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Message from the LAPP Board

Ken Balkwill, Retiree Nominee
LAPP Board of Trustees

During times of economic uncertainty, like today with oil prices fluctuating around \$60 a barrel, I am reminded how fortunate we are to be retirees of a defined benefit pension plan. Also known as a DB plan, a defined benefit plan provides retirees with the certainty of a monthly pension cheque for life that doesn't fluctuate with the price of oil or volatile stock markets.

I'm sure some of you have friends with defined contribution plans (DC plans) whose retirement income depends on how well investments are doing at the time they need to withdraw funds from retirement savings accounts. It's a bit of a gamble with a DC plan because at the same time market fluctuations can reduce the value of your pension savings there is also the uncertainty of whether you will outlive your retirement fund.

In a DB plan like LAPP's the amount you receive each month is set. It is based on a formula that takes years of service and salary into account and it is not impacted by how well investments are doing at any point in time. The security of receiving a stable pension payment, added to your other investment and savings vehicles, gives you the ability to plan for your current and future needs with more certainty than you might have otherwise.



Ken Balkwill

This is what we paid for, through years of pension payroll contributions, and I for one am sure glad I did.

At the time we made those contributions, we found it a hardship not to have that money in our pockets to spend on other things. Today, when the economy is uncertain and volatile markets are impacting the retirement income of those without DB pension plans, we see the real value of those monthly contributions. It is a message I share with young members of LAPP whenever I have the chance. For them, retirement seems so far away – too far away to be setting money aside today. But it pays dividends down the retirement road.

While a secure lifetime benefit is worth paying towards, some LAPP members worry that low oil prices will impact LAPP's investment fund and might result in contribution rate increases. Although the LAPP Board doesn't have a crystal ball and can't guess how long any period of market volatility will last, we can provide some reassurance to members by reminding them that we prepare ourselves to weather short-term fluctuations in the market by focusing on the long term.

Because LAPP has a diversified portfolio and funding decisions that allow us to hold on to a cushion against tougher economic times, we are not forced to respond with contribution rate increases every time there is a downturn in the economy. This combined with investment and funding strategies to support the long-term sustainability of LAPP, keeps all LAPP members protected, regardless of their age and years of service, helping provide a secure and certain income in retirement.

LAPP Pensions to Increase with Cost-of-Living Adjustment

In 2015, a Cost of Living Adjustment (also known as COLA) will be applied to your base pension at a rate of 1.56 per cent. All retirees with a retirement date of December 2013 or earlier will receive a full COLA. Those with a retirement date between January 1 and November 30, 2014 will receive a prorated COLA.



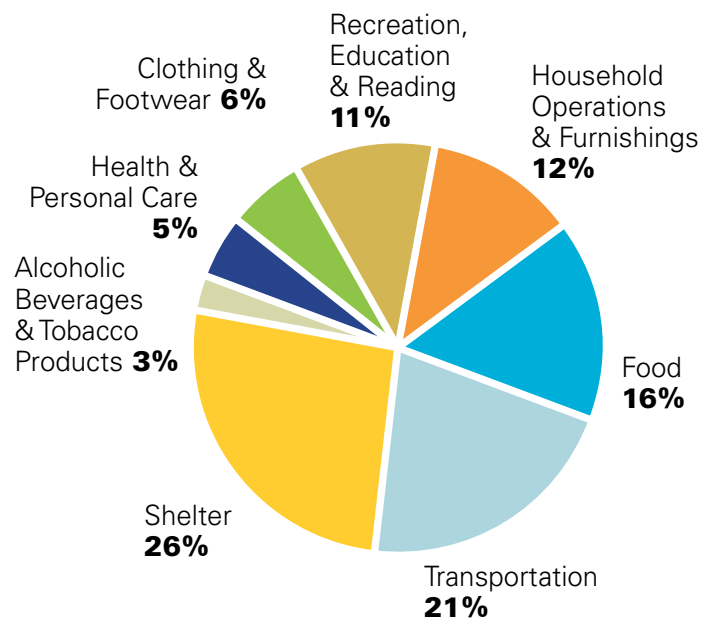
How is ACPI calculated?

As set out in Plan legislation, COLA is paid to retirees each year based on 60% of the increase in the Alberta Consumer Price Index (ACPI), as reported by Statistics Canada. The ACPI measures the percentage of change in the price of a basket of goods and services purchased by Albertans. The items included in the basket are weighted as follows.

Retiree Annual Statement

You will receive an annual statement this month from our pension administrator, Alberta Pensions Services (APS), outlining your personal pension payment details. APS is making improvements to its pension payment system so this year you will notice a change in the format to the annual statement you receive. The statement will provide information on your previous and current pension payment details. AT4A slip will follow your annual statement in the last week of February.

ACPI Weighting by Component



New CEO for LAPP

The LAPP Board is pleased to introduce you to Christopher A. Brown who has been hired as the new President and CEO of LAPP Corp. Chris has been a practicing lawyer of the Law Society of Alberta for the past 20 years. He is a leading pension expert who has counselled clients and worked with regulators and other pension policy makers on pension legislation and governance at the provincial and national levels.



Christopher A. Brown

Between October 2007 and November 2008, Christopher served as Co-Chair of the Alberta-British Columbia Joint Expert Panel on Pension Standards. As part of this government-appointed industry panel, he worked with five of Alberta's and B.C.'s leading pension experts to review private sector pension legislation in the two provinces and make recommendations to both governments for fundamental reforms to the pension system. Those recommendations resulted in the passage of new pension legislation in both provinces in 2012.

"We are very excited to have Chris on board and have enjoyed working with him since he became CEO in January," says Board Chair Terry Agoto. "We look forward to benefiting from his leadership and expertise as we continue to build on the strengths and success of LAPP as Alberta's largest pension plan,"

Chris served as the President of the Association of Canadian Pension Management (ACPM) from 2010 to 2013, is a current member of the National Board of Directors, Executive Committee and National Policy

Committee of the ACPM, and a past member of its Alberta Council. Christopher also sat on the Stakeholder Task Force on Common Pension Standards for the Canadian Association of Pension Supervisory Authorities.

Chris holds a Bachelor of Commerce (University of Alberta, 1990), a Bachelor of Laws (Osgoode Hall Law School, York University, 1993) and was called to the Alberta Bar in 1994. He has extensive experience counselling clients on all matters relating to the governance, investment, administration and regulatory compliance of pension plans and other employment benefits and compensation plans.

As President and CEO, Chris leads the executive team at LAPP Corp., which provides support to the LAPP Board of Directors and Board of Trustees. The executive team has responsibility for the strategic direction of the Plan as delegated by the President of Treasury Board and Minister of Finance. The Minister is the official administrator and trustee of the Plan and delegates some of his responsibilities to the Board and LAPP Corp. staff.





It's all on our website

Whether you want learn more about how your COLA is calculated or just catch up on the financial status of the Plan, you will find it all on the LAPP website at www.lapp.ca. You can read reports online, study the actuarial valuations and look at our news updates.

Looking for personal information?

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.

Contact Us

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

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