

**Government Money Purchase Pension Plan
Committee**

2022 Annual 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 2022 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 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 which 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 change in assets and membership during 2022. It represents the third report on activities identified in the committee's 2020-2022 Activity Plan. The financial markets weakened in 2022, contributing to a \$31.9 million reduction in asset value.

I am pleased to submit the 2022 Annual Report for your consideration.

Sincerely,



Lisa Curran
Chair of the Government Money Purchase Pension Plan Committee

1.0 OVERVIEW

The Government Money Purchase Pension Plan 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 Government Money Purchase Pension Plan 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 accumulated employee contributions are invested prudently to provide investment options 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, 2022)

Government and Employer Representatives:

Lisa Curran (Chair)	Assistant Deputy Minister, Human Resources, Treasury Board Secretariat
Vacant	Assistant Deputy Minister, Program Accountability and Corporate Services Treasury Board Secretariat
Nicole Abbott	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 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
Mike Fagan	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. In this role, Canada Life provides operational and administrative support to the plan, as well as to GMPP members. 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. The investment management fees charged by these pension partners are based on investment categories and asset levels managed.

2.0 MANDATE

Pursuant to section 12.1 of the **Government Money Purchase Pension Plan Act**, the 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 Administrator and the performance of the Investment Manager.

3.0 HIGHLIGHTS AND PARTNERSHIPS

Administration Costs - December 31, 2022

	<u>2022</u>	<u>2021</u>
Investment Management Costs (PH&N)	\$502,990	\$ 530,553
Annual Pension Plan Registration	<u>12,500</u>	<u>12,500</u>
Total Administration Costs	<u>\$515,490</u>	<u>\$543,053</u>

Since the inception of the Government Money Purchase Pension Plan 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 \$6.3 million as of December 31, 2022 compared to \$5.6 million as of December 31, 2021.

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 by 1.3 per cent from 36,890 accounts in 2021 to 37,357 accounts in 2022. 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, 14,161 (37.9 per cent) are members who contributed during 2022. 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 2021 to 2022:

	<u>2022</u>	<u>2021</u>
Membership, January 1	<u>36,890</u>	<u>35,717</u>
<u>Additions</u>		
Enrolments during the year	<u>3,750</u>	<u>3,745</u>
<u>Less: Exits</u>		
Terminations	2,382	2,381
Death Benefits	55	49
Retirements	<u>65</u>	<u>142</u>
	<u>2,502</u>	<u>2,572</u>
Membership, December 31	<u>38,138</u>	<u>36,890</u>

4.0 FINANCIAL HIGHLIGHTS

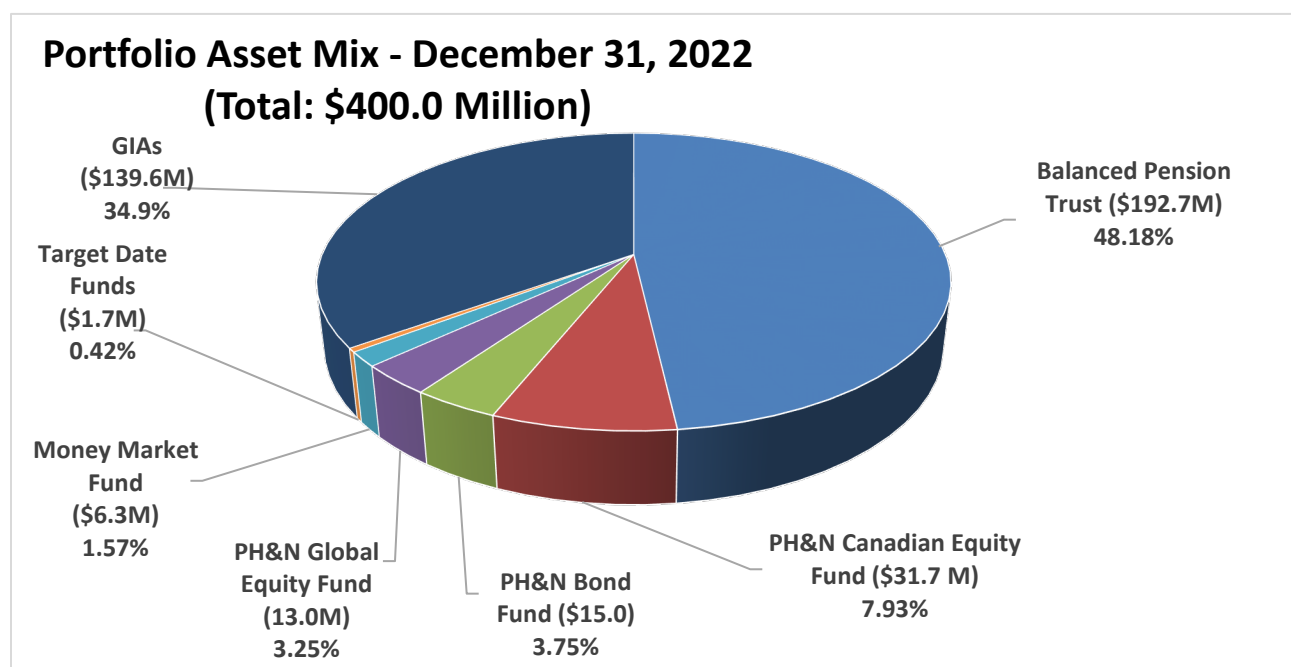
Market Value

Employee contributions for the year totalled \$17.34 million of which \$332,425.47 were Additional Voluntary Contributions (AVC's) and \$1,487,005.98 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 \$14.82 million and the investment loss was \$30.5 million. The Statement of Changes in Assets for the Year Ended December 31, 2022 is shown below:

Statement of Changes in Assets for the Year Ended December 31		
	<u>2022</u> (\$Millions)	<u>2021</u> (\$Millions)
Opening Balance, January 1	<u>\$431.9</u>	<u>\$406.9</u>
Contributions to the Plan (\$17.34M + \$14.82M)	32.2	32.2
Investment Income	<u>(30.5)</u>	34.4
Total Additions	<u>1.7</u>	<u>66.6</u>
Refunds to Terminating Plan Members	<u>33.6</u>	41.6
Administration Costs	<u>0.0</u>	<u>0.0</u>
Total Deductions	<u>33.6</u>	<u>41.6</u>
Net change in assets	<u>(31.9)</u>	<u>25.0</u>
Market Value, December 31	<u>\$400.0</u>	<u>\$ 431.9</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, 2022 is illustrated in the following chart:



Investment Performance as of December 31, 2022

The following table illustrates the performance of the GMPP market based funds to December 31, 2022:

Government Money Purchase Pension Plan (GMPP) Summary of Investment Returns as at December 31, 2022 with Benchmark comparisons				
Investment Options	Three Months %	One Year %	Five Years Annualized % per annum	Ten Years Annualized % per annum
Balanced Pension Trust	4.32	(10.40)	5.54	7.89
Balanced Pension Trust Benchmark	4.63	(9.85)	4.61	6.59
Canadian Equity Fund	5.96	(5.09)	7.37	8.96
S&P/TSX Capped Composite Index Benchmark	5.96	(5.84)	6.85	7.74
Bond Fund	0.31	(11.14)	0.83	2.13
FTSE Canada Universe Bond Index Benchmark	0.10	(11.69)	0.27	1.63
Global Equity Fund	5.50	(19.38)	9.18	14.55
Global Equity Fund C\$ Benchmark	8.24	(12.19)	7.81	12.32

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 2022 OBJECTIVE AND RESULTS

The Government Money Purchase Pension Plan 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 committee is responsible for assisting pension plan members in their investment decisions related to the allocation of employee and employer contributions, for the purpose of achieving the maximum accumulation of benefits at retirement. In its 2020-22 Activity Plan, the committee established an annual objective based upon these responsibilities. The following is a summary of the committee's mandated work, as of December 31, 2022:

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.**

New investment alternatives were not required in 2022.

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

Canada Life offered three webinars during 2022, which focused on the different financial planning stages impacting members. Webinar topics included: Group RRSPs, Sources of Retirement Income, and Group Savings Plan. 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 2,446 times in 2022. In addition, the Canada Life Call Centre received approximately 3,063 calls from plan members during the year 2022.

- **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 2022, 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 2022, Canada Life (record keeper) met with the committee and provided an update on the Government Money Purchase Pension 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 2022 with the exception of the PH&N Global Equity Fund, and PH&N Balanced Pension Trust. PH&N's 10 year investment performance exceeded the benchmark in all asset classes prescribed.

6.0 CONTACT INFORMATION

1. Canada Life
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London, ON
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2. Pensions Division
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Executive Council
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Confederation Building
St. John's, NL
A1B 4J6

Telephone: 1(709)729-3931
Website: <https://www.gov.nl.ca/exec/tbs/pensions/plans/gmpp/>

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

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Website: www.phn.com