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Message from Trustee Ken Balkwill

Ken Balkwill is the Retiree Nominee on LAPP's Board

LAPP turns 50 years old in 2012 and looking back on all our successes, I can see we have a lot to be thankful for. We have a pension plan that promises good benefits to its members on retirement and we continue to grow in membership each year.

For retirees like yourself, having a LAPP pension means you have a secure monthly income without having to worry about how your investments are holding up in these uncertain economic times. Being a retiree, you can look back on the years that you contributed to your pension and know that it was a good way to invest in your retirement years – even if paying contributions seemed a bit tough at the time.

Looking ahead another 50 years and beyond, the LAPP Board wants to do everything it can to keep the plan strong and sustainable. We want to be sure that many generations of retirees will be able to follow in your footsteps and have a secure retirement income they can rely on.

To keep a watch on sustainability, the Board is involved in many things. We monitor investment performance closely and we are regularly assessing the best type of investment mix for our



Ken Balkwill

pension fund. We are working closely with our staff and our actuary to ensure we are aware of changing demographics and evolving workforce trends. We are reviewing pension benefits and rules to ensure the plan still meets everyone's needs. Finally, we are engaging our many stakeholders to receive input and feedback to give us a better understanding of the direction we need to go.

As part of our 50th Anniversary we are undertaking a significant consultation with stakeholders which includes: 4 surveys, town-hall meetings and written submissions. We have completed the random sample survey of our retirees. My thanks go out to those of you who participated in that survey. We appreciate you taking the time to give your opinion.

We will be reporting back on the results of our consultation in the spring. Please watch the website for updates at: www.lapp.ca

Also as part of our 50th Anniversary Consultation we want to celebrate our retirees and share your stories about your retirement and what your LAPP pension means to you. Please e-mail us at news@lapp.ca with 250 words about you and your spouse, and attach a photo, so that we may include you on our 50th Anniversary Celebration news pages.

LAPP is about people first and foremost and our retirees are as important to LAPP's future as they have been to our past. I hope you will share your stories with us. I look forward to reading all about you soon!

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 2012 is 1.2 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, 2012. Members who retired during 2011 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. You will find the information in the Retiree's section.

Pension payroll services for LAPP are provided by Alberta Pensions Services. For more information 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

It is so much easier to report to LAPP members when investment returns are doing well, interest rates are high and the global economy is strong.

When all of those factors line up at once, it is good news for pension plans because we have more money to fund the plan, we have higher interest rates to reduce the cost of future liabilities and we have a strong economy that signals better investment yields ahead.

Unfortunately, those are not the realities we face today.

A faltering global economy fuels uncertainty for business, increasing the volatility of public equity markets and reducing the potential for improved investment returns. Federal fiscal policy aimed at prolonged low interest rates adds millions of dollars every month to the plan's unfunded liability, making the prospects for an improved funded position over the last year as about as unlikely as winning a national lottery.

But while these are not the best of times for LAPP, we expect our decision to stick with a diversified portfolio and depend less on public equity will help sustain us while we wait for markets to settle a little. Shifting to less volatile asset classes like real estate and infrastructure should result in more stable returns for the short term and net some positive growth in the long term.

As a disciplined investor, LAPP continues to focus on long-term growth prospects.

As you have already read, 2012 is the 50th Anniversary of the LAPP plan. We hope you will join us in celebrating this milestone by sharing your thoughts about the plan and your own stories about what LAPP means to you in your retirement.

All the best to you in 2012,

Meryl Whittaker
CEO, LAPP Corp.



Meryl Whittaker

Interested in sharing your thoughts?

If you would like to make a written submission to the Board related to LAPP pension benefits and/or contributions, as part of our 50th Anniversary Consultation, please forward your submission by Feb. 24 to:

Sheri Wright
Vice President, Stakeholder Relations
Local Authorities Pension Plan
PO Box 1315
Edmonton, AB
T5J 2M8

You can also e-mail your submissions to:
sheri.wright@lapp.ca

If you are interested in updates on the pension plan and/or would like to get more information on investments or our consultation, please visit LAPP at:
www.lapp.ab.ca

Looking for personal information?

For information about your personal pension, call LAPP's administrator, Alberta Pensions Services (APS) at: 1-877-422-4748

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**.