

**Government Money Purchase Pension Plan
Committee**

2023 Annual Report

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Government Money Purchase Pension Plan
P.O. Box 8700
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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 2023 Activity Report. Per 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 the 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 is dependent on the contributions and the income earned on those contributions during an employee's career. Participating employees must become actively engaged in the management of their respective plan assets to ensure security in retirement which is the key strategic objective 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 2023. It represents the first report on activities identified in the committee's 2023-2025 Activity Plan. The financial markets strengthened in 2023, contributing to a \$31.4 million increase in asset value.

I am pleased to submit the 2023 Annual Report for your consideration.

Sincerely,



Lisa Curran
Chair of the Government Money Purchase Pension Plan Committee

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 GMPP. Employer representatives are appointed by their positions in government, while employee representatives are appointed based on the recommendation of the various unions. Committee members are responsible for ensuring accumulated employee contributions are invested prudently to provide investment options and 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, 2023)

Government and Employer Representatives:

Lisa Curran (Chair)	Assistant Deputy Minister, Human Resources, Treasury Board Secretariat
Dean Batten	Manager, Pension Investments, Treasury Board Secretariat
Lisa Phelan	Newfoundland and Labrador Health Services
James Doody	Director, Benefits Administration, Treasury Board Secretariat

Employee Representatives:

Bert Blundon	Newfoundland and Labrador Association of Public and Private Employees
Gabe Ryan	Newfoundland and Labrador Teachers' Association
Pamela Toohe	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, members must take an active interest in their portfolios. 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) which 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, 2000** as required. The investment management fees charged by these pension partners are based on investment categories and asset levels managed.

2.0 MANDATE

According 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 for 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, 2023

	<u>2023</u>	<u>2022</u>
Investment Management Costs (PH&N)	\$509,212	\$502,990
Annual Pension Plan Registration	<u>12,500</u>	<u>12,500</u>
Total Administration Costs	<u>\$521,712</u>	<u>\$515,490</u>

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 \$7.2 million as of December 31, 2023, compared to \$6.3 million as of December 31, 2022.

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 3.7 percent from 38,138 accounts in 2022 to 39,544 accounts in 2023. 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, 14,056 (35.5 percent) are members who contributed during 2023. 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 2022 to 2023:

	<u>2023</u>	<u>2022</u>
Membership, January 1	<u>38,138</u>	<u>36,890</u>
<u>Additions</u>		
Enrolments during the year	<u>3,561</u>	<u>3,750</u>
<u>Less: Exits</u>		
Terminations	2,065	2,382
Death Benefits	31	55
Retirements	<u>59</u>	<u>65</u>
	<u>2,155</u>	<u>2,502</u>
Membership, December 31	<u>39,544</u>	<u>38,138</u>

4.0 FINANCIAL HIGHLIGHTS

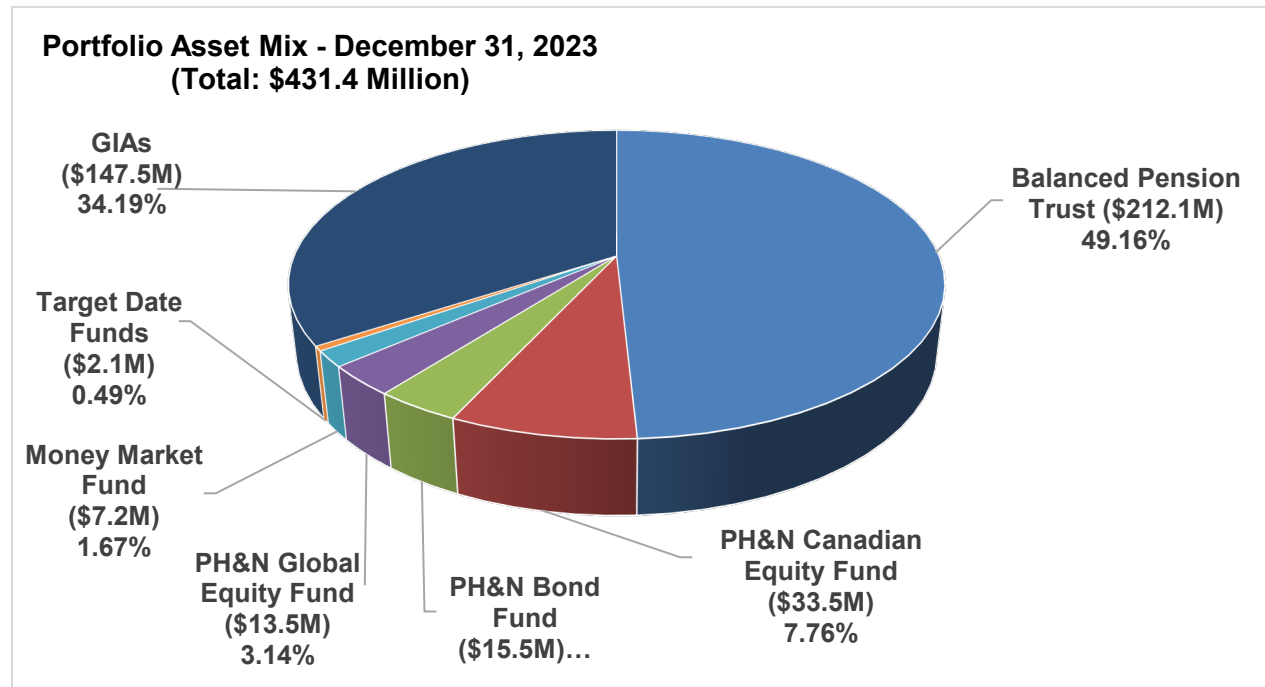
Market Value

Employee contributions for the year totalled \$15.87 million of which \$301,751.57 were Additional Voluntary Contributions (AVCs) and \$1,049,783.41 were transfers from other pension plans. Plan members may deposit AVCs to the plan, subject to RRSP limitations under the **Income Tax Act, 2000**. These AVCs are not matched by the employer. Employer contributions for the year totalled \$14.53 million and the investment gain was \$29.8 million. The Statement of Changes in Assets for the Year Ended December 31, 2023, is shown below:

Statement of Changes in Assets for the Year Ended December 31		
	<u>2023</u> (\$Millions)	<u>2022</u> (\$Millions)
Opening Balance, January 1	<u>\$400.0</u>	<u>\$431.9</u>
Contributions to the Plan	30.4	32.2
Investment Income	<u>29.8</u>	<u>(30.5)</u>
Total Additions	<u>60.2</u>	<u>1.7</u>
Refunds to Terminating Plan Members	28.8	33.6
Administration Costs	<u>0.0</u>	<u>0.0</u>
Total Deductions	<u>28.8</u>	<u>33.6</u>
Net change in assets	<u>31.4</u>	<u>(31.9)</u>
Market Value, December 31	<u>\$ 431.4</u>	<u>\$ 400.0</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, 2023, is illustrated in the following chart:



Investment Performance as of December 31, 2023

The following table illustrates the performance of the GMPP market-based funds to December 31, 2023:

Government Money Purchase Pension Plan (GMPP) Summary of Investment Returns as of December 31, 2023 with Benchmark comparisons				
Investment Options	Three Months %	One Year %	Five Years Annualized % per annum	Ten Years Annualized % per annum
Balanced Pension Trust	7.79	10.94	8.30	7.54
Balanced Pension Trust Benchmark	7.98	12.61	7.66	6.60
Canadian Equity Fund	8.23	12.44	12.00	8.25
S&P/TSX Capped Composite Index Benchmark	8.10	11.75	11.30	7.62
Bond Fund	8.38	6.93	1.88	2.89
FTSE Canada Universe Bond Index Benchmark	8.27	6.69	1.30	2.42
Global Equity Fund	7.72	8.69	10.57	12.25
Global Equity Fund C\$ Benchmark	8.66	20.47	12.01	10.94

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 2023 OBJECTIVE AND RESULTS

The GMPP Committee is mandated to assist the President of Treasury Board with the administration of the GMPP 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, custodians, 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, to achieve the maximum accumulation of benefits at retirement. In its 2023-25 Activity Plan, the committee established an annual objective based on these responsibilities. The following is a summary of the committee's mandated work, as of December 31, 2023:

Objective: By December 31, 2023, the Government Money Purchase Pension Plan Committee will have prudently managed and administered the Government Money Purchase Pension Plan.

Indicators:

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

During 2023, the GMPP added the BlackRock Islamic Global Equity Index Fund to the list of investment options available to plan members. Islamic funds invest per Islamic principles. The GMPP also added a Zero Interest Fund, which does not generate any investment return, under certain Islamic beliefs.

The addition of these funds supports the GMPP's focus on offering plan members investment options that reflect the principles of diversity and inclusion. These new funds will be offered as new investments to GMPP members in early 2024.

- **Provided educational promotion materials to increase investment interest and active participation of plan members in their self-directive management of their accumulated funds.**

Upon the request of the GMPP committee, Canada Life offered three educational sessions during 2023, which focused on the various financial planning stages impacting plan members. Session topics included: RRSPs and TFSAs, inflation, and retirement savings. Additionally, in 2023, Canada Life hosted a five-part webinar series to enhance members' financial knowledge, covering RESPs, management of debt, money as it relates to mental health, retirement, as well as basic investing.

Members can obtain information about their pension plan and investment options by accessing the Group Retirement Service website provided by Canada Life. In addition, the Canada Life call centre received approximately 3,190 calls from plan members during the year 2023.

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

During 2023, 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 Record Keeper services and the performance of the Investment Manager.**

During 2023, Canada Life (record keeper) met with the committee and provided an update on the GMPP, including plan participation. Canada Life continues to provide quality custodial and administrative services. Phillips, Hager & North Investment Management Limited (PH&N)'s investment performance in the various asset classes continued to meet or exceed the benchmark established for all the various asset classes for 2023 except for 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.

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

During 2023, there were no recommendations made by the committee to the responsible Minister.

6.0 2024 OBJECTIVE AND INDICATORS

During 2024, the GMPP 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 2024:

Objective: By December 31, 2024, the Government Money Purchase Pension Plan Committee will have prudently managed and administered the Government Money Purchase Pension Plan.

Indicators:

- Developed, implemented, and reviewed investment alternatives to provide plan members with the ability to make an active investment decision with respect to their accumulated funds.
- Provided educational promotion materials to increase investment interest and active participation of plan members in their self-directive management of their accumulated funds.
- Provided oversight of investment options to ensure that contributions accumulated to the credit of plan members were invested prudently in the investment classes prescribed by the committee.
- Provided oversight of the Record Keeper services 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

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