

**special forces**

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**pension plan**

# Special Forces Pension Board

## 2011 – 2013 Business Plan

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## Governance Statement

The Minister of Finance and Enterprise is the statutory administrator of the Special Forces Pension Plan (Plan) and holds all assets of the Plan in trust to provide benefits pursuant to the Plan and to meet Plan costs.

The *Public Sector Pension Plans Act* sets out the main objectives of the Board with respect to funding, administration, investments and amending the Plan. More specifically, the Act identifies and charges the Board with the following responsibilities:

- set general policy guidelines for the investment and management of the Plan's assets and indexing fund;
- authorize the transfer of any Plan Fund surplus to the indexing fund towards post-1991 cost of living adjustments;
- establish contribution rates to ensure the Plan is properly funded;
- recommend changes in Plan rules;
- conduct an actuarial valuation of the Plan at least every three years;
- set general policy guidelines for the administration of the Plan; and
- review administrative decisions as delegated by the Minister of Finance.

The Board also reviews the investment results of the Plan's Fund with Alberta Investment Management Corporation (AIMCo) and the Board's investment consultant. The Board considers changes to the Statement of Investment Policies and Goals (SIP&G) on no less than an annual basis.

In keeping with good governance practices, the Board has its own Code of Conduct and Ethics Policy.

AIMCo, a Crown Corporation, provides investment management services to the Plan. AIMCo invests the Plan's assets for the benefit of Plan members and pensioners, subject to legislation and the SIP&G recommended by the Board.

Alberta Pensions Services (APS) Corporation provides administrative services to the Plan under an Administrative Services Agreement with the Minister of Finance and Enterprise. APS provides benefit administration for members, pensioners and employers by paying pension benefits, collecting pension plan contributions, maintaining membership records and providing information to members, pensioners and employers.

# Board Vision, Mission, and Values/Principles

## *Vision*

To ensure the pension benefits promised are secure through the prudent governance of the Plan.

## *Mission (Mandate)*

The Board will act in the best interests of the Plan beneficiaries, considering the requirements of the Plan Sponsors and other Stakeholders, ensuring that the Plan is operated in compliance with legislation and regulations and that the Plan's assets are managed effectively and efficiently in order to provide a sound financial future for the Plan's beneficiaries.

The Board is accountable to the Plan's stakeholders: the Minister of Finance, members of the Plan (active, deferred and retired) and employers.

## *Values*

- Be financially prudent and fiscally conservative, ensuring that the overall financial health of the Plan is maintained
- Be engaged and results oriented in our governance of the Pension Plan
- Be responsive to the needs of members, employers and the Trustee
- Be transparent and proactive in our relationships with stakeholders.

## Strategic Priorities 2011 – 2013

### 1. Plan Funding and Investment Management

*Linkage: Goals 1 & 2*

- Make general investment policy guidelines that are designed to help ensure the Plan and its assets are managed effectively and efficiently so that promised benefits will be paid.

### 2. Fiscal Management

*Linkage: Goal 3*

- Monitor decisions made in respect to the management of the Plan, its Fund, and the Indexing Fund to assess whether they are financially prudent and maintain the overall financial health of the Plan.

### 3. Governance

*Linkage: Goals 4 & 5*

- Ensure governance of the Board and Plan is consistent with the governing legislation and related agreements.

### 4. Communications

*Linkage: Goal 6*

- Through exposure to the Board's ongoing communications, members and employers and other key stakeholders will increasingly understand the structure and operations of the Plan

# Core Business, Goals, Strategies & Performance Measures

## Core Business One: Plan Funding and Investment Management

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<b>Goal One</b>
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*The Plan is fully funded or an appropriate amortization schedule is in place to address any unfunded liabilities (on a going-concern basis).*

### What it Means

- The Plan is funded in accordance with governing legislation
- Valuation assumptions reflect an appropriate view of expected experience and the future investment environment
- Statutory reporting of the Plan is performed through periodic actuarial valuations and extrapolations
- Funding rates and investment returns are balanced and sufficient to meet pension obligations and costs associated with the administration and investment of the Plan and Fund
- Contribution rate volatility is managed appropriately.

### Strategies

#### **Annual Activities**

- Monitor the overall investment performance of the SFPP, and when prudent initiate funding or interim valuation reports from the SFPP actuary to affirm the ongoing financial health of the SFPP
- Identify the objectives with respect to development of a Funding Policy considering funding requirements, investments and benefits
- Review extrapolation results
- In Q4, based on a balance sheet assessment, determine whether or not to grant a COLA increase to pensions in pay and deferred pensions
- Ongoing tracking of the SFPP's long term investment objective to ensure it continues to meet the investment return assumption used for ongoing funding of the Plan

#### **2011– 2013 Action Plan**

##### **2011**

- Conduct an extrapolation as of December 31, 2011 projecting from the prior funding valuation of the SFPP, which may be used for CICA Section 4100 reporting, and setting annual cost of living adjustments
- Conduct an actuarial valuation of the Plan as at December 31, 2011, to be performed in 2012 and adjusting contribution rates as recommended by the actuary, effective December 31, 2012, and provide the results of the valuation to the Stakeholders of the Plan
- Assess, and if prudent, arrange to have an experience study completed to verify actuarial assumptions
- Complete and implement a Funding Policy

### **2012**

- Conduct an extrapolation as of December 31, 2012 projecting from the prior funding valuation of the SFPP, which may be used for CICA Section 4100 reporting, and setting annual cost of living adjustments
- Consider conducting an interim valuation of the SFPP as of December 31, 2012, to be performed in 2013, which may be used to monitor the overall financial health of the SFPP or filed for funding purposes and setting SFPP contribution rates

### **2013**

- Conduct an extrapolation as of December 31, 2013 projecting from the prior funding valuation of the SFPP, which may be used for CICA Section 4100 reporting, and setting annual cost of living adjustments
- Consider conducting an interim valuation of the SFPP as of December 31, 2013, to be performed in 2014, which may be used to monitor the overall financial health of the SFPP or filed for funding purposes and setting SFPP contribution rates

## Goal Two

***The return on investments is maximized while balancing the risk and return profile of the Plan.***

### **What it Means**

- The Fund is managed in accordance with governing legislation
- Investment management and performance of the Fund is in compliance with the SIP&G and aligned with the Plan's risk tolerance and risk budgeting
- The Fund's annual return objective and the Plan's long-term investment objectives are achieved
- Prudent investment opportunities are investigated in order to provide the greatest positive impact to the Plan

### **Strategies**

#### **Annual Activities**

- Regularly monitor AIMCo's investment performance and overall management of the SFPP Fund
- Review the Fund's investment portfolio and investment performance in the context of risk exposure relative to the long-term policy target asset weightings and ensure risk tolerance requirements of the SFP Board are not exceeded
- Assess new investment opportunities and strategies as identified by AIMCo or the Board's Investment Consultant
- Annually review the SIP&G and provide recommendations for change, if necessary
- Monitor the SFPP asset mix in relation to expected returns
- Review new investment opportunities for suitability with the stated long-term investment objectives of the SFPP Fund

#### **2011 – 2013 Action Plan**

- Determine an evaluation method to assess AIMCo's product structures, management design, fees and costs
- Continue to monitor the impact on the Fund from the downturn in the US housing market and related credit issues
- Continue to implement a risk-budgeting system for the Fund
- Conduct an Asset Allocation Analysis of the Special Forces Pension Plan,
- Revise the SIP&G to reflect changes to the asset mix as determined by an Asset Allocation Analysis
- Establish an implementation plan and timeframe in conjunction with AIMCo, and set appropriate monitoring mechanisms to ensure any asset mix changes are completed in a timely and cost effective manner

## Core Business Two: Fiscal Management

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<b>Goal Three</b>
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***Costs related to investments and plan administration are managed fairly, efficiently and effectively.***

### What it Means

- Service levels meet or exceed standards for performance levels identified in the agreements between the Board and APS and AIMCo
- The average cost of administration and investment management services are reasonable

### Strategies

#### ***Annual Activities***

- Meet with and provide feedback to AIMCo and APS regarding their business plans and budgets
- Maintain and update a three year SFPB business plan and budget
- Review APS service levels in relation to targets
- Consult with APS on SFPB business plan initiatives potentially impacting APS
- Monitor costs charged for investment management services and plan administration

#### ***2011 – 2013 Action Plan***

- Continue to review and document reporting requirements with AIMCo and APS
- Work with AIMCo to review and, if prudent, modify the Investment Management Services Operating Protocol and implement mechanisms and controls to define services and set service level standards in relation to investment management services of the Plan Fund
- Establish service performance measures with APS through Service Level Agreements
- Explore efficiencies and effectiveness of shared legal opinions, joint studies and reporting with other public sector boards where common ground and agreement of parties exists

## Core Business Three: Governance

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### Goal Four

*The Board's governance is clearly articulated and thoroughly documented.*

#### What it Means

- The Board will continually strive to improve its governance practices and structures
- There is a clear understanding, documented in a Mandate and Roles document, between the Minister of Finance and Enterprise and the Board regarding respective roles and responsibilities
- Alberta Finance and Enterprise (FSRP), the Board, AIMCo and APS understand each other's roles and objectives
- Requirements of the Alberta Public Agencies Governance Act and other recognized governance documents are met or exceeded
- Board policies are appropriately developed and maintained, and are reviewed at least once every three years

#### Strategies

##### **Annual Activities**

- Review Board policies, updating if necessary
- Provide report to Minister of Finance and Enterprise regarding the Board's annual activities in accordance with its mandate.

##### **2011 – 2013 Action Plan**

- Collaborate with Plan Stakeholders providing subject matter expertise as required, on issues important to the SFPP, such as a plan design review..
- Review 1/3 of Board policies each year
- In consultation with Alberta Finance and Enterprise and APS, determine legal and process issues associated with a new COLA proposal
- Finalize and implement a revised COLA methodology and work with APS in communicating changes to Stakeholders
- Conduct a facilitated Board governance retreat session
- Funding Policy reflects COLA Policy (once COLA methodology is confirmed)

## Goal Five

***The Board operates efficiently and effectively within its mandate in order to meet its objectives.***

### **What it Means**

- The Board operates in an effective partnership with the Minister of Finance and Enterprise, Alberta Finance and Enterprise (FSRP), AIMCo, APS, and the Plan's Stakeholders
- Board members conduct their affairs in accordance with fairness, impartiality, integrity, and the highest ethical standards, and in compliance with any applicable laws
- Board members' knowledge is sufficient to carry out their fiduciary role
- The Board is satisfied with the manner in which it carries out its objectives and fiduciary obligations

### **Strategies**

#### ***Annual Activities***

- Provide feedback on Plan design changes, as requested by Plan Sponsors, or proactively when deemed appropriate
- Require each Board member to individually attest to their adherence to the Board's Code of Conduct and Ethics Policy
- Conduct a self-assessment of the Board
- Continue to develop Board members' knowledge and skills through continuing education
- Plan for succession of Board members through competency assessment
- Meet with the Office of the Auditor General regarding the audit of the Plan
- Assess the services of external service providers and advisors and provide feedback to both APS (as contractors), AIMCo and advisors

#### ***2011 – 2013 Action Plan***

- Continue to assess and update SFP Board governance practices and policies to ensure compliance with the *Public Agencies Governance Act* and, where applicable, develop new documentation on SFP Board processes and procedures

## Core Business Four: Communications

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### Goal Six

Plan members, employers and other key stakeholders will increasingly understand the structure and operations of the Plan through exposure to ongoing communications which will be provided by the Board in collaboration with APS.

#### What it Means

- The Board recognizes that it has a responsibility to communicate with its Stakeholders on issues within its mandate and will be proactive in these communications
- Plan Stakeholders understand the value of the SFPP, have a basic awareness and , understanding of the SFPP
- Plan Stakeholders have an understanding of the management and the future of the Plan, and of its governance structure.

#### Strategies

##### *Annual Activities*

- Annually review, enhance and update the communications strategy
- Increase awareness and understanding of the Plan through Annual Reports, the Newsletter, the Website, participation in stakeholder conferences and face to face meetings with Stakeholder groups when appropriate.
- Increase awareness and understanding of the Plan through member and employer communications (Stakeholder Meetings, Newsletters, Website)

##### *2011 – 2013 Action Plan*

- Coordinate and implement strategies to improve a better understanding of the COLA benefit
- Develop strategies for communicating actuarial valuation results to Stakeholders
- Communicate results on the financial health of the Plan to Stakeholders
- Proactively manage communications with Stakeholders by providing information and seeking input as effectively as possible
- Consider multiple communications mediums to provide general information on the Board and Plan
- Other activities as required to focus on the value of the Plan
- Continue to work with APS on redesigning the SFPP Website to provide timely information to members and employers on the Board, Plan Funding and other Plan design issues