustee Ken Balkwill

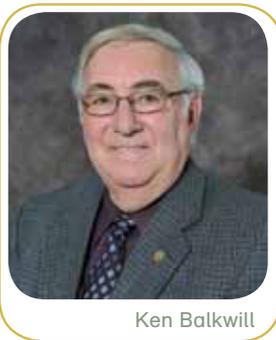
### *Ken Balkwill is the Retiree Nominee on LAPP's Board*

There have been a lot of headlines lately about how Canadians have not set aside what they need to retire, leaving them unprepared to face the future.

Add to that plummeting investment returns over three years of recessionary markets, and even those Canadians who did save for future years are worried they will no longer have enough to meet retirement needs.

It is an unsettling outcome for those who had planned to retire early and are now faced with working longer to make ends meet. It is an eye-opener for younger adults who, already struggling to pay for a house and raise a family, are wondering where they will get extra money to invest in retirement savings plans.

Yet through all of this uncertainty, my fellow Board members and I are able to assure LAPP's 43,000+ retirees, that you will collect your pensions as expected, without concern over fluctuating markets. That is the value of a defined benefit pension plan; your pension is a percentage of your pre-retirement



Ken Balkwill

income, which is calculated based on age, salary and years of participation in the plan.

Time and time again, we hear from LAPP retirees who are grateful for their pension, despite how they once wished they didn't have to make pension contributions on every pay cheque.

"I can't believe I ever complained about having to pay into this pension," said one retired municipal employee, who along with his wife is now enjoying a retirement filled with grandchildren and travel.

"We have friends without any formal pension plan to fall back on, just RRSPs. Now they are looking for part-time work to supplement their income," he said.

Regardless of volatile markets, LAPP continues to pay its retirees what they were promised. With over 200,000 public sector members, LAPP continues to be a strong and stable pension plan providing a good deal of comfort in times when not everyone in Canada is fortunate enough to feel quite so comfortable.

Already the largest public sector pension plan in Alberta and the 10th largest in Canada, LAPP continues to grow and welcome new employees and employers with each passing year. LAPP represents workers from the health care sector, urban and rural municipalities, colleges, school districts, museums, libraries and other public sector authorities around the province.

## You Asked Us

### Question:

***I've noticed that there is a slight difference between the Statistics Canada annual consumer price index figures for Alberta (ACPI) and the figures that LAPP uses to calculate our COLA. Why the difference?***

### Answer:

*Because the Alberta Consumer Price Index goes up and down every month, LAPP uses a method of calculation that compares the past 12 months of ACPI increases with the 12 months before that. By using data from the past 24 months, unusual or extraordinary months can't artificially increase or decrease your COLA payment. We think this is a fairer, safer way to go. Further, we also calculate from October to October, so we can have the COLA ready to go by January 1 of each year. Statistics Canada calculates from December to December, which is why their figures might be a bit different than ours.*

## LAPP pensions increase with Cost-of-Living adjustment

The Cost-Of-Living Adjustment (COLA) for 2011 is 0.60 per cent. This increase reflects the change in the *Alberta Consumer Price Index (ACPI)* reported by Statistics Canada. The adjustment will automatically be applied to your pension, effective January 1, 2011. Members who retired during 2010 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.

## How is COLA calculated?

According to plan legislation, COLA is based on 60 per cent of the increase in the 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 basket components on Page 3)

For further information about COLA, please visit the LAPP website at [www.lapp.ca](http://www.lapp.ca) You will find the information in the Retiree's section.

Pension payroll services for LAPP are provided by Alberta Pension Services. For more information, go to the APS website at [www.apsc.ca](http://www.apsc.ca) or if you have questions about your pension, please call APS at 1-877-422-4748.





## Alberta Consumer Price Index (ACPI)

Local Authorities Pension Plan (LAPP) uses a standard measure of inflation to calculate cost of living adjustments. The measure used is called the Alberta Consumer Price Index (ACPI). It measures, over time, the percentage of change in the price of a basket of goods and services purchased by Albertans.

This basket of items is determined by Statistics Canada. The items are unchanging (or of consistent quality and quantity) so that the change in the cost of the basket over time represents the movement in prices. The items in the basket are reviewed at least every five years to make sure that they remain current. The measurement in movement of prices over time is shown in the monthly ACPI values.

**The basket of goods and services is split into eight major components as follows:**

### Alberta Consumer Price Index Weighting by Component



## Message from CEO Meryl Whittaker

### Market commentary

After a weak start, equity markets finished 2010 with a flourish. The S&P/TSX price index (the Canadian measure of the stock market) was up 10 per cent from the beginning of the year to the end of November. While this is positive for the asset side of the LAPP balance sheet, the resulting improvement in overall funding of the pension plan will be muted by continued low interest rates. Lower interest rates generally mean that the pension plan's liability (what is owed to plan members) will be higher than originally estimated.



In addition, we view dramatic market gains with caution as market sentiment can turn quickly. This is especially the case right now because of the fragile nature of the current economic recovery. A disciplined and diversified portfolio will remain our first defence against the unexpected.

### New funding policy on the horizon

LAPP's Board members are currently working with their actuary to develop a new long-term funding strategy that will guide the board's future action with respect to decisions about your pension plan. The current funding policy has been in place since 2001.

The Board is responsible for ensuring the Local Authorities Pension Plan is properly funded so promised benefits can be paid to retirees. In a world shaped by volatile markets and changing demographics, the Board must be ever vigilant in preparing for any number of different scenarios that might arise.

Looking at possibilities over a 30-year time period, the funding policy project considers the impact of baby boomer retirements, employment trends, changes in membership levels and a variety of other variables that might affect plan maturity levels. In addition, the Board is looking at a number of funding objectives such as: benefit security; contribution stability; minimizing contribution rates; and inter-generational equity. Each objective will be carefully weighed and the Board will be consulting with stakeholders about the funding strategy as it is being developed.

## Interested in further updates?

Every 3 months, the CEO provides a quarterly update. View them at [www.lapp.ca](http://www.lapp.ca), or sign up for our on-line newsletter and receive them automatically.

## Need Information?

**Questions about your  
personal pension?  
Contact LAPP's Administrator,  
Alberta Pension Services at:**

Alberta Pension Services Corp.  
5103 Windermere Blvd. SW  
Edmonton, AB T6W 0S9  
1-877-422-4748

## Looking for more information?

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](mailto:news@lapp.ca) or a letter to the LAPP Executive Offices.

### **Local Authorities Pension Plan Executive Offices**

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