



**special forces**  
**pension plan**

**2011**  
**FALL**  
**NEWSLETTER**

**WORKING WITH YOU. WORKING FOR YOU.**

## **MESSAGE FROM THE BOARD**

The Special Forces Pension Plan (SFPP), like many pension plans around the world, is facing funding challenges. The Plan's liabilities, or the cost of paying for future pensions, are growing faster than the Plan's assets. The Board's most important role is to ensure there is enough money in the Plan, as required by legislation, to pay out pensions to members today and in the future. The Board only has three sources from which it can address funding: contribution rates, investment returns and plan design. We're looking at all three to ensure the pension plan is sustainable for future generations.

### **Funding**

One of the ways the Board can assess the financial health of the Plan and set contribution rates is to commission an actuarial funding valuation. These valuations are required by law every three years. They use assumptions or estimates about economic and demographic factors like interest rates and life expectancy to determine the amount of money required to pay out future pensions.

A valuation will be carried out as of December 31, 2011, but the Board obtains extrapolations annually and the results to date suggest a small contribution rate increase may be required. It's disappointing and the Board understands there's a limit to the number of rate hikes our members can accommodate.

### **Stakeholder Committee**

That's one of the main reasons the SFPP Stakeholder Committee was struck earlier this year—to understand the cost drivers of the pension plan and find the right balance of sustainable pension benefits at a cost that's affordable to members. For more information, be sure to read the article on the committee in this newsletter.

### **Investments**

While the committee conducts its work, the Board is grappling with the investment side of the funding equation. SFPP is what we call a mature Plan. This means the proportion of working members is declining compared to the growing number of pensioners. As the Plan matures due to its demographics, we need to be increasingly cautious in determining the Plan's asset mix. Riskier asset classes, like equities, must be reduced to minimize risk in the Plan with such assets as bonds. Having said that, bond yields are expected to be low which means lower investment returns.

The Board is conducting an Asset Liability study in 2012 with a focus on risk. The study must reflect our views about some of the major risks faced by the Plan. On the liability side, we must take stock of interest rate risk and the risk of demographic changes that affect the cash flow out of the Plan. On the asset side, we must take into account the risk of ongoing volatility in the markets. The results of the study must be consistent with our funding policy.

The Board is committed to openness and transparency. Through this newsletter, the SFPP website and presentations to our stakeholders, we want to promote better understanding of the funding challenges the pension plan is facing. As decision makers dealing with these difficult funding issues, we feel strongly that we must do what we can now, and not leave the tough decisions to future Plan members and stakeholders. We are committed to working together with members, employers and government to ensure the Plan is secure and affordable well into the future.

## MEMBER PROFILE

Don Girling is contemplating spending his winters golfing and enjoying his vacation home in Las Vegas. After working for the Medicine Hat Police Services for close to 37 years, he can relax during his retirement knowing exactly what his monthly income will be.

Police work is what Don loves and, looking back on his career, he's glad he stayed on as long as he did. "I think it's important to realize when it's a good time to retire. I worked longer than I thought because I still enjoy what I do."

However, as he nears retirement, Don looks forward to spending time on his ranch in Medicine Hat with his family, including his wife of 31 years, Mona, and his two sons. Don also plans to do some traveling, exploring the Middle East, Europe and England.

"My pension will allow me to carry on with my lifestyle. Unlike other investments which have had meagre or no returns lately, I know that my pension will be guaranteed income."

Don also plans to pursue his other hobbies, including riding horses, mountain biking and playing the bagpipes.

Next year, Don will begin his retirement; don't be surprised if you see him on a golf course in Medicine Hat or Las Vegas.



**STAFF SERGEANT DON GIRLING**

**MEDICINE HAT POLICE SERVICE, ALBERTA**

## THE COMMUTED VALUE OPTION

Commuted value (CV) is the amount of money paid as a one-time payment that is equal in value to your future expected pension payments. It's calculated based on factors such as age, interest rates and mortality rates at the time of payment.

### TAKING A PAYOUT OF COMMUTED VALUE

If you are vested, and you stop participating in the pension plan before age 55 and with less than 25 years of service, you have the option to receive a payout of the CV of your pension for service after December 31, 1992. For service before 1992, members are entitled only to their own contributions plus interest.

Taking a CV means you give up a lifetime pension and are responsible for the investment of that money. If you take a CV payout, it must be transferred to a Locked-in Retirement Account (LIRA) until you are eligible to receive retirement income. A LIRA is similar to an RRSP but the funds are restricted for the purpose of retirement income.

If you take a CV payout, seek the advice of a professional financial advisor. When choosing a financial advisor important aspects to consider include recognized qualifications and experience. Please note, some financial advisors will receive a commission or charge a fee based on the decision you make.

### LEAVING YOUR FUNDS IN THE PENSION PLAN

Alternatively, you can leave your benefit in the Plan and receive a pension paid for life. Under a defined benefit plan, your pension income is based on your salary and years of service, not on the state of the markets. You can have more certainty around your retirement plans knowing what your pension income will be.

## IT IS EASY BEING GREEN!

Who says it's not easy being green? Last year, SFPP members took advantage of the "go green" option and received their member annual statements on **mypensionplan**, a secure site for members. Now even more features have been added, including access to member newsletters and other publications online.

Do you want to sign up? Just follow these quick, easy steps:

1. Login to **mypensionplan** via [www.sfpp.ca](http://www.sfpp.ca).
2. On the home page, click on "myLogin Profile".
3. Select "Email Information".
4. Under "Go Green Email Notifications", select "Yes, I would like to receive email notifications when my member statements, newsletters and other publications are available to view online."
5. Click the "Update Email Information" button to save your changes.

*Not a member? Register for **mypensionplan** by visiting the SFPP website and clicking on **mypensionplan** and "Register Now".*



## MARKET UPDATE

Alberta Investment Management Corporation (AIMCo) is one of Canada's largest and most diversified institutional investment fund managers, with an investment portfolio of approximately \$70 billion. They invest globally on behalf of their clients, which are comprised of Alberta public sector pension funds, the Alberta Heritage Fund and other endowment and government funds of the Province of Alberta. AIMCo has provided the following market commentary:

This year began on a positive note with increasing optimism as stock markets continued to show improvement. This prompted expectations that 2011 could be the year the global economy begins to turn around. Unfortunately, this optimism was short-lived as a result of a number of unrelated events that quickly took over the world stage including the "Arab Spring" revolutions in the Middle East, the Fukushima tidal wave disaster in Japan, and the debt crises in the United States and Europe. From that initial stage of optimism, much of 2011 has been marked by significant market volatility.

Our prediction was that economic growth in 2011 would particularly hinge on the ability of world governments to implement policy decisions related to reigning in debt. For

instance, in the United States, the last-minute debt ceiling debate and subsequent credit downgrade became a significant factor in the major decline of stock and commodity markets in August. In the European Union, the failure of member nation governments to come to a consensus regarding how best to handle the debt situations in the economies of Portugal, Italy, Ireland, Greece and Spain placed these economies in a very precarious situation, the effects of which we are still seeing today. As a result of the situations in the United States and Europe, cracks in the world's second largest economy, China, are also beginning to appear as exports have begun to slow dramatically due to slower economic growth throughout the world.

Through all of this Canada has fared relatively well, due in large part to the commodity business that drives the economy. Nevertheless, the Canadian federal government has downgraded its economic forecast as well, due to the increasing global economic turmoil, particularly in the economies of Canada's major trading partners, the United States and Europe.

Through the end of the year, we expect continued market volatility. Given these circumstances we feel it is appropriate to remain cautiously positioned in our portfolios.

## STAKEHOLDER CONSULTATION COMMITTEE

After last year's contribution rate increase, you're sometimes left asking, "Is raising contribution rates the only way to ensure there's enough money in the plan to pay for your retirement?" That's exactly the question on the minds of a newly established Stakeholder Consultation Committee. The committee was struck earlier this year to look into the matter after a meeting between Alberta Finance, the Board, employers and associations.

Committee Chair Bob Walsh, who is also the President of the Alberta Federation of Police Associations, says the committee's role is to find ways to keep the Special Forces Pension Plan secure and affordable. "The cost of future benefits is growing faster than the assets in the Plan," says Walsh. "We recognize changes are needed."

The pension world is complex and the committee is still in the education phase. For example, participants are looking at pension plans in other jurisdictions which have or are facing similar issues. Walsh says the process has been a real eye opener and has

given the committee a common understanding of the issues the Board faces when making decisions on the funding of the Plan.

Walsh's view is shared by Cheryl Stock, a Pension and Benefit Consultant with the City of Medicine Hat and a committee member. "I was surprised by how little the plan has changed since its inception, particularly in light of the significant economic and demographic shifts over the last two decades," says Stock. As an employer, the future of the plan and therefore the committee's work is important. "The health of the plan affects our ability to recruit," says Stock. She says the Board's decision to adopt a funding policy is a positive move and a first step.

The work is in the very early stages, but the committee will put pen to paper and come up with suggestions for the Board's consideration. The committee does not have the authority to implement changes to the Plan. Any changes to the Plan require approval from both the Board and the Minister of Finance. Updates on the committee's work will be provided in future editions of the SFPP newsletter for members.

# TAKING LEAVE, BUILDING SERVICE

## WHAT IS A LEAVE OF ABSENCE NOTICE OF COST?

When you take a leave of absence from your employer, you may continue to contribute to your pension plan. If you continue to contribute while you are on leave, you are buying a leave of absence. If you stop contributing while on leave, you can decide when you return to work if you want to make up the lost contributions.

Your employer gives the Plan's administrator, Alberta Pensions Services Corporation (APS), the salary and details of your leave. On behalf of the Special Forces Pension Plan, APS sends a Leave of Absence Notice of Cost that gives you the cost to buy the leave and explains available payment methods.

## WHY IS BUYING BACK LEAVE IMPORTANT?

Buying back leave will mean you will be paid a higher pension than if you have a gap in your service, and you may be able to retire sooner. A leave of absence creates a gap in your pensionable service. Because part of your pension is based on your years of pensionable service, it's in your interest to fill the gap by buying back your service.

**For more information, see the Leave of Absence information sheet on the SFPP website.**

## WHAT IS AN ACTUARIAL VALUATION?

The purpose of the Special Forces Pension Plan is to provide pension benefits to members. So how do you make sure all the benefits promised for yesterday, today and tomorrow can be paid?

An actuarial valuation is a complex process which provides a financial snapshot of a pension plan at a particular point in time. The valuation is prepared by an Actuary\*. An actuarial valuation models the expected pension benefits payable to members based on economic and demographic assumptions such as interest rates, salary increases (economic) and expected retirement and termination ages and mortality rates (demographic). It is based on plan membership information such as age, sex, service and

\*An Actuary must be a Fellow of the Canadian Institute of Actuaries

## IMPROVEMENTS TO THE INFORMATION YOU'LL RECEIVE

With help from pension plan members, we made revisions to the Leave of Absence Notice of Cost information packages we send to members. Based on input from members, the new package is written in plain language. It explains why buying the leave is important and how you can pay for it.

Salary and service information is processed at the end of the year. Members will be sent the leave of absence after the employers' salary and service information is successfully processed. The new, improved leave of absence notice of cost explains this along with other important information. If you leave your job in the same year you had a leave of absence, the information package will be sent to you by APS shortly after your termination paperwork is processed by your employer and APS.

## REGISTER YOUR DECISION TO PURCHASE A LEAVE ONLINE

Go onto [mypensionplan.ca](http://mypensionplan.ca) under "my statements" and register your decision to purchase your Leave of Absence Notice of Cost if the cost is over \$500. Your employer will automatically be advised of your decision and will have the necessary authorization to set up payroll deductions. After that, you can monitor your payment progress online.

salaries of members. The model's results indicate the contributions required to sustain the Plan in the future. An actuarial valuation has to be in accordance with the *Canadian Institute of Actuaries Standards of Practice*.

The actuarial valuation is an important part of the sound management of a pension plan. Legislation requires that SFPP conduct an actuarial valuation at least once every three years. The last actuarial valuation was completed as at December 31, 2008. The next valuation will be based on 2011 year-end results.

For detailed actuarial valuations please see [www.sfpp.ca/about/financial-actuarial-valuation.jsp](http://www.sfpp.ca/about/financial-actuarial-valuation.jsp).

## WHO IS YOUR PENSION PARTNER? WHO IS YOUR BENEFICIARY?

A frequently asked question at member information sessions is "what is the difference between a pension partner and a beneficiary?"

### Who is a Pension Partner?

Your pension partner is automatically the recipient of your pension death benefits. This could be your legally married spouse or common law partner. A pension partner may waive their rights to your pension death benefits before or after retirement by signing a prescribed waiver form.

### Who is your Beneficiary?

If you die without a pension partner, your beneficiary is the person(s) you name to receive a benefit if you die before retirement or who will receive pension payments for the remainder of a guaranteed term if you die after retirement. This can be one or more people, or even a charitable organization.

If you do not have a pension partner, and have not named a beneficiary, your estate is your beneficiary.

For information on updating your pension partner information, contact the Member Services Centre at 1-877-809-SFPP (7377).

To designate a beneficiary, visit the SFPP website at [www.sfpp.ca](http://www.sfpp.ca) and complete a Designation of Beneficiary(ies) form located in the Members/Forms & Publications section.

You can also update beneficiaries online through [mypensionplan.ca](http://mypensionplan.ca).

**The Board and Alberta Pensions Services Corporation (APS) can be contacted at:**

### Special Forces Pension Plan

Alberta Pensions Services Corporation  
5103 Windermere Blvd. SW  
Edmonton, AB T6W 0S9  
Website: [www.sfpp.ca](http://www.sfpp.ca)

### Members – Member Services Centre

Telephone: 1-877-809-SFPP (7377)  
Fax: 780-421-1652  
E-mail: [memberservices@sfpp.ca](mailto:memberservices@sfpp.ca)  
Board e-mail: [board@sfpp.ca](mailto:board@sfpp.ca)

### Pensioners – SFPP Pension Payroll

Telephone: 1-877-422-4748 (toll-free)  
Fax: 780-415-8792  
E-mail: [pay@sfpp.ca](mailto:pay@sfpp.ca)

