



**Pension Investment Committee
Of the
Province of Newfoundland
And Labrador
Pooled Pension Fund
Activity Plan**

January 1, 2014 – December 31, 2016

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PENSION INVESTMENT COMMITTEE
OF THE
PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
P.O. Box 8700
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March 31, 2014

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

Dear Minister Johnson:

The Pension Investment Committee of the Province of Newfoundland and Labrador Pension Fund (PIC) has been overseeing the management of the Pooled Pension Fund (the fund) since its inception in 1981. Throughout that period the performance of the fund has stemmed the growth in the unfunded liabilities of the five participating pension plans sponsored by government. Ensuring that the assets are invested in a prudent manner within acceptable risk tolerances has been the guiding principle for the PIC.

Pursuant to the provisions of the *Transparency and Accountability Act*, the PIC is accountable for the preparation of the Activity Plan and the achievement of the objectives as outlined in the plan. In the preparation of this plan, a review was completed of the strategic directions of government, as they relate to the mandate of the PIC and communicated by the responsible Minister. It was determined that prudent management of the pension fund by the PIC, with a view to slowing the growth in the unfunded liability, is consistent with Government's strategic direction to address the unfunded pension liabilities. The 2014-16 Activity Plan was developed with the view that the PIC will proceed with its mandated activities and await direction from Government pending the results of the ongoing review of public service pensions plans. This review was announced in March 2013 in Government's 10-Year Sustainability Plan, for the purpose of determining how to address the unfunded pension liability.

Pursuant to the provisions of the *Transparency and Accountability Act*, the PIC is accountable for the preparation of this Activity Plan and the achievement of the Plan's objectives. As the Chair of the PIC, I hereby submit the 2014-2016 Activity Plan for the Pension Investment Committee.

Sincerely,



Donna Brewer, C.A.
Chair of the Pension Investment Committee of the Province of Newfoundland and Labrador Pooled Pension Fund

2014-16 ACTIVITY PLAN

1.0 Overview

The Pension Investment Committee (PIC) advises the Minister of Finance, as Trustee, on the operation of the investments of the Province of Newfoundland and Labrador Pooled Pension Fund (the fund). The fund was established to finance benefits under the various government sponsored pension plans, including the Public Service Pension Plan, the Teachers' Pension Plan, the Uniformed Services Pension Plan, the MHA Pension Plan and the Provincial Court Judges Pension Plan. The PIC also oversees the operations of Newvest Realty Corporation (Newvest). Newvest was established solely to facilitate the fund's investment in real estate. The activities of Newvest will be included as part of the activities of the PIC.

The PIC has 15 members including representatives from government and the plans' stakeholders, including employee groups and pensioners. The Deputy Minister of Finance serves as Chair to the Committee. Current membership of the committee is as follows:

Government Representatives:

Donna Brewer (Chairperson)	Deputy Minister of the Department of Finance
Denise Hanrahan (Vice-Chair)	Assistant Deputy Minister, Financial Planning and Benefits Administration, Department of Finance
Ann Marie Miller	Comptroller General, Department of Finance
Joan Morris	Assistant Deputy Minister, Corporate Services, Department of Education
Maureen McCarthy	Director of Pension Administration Department of Finance
Paul Myrden	Director of Debt Management Department of Finance
Natasha Trainor (Secretary)	Manager, Pension Investments Department of Finance

Employee/Pensioner Representatives:

Bert Blundon	Newfoundland and Labrador Association of Public and Private Employees
Debbie Forward	Newfoundland and Labrador Nurses' Union
Don Ash	Newfoundland and Labrador Teachers' Association
Bruce Callahan	Association of Allied Health Professionals
Cindy Christopher	Public Sector Managers' Association

Employee/Pensioner Representatives Cont'd:

Doug Laing Newfoundland and Labrador Public Service Pensioners' Association

Dawn Learning Canadian Union of Public Employees

Non-Government Representative:

Roger Crosbie Private Sector Representative

2.0 Mandate

Pursuant to section 14 of the *Pensions Funding Act*, the Lieutenant Governor in Council established the Pensions Investment Committee to administer and manage the Newfoundland and Labrador Pooled Pension Fund. This mandate is delivered by completing the following activities:

- Review of all the financial activities of the Fund
- Develop, review and implement Fund objectives and investment strategies
- Recommend appointments of investment consultants, a custodian and investment managers, as required

3.0 Values

Ensuring the assets of the Newfoundland and Labrador Pooled Pension Fund are invested in a prudent manner within acceptable risk tolerances is the guiding principle for the PIC. As such, the PIC has established the following values to help ensure this priority is realized:

Inclusion: Each member of the PIC acknowledges each other's 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 PIC are in the best interests of all stakeholders.

4.0 Primary Clients and Stakeholders

The primary clients and stakeholders for the PIC include both the active and retired members of the various pension plans and the various employers who participate in the plans.

5.0 Vision

The vision of the PIC is for all government sponsored pension plans to be fully funded.

6.0 Committee Priorities

The Pooled Pension Fund was established to invest employee and employer pension contributions not required to pay benefits, in the capital markets with the long term goal to achieve investment returns on those contributions to satisfy the pension obligations. As the assets in the fund are not sufficient to meet the value of the obligations, it is critical that the investment strategy of the fund focus on achieving excess returns within an acceptable level of risk. Any excess returns will slow the growth of the unfunded liability.

Part of the mandate of PIC is to develop an active investment strategy with the primary long term goal of achieving investment returns that exceed passive or index-like returns in the various sectors of the financial markets. This strategy is implemented by the Committee through the selection of managers whose investment style is designed to add value over the relevant market indices over a four year time horizon. Through this active management strategy, the PIC will strive to achieve its long term objective of slowing the growth in the unfunded liability of the plans.

As outlined in Government's 10-year Sustainability Plan for Newfoundland and Labrador, Government has initiated a review of the provincially-sponsored pension plans with a view to making them sustainable for the long-term. In support of this initiative, the PIC will continue to prudently manage the pension fund and will provide annual reports detailing the activities it undertook during each preceding fiscal year (December 31, 2014, December 31, 2015 and December 31, 2016) in compliance with its mandate. The following objective has therefore been identified as the annual priority commitment of the PIC¹:

Objective: By December 31, 2014, 2015 and 2016, the PIC will have prudently managed the Newfoundland and Labrador Pooled Pension Fund.

Measure: Prudent management of the fund

Indicators:

- Developed, reviewed and/or implemented Fund objectives and investment strategies with a view of earning annual returns in excess of the market index for the relevant category of investments(i.e. S&P TSX Composite Index; MSCI ACWI Index; DEX Bond Universe Index and ICREIM/IPD Canadian Property Index)
- Reviewed the financial activities of the Fund and advised the responsible Minister as appropriate
- Recommended appointments of investment consultants, a custodian and investment managers, as required

¹ It is noted that the Committee opted not to develop a mission statement (consistent with Government Guidelines) because doing so would be repetitive of its mandate and therefore add no value to the planning process. Additionally, the Committee considered the responsible Department's mission statement but determined that it had no direct role to play at this time.