Transcript of the Municipal Pension Plan 2021 annual general meeting

The Municipal Pension Board of Trustees hosted the 2021 annual general meeting on October 14, 2021. Below is a full transcript of the meeting featuring a welcome from Gary Yee, board chair, presentations and a Q&A session.

GARY YEE: Hello, everyone. My name is Gary Yee, and I am the chair of the Municipal Pension Board of Trustees. It is a privilege to have served as a trustee since 2014. I'm excited to welcome you to the annual general meeting. To start, I would like to acknowledge that I am speaking from the unceded territory of the Coast Salish people. Further, the province of BC is located on the homelands of 203 distinct Indigenous nations and cultures with more than 30 languages and close to 60 unique dialects spoken. Indigenous people have been stewards of this land since time immemorial. I ask all of you who have joined this event to acknowledge in your own way the First Nation land on which you live.

We've had such a fantastic response to last year's online event that we are doing it again. We are excited so many of you can join us.

We have a full agenda ahead. First, we will show you financial highlights from the last year. Then, we will have a panel discussion on plan design. Following that, BCI will provide an investment update.

Lastly, we will talk about activities in the coming year. These presentations will last about one hour.

We will close the day by answering your questions in the Q&A session in the second half of the meeting.

Before we get to the first item on the agenda, I would like to provide a few tips. For the Q&A, please enter your question in the "Ask" box on the bottom left of your screen.

If you have a personal pension question, you can sign into or register for My Account at the link you see on screen. Just look for the envelope icon on the top right of the page to send a question. A client service representative will respond outside of this event.

If you have a comment you'd like to share about the AGM, please send an email to **mpbt@pensionsbc.ca**. Again, that's **mpbt@pensionsbc.ca**.

On the screen, you see the organizations that appoint trustees. Altogether, there are 16 primary trustees and 16 alternate trustees. So, there are quite a few folks working on your behalf.

This chart shows you how your trustee supports the plan. It's a visual of where the board fits into the plan organizational structure.

The plan is a joint trusteeship. This means that representatives of both plan employers and plan members share in the management of the pension plan. These responsibilities include administering the plan and investing plan assets.

The plan employer partner is the Government of BC and Union of BC Municipalities together. The plan member partner is the Municipal Employees' Pension Committee.

The Municipal Employees' Pension Committee represent a number of unions, including the British Columbia Nurses' Union, the Canadian Union of Public Employees, the Health Science Association of British Columbia, the Hospital Employees' Union, the British Columbia Police Association, the British Columbia Professional Fire Fighters' Association, and the Council of Joint Organization and Unions or COJOU. COJOU represents other unionized plan members, including BC General Employees' Union, MoveUP, and other smaller unions.

The plan partners and other authorities appoint primary and alternate trustees to the board. Many trustees are participating in this online meeting. I would like to say thank you to the trustees for your service and thank you for being online today.

We work closely with several agents and service providers. Many of the representatives are participating online today, and I will introduce them now.

For BC Pension Corporation, we have Aaron Walker-Duncan, vice president of board and communication services. Representing BCI today is Gordon Fyfe, CEO and CIO. For Eckler Limited, our plan actuary, Richard Border is here. Eckler provides actuarial services for the plan. For Pacific Blue Cross, Leza Muir, senior vice president and chief operating officer is here.

Most important, I welcome our union and employer representatives and our members. As you see, we have about 940 employers.

Looking at members, we have 58 per cent of the membership who are contributing to the plan. Over to retired members, a total of 29 per cent are currently receiving a pension. Lastly, we have 13 per cent who are keeping their contributions in the plan. You will find these figures in the 2020 annual report, which is now available on the plan's website.

We thank you all for being here today.

The plan has a Twitter account. I want to include a plug and encourage our members and employers to follow the plan to see the latest update. Our handle is **@MyBCMPP**. We share information that you will find useful in this space.

Once again, here's our agenda. It's time to get started.

Hilary Brown is the vice chair of the board. She has been a trustee of the board since 2012. Hilary will show us the financial highlights. Please welcome Hilary Brown.

HILARY BROWN: Welcome, everyone, and thank you for your time. I'm Hilary Brown, vice chair of the Municipal Pension Board of Trustees.

In 1956 here in Canada, the Canadiens won their eighth Stanley Cup; the federal government enacted equal pay legislation for women; and Calvin Hunt, a Canadian Indigenous artist from Kwakwaka'wakw nation in Fort Rupert, BC was born. So too were hundreds of thousands of others. These people lived lives, chased dreams, worked hard, raised families. And this year many are reaching retirement. I tell you this because what we do is about people and the retirement years they've spent their lives working towards. So today we'll look at where the plan is, where it's going, and how this affects all of our members.

It's a board's responsibility to make decisions in the best financial interest of our members. We work with the plan partners to oversee the plan. A primary way we track its security is through valuation reports that examine the plan's funds. We have some notable recent highlights. With surplus funds from the 2015 valuation, we created a rate stabilization account to reduce the likelihood of contribution rate increases. This account has already grown to $2.5 billion. In 2018, we adjusted the plan's long-term policy asset mix to increase the likelihood of meeting our investment objectives. The next valuation will be done as at December 31st, 2021.

The board is responsible for managing the pensions fund and provides direction to the plan's investment agent BCI. Let's talk about the growth of our investments.

For 2020, our investment return was 11.7 per cent, below the benchmark of 11.8 per cent but well above our target rate of return of 6.5 per cent. At the start of 2020, the plan's assets were at $59.4 billion. We collected approximately $2.5 billion from contributions and gained $7.1 billion from investment returns. In addition, we paid out approximately $2.5 billion in pensions, benefits, and expenses. At the end of the year, the plan's assets reached $66.5 billion.

The board looks beyond one-year returns, focusing on the plan's long-term performance. The ten-year annualized return is 9.1 per cent, which is over the 8 per cent benchmark.

When we talk about a long-term view, we also focus on investing responsibly and managing the risks and opportunities that come with being a large long-term fund.

We're making good progress on climate-related investing. We act on our beliefs with BCI through our involvement in investor-led initiatives, such as Climate Action 100+, which engages with the world's largest emitters to curb emissions, and Principles for Responsible Investment or PRI, an investor network dedicated to considering the environmental, social, and governance implications of investments.

We're making strides in measuring our investments' carbon footprint, and we continue to learn and do what's right for members. We're including climate-related financial information for the second year in this year's 2020 annual report.

With the latest financial highlights in mind, we are confident the plan will continue providing secure pensions for all of our members. And with an eye on responsible investing, we know that all the new lives coming into the world right now will be just as well cared for when it's their turn many decades from now.

Thank you for listening, and I hope you enjoy the rest of your AGM.

GARY YEE: Thank you, Hilary. We are grateful to have good financial news to share.

Next, I'm pleased to introduce Judy Payne, executive director for the Municipal Pension Plan.

Judy has served in her role since 2014. She will lead us through a panel discussion on plan design. Please welcome Judy Payne.

JUDY PAYNE: Thank you, Gary. It's a pleasure to be here as moderator for the plan design panel and discussion.

I'd like to introduce our panel. We have two plan partner representatives, Chris Finding and Angie Sorrell. We also have with us board trustees Tom Stamatakis and Gary MacIsaac.

The new plan rules will take effect on January 1, 2022. This is the first comprehensive plan redesign in 50 years; so, it's important we talk about the significance of the changes and what they mean for plan members and employers.

I'd like to turn to Angie first. Angie, as you look back on this process as a plan partner, what was most important to you or stands out the most?

ANGIE SORRELL: Thank you, Judy. There's actually two things that really stand out for me. The first is the process we went through to reach an agreement on plan redesign. It was extensive and exhaustive. It included advice from legal, actuarial, and policy experts, and it included a broad consultation with members and employers. It also included an analysis of all the options from multiple perspectives to ensure we understood both the upside and the downside impacts.

The second thing that stands out for me is the outcome. I truly believe the final plan redesign we landed on is the best mix of options available to both improve equity and the benefits and contributions of the plan and make the plan more sustainable in terms of pension benefits and retiree health benefits. So, these are the two things that stand out for me.

JUDY PAYNE: Chris, how about I turn it over to you for your thoughts. What was most important to you or stood out the most about the process of how plan design came to be?

CHRIS FINDING: Yeah, thanks, Judy. I think what stands out for me is that we used a consensus process rather than a negotiation process to reach an agreement.

This allowed the member and employer partners to fully canvass an extensive list of costs and benefits in reaching an agreement, and central to this approach was using one set of experts to provide us with the advice and information rather than competing opinions and data sets. It took us a long time to reach an agreement, but it did allow us to leave no stone unturned and to develop a level of trust amongst the plan partners that will benefit the plan and the members in the future.

JUDY PAYNE: Thanks, Chris and Angie.

So, the plan is one of the biggest in Canada and diverse with unique member groups and almost 940 employers. So, with members and employers in mind, what do you think the most significant changes are?

TOM STAMATAKIS: Judy, let me jump in, and I'll share some of my thoughts. I think, given the diversity of the plan, I think it's incredible that almost all active members will receive a higher lifetime pension than under the current rules.

Changes now better align benefits with how members use those benefits. And members will earn the same benefit in proportion to their salary, according to their member group. So, all of these changes and sustainability improvements will increase the value for all members and, just as importantly, all active members but also our retired members.

JUDY PAYNE: Thanks, Tom. I'd like to get Gary's thoughts, too. Gary, what do you think the most significant changes are?

GARY MACISAAC: Well, as you know, Judy, you know, one of the characteristics of the Municipal Pension Plan is that it's a large pension plan. It covers various different sectors of the public service with different average wages and lengths of service, and with that comes an inherent challenge to make design changes to the entire plan that are fair to everyone.

And from an employer perspective, I think one of the most important principles was the design changes are intended to improve equity within the plan. In addition to that, I reiterate Tom's comment, that the changes align benefits with how members use those benefits.

In addition, the Municipal Pension Plan is both a recruitment and a retention tool for employers, and a more sustainable pension plan helps in this regard. We've made changes to enable some potential growth in the rate stabilization account. So, this rate stabilization account is in place to help the board of trustees to keep contribution rates stable when there is a funding shortfall.

These changes ensure improved plan sustainability, and this is good for both employees and employers. We've changed to a single approach to contribution rates, and this will simplify administration and management of the plan, and the single contribution rate for employers will be lower than the current lowest tiered contribution rates. Back to you, Judy.

JUDY PAYNE: Thanks, Gary.

So, turning to police officers and firefighters, also known as public safety workers or what we call Group 2 or Group 5, let's go back to Tom just to talk briefly about the significance of the changes for this specific member group.

TOM STAMATAKIS: Thanks, Judy. I'm going to highlight a few changes that I think will be of significant interest to public safety members.

If you're in Group 2 or 5 and terminate or retire after December 31st, 2021, your highest average salary will now be a four-year average rather than a five-year average. This will have a positive effect on your lifetime pension as most public safety members have a higher salary toward the end of their careers because of how our wage increases and promotions generally happen in our sector.

Also, if you're in Group 2 or 5 and retire or terminate after December 31st, 2021, the default pension now will be a single life with a ten-year guarantee rather than a single life without a guarantee period. So, what this means is the guaranteed period part of your pension isn't reduced and becomes part of your pension because of that choice.

So, if you choose not to take the guarantee option, you'll actually see a small improvement to your pension benefit. If you decide to take a longer guarantee period, it will have less effect on your, on your basic pension than if your default had no guarantee at all.

And then another important change is that a proportionate amount of the surplus from the 2018 actuarial valuation will be put into a contribution rate rebalancing account which helps protect against future contribution rate increases for Group 2 and 5 members and employers. So, we've created this new contribution rate rebalancing account that'll help stabilize rebalancing when that happens. And contribution rates sometimes need to be rebalanced following the plan's valuation. So, when rebalancing is required, this means that changes generally affect Groups 2 and 5 more significantly because of the small size of these groups relative to the rest of the membership. So, this rebalancing account will help stabilize contribution rates if post-valuation it becomes necessary to make adjustments.

JUDY PAYNE: Thanks, Tom.

So, I think it would help our members to have a better understanding of the increased flexibility that retiring members will have with their pension benefits. So, let's take a look at the new temporary annuity options that have been created for retiring plan members. Can we explain what a temporary annuity is and what the new options are.

GARY MACISAAC: Sure, Judy. I'll try that one. A temporary annuity allows you to increase the retirement income you receive before age 65 while lowering your lifetime pension, if you choose.

Previously, only one temporary annuity option, which is equivalent to the maximum old age security amount, was available if your pension was large enough. Now there are two new options, a half and a quarter of the old age security amount. Estimates for the half and quarter options will be available in late November in My Account and will apply to pensions on or after January 1st, 2022.

JUDY PAYNE: Thanks, Gary.

GARY MACISAAC: Back to you, Judy.

JUDY PAYNE: So, let's talk about one of the changes that's of most interest to retiring members, or sorry, to retired members: A new health benefit trust will help fund access to group health benefits for retired members. And I'm going to turn to you, Angie. Can you talk a little bit about the impetus for creating a retiree benefit trust?

ANGIE SORRELL: Absolutely. Thanks, Judy.

So, retiree health benefits is a highly valued benefit for our members. However, the cost of this benefit rises nearly every year. This is challenging because the benefits are funded in two ways: a fixed employer contribution and member premiums.

Additionally, the board has to manage the incoming employer contributions so as to ensure there are funds in extraordinary circumstances. This means that at the end of the year there are often unused funds that must be transferred to the indexing account because there's no mechanism to carry over unused funds from one year to another for post-retirement group benefits.

We wanted to find a way to provide more flexibility in the funding of these benefits. So, this is the primary impetus for the way we are going to move forward with the structure of governance of the postretirement group benefits. And I'll pass it over to Chris.

Chris, do you want to speak to sort of the benefits of this new governance structure?

CHRIS FINDING: Sure. Thanks, Angie.

Yeah, I would agree with you. I think being able to provide the ability to retain funds not spent each year and invest them for benefits in the future, something we couldn't previously do, is the sort of essential element of the trust but also in this case because the partners gave us a hundred million dollars, put aside a hundred million dollars of seed money for us to get started, and I think that gives us a really healthy start to being able to provide benefits into the future.

And then when we've got the board specifically for this benefit trust. I think that is going to allow that sort of concentrated focus on providing and governing those benefits, also provides us with another advantage.

And the possibility to have more retiree representation on the board allows us to ensure that the retiree input and focus is part of that board experience. And to that end, the new retiree benefit board of trustees have been named, and I'm in a position to be able to provide you with those names today.

And they are Bonnie Pearson, retired; Dean Levangie from HEABC; Diana Lokken, retired; Gary MacIsaac from UBCM; Janice Morrison from HAS; Lorne Burkart from BCNU; Lyn Kocher from HEABC; and Tom Stamatakis from the BC Police Association. So great list of retirees and trustees for us going forward.

JUDY PAYNE: That's great. Thanks, Angie. Thanks, Chris.

I think it's important that we also talk about the improvements to the inflation adjustment account, which as most of our audience knows funds future cost-of-living adjustments. So, can we talk about the changes made to support the inflation adjustment account.

GARY MACISAAC: Thank you, Judy. I'll take that one on.

So, the plan design changes that have been approved will strengthen the plan's inflation adjustment account. So if you think about future surpluses, it's helpful to keep in mind that future surpluses will first be used for any funding shortfalls, then surpluses will be shared equally between the inflation adjustment account to support further inflation protection and the rate stabilization account to reduce the likelihood of contribution rate increases for active members and employers.

This is important because, while your pension is based on a formula, cost-of-living adjustments are not. These non-guaranteed benefits are based on the funds available in the inflation adjustment account.

Each year we carefully review several factors to decide whether to grant a cost-of-living allowance and, if so, its value. With this plan change, it means a stronger inflation adjustment account over the long term, which will ensure funds are not used up faster than they can be replaced. A cost-of-living adjustment cap remains a core feature of the sustainable COLA model, as this also supports the long-term sustainability of funds.

Back to you, Judy.

JUDY PAYNE: Thanks, Gary. And thank you to all of our panelists today.

I'd like to remind our audience members of the resources that are available to them. So, the pension estimator is a key tool for all plan members. The estimator is personalized and pulls in your service, age, and salary information. It will show estimated monthly pension payments for various pension options based on the retirement date that you enter. It will also show the amount of your bridge benefit if it's applicable. And towards the end of November, you'll also be able to use the estimator to produce estimates for the half and quarter temporary annuity options, which will be available for new pensions come January 1, 2022.

If you have worked in both the public safety and a non-public safety job, please contact the Pension Plan for a pension estimate.

We have an entire section on the plan website devoted to plan changes, including helpful videos and recordings. Two videos are available for the general membership: one about the bridge benefit and the other about unreduced pensions and the rule of 90.

We also have three webinar recordings that cover the plan changes: one for Group 1 members, a second for Group 2 members, and a third for Group 5. The recordings are each only ten minutes, and we highly recommend that you watch them.

I'd encourage you all to learn more about these important changes at **mpp.pensionsbc.ca/plan-changes.**

And with that, I'll turn it back to Gary Yee.

GARY YEE: Thank-you to Judy and our plan design panel for sharing your thoughts and updates.

I would like to mention to our audience that we are now halfway through our presentations.

Now Gordon Fyfe is here to talk about our plan's investments. Gordon is the CEO and the chief investment officer of BCI, the plan investment manager. He has more than 30 years of experience in the investment and finance industry. Please welcome Gordon Fyfe.

GORDON FYFE: Thank you, Gary, and good morning.

I'm Gordon Fyfe of BCI, the manager of your pension, and it's a pleasure for me to join you this morning. I've presented to this group a number of times over the last seven years, mostly in New Westminster, but this is the second year meeting you virtually.

I know from the comments that were made last year that a lot of you are only able to attend today because it's virtual. And for that, I'm pleased. But I do miss seeing you in person because this is the only event where I get to meet the plan members face to face.

Over the next few minutes, I'm going to cover three areas. First, I want to discuss how BCI is managed through the COVID-caused turmoil in the markets to deliver strong pension returns for you; second, how we're growing BCI's global footprint; and, finally, how BCI incorporates climate change into our investment process.

But, first, let me share a little bit about BCI. Today we're managing over $200 billion in assets, and of that 66 and a half billion dollars is your plan.

BCI's head office is in Victoria, where we have close to 600 people. And through our 100 per cent owned real estate company, QuadReal, we have another 1200 people across Canada and around the world managing your pension assets.

As for me, I was born in Victoria, and I've lived here through high school before attending UBC. And then I lived and worked in Paris, Montreal, New York, and London. But am I ever thrilled to be back in my hometown, managing the team taking care of your pension.

COVID-19 has created uncertainty in the economics and in the financial markets. The February-March 2020 market decline was the most abrupt shock in the history of modern financial markets with equity markets falling in a four-and-a-half-week period what took over ten months during the global financial crisis of 2008 and 2009.

But BCI was ready. Now, we didn't predict what was going to send the markets into a correction, but we did feel that the market recovery, which had started in the early part of 2009, was getting stretched.

So, we began preparing our portfolio's liquidity positions in the investment teams 18 months earlier. You see, we never want to be forced into selling an asset during a period of chaos because we need cash, nor do we ever want to miss a great investment opportunity in a panic market because we don't have enough cash, enough liquidity, to buy something. And in 2020 none of our assets were severely hit. We weren't forced to sell anything we didn't want to. And we were able to fund the opportunities we found during the panic.

Anyway, following the February and March sell-off, governments responded with absolutely unprecedented fiscal and monetary measures, bringing a sharp recovery and asset prices which are still climbing today. But the road to recovery has been uneven, and not all countries and asset classes have performed the same.

But at BCI, in the six prior years we made changes to, first, significantly diversify your portfolio both by country and by asset type. Two, we increased our sources of liquidity to make sure we would never run out. And, three, we built an investment risk team and investment risk systems to monitor the portfolios. And, finally, we've been building internal teams of asset managers so that we can take greater control over the investment decisions that are being made on your behalf. And where we do allocate assets to outside managers, well, they're partners we know and trust to work with us while we manage your assets.

When the virus hit, we had no assets that were severely impacted, like hotels, airports, long-term care homes, or cruise ships. A few of our companies were affected temporarily, and they did recover quickly. But we also had businesses that prospered during the lockdowns. I've spoken before about a Korean barbecue and beer restaurant that we own, and it does takeout, and its business boomed as people picked up food to take it home.

And those of you in the Vancouver area will be familiar with our redevelopment work on the Oakridge Shopping Centre. This is the single largest investment in the history of BCI, and it's also the single largest development project in the history of Vancouver. Anyway, the redevelopment work on the shopping area of Oakridge went much faster than had been planned when all the stores had to close down because of COVID, and what that did was allowed us to bring the project's completion date significantly forward.

Now, this was all happening as our team moved to work from home. They had to transact all of the business from home. All of the trading was done from home. We had to suspend all travel. We had to rely on our partners around the world to find the deals for us and to work with the selling teams to look at the data that we would normally have done ourselves.

Our success in managing through the crisis and putting in place a BCI ready for such turmoil is reflected in your plan's investment performance. In 2020 your plan had a return of 11.7 per cent, and the total value of the fund increased more than $7 billion to 66 and a half billion dollars.

Now, if we look a little bit longer term, over the last five years your plan has returned on average 8.6 per cent per year. And even longer, over the last ten years, it's returned an average of 9.1 per cent per year. Now, these returns all exceed your actuarial hurdle of six and a half per cent.

Compared to when I spoke to you last year, the markets lately are a lot calmer. Economic recovery continues in Canada and other major economies despite the most recent wave of COVID, and we're watching inflation and other macro factors like global growth, political and geopolitical tensions to assess if there are things we need to do in the portfolios to prepare for those.

While the pandemic has brought many challenges for a global investor with strong liquidity like BCI, it's also created opportunities. Some were brought on by structural changes from COVID, and others were accelerated by it. Our team has targeted sectors such as agriculture, logistics, and web-based services to take advantage of shifts in consumer behaviour and tastes and provide exposure to high-growth areas.

Let me share two examples with you. First, BCI recently invested in a leading US organic egg producer. Yes, eggs. With families locked down and so many of us working from home, the organic food industry experienced growth as people prioritized what they eat, and we expect this trend is going to continue.

Another example's in logistics. COVID shone a very bright light on the critical value of our supply chains and the companies that keep it running. This past June we announced a deal with a long-term partner to acquire the largest and fastest growing flatbed transportation and full-service logistics provider in the US.

I mentioned that the impacts of COVID and the ongoing economic recovery have been uneven across regions and sectors. BCI was focused on diversifying the asset base and growing our global footprint long before COVID, but the value of this strategy was reinforced in the past 18 months. Having assets across 71 countries and in all major industrial sectors helped buffer the impact of market swings.

Markets are becoming increasingly competitive, and value is more and more difficult to find. In this environment, growing our global reach becomes more important. We need to have scale, the ability to act quickly, and deep relationships to compete. BCI has worked hard to establish all three.

Our infrastructure team was recently ranked 9th in size among all of our global peers, and we have partnerships with top-tier investors around the world who bring regional and sector expertise and a pipeline of opportunities.

In late 2020, we made our first direct infrastructure investment in India, which is also the largest private investment in the history of India. With partners, we acquired a telecom tower company operated by the company's leading mobile network provider. This investment in high-quality essential service is the outcome of years of relationship building and a lot of travel in India.

In 2022 we're opening our first foreign office in New York to support our private equity team, and our infrastructure team is currently looking into an office in London, England, to support all of our many European assets.

Another way the world has changed in the past 18 months is the increased focus and urgency on climate action. The increasing incidence of serious floods and droughts is hard to ignore. BCI has been part of this conversation for a long time and has over a decade of leadership on this front. We review climate impacts and other environmental, social, and governance factors in every investment decision we make. We are strong advocates for improvements in corporate reporting because our work depends on the availability of good high-quality data from the businesses we invest in.

Last November, together with the seven other CEOs of Canada's largest pension funds, we penned an open letter calling on companies and investors to provide consistent and complete climate disclosure.

Our real estate manager QuadReal is also doing tremendous work and is among the leaders in the Canadian market for green bonds. They've issued $750 million in green bonds so far with these funds going towards projects to reduce energy consumption, emissions, and waste at all of our properties.

As an outcome of BCI's work, MPP has $1.2 billion in climate-related opportunities. These include investments like renewable power companies that are not only well positioned for the energy transition but are an important part of supporting it.

While we continue to respond to the changing circumstances of COVID-19, I look back at this tumultuous period with pride. I am proud, very proud, of the work our team has accomplished in support of you, our clients, that we achieved this while putting the health, safety, and well-being of our employees at the forefront.

On behalf of everyone at BCI, I really want to thank you all for the confidence you have shown in us and be sure that your pension is in good hands and that we remain focused on delivering the value and expertise that you expect and need from us.

With that, I'll be pleased to answer questions in the Q&A section later in the program.

Thank you very much.

GARY YEE: Thank you, Gordon, for sharing your thoughts on investments.

Before we open this up to your questions, I would like to speak to a few items to conclude our report today.

As we've noted, we've had an eye on the long-term outlook of the plan. We have some important activities in the coming year that will support this outlook. The board continues to monitor the COVID-19 pandemic and look at ways the plan can best support members and employers. I will comment more on that in a moment.

We will implement plan changes on January 1st, 2022. The online pension estimator has been updated for all members, including those who work in public safety. We encourage you to learn more about the plan changes.

There's a wealth of information on the plan website, a designated section plus videos and recorded presentations. We will share a web link at the end of the event; so, stay tuned.

With respect to the investment portfolio, we see climate change as the risk and climate action as the opportunity. We are addressing climate change in several ways. For example, we are exploring investing in ways that align with the Paris Agreement goals of keeping global average temperatures to well below 2 degrees Celsius above preindustrial levels.

We have also published our second climate-related financial disclosure in the 2020 annual general report.

Lastly, we are providing ongoing education to trustees on climate change, which include learning about investment risk and opportunities.

Another important activity is educating younger and future members, so they understand the value and benefits of being a member. Our goal is to engage new, early career, young, and potential members to boost their understanding of the plan.

We will be conducting research with younger and newer members to help us better understand their needs and what's important to them. Part of this work includes enhancing online education to improve pensions and financial literacy and better prepare members for retirement. We also want to support employers and provide tools to them to help engage with this group.

The last activity I would like to highlight is our support to employers and members in calculating pensionable service for full-time shift work using what's called Method 3. For employers, Method 3 is the required calculation method. The employers' instruction manual and secure employer website provides information and detailed examples on how to calculate pensionable service for full-time shift work. For members, we are ensuring you receive your full amount of pensionable service with updated web content to allow you to check that your service is accurate.

We would like to share more about post-pandemic support, which I've mentioned earlier.

First, in the spring, improvements were made to the Employment Standards Act that allows individuals to take a job-protected leave for the following reasons: to get a COVID-19 vaccine or to help a dependant get a COVID-19 vaccine. Another reason is if a member is more susceptible to COVID-19 in the opinion of a medical professional due to an underlying health condition, ongoing treatment, or other illnesses and the member is receiving Canada Recovery Sickness Benefit for the leave. It's important to note that members can buy service for this COVID-19-related leave.

Second, in the summer, we made a decision to categorize a period of layoff as a general leave of absence. Members who are currently working have the option to buy a period of layoff that began on or after January 1st, 2020. If members are eligible, they can buy the service for the time they were laid off for any reason, including the COVID-19 pandemic. We have communicated with employers and members on how these changes affect their service and pension.

For the latest annual report and other investment information, please visit our website, specifically the content in the "About Us" section. I encourage you to visit the site to learn more about these activities.

Before we start our question-and-answer session, I would like to reiterate that the board is the plan administrator, meaning we administer the plan and invest the plan's funds. We would be happy to take any questions about the work we do.

Now we will start our question-and-answer session. We have our presenters and other agents and service providers here to answer your questions. If you have a question, enter it in the "Ask" box located on the bottom left of your screen. We will get to as many as we can.

We're ready for your questions.

GARY YEE: The first question: Is it possible to find out which organizations are part of the Municipal Pension Plan?

All the plan employers are listed on the plan website. Go to **mpp.pensionsbc.ca** and click on the "Employers" at the top right of the screen. At the top of that page, click on the underlying link "900 employers." That will open up a list for you to view.

The next question, I'll address this one to Chris. In the process of plan redesign, did trustees consider making participation mandatory for part-time employees? If not, why not?

CHRIS FINDING: Well, thanks, Gary. It's important to note the plan design process was in fact the plan partners and not the trustees. And so, while there were certainly discussion about part-time participation, it wasn't actually part of what we were working on, which is how to change the formula, if you will, of the plan or the design of the plan. So, the question of participation is something that is an ongoing topic of discussion by trustees but wasn't formally part of the plan design discussion.

GARY YEE: Thank you, Chris.

The next question is for Gordon. We have a two-part question from a member… The first part is why does MPP hold so many bonds? Equities always outperform them over the long term. I feel the manager should buy the S&P 500 and hold over holdings of so many bonds.

And then the second question is there's been a lot of, there's been a lot written about investment managers not being able to beat the market. In fact, some studies show 84 per cent are not able to consistently do this yearly. If it is hard to beat the market, why does the plan buy VOO and QQQ?

GORDON FYFE: Well, you can tell from my grey hair that I've been around doing this for a long time, and I think Gary mentioned early on how long I've been doing this, and I can assure you, and I'm sorry, I forget the name of the individual who asked, but there would be periods over my career and one of them as recently as last February and March where you would be very angry with me if I had 100 per cent of the fund in equity.

And, anyway, that's not a decision which BCI makes. The asset allocation decisions are actually made by the trustees of the fund in conjunction with their advisors and BCI discussing the liability side of your pension plan.

So, the issue is here we're not trying to beat the market. What we're trying to do is to make sure that when you retire you have the funds available to pay your pensions.

And the objective is to over the long term to beat the actuarial hurdle rate. So, if we look at the last ten years, and I think I mentioned this earlier. But over the last ten years, the fund has performed just over 9 per cent per year, so 9 per cent each and every year.

The actuarial hurdle rate to keep all of the liabilities and the outflows and the assets in balance is 6.5 per cent. So, the performance of the pension fund has actually outperformed the benchmark that's really important to you.

It's not just about equities. And, I'm sorry, the second part of the question was there's a lot been written about investment managers not being able to beat the market. You know, there are managers that can beat the market and other managers that can't. There are markets where it's easier to beat and other markets that you can't.

We've just sold, for example, a business that I discussed last year, I think, in this presentation, which is a business that makes blinds and other window coverings for homes. And we paid, it wasn't that long ago, say, three years ago, we paid about USD $300 million, USD $320 million to buy our share of that company. And we just finished selling that, and we got the cash back last week, we got the cash in.

We made over a billion dollars on that. So, we invested 300 million, and we took out just over $1.3 billion.

So, whereas you say the market can't always be beat, there are opportunities in certain markets and some of the private markets where information is not available, where networks, contacts, are to our advantage, and also size. They do play in our favour. So, we have been able to beat the market in many, many markets.

And, overall, that's helped your fund significantly. So, remember, our objective is not to beat the S&P 500. Our objective and the objective of the Municipal Pension Plan is to make sure that when everybody retires there's sufficient assets to service the pension liabilities.

GARY YEE: Thank you, Gordon.

The next I have is for Judy. Will the plan consider additional voluntary contributions similar to OMERS?

JUDY PAYNE: Thanks, Gary.

So, we've had that question, I think, a couple times at a few AGMs now. I would say never say never. But it is not part of our, the board's, current priorities. So as Gordon mentioned, our, the board's, first priority is to pay pensions, and that's what the board is; that's the board's primary focus.

We are also focused on ensuring that cost-of-living adjustments are sustainable because that's very important to retirement income adequacy and ensuring that retired members have access to group benefits.

So, as I say, the current strategic plan doesn't include additional voluntary contributions at this time. The next strategic plan will be set for 2023 and move forward for three years; so, it's possible that trustees would look to add it then but certainly not before then.

GARY YEE: Thank you, Judy.

The next question goes to Chris. Will members still working be able to use the bridge benefit that they earned if they take early retirement?

CHRIS FINDING: Well, thanks, Gary.

And the simple answer is, yes, they will be able to take the bridge benefit they have earned up to December 31, 2021. The changes to the bridge are really that going forward from January 1, 2022, onward there will be no additional bridge earned. So, everything that people have earned up to the end of December 2021, they will be entitled to take when they take their retirement, whether that's an early retirement or not.

GARY YEE: Great. Thanks, Chris.

A question to Hilary... Is there any plans to change our extended health and dental from PVC to another provider?

HILARY BROWN: Thanks for the question, and I'm happy to answer that one.

So, one of the things that the group decided on right from the beginning was that during transition there would be no changes to the post-retirement group benefits. And then, obviously, as the new trust board comes into effect, they will then make the decisions as to what changes will be made. But for the time being, there will be no changes to the post-retirement group benefit during the transition period.

Thanks for the question.

GARY YEE: Thank you, Hilary.

Chris, another question back to you. What was the process of appointing members to the retirees committee?

CHRIS FINDING: Right. Well, thanks, Gary.

The process works like this: the appointments to the retiree benefit trust come through the plan partners. So, the employer partner was responsible for appointing four people, and the members at MAPC were responsible for appointing four people.

And both of those groups, I think, look to see, I think trying to provide a, sort of a diverse group of trustees that covered sectors, different employers, and included retirees. And the members did the same thing.

We brought our suggested names together to see that, if the board as a whole had that, that diversity, and we were comfortable with that. And at the same time, we wanted to have a group of people that had experience with benefits as the plan had operated them and had been part of the process as well for plan design. So, putting all of those things together, we chose the first group of trustees and are very happy with the people that we've chosen.

GARY YEE: Thank you, Chris.

The next question's for Hilary. We had a couple of questions about the COLA cap not matching actual inflation, such as it seems that we can expect inflation in the next year or two and we are already beginning to see rising prices in several spheres. Will the cap on inflation index be increased? I'm a retired member.

HILARY BROWN: Thanks for the question, Gary.

So currently right now the COLA cap is set at 2.1 per cent, and that was set from 2020 to 2022. Each year we take a look at the Canadian consumer price index or CPI from September to September, and that's how we establish what the COLA will be for the next year, obviously up to the cap of 2.1 per cent to the 2022 year.

So, each year we take a look at that, the consumer price index, and we establish the COLA set. The COLA is there to name a long-term sustainability of the, of our ability to pay COLA. So, it's very important that we look at that index every year, and every three years we take a look at what the cap will be. Thanks for the question.

GARY YEE: Thanks, Hilary.

The next question's for Gordon... Private equity investments were mentioned several times. Please, what's a private equity investment?

GORDON FYFE: Thanks, Gary...

Just think of it, the private equity and then public equity. So, what people like you and I would normally do with our own portfolios is we would go onto the stock exchange through our broker or now online and we would buy a share of a public company, so one of the banks, for example, or one of the retailers or something like that. So that would be a public equity. And you and I and everybody can go and buy a piece of that company through an exchange.

A private equity is a private company where its shares are not listed, and usually if you, if we go and buy something in the public markets, the public equity markets, we can buy it in a matter of seconds.

When we go and buy a company, so, for example, I mentioned, I've mentioned a number of times the chicken and beer business that we had in Korea, or I just mentioned the blind business that we purchased and then sold. Those businesses, they're not traded on the exchange.

We have our network to find out that the current owners of the business would like to sell it. We would then spend honestly a couple of months due diligence-ing, looking at everything about the business and understanding it, making an offer perhaps in competition with other buyers. And then we would end up owning that business either on our own or with partners.

And the thing with that market… is that it's much less efficient. It's harder to get the information. So, if we work a little bit harder, we'll have more information on those businesses. And we can change them a lot easier as well because we would be the owner of the whole business. And we sit on the board, we sit on the compensation committee; so, we can change them.

So, there are a number of private assets; so private equity is one of them. A lot of our infrastructure portfolios, so if we're buying roadways, for example, or hydro facilities, those are privates. Real estate is all private. We also are doing a lot of investments in that which are in the private markets. So, it's simply, does it trade in the public markets or is it a private transaction that, for example, individuals like you and I would not normally have access to.

GARY YEE: Thanks, Gordon.

Next question's for Judy. I have several of them altogether. So, what is happening with the BC Nurses' Union and creating a distinct group within the pension plan? Second part is how can we be involved in the decision-making? And the last part is what is happening with the rule of 90?

JUDY PAYNE: Wow. Okay. So, remind me if I don't get to each of those.

So, first off, maybe just a bit of background around nurses. So, nurses are currently in Group 1. And under the nurses' bargaining agreement, BCNU and HEABC have been conducting a governance review with respect to nurses' pensions. So, they are considering whether or not they want to stay in the plan,

or a couple of other options. One of the, one of the other, sorry, I should say stay in the plan or status quo in the plan, which is to stay in Group 1.

One of the options that they're looking at is whether or not they could form a separate group within the plan. So, at this point, from the board's perspective, we have shared actuarial analysis and information with the parties and met with them to discuss that information. We have not received any formal written correspondence to the board indicating the outcome of their discussions. So, my understanding is they're still looking at options. If they were looking at making changes to the status quo, they would need to talk to the plan partners first. So, the discussion will happen, in all likelihood, at the plan partner table before it comes to the board table.

What was the other part of that question? What is happening with the rule of 90? So, this is part of the plan design changes that are coming in on January 1st, 2022. And in order to, for Group 1, in order to increase the lifetime benefit, there are changes that have been made to early retirement rules, including the rule of 90.

They are prospective changes. That means that anybody who has pre-2022 service will have the current reduction rules applied when they retire, including the rule of 90. But going forward, if you're in Group 1 and you retire at, sometime in 2022 or later, any service you earn after 2021 will have different reduction rules applied, and it will not include the rule of 90 with respect to that new service.

GARY YEE: Great. Thank you, Judy.

The next question, we are going to get Monique Klein from Pacific Blue Cross to answer. The question is how do retirees access the fund to assist related, funds to assist related to the COVID vaccine and related costs?

MONIQUE KLEIN: Thanks, Gary.

That's a great question. Thanks very much for posing it. I'd have to say that basically the COVID vaccines and all related costs to do with the vaccinations are actually covered by the government. So, there should be no additional cost to the, the plan members themselves. I'm wondering, if you do have any particular costs that you're questioning, you may want to call into our call centre to have your direct question answered by our call centre team with what kind of exact cost that you may be referring to.

Because of this time and some people wanting to take up travel again, there may be some, this may be related to the travel costs associated to getting COVID testing done as opposed to the vaccine. The COVID testing is not covered under the extended health care plan.

But if you have any further questions, I'd recommend contacting our call centre or taking a look at our website where we have a whole gamut of information on COVID-related items that may be helpful for you. Okay.

GARY YEE: Great. Thanks, Monique.

The next question is for Tom. The changes to the temporary annuity and the best five years to four years in 2022, are these changes retroactive to the entire pensionable service or only to service since 2022?

TOM STAMATAKIS: Thanks, Gary.

So, the plan design changes were designed to be prospective and not impact on any benefits that any member earned up until they come into effect. With Group 2 and 5 and the change from a five-year average salary to a four-year average salary, that's what's used to calculate your entire benefit. So, it's not, it doesn't result in a calculation for benefit earned post 2022 and then another calculation for benefits earned before December 31st, 2021. So, it affects your entire benefit.

GARY YEE: Thanks, Tom.

The next question's for Aaron. Can you please tell me if the online estimator has been updated for those with special agreements?

AARON WALKER-DUNCAN: Thanks, Gary. And good morning, everyone.

And, yes, I can confirm that the estimator for Group 2 and Group 5 members was updated in July. So please go to My Account to run an estimate at any time for those benefits.

GARY YEE: Thanks.

Question for Gordon. What is BCI's plan if investment activities can't fund 75 per cent of what pension plan members receive in retirement benefits?

GORDON FYFE: Thanks, Gary.

GARY YEE: Especially related, sorry, especially related to the pandemic effect.

GORDON FYFE: Okay. And I think where that's coming from is that we have stated in the past that 75 cents of every dollar that a retiree receives is coming from the returns that have been generated on top of the 25 cents that they would have contributed throughout their time contributing to the plans while they were working.

And the long-term asset mix, so that's the mix of various assets, is put together by your board of trustees based on the structure of the liabilities. So there's a lot of work that goes into figuring out what the long-term asset mix of the fund should be, and a lot of scenarios are run to see what are the probabilities that the situation that you describe happens and what's the probability. It's an incredibly low probability that that would happen, and so I can't remember what the number is, but it's a very, very low probability. And it is reviewed every three years as well. And so, every three years the board with their advisers, including BCI, would be involved in re-establishing that long-term asset mix based on any changes in demographics or anything else that will have happened in the preceding three years.

I will also add that because the returns, as I mentioned to you just a few moments ago, so 9.1 per cent return in each of the years on average over the last ten years versus an actuarial hurdle rate of 6.5 per cent, what that means is we're already starting with a surplus. So, there has been a surplus that's been getting built up in the plan because you've got to save for a rainy day. And so, the scenario that you're referring to is probability-wise is very unlikely.

But even if we were to enter into distressed markets, we have built up some cushion because of the excellent returns of the fund over at least the past ten years and longer as well. And I don't know if anybody from the board would like to add anything to that or the actuary, but that's how we look at it.

GARY YEE: Great. Thanks very much, Gordon.

The next question I have is actually for Aaron. Is there a possibility of getting access back to employers that request estimate for employees?

AARON WALKER-DUNCAN: I'm assuming this question's coming from an employer or an employer representative, but I would say that the short answer is probably no, and I think it's because of, for privacy reasons, employers having access to member information and member accounts and things like that is not something that we can permit.

That being said, I know that there are opportunities for employers to provide feedback and input to our employer operations team. I believe there's a council meeting in fact coming up in the next few weeks. And so, if you are from an employer, you do participate in the, our, council meetings, you know, please bring this up. And I think someone from the employer operations team can probably confirm the answer better than I can.

GARY YEE: Great. Thanks, Aaron.

Next question I have is for Judy. When will we hear the results of the actuarial valuation that's going to be completed in the fall of 2022?

JUDY PAYNE: Thanks, Gary.

So, the next valuation will be performed as at December 31, 2021, so at the end of this year. And those of you that are familiar with the plan will know that we complete the valuation because we look at what our recent investment experience has been like and what the experience has been like for members and employers participating in the plan. And we consider whether or not contributions are sufficient to maintain the plan in a fully funded state. And if we are not on a track for fully funded, then we look to adjust contributions. So, the next, the valuation will be calculated as at December 31st this year. The results don't come into the board until the September of the following year, and I would expect we will be announcing them at the AGM next year if not in a week or two before that.

GARY YEE: Great. Thank you, Judy.

Next question I have is for Angie. What is the rationale to change the age and length of service for retirement which comes into effect January 1st, 2022? You now have to work 35 years or be age 60, or 60 years of age. Many of my colleagues are choosing to retire before the end of the year, which is creating a bigger work shortage.

ANGIE SORRELL: Sure. Thanks for the question.

First of all, there's been no change to the 35-year portion. What that means is that you can contribute into the pension plan for 35 years, beyond which you no longer contribute into the pension plan. So, there's no change to that.

But we did, as you mentioned, make some changes where at age 60 you can retire with no reduction in your pension. The earlier retirement benefits, the rule of 90, the bridge, those sorts of things we did change, and we changed it primarily to improve equity in the plan. And what I mean by that is that over time fewer people have been using the benefits, like the rule of 90, for example. I can't remember the numbers exactly, but I think it was in the realm of about 20 per cent, a little over 20 per cent, maybe, of members were using that benefit.

But all members have to pay for that benefit. And so, essentially, all members were subsidizing that benefit for those fewer number that were actually accessing it. So instead what we decided to do is remove that on future benefit accrual and add that benefit into the higher accrual, so all members benefit, to reflect better how members are using the benefits.

With regard to the concern of people choosing to retire before the end of the year, all these changes are on future service. And so, anyone who is near retirement, there will be virtually, like, no or minimal impact on their pensions whatsoever.

Again, if you've earned that benefit up to 2022, you still get that benefit. So, it's only on future service where instead of having early retirement benefits, we have a higher accrual.

GARY YEE: Great. Thank you, Angie.

Gordon, a question back to you. Crypto is fast becoming mainstream with merchants accepting Bitcoins. There are BTC ETFs, ETH ETFs in Canada. Is the MPP considering investing in crypto, Bitcoin, or DeFi?

GORDON FYFE: You know, there are some really appealing aspects to Bitcoin and the digital currencies, particular if, particularly if, you're a hacker or a blackmailer or certain dealers. So, there are, there is, certain aspects of that, and I'm not sure we'd want to be creating liquidity for that sort of behaviour and that sort of activity.

But I think what's even, what's even more difficult for me in Bitcoin or any of the digital currencies is how do you value them? So how do I go through, 'cause if we're buying a company or an asset, we have a pretty stringent due diligence process, mathematical calculations to try and forecast future cash flows and all of this to try and put a value on, on that asset. And with Bitcoin, you just can't do it right now. And so, no, we're not looking at investing in Bitcoin at the moments, and I don't expect we will in the future.

And if you want to talk about gold and, you know, what's the, there is a long, long history in, in mankind about valuing gold. So, I'm more comfortable with that but not with Bitcoin.

Having said that, you know, I meet regularly with the Governor of the Bank of Canada, and the Bank of Canada is looking and has had a project now for a number of years, which we've discussed, about creating a digital currency, a Canadian digital currency. And that's very different. It's backed. You can value that. And we would certainly look at that.

But let me move away from the digital currencies themselves and then the technology behind those, which is known as blockchain, the technology that allows that market to exist, those instruments to exist. Now that is very, very interesting because it's applicable to a whole range of activities and registration of ownership, and that is something that we are looking at. And we have a team assessing that, and I've had a number of presentations on that. And that I would expect by the time I come back to see you next year, if I'm invited back, then we might have some investments in some of the technology that supports Bitcoin but where it would be used elsewhere as well.

GARY YEE: Thanks, Gordon.

The next question I have is for Chris. Is there additional cost to the MPP plan to have created and sustain a new board of trustees to manage the new medical benefit trust?

CHRIS FINDING: Yeah, thanks, Gary.

Well, in effect, there are no additional costs in the sense that the MPP board when they were dealing with the retiree benefits spent had, has, a benefits committee, a committee that I previously have sat on, that spent the majority of its time discussing retiree benefits. And so effectively that committee will no longer have that work to do, and that work will now be done by the specialized committee that is, or a board that has been appointed for the retiree benefit trust.

So, in fact, we are, we just have a group that are solely focused on that. And I think the upside of that is that they're not going to have, you know, the entire pension scheme to think about on top of benefits.

They will get to think solely about the provision of benefits. And we're very fortunate to have the same support at least initially from the Pension Corp and from Pacific Blue Cross, who are very familiar with our benefit package and the provision of it and the various issues that go along with that. And so, we will continue to have that expert support which will be the same support we had previously. So, I think in effect it's going to be the similar costing and I think we're going to get a more concentrated effort from it. So, thanks, Gary.

GARY YEE: Great. Thanks, Chris. These are great questions. Thank you very much. Please keep them coming. Just, if you have a question, just enter them into the "Ask" box on the bottom left of your screen.

The next question I have is for Aaron. I'm confused about the temporary annuity. Where does that come from?

AARON WALKER-DUNCAN: So think of the, think of the temporary annuity as a tradeoff where you are, you are able to convert a certain amount of your lifetime pension and essentially front-end load your pension at the, in the early years in your retirement.

So think of it like if you retire before age 65 you may choose a temporary annuity to top up or, as I said, front-end load your monthly pension, and it will do so, you will increase that at, until you reach 65 or you die, whichever comes first.

The flip side, though, is that if you front-end load your pension in the early years it means that your lifetime portion of your pension would be reduced. So, after age 65, your pension will drop a little bit, anyway, to reflect the cost of that front-end loading of your benefit. And so, the younger you are when you retire, the bigger the impact on your pension after age 65.

GARY YEE: Great. Thanks, Aaron.

The next question I have is for Judy. Has there been any consideration to provide a health care spending account within our current plan with Blue Cross plan to cover additional medical costs not currently covered?

JUDY PAYNE: So that's a great question. It's actually a very interesting idea. I would say the short answer is no. We have agreed that as we transition to the new trust, we want to keep the benefits program as stable as possible. But it's a very interesting idea for the new board to consider.

GARY YEE: Great. Thanks, Judy.

Question back to you again, Aaron. Going back to whether the online estimators include special agreements, can you please answer if this works for Group 1 members or only Group 2 and 5 that were mentioned.

AARON WALKER-DUNCAN: Sure. Yeah. So, the online estimator works for all members regardless of the group you're, if you're Group 1, 2, or 5. The, that being said, the special agreement component is only applicable to Group 2 and Group 5 members. And so, if you're a Group 1 member, you don't need to worry about that. If you are one of those few members, or not, not necessarily few. But if you're one of those members that has service in Group 1 and Group 2 and/or Group 5, so you might have service as a general member in the plan and also as a police officer or firefighter, you will need to contact the plan for an estimate because of the complexity of the calculation of the two different components of your pension. And so our, the team here at the Pension Corporation will be happy to support you and provide you with that information.

GARY YEE: Great. Thanks, Aaron.

Next question I have is for Richard Border. How are mortality tables calculated for individuals who are non-binary, don't identify as male or female?

RICHARD BORDER: So, when we use mortality assumptions, we use standard tables that have been developed, looking at data across, you know, large groups of the population. And at the moment, there are no standard tables for non-binary people.

What we would do in the plan, if we don't have, identify that the person is male or female, is we essentially just use an average of the male and female mix in the plan. So, we end up with something where we're assuming a little bit of both of the mortality tables. And for the purposes of funding the plan, that would be sufficient.

GARY YEE: Great. Thanks, Richard.

Next question's for Judy. What are the fees that trustees earn for attending meetings?

JUDY PAYNE: So, we actually publish in the annual report a list of all money that has been paid out to trustees or their appointing authorities. So, you can take a look at the annual report if you're interested in that. I will say that it's not always, it's, that's not a simple question to answer because trustees are directly or indirectly remunerated for on a per diem basis basically for meetings that they attend. But in many cases, that money goes to the appointing authority because the trustee is receiving remuneration from the appointing authority as part of their day job. And so, for most of our trustees, this is part of their day job and they don't receive personal compensation.

GARY YEE: Thanks, Judy.

Next question I have is for Hilary. Hilary, congratulations to the board for exceeding the hurdle rate for the past ten years. BCI performance is exceeding my investment, is exceeding my investment firm. MPP updated asset mix was changed in 2018; so, a new one is due after three years. With the board's shift to more fixed income/decrease in public equities, does the board have any thoughts on how, on other strategies, for example, tail funds to mitigate risks, particularly after this long goal?

HILARY BROWN: Thanks, Gary, and thanks for the question.

So, we actually go through an asset review every three years, and we do take a look at how we're investing and what we're investing in. And at that time, we have long conversations with BCI in terms of what they feel will meet our objectives in terms of returns, where should we be investing, what changes we should make, et cetera. So those are ongoing conversations that we're having with BCI.

At the end of it, we always have a board decision of how the investments will be made. So, in terms of are we thinking of any other strategies, absolutely. We're always thinking of other strategies and the best way to invest so that we can meet our objectives, which is to pay that pension. So, in answer to your question, yes, we're always looking at other strategies. Thanks so much.

GARY YEE: Thanks, Hilary.

A question to you again, Judy. Can the board change the 2.1 per cent COLA cap for the coming year if inflation exceeds the cap?

JUDY PAYNE: So, the board's set up some guidance for itself in the form of policies about how to grant COLA on a sustainable basis, and that includes resetting the cap on every three years. So, the cap will be reset following the 2021 valuation, again, which as we talked about earlier will be received about the time of the AGM next year. So, I would not expect any changes to the COLA cap before January 1, 2023.

GARY YEE: Great. Thanks, Judy.

We have more time to answer your questions. So, thanks for sending them in. We welcome your questions. So please enter them into the "Ask" box at the bottom left of your screen.

Another question for you, Aaron. It says, it starts, I am curious about the member who has reached 35 years of service with, and with a hundred thousand annual income. In the estimate, it calculated that the 100 per cent joint pension include, including annuity is valued at about $70,000 until age 65 and then drops to 50,000 after age 65. I'm curious how the plan determines that members can take an income reduction going into retirement.

AARON WALKER-DUNCAN: Wow. Quite the, thanks for the question. I mean, essentially, obviously, this comes down to people's different personal circumstances.

But what I can say is that, remember, up until the plan design changes that are coming into effect this coming January, the benefit design is designed on an integrated basis or historically has been designed on an integrated basis so that you accrue a certain amount of pension up to the YMPE, the year's maximum pensionable earnings, and then a portion of your pension are at a different accrual rate on earnings above that amount. And then you have a bridge benefit.

And, again, without going deep into a sort of history lesson, but historically the plan was what we'd call integrated with Canada Pension Plan.

So the assumption was that you would, you might retire before age 65 and when you do that we would pay you a bridge benefit on a temporary basis up to age 65 and at age 65 the bridge benefit would stop and, again historically, CPP would kick in at age 65.

Well, of course, those rules have changed. Canada Pension Plan now allows you to start your pension earlier or later and that sort of thing. So, again, part of the evolution of the plan and moving to the flat accrual rate was designed to remove that integration that has historically existed. But that's why you see the certain pension amount up to 65 and then a drop beyond age 65, because that's when the bridge benefit would stop again on the basis that you would replace that income with your Canada Pension Plan benefits, which again theoretically or historically were designed to mirror that reduction.

So, in the example you provided, going from $70,000 down to $50,000 at age 65, the assumption would be that, generally speaking, CPP would replace that $20,000.

GARY YEE: Great. Thanks, Aaron.

The next question, I kind of want two people to answer. I'll turn to Hilary first, and then I'll go to Gordon.

The BC Public Service Pension received 16 point, 16-plus per cent returns in 2020, and the MPP received only 11.7 per cent. BCI invests for both plans. So, is the Public Service board being more aggressive or just luckier with their investment directions to BCI?

HILARY BROWN: Thanks for the question, Gary.

So, yes, most definitely each of the board sets their own investment strategies and, but we don't look at it so much on a one-year term, although we do have the one-year term numbers publicized, et cetera. We're looking at a long-term basis. And I'm going to turn it over to Gordon to be able to sort of talk to that. I can't actually talk to the Public Service Pension Plan's investment strategies. So, I'm going to turn it over to Gordon. Thank you.

GORDON FYFE: Thank you, Hilary.

First, you know, my wife and I, we have four children, and we love them all equally. And BCI has 30 clients; and just like that, we love them all equally, and we do treat them all exactly the same.

The biggest difference that you're seeing in the reported numbers is that for the Municipal Pension Plan, your year-end is December 31 and for the Public Sector Pension Plan, the year-end is the end of March. So, you have a three-month difference. So whatever they got in those three months is coming into the current year, and you'll see those numbers, whatever they earned in that first quarter of 2021 which you didn't get, you will get when you get your returns calculated for the calendar year that we're right in now. There are obviously differences because each of the boards, as Hilary has said, establish their long-term asset mix. But once that's sent to us and we have the distribution, we treat all clients the same. There's no favouritism.

As much as I'd love to favour Municipal, I cannot. I don't. And shares of assets that we're buying are spread on a pro rata basis. And we have very, very careful controls in place to make sure that there is absolutely no favouritism to any client and everyone pays their fair share and everyone receives assets and returns in the same way.

GARY YEE: Thanks, Gordon.

Next question I have is for Aaron. Will value transfers still be allowed under the new pension rules starting in 2022?

AARON WALKER-DUNCAN: Yes. There are no changes to the rules applicable for transfers.

GARY YEE: Great. Thank you.

Next question's for Judy. Is there any discussion on members having their pension penalized if they are non-compliant with any mandate on vaccine?

JUDY PAYNE: No. So, the short answer is no. The longer answer is that your employer has its own vaccine policy, whatever that may be. And so if you are, if their policy says that you go on an unpaid leave of absence, as an example, that means you do not accrue pension, pensionable service during that time period 'cause you're not receiving any salary. You may be able to purchase it later within the window, but your employer has no obligation to pay for their share of that cost. So, you would be paying both the member and employer share of the cost of the service to buy it after an unpaid leave of absence.

So, there are implications for sure, but there's no discussions at the trustee table about penalizing unvaccinated people.

GARY YEE: Thanks, Judy.

Question back to you, Aaron. A pension, are Pension Corporation staff seeing an increase in retirement applications from Group 1 members before January 1, 2022?

AARON WALKER-DUNCAN: The short answer is no. We've not seen any increase or significant changes in what we would normally expect to see throughout the year from Municipal Plan members in terms of their, the patterns of retirement.

GARY YEE: Okay. Great.

Judy, a question for you. Can the annual report contain medium, average pensions and pensionable service figures, including breakdown of retirement ages?

JUDY PAYNE: So, I think the question is a suggestion more than it's a question, which is would we update and add information to the annual report.

That's an interesting idea. I think it would be helpful for whoever has asked the question to perhaps, if they see that there's value in us doing that, to write in and explain the value in doing that or share any other information that they think would be helpful for trustees.

But there's no barrier to us including the information. It really has to do with whether or not there's value in adding it.

GARY YEE: Great. Thank you.

We've seen a fantastic variety of questions from attendees. I'd like to give a last call for questions. We're happy to take any further questions. Just enter them into the chat box at the bottom left of your screen.

Question for Aaron. I am one of the people who have a public safety pension and a non-public safety pension who must have the Pension Corp calculate my pension. There is a spot on the MPP website where I can see my past pension estimate for prior years. Unfortunately, I cannot access this because of the dual service. Can the Pension Corp not fix this so I can see all my past estimates?

AARON WALKER-DUNCAN: Yeah, I'd like to suggest that you contact the member service centre at Pension Corporation and ask about that because I don't know why you would not be able to. I mean, I don't have any immediate answer as to why you wouldn't be able to see historically run estimates that you've produced. Like I said earlier, though, once you become a person who has service in both the public safety and the non-public safety group, you can't use the online estimator now. But if you ran estimates prior to you becoming, having service in both of those groups, I'm not quite sure why you wouldn't be able to access that. So, someone in the member services centre should be able to help you with that.

GARY YEE: Great. Thanks, Aaron.

Another question for you with regards to the estimator. If I go into the pension estimator today and put in the retirement date where I am 57 years old when I retire, that is, in 2026, are the penalties already applied to the number that I am seeing?

AARON WALKER-DUNCAN: Yes. Yeah. So, the online estimator includes all the rules that are applicable for any early retirement. And so, if you put in a date that is below the unreduced, your unreduced pension age and there is a reduction that's to be applied to your benefit, it will be reflected in the numbers that you see there.

GARY YEE: Okay. Great. Thanks, Aaron.

Okay. We have no more questions. So, this wraps up our 2021 annual general meeting. We're happy that so many of you can join us today online. If we didn't get to your question, we will make every effort to post a response to the plan website. A recording is, will be available on the plan website under "About Us" in the coming days.

We would like to hear what your thoughts are about this meeting. Please send an email to **mpbt@pensionsbc.ca**.

If you have a personal pension question, please sign into or register for My Account at myaccount.pensionsbc.ca. You'll find the envelope icon on the top right of the web page to send a question. You'll be contacted with a response.

In a moment, we will leave you with a list of resources we have shared during this AGM so that you have a few extra moments to copy down any links you would like to note. We appreciate your engagement with the plan and the thoughtful comments you have shared. Thank you for joining us today. See you all next year at next year's AGM on October 13, 2022.

END OF TRANSCRIPT