



Department of Finance

**Government Money Purchase
Pension Plan Committee**

Activity Plan

January 1, 2008 – December 31, 2010

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**GOVERNMENT MONEY PURCHASE PENSION PLAN
ADMINISTRATION COMMITTEE**

**P.O. Box 8700
St. John's, NL
A1B 4J6**

March 31, 2008

Honourable Thomas W. Marshall
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Marshall:

The Government Money Purchase Pension Plan (GMPP) is a capital accumulation plan that is designed to provide pension coverage for part time employees of government and its agencies and full time employees of quasi government agencies. A GMPP Committee has been overseeing the management of the plan since its inception in 1989.

Under the GMPP, 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.

Pursuant the provisions of the *Transparency and Accountability Act*, the GMPP Committee is accountable for the preparation of the Activity Plan and the achievement of the Plan's objectives. In the preparation of this plan, the strategic directions of government were considered but were determined not to be applicable to the GMPP. However, prudent management of the pension plan by the GMPP Committee with a view to encouraging plan members to take an active role in their investment selection is consistent with the work plan of the Department of Finance to improve the operations of all pension plans sponsored by the Province.

As the Chair of the GMPP Committee, it is my pleasure to submit the Activity Plan for the GMPP Committee covering the fiscal years ended December 31, 2008, 2009 and 2010.

Yours sincerely,



Donna Brewer
Chair of the GMPP Committee

Activity Plan

1.0 Overview

The Government Money Purchase Pension Plan (GMPP) was created under the *Government Money Purchase Pension Plan Act* on April 1, 1989. The GMPP was established to provide pension coverage for part time employees of Government and its agencies and full time employees of participating employers ineligible to participate in another government sponsored plan. The GMPP Committee was appointed by the Lieutenant Governor in Council to advise the Minister of Finance, as Trustee, on the administration of the plan.

The GMPP Committee has 11 members including representatives from government and the plans' stakeholders, including employee groups, with the Assistant Deputy Minister of Finance (Financial Planning and Benefits Administration) as the Chair. Responsibilities of the committee include the review of all the activities of the plan administrator, Canada Life; the development, review and implementation of investment policies; and the recommendations for the appointment of investment consultants, a custodian and investment managers as required.

2.0 Mandate

The GMPP Committee's mandate is to administer the GMPP, including the appointment of an administrator/custodian, setting investment policy and monitor plan performance.

3.0 Lines of Business – Administration of the GMPP

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.

4.0 Values

Inclusion: Each member of the GMPP Committee acknowledges each others' views and perspectives and has the right/opportunity to express their own.

Independence: Each member, while representing the interests of diverse stakeholders, recognizes that the decisions of the GMPP Committee are in the best interests of all stakeholders.

5.0 Primary Clients and Stakeholders

The primary clients and stakeholders for the GMPP Committee are the employees who participate in the plan.

6.0 Vision

The vision of the GMPP Committee is to have all participating employees, using guidelines presented to them by the plan custodian, select an investment strategy suited to their retirement objectives with the ultimate goal to maximize the amount of pension funds available at retirement, but with a reasonable level of risk.

7.0 Mission

The mission statement identifies the priority focus areas of the GMPP Committee over the next two planning cycles.

Consistent with its vision of engaging employees in the investment decision making process, the Committee's mission is to improve employee's participation in the investment selection process. Currently, less than 50% of employees make an active investment decision with respect to the funds they are contributing to the GMPP.

By 2010, the committee would like to see at least 75% of members make an active decision with respect to their funds.

Measure: More plan members making an investment choice

Indicator: Percentage of members making an active investment decision is increasing

8.0 Strategic Issues

The GMPP was introduced in 1989 to provide a pension plan for part time employees and full time employees of public sector employers who were ineligible to participate in the full time plans. It is a capital accumulation plan where employee contributions together with the employer match are deposited to individual accounts. The employee has the option to allocate those contributions to a variety of investment vehicles including a balanced fund, an equity fund, a bond fund, a global fund and guaranteed investment accounts with various maturities. The amount that will accumulate to the employee's credit and that will be available to provide income at retirement is dependent on the investment option selected by the employee.

With the assistance of the plan custodian, employees are provided with the tools to evaluate their risk tolerances and to assist with selecting the best investment vehicle to meet their needs. Many employees do not utilize these tools and are content to let their funds remain in the lower return guaranteed option. While this may be a suitable investment for certain employees, it is evident from the asset mix of the GMPP portfolio that many employees are not seeking advice with respect to their accounts.

The Committee has endeavoured to engage employees in the process by promoting the plan and offering annual educational seminars across the province. Participation in these sessions has been low, but increasing slightly year over year. As a result, many employees are not taking an active interest in their retirement arrangements. At some point, if employees' interest in their plan does not improve, the Committee may have to look at alternative measures to ensure that the funds are invested in a prudent manner.

Objective 1:

By December 31, 2008, more employees will have made an investment selection with respect to their GMPP funds.

Measure: Rate of investment selection by members increases.

Indicator: More than 50% of plan members' contributions are invested in guaranteed investment accounts.

Objective 2:

By December 31, 2009, the number of employees who have made an investment selection will have increased from the previous year.

Objective 3:

By December 31, 2010, the number of employees who have made an investment selection will have increased from the previous year.