

**Government Money Purchase Pension Plan
Committee**

2021 Activity Report

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Government Money Purchase Pension Plan
P.O. Box 8700
St. John's, NL
A1B 4J6

Honourable Siobhan Coady
President of Treasury Board
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Coady:

On behalf of the Committee responsible for the Government Money Purchase Pension Plan (GMPP), I hereby submit the 2021 Activity Report. In accordance with the **Transparency and Accountability Act**, the GMPP is a category three government entity and is required to prepare an annual activity report to present information on its activities during the preceding year. The report was prepared under the committee's direction and the committee is accountable for the results contained herein.

The Committee's mandate is to administer the GMPP, including the setting of investment policy, the recommendation for appointment of an administrator/custodian, and the monitoring of plan performance. The GMPP is a capital accumulation plan; that is, the level of benefits provided at retirement are dependent on the contributions and the income earned on those contributions during an employee's career. It is critical that participating employees become actively engaged in the management of their respective plan assets in order to ensure security in retirement and is the key strategic issue for the GMPP Committee. Plan members have been reluctant to make investment choices, and instead are allowing their funds to be directed to the low risk, low return default investment. Employees should be aware of both the potential risks and rewards of making an active decision and the possible impact on their return goals. As such, efforts are continuously ongoing to educate plan members on the importance of taking an active interest in their investments.

This annual report outlines the activities of the GMPP Committee and the growth in assets and membership during 2021. It represents the second report on activities identified in the Committee's 2020-2022 Activity Plan. The financial markets performed quite strong in 2021, resulting in a \$34.4 million increase in asset values.

I am pleased to submit the 2021 Annual Activity Report for your consideration.

Yours sincerely,



Brad Sullivan
Committee Member

1.0 OVERVIEW

The GMPP provides pension coverage for part-time employees of government and its agencies and full-time employees (of participating employers) that are ineligible to participate in other government sponsored pension plans. The GMPP Committee was established by the Lieutenant-Governor in Council to oversee the operations of the Government Money Purchase Pension Plan. Employer representatives are appointed by virtue of their positions in government, while employee representatives are appointed based on the recommendation of the various unions. Committee members are responsible to ensure that contributions accumulated to the credit of the employee are invested prudently in the investment classes prescribed by the Committee and to promote the plan and educate employees on the importance of taking an active interest in their investments.

Government Money Purchase Pension Plan Committee Members

(As of December 31, 2021)

Government and Employer Representatives:

Vacant (Chair)	Assistant Deputy Minister, Human Resources, Treasury Board Secretariat
Vacant	Assistant Deputy Minister, Program Accountability and Corporate Services Treasury Board Secretariat
Brad Sullivan	Manager, Pension Investments, Treasury Board Secretariat
Vacant	Executive Director, Newfoundland and Labrador School Board Association
Lisa Phelan	Eastern Regional Health Authority
James Doody	Director, Human Resource Client Service Centre & Corporate Service Delivery, Treasury Board Secretariat

Employee Representatives:

Bert Blundon	Newfoundland and Labrador Association of Public and Private Employees
Bob Johnston	Newfoundland and Labrador Teachers' Association
Pamela Toope	Association of Allied Health Professionals
Dawn Learning	National Representative, Canadian Union of Public Employees
Yvette Coffey	Registered Nurses' Union Newfoundland and Labrador

The retirement security of a GMPP member depends on the member's investment decision, which in turn depends on the member's investment profile and risk tolerance. Consequently, it is critical that members take an active interest in their portfolio. To facilitate prudent investment decisions by members, the Committee adheres to a Statement of Investment Policies and Procedures, which outlines the investment options provided to members. These options include Guaranteed Investment Accounts (GIAs) and market-based funds, including an equity fund, a bond fund, a global equity fund, a balanced fund, and target date funds.

To assist in fulfilling its mandate to educate plan members, the Committee has retained the services of Canada Life Assurance Company (Canada Life) who fulfills the roles of both the custodian and administrator of the GMPP. The Committee also retains an investment consultant, Russell Investments, to assist in the design, implementation, and ongoing evaluation of all aspects of the pension investment program.

Phillips, Hager & North Investment Management Limited (PH&N) was retained to manage market based investment products and Eckler Ltd., provides advice on various pension issues relating to compliance with pension legislation and the **Income Tax Act** as required.

2.0 MANDATE

Pursuant to section 12.1 of the **Government Money Purchase Pension Plan Act**, the GMPP Committee is established by the Lieutenant-Governor in Council and mandated to administer the GMPP. The mandate is delivered by completing the following activities:

- Development, implementation and review of investment alternatives to provide plan members with the ability to make an active investment decision with respect to their accumulated funds.
- Promotion of the plan and education of plan members on the importance of taking an active interest in their investments.
- Oversight of investment options to ensure that contributions accumulated to the credit of plan members are invested prudently in the investment classes prescribed by the Committee.
- Oversight of the services provided by the Record Keeper and the performance of the Investment Manager.

For further information please refer to the GMPP 2020-22 Activity Plan at the following link: <https://www.gov.nl.ca/exec/tbs/files/GMPP2020-22ActivityPlan.pdf>.

3.0 HIGHLIGHTS AND PARTNERSHIPS

Administration Costs - December 31, 2021

	<u>2021</u>	<u>2020</u>
Investment Management Costs (PH&N)	\$ 530,553	\$ 496,841
Annual Pension Plan Registration	<u>12,500</u>	<u>12,500</u>
Total Administration Costs	<u>\$ 543,053</u>	<u>\$509,341</u>

*There were no costs associated with actuarial consulting and support staff in 2020 or 2021.

Since the inception of the GMPP in 1989, actuarial consulting and support staff costs have been paid from employer contributions that are forfeited when members who are not vested are terminated from the plan and take a refund of their contributions. The balance in the forfeitures account was \$5,570,997 as of December 31, 2021 compared to \$4,904,335 as of December 31, 2020.

Investment management fees for PH&N, which are based on a percentage of the total plan assets, are paid by the plan member from their investment earnings. Canada Life administration costs are funded entirely from plan member contributions.

Membership Status

Plan membership has increased from 35,717 accounts in 2020 to 36,890 accounts in 2021. The number of accounts includes both active participants and terminated employees who have left their funds on deposit with Canada Life. Of the total number of accounts, 13,950 are members who contributed during 2021. Efforts are ongoing to contact account holders to advise them of transfer options should they wish to move their funds from the plan. The following table illustrates the change in membership from 2020 to 2021:

	<u>2021</u>	<u>2020</u>
Membership, January 1	35,717	34,929
<u>Additions</u>		
Enrolments during the year	<u>3,745</u>	<u>3,303</u>
<u>Less: Exits</u>		
Terminations	2,381	2,358
Death Benefits	49	24
Retirements	<u>142</u>	<u>133</u>
	<u>2,572</u>	<u>2,515</u>
Membership, December 31	<u>36,890</u>	<u>35,717</u>

4.0 FINANCIAL HIGHLIGHTS

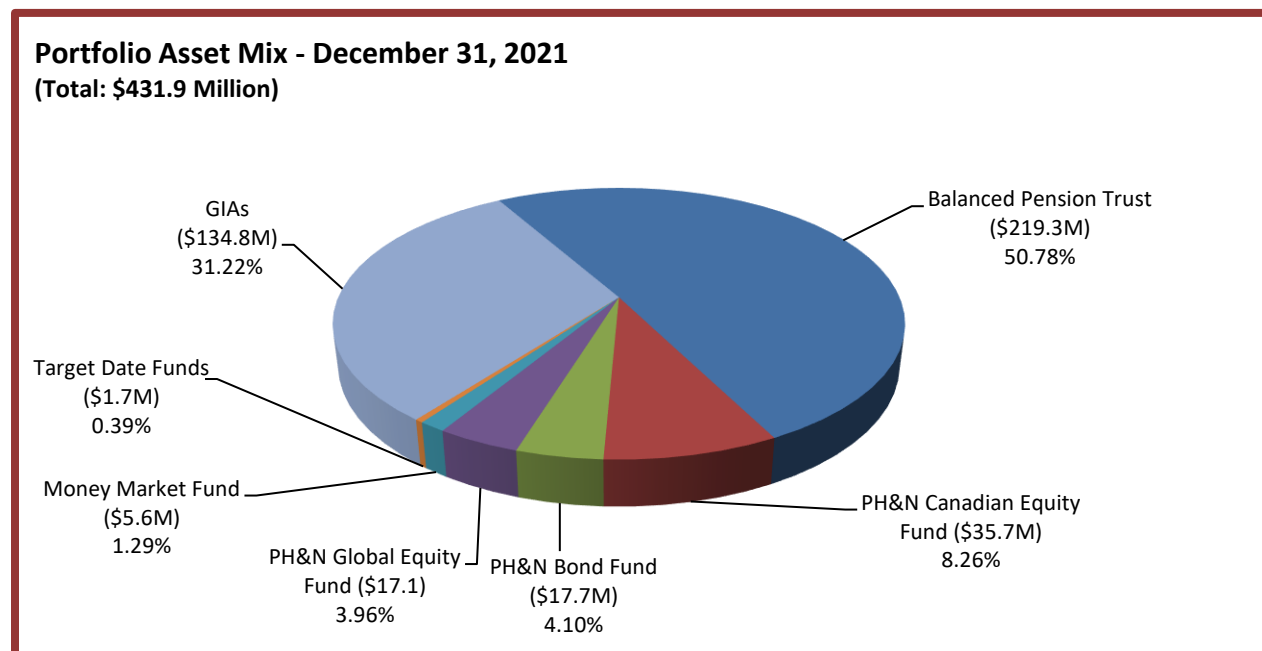
Market Value

Employee contributions for the year totalled \$17.67 million of which \$361,670 were Additional Voluntary Contributions (AVC's) and \$2,770,258 were transfers from other pension plans. Plan members may deposit AVC's to the plan, subject to RRSP limitations under the **Income Tax Act**. These AVC's are not matched by the employer. Employer contributions for the year totalled \$14.54 million and investment income was \$34.4 million. The Statement of Changes in Assets for the Year Ended December 31, 2021 is shown below:

Statement of Changes in Assets for the Year Ended December 31 (Market Value)		
	<u>2021</u> (\$Millions)	<u>2020</u> (\$Millions)
Opening Balance, January 1	<u>\$406.9</u>	<u>\$383.8</u>
Contributions to the Plan (\$17.67M + \$14.54M)	32.2	30.3
Investment Income	<u>34.4</u>	<u>32.7</u>
Total Additions	<u>66.6</u>	<u>63.0</u>
Refunds to Terminating Plan Members	41.6	39.9
Administration Costs	<u>0.0</u>	<u>0.0</u>
Total Deductions	<u>41.6</u>	<u>39.9</u>
Net change in assets	<u>25.0</u>	<u>23.1</u>
Market Value, December 31	<u>\$ 431.9</u>	<u>\$ 406.9</u>

Portfolio Asset Mix

Based on the asset decisions of plan members and the direction of the employer's share to the balanced fund, the asset mix of the portfolio as of December 31, 2021 is illustrated in the following chart:



Investment Performance as of December 31, 2021

The following table illustrates the performance of the GMPP market based funds to December 31, 2021:

Government Money Purchase Pension Plan (GMPP) Summary of Investment Returns as at December 31, 2021 with Benchmark comparisons				
Investment Options	Three Month s %	One Year %	Four Years Annualized % per annum	Ten Years Annualized % per annum
Balanced Pension Trust	4.86	12.77	9.95	9.99
Balanced Pension Trust Benchmark	4.50	11.21	8.57	8.46
Canadian Equity Fund	6.60	27.39	10.74	10.59
S&P/TSX Capped Composite Index Benchmark	6.47	25.09	10.28	9.14
Bond Fund	1.54	(2.18)	4.07	3.76
FTSE Canada Universe Bond Index Benchmark	1.47	(2.54)	3.51	3.27
Global Equity Fund	7.06	18.39	17.78	18.58
Global Equity Fund C\$ Benchmark	7.45	20.78	13.49	15.22

Note: Total returns are gross-of-fee and reported in Canadian dollars
Fund benchmarks are listed directly below their associated fund investment returns

5.0 2021 OBJECTIVE AND RESULTS

The GMPP Committee is mandated to assist the President of Treasury Board with the administration of the Government Money Purchase Pension Plan and provide recommendations on matters referred to them by the President of Treasury Board. Responsibilities of the Committee include the development, review and implementation of investment policies; the recommendation of investment consultants, custodian and investment managers for appointment; and the review of all activities of the plan administrator, Canada Life. Additionally, the GMPP Committee is responsible for assisting pension plan members in their decisions related to the allocation of employee and employer contributions to a variety of investment vehicles, for the purpose of achieving the maximum accumulation of benefits at retirement. In its 2020-22 Activity Plan, the GMPP Committee established an annual objective based upon these responsibilities. The following is a summary of the Committee's mandated work, as of December 31, 2021.

Objective: By December 31, 2021 the GMPP will have advised the President of Treasury Board on the administration of the Government Money Purchase Pension Plan.

Indicators:

- **Developed, implemented and/or reviewed investment alternatives to provide plan members with the ability to make an active investment decision with respect to their accumulated funds.**

New investment alternatives were not required in 2021.

- **Promoted the plan and educated plan members on the importance of taking an active interest in their investments.**

Canada Life offered webinars during 2021, which focused on the different financial planning stages impacting members. Webinars included: the basics about investing and the benefits of a group retirement savings plan; savings required to live the lifestyle members want in retirement and ways to meet that goal; and retirement income options and how to get ready for retirement.

Members can obtain information about their pension plan and investment options by accessing the Group Retirement Service website provided by Canada Life. This website was accessed approximately 9,500 times in 2021. In addition, the Canada Life Call Centre received approximately 3,400 calls from plan members during the year 2021.

- **Provided oversight of investment options to ensure that contributions accumulated to the credit of plan members are invested prudently in the investment classes prescribed by the Committee.**

During 2021, employees availed of all the options prescribed by the Committee; however, there was no significant change in the overall distribution of assets. The Committee, through Canada Life, will continue to encourage members to take an active interest in asset selection.

- **Provided oversight of the services provided by the Record Keeper and the performance of the Investment Manager.**

During 2021, Canada Life (Record Keeper) met with the Committee and provided an update on the GMPP plan, including plan participation. Canada Life continues to provide quality custodial and administrative services. PH&N's investment performance in the various asset classes continued to meet or exceed the benchmark established for all of the various asset classes for 2021 with the exception of the PH&N Global Equity Fund.

- **When requested, provided recommendations to the responsible Minister on matters referred to the Committee.**

The Committee did not receive a specific request from the President of Treasury Board to provide recommendations on matters related to the administration of the GMPP.

6.0 2022 OBJECTIVE AND INDICATORS

During the 2022 year, the Committee will continue to fulfil its mandate to support the President of Treasury Board in the administration of the GMPP. As such, the GMPP has established the following objective for the 2022 year as a means to measure its performance:

Objective: By December 31, 2022 the Committee will have advised the President of Treasury Board on the administration of the Government Money Purchase Pension Plan.

Indicators:

- Developed, implemented and/or reviewed investment alternatives to provide plan members with the ability to make an active investment decision with respect to their accumulated funds.
- Promoted the plan and educated plan members on the importance of taking an active interest in their investments.
- Provided oversight of investment options to ensure that contributions accumulated to the credit of plan members are invested prudently in the investment classes prescribed by the Committee.
- Provided oversight of the services provided by the Record Keeper and the performance of the Investment Manager.
- When requested, provided recommendations to the responsible Minister on matters referred to the Committee.

7.0 CONTACT INFORMATION

1. Canada Life
255 Dufferin Ave., T. 540
London, ON
N6A 4K1

Telephone: 1(800)724-3402
Website: www.grsaccess.com

2. Pensions Division
Treasury Board Secretariat
Executive Council
Main Floor, East Block
Confederation Building
St. John's, NL
A1B 4J6

Telephone: 1(709)729-3931

Website: <https://www.gov.nl.ca/exec/tbs/pensions/plans/qmpp/>

3. Phillips, Hager & North Investment Management Limited
155 Wellington Street West
Toronto, ON
M5V 3K7

Telephone: 1(800)661-6141

Website: www.phn.com