



Department of Finance

Pension Investment Committee

2017-2019 Activity Plan

January 1, 2017 – December 31, 2019

Message from the Pension Investment Committee

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 *Transparency and Accountability Act*, the PIC is a category 3 government entity, and as such, is accountable for the preparation of a three-year Activity Plan and for the achievement of the objective outlined in this plan. The enclosed Activity Plan is presented for the fiscal years ending December 31, 2017, 2018 and 2019. This Activity Plan meets the requirements of the *Transparency and Accountability Act* and has been prepared taking into consideration the following:

- the Strategic Directions of Government, in the area of the Committee's mandate
- the mandate of the Committee
- the financial resources of the Committee

As the Chair of the Committee, it is my pleasure to submit the Activity Plan for the PIC covering the fiscal years ending December 31, 2017, 2018 and 2019. My signature below is indicative of my accountability for the preparation of the plan and the achievement of its objectives.

Yours sincerely,



Donna Brewer CA, CPA
Chair of the Pension Investments Committee

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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 government sponsored pension plans. In recent years, through the implementation of Pension Reform, the scope of the Committee has changed. With the implementation of joint sponsorship agreements for the Public Service Pension Plan and the Teachers' Pension Plan, the PIC is now responsible only for the assets related to the Uniformed Services Pension Plan, the MHA Pension Plan and the Provincial Court Judges Pension Plan. This amounts to approximately \$200 million in assets. Notwithstanding the significant reduction in the Fund's assets since the last planning cycle, the 2017-2019 Activity Plan was developed with the view that the PIC will continue to focus on the prudent management of the remaining assets.

The operations of the Pooled Pension Fund are overseen by the PIC. Committee members are appointed by the Lieutenant-Governor-in-Council to advise the Minister of Finance, as Trustee, on the operation of the fund. The PIC has 6 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.

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 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 Government, as the employer of the active plan members.

5.0 Vision

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

6.0 Objective

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 the 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 investment 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. The following objective has been identified as the annual priority commitment of the PIC:

Objective: By December 31, 2017, 2018 and 2019, the PIC will have prudently managed the Newfoundland and Labrador Pooled Pension 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; and the DEX Bond Universe 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