

Transcript of MPP: A Year in Review

the Municipal Pension Plan 2026 annual meeting

The Municipal Pension Board of Trustees produced a recorded 2026 annual meeting. Below is a full transcript.

DONNA LOMMER: Hello everyone and welcome to the Municipal Pension Plan's 2026 Year in Review. I'm Donna Lommer, Chair of the Board of Trustees and I'm pleased you're joining us today.

It is with gratitude that I acknowledge we are hosting this event on the traditional territory of the Lekwungen peoples, also known as the Songhees and Esquimalt First Nations. We acknowledge and give thanks for their stewardship, care and leadership of these lands.

Here's what we'll cover today. I'll begin with a strategic overview followed by a financial highlights presentation from Vice Chair Gary Yee. We will then look at how we are refining the portfolio with Investment Committee Alternate Chair Josef Rieder and hear an investment update from BCI CEO and CIO Gordon Fyfe.

Following the presentations we'll move into a moderated question and answer session hosted by our Governance Committee Chair Tom Stamatakis based on questions you shared with us ahead of today's meeting. Finally, we'll shift over to information sessions where you'll be able to choose which session to attend. When we reach that portion of the meeting the session options will appear on your screen.

We support members at every stage of their journey, whether you're just starting out, well established in your career, getting ready for retirement or enjoying the pension you've earned.

Before moving into the strategic overview, I'd like to highlight the plan's strengths and opportunities for growth.

Our theme for this year's event is strength in diversity. The strength of the plan comes from the diversity that defines it. We have diverse members, employers, careers and communities and a resilient diversified investment strategy.

That's what keeps the plan strong and stable. It also creates opportunity giving us more ways to grow moving forward. Over the last 10 years membership has grown by 60 per cent and in 2025 alone more than 27,000 new members joined the plan. This growth helps maintain a strong balance with roughly two contributing members for every retired member receiving a pension.

With that I'd now like to move into what the board has been focusing on this past year and what's ahead.

As the largest pension plan in British Columbia, MPP leads in forward-thinking plan design and strong governance delivering value to members and employers.

Guided by our strategic plan the board sets priorities every three years to help secure the future of the fund. In the 2023 to 2026 plan we've made progress in areas like responsible investing, leveraging our scale and strengthening awareness of the plan. Our commitment to responsible investing is already delivering measurable results.

I am pleased to report that MPP's portfolio carbon footprint has reduced by 58 per cent measured at the end of 2025 relative to 2020. This surpasses our 2030 interim target of 55 per cent.

A key priority is expanding membership to more eligible employers across BC. With over 1,000 employers already participating our diverse membership from social service and health care workers to municipal staff helps make the plan stronger, more resilient and built to serve members for generations to come. Expanding access to a defined benefit pension means more people in BC can rely on a stable income in retirement while strengthening the plan for everyone.

It also supports the broader economy. Pension income sustains jobs, helps local businesses and strengthens communities across the province. In fact, for every \$10 in pension benefits paid a little over \$15 in economic activity is generated across BC.

We are enhancing the operational support systems and tools to welcome new members and see signs this work is moving in the right direction.

Looking ahead the 2027 to 2029 strategic plan builds on this momentum to further support growth. We'll continue to expand membership, strengthen a network of pension advocates and build on our commitment to responsible investing. You can find a summary of the board's strategic direction on the MPP website.

With the plan's 100-year anniversary in sight we're not just reflecting on our history, we're preparing for the next century. This summer our assets reached the \$100 billion mark, a significant milestone in our journey.

Now please welcome Vice Chair Gary Yee who will share financial highlights from this last fiscal year. Welcome Gary.

GARY YEE:

Thanks Donna. I'm delighted to serve as Vice Chair and was honoured to serve as board chair during the last fiscal year. I'm also proud to be part of a hard-working thoughtful board of trustees who are focused on working for our members and employers.

Our fiscal story this year is one of growth. As of December 31, 2025 the plan held \$93.9 billion in net assets up from \$86.9 billion at the end of 2024, supported by \$6.8 billion in investment income.

Over the past year we took in \$3.6 billion in contributions and transfers and we paid out \$2.8 billion in regular monthly pension payments to members and beneficiaries.

As trustees our role is to anticipate and prepare for risks such as economic, demographic and others that can affect the plan's long-term health. One important step we are currently taking is expanding membership to more people across British Columbia, strengthening the plan and creating new ways to ensure long-term sustainability.

With members at every stage of their career our responsibility as a trustee is to ensure the plan is positioned for the long term. It is important to look at how the plan has performed over time and how those results align with our long-term funding goal. We had a 7.5 per cent investment return in 2025, a 7 per cent annualized return over five years and a 7.8 per cent annualized return over 10 years. This is above our annual return objectives in each case.

As you can see the fund remains resilient and we are well positioned for the long term. Our most recent valuation in 2024 shows the plan is 102.8 per cent funded.

When the plan is over 100 per cent funded it has more assets than liabilities. This means the plan has enough money to pay all the pensions it expects to pay now and into the future.

The board also reviews cost of living adjustments or COLA as part of this process. COLAs are a priority for the board although they are not guaranteed. Following recommendations from the plan actuary and in accordance with the funding policy the board has reinstated a maximum annual COLA limit of or cap of 2.1 per cent. The cap ensures fairness across generations and supports the plan's ability to provide inflation adjustment over the long term. We will review the COLA cap again during the next valuation which will be taken at the end of 2027 and reported in 2028.

The plan is in a very stable position. I would encourage anyone interested in learning more about the plan's finances to read the 2025 annual report which is available on the plan website. Thank you for your time and continued interest in the Municipal Pension Plan.

I look forward to serving as chair again next year and continue to support the plan's long-term success. With that I turn it back to Donna.

DONNA LOMMER: Thank you, Gary, for giving us that overview of plan funding.

I am pleased to invite Josef Rieder, alternate chair of the investment committee, to speak to what we are doing to examine the investment portfolio through asset liability management. Welcome Joseph.

JOSEF RIEDER: Thanks Donna. Asset liability management is a key activity to maintain the plan's financial health. As a board we set a long-term asset allocation to achieve our primary pension security goal, which is to secure the basic pension for every member.

One important function of the investment committee is to be sure the fund is well diversified.

To that end, after every actuarial valuation we take an in-depth look at our investment mix to make as sure as possible that our portfolio meets three key criteria. First, it maintains reasonable investment returns to meet our funding goals. Second, it manages risks and is as well positioned as possible for market fluctuations. And third, it provides enough liquidity to pay pensions and expenses without being required to sell assets when it's not advantageous.

Let's walk through how the asset liability management process works. Specifically, our current ALM review was a year-long process working closely with BCI.

Just as with an individual's investment plan over the course of several meetings from last fall to this spring, we discussed our situation and plan characteristics, objectives and risk tolerances. We reviewed the asset classes and BCI shared strategies they explored. From there, BCI modeled the existing strategy and tested alternative asset mixes and brought these to our May investment committee meeting.

In the end, we considered three alternative portfolios that account for a variety of factors and different economic scenarios or market environments. In June, the board reviewed the portfolios and the recommendation from the investment committee and made a decision. Following this, we updated our statement of investment policies and procedures and BCI began implementing the changes.

Here's what the portfolio changes look like. The adjustments made to the portfolio took a balanced approach aiming to increase its expected return while improving protection against downside market scenarios. In particular, the board sought to improve the portfolio's resilience in a higher-interest environment, to increase exposure to assets that are durable through inflationary environments, and to enhance the predictability of returns over time.

The selected portfolio places greater emphasis on income-generating assets with more stable cash flows while reducing exposure to areas that are more sensitive to valuation pressures from higher interest rates. The result is a more diversified portfolio that is expected to deliver the returns needed to support members' pensions with less risk compared to the previous asset mix.

So you can see how we use the ALM to best position ourselves to achieve the returns needed to continue to deliver on the pension promise. With this latest review, we are well positioned to do so.

With that, I'll turn it back over to Donna.

DONNA LOMMER: Thanks, Josef, for walking us through how we're balancing return, risk, and stability to protect the plan over the long term.

Next, we're delighted to welcome Gordon Fyfe, BCI's Chief Executive Officer and Chief Investment Officer. Welcome, Gordon. We appreciate you being here to shed light on what's unfolding in the markets.

GORDON FYFE: Thank you, Donna. I'm Gordon Fyfe and I lead BCI, British Columbia Investment Management Corporation, the investment manager of your \$108 billion pension fund. BCI overall is managing \$330 billion with its 800 people and an additional 2,000 at our real estate company, Quadreal. And we have offices in many, if not most, of the world's financial centers.

Now, I've been at BCI for 12 years and before that 11 years with PSP, the federal government's pension fund. And so with my senior investment team, there's a lot of experience at BCI and experience with market corrections and downturns.

And what we've learned from all of these downturns is that the important thing is not to panic. You need to stay calm. You need to stay calm and be ready and be ready to take advantage of other investors when they panic.

Now, why am I bringing this up today and to tell you about this? It's because we've not had a correction in the markets, really a real correction since the GFC, the Global Financial Crisis, back in 2008 and 2009. And that was a real correction. Now, we had one in 2020 with COVID, but that lasted only about four and a half weeks.

And so we're getting to the point where we're due for some sort of a market correction. And what I mean when I say we need to be ready is we need to have liquidity. When we say liquidity, we're talking about cash and short-term securities that we can sell easily and convert into cash.

And the reason we want those is, number one, we don't ever want to be forced to sell a long-term asset during some sort of a market panic, because these long-term assets, they take a long time to sell. And if you need to sell them fast to get cash, you're going to have to take a big discount. But the second reason we want to have a lot of liquidity going into a market crisis is we want to take advantage of other investors who are panicking and have to sell assets because they've overpaid for an asset or they borrowed too much money and they need to pay it off.

And so we want to be available to buy assets off of them on very, very short-term notice at great prices. Now, we can't predict when the next correction is going to come, but we can prepare for it. And BCI, working with your trustees at the Municipal Pension Plan, have been preparing for some time.

And I'll talk more about that in a moment. But I just want to say that when there is a downturn and when it comes, the accounting rules are going to require us to mark the assets down. Even though we're not selling them, we're going to have to reflect what the value would be in the market if we did see them.

So you're going to see some red in the portfolio. But don't panic because we're not selling. We're actually going to be out taking advantage of other investors' distress.

Now, on a more positive tone, the returns last year in the fund were seven and a half per cent. And that compares to your actuarial hurdle rate of six and a quarter. That actuarial hurdle rate is the number that we need to earn on the portfolio over the long term to make sure there's a balance between the contributions coming in and the benefits going out.

So six and a quarter, and we beat that last year with seven and a half. But what's more important is not just one year, but it's the long-term returns. So if we look at it over 10 years, the return of the portfolio has been 7.8 per cent in each of the years over that 10-year period.

15 years, it's been 8.4 per cent per year. And now I'm going to go really long, 20 years. And the reason I do that is I want to show you that even going through something like the GFC, the great financial crisis of 2008-2009, the portfolio was still performed very, very well. It generated 7.6 per cent per year in each of those 20 years on average. Now your friends are going to come and say, how much did you earn last year? Seven and a half per cent. And they'll say, we made 15, we made 20, we made 25 per cent.

But ask them how much risk they had in their portfolio. Maybe they're all concentrated in AI stocks or something like that. But there were a lot of people who back in 1999 thought they looked pretty smart buying dot-com stocks. But a little bit later in 2020, they weren't looking quite so smart.

This is not a roller coaster. This is a smooth, slow ride down the river.

So we'll have some bumps along the way. But the portfolio is very, very well diversified geographically by asset type, but also by capital structure. What I mean by that is if we're going to invest in a building or a company, we can decide if we want to own the debt or we want to own the equity. So the diversification, again, it's geography, asset type and also by capital structure.

Now I want to turn to the markets. There's a lot of noise.

There's a lot of things that you need to pay attention to. But there's only really three risks right now that I'm going to suggest you focus on. And I'm going to run through the three of them.

The first is war. The wars are not near over. We have a war in Ukraine. It's not over. We have a war in Iran. It's not over. Now we have Saudi being attacked by the Houthis are getting components from Chinese companies to build their ballistic missiles. It's slowly expanding. And finally, the European countries, the NATO countries in Europe are beginning to prepare for what they are fearing is an invasion or an attack from Russia.

So risk number one, war. These wars are not over. If anything, they're expanding.

Second, inflation. Inflation is not slowing down. The IMF has forecast world inflation this year will be at 4.7 per cent. Five years ago, it was at 3 per cent. And just yesterday, the United States announced their inflation figure for September at 3.7 per cent, far away from the target of 2 per cent. And Canada is not that far behind.

So that's the second risk.

The third one is government debts and deficits. All western governments have had big increases in their outstanding debt and the size of their deficits. The worst, France, UK and the USA, but others, including Canada, have also seen big increases. And the problem here is that it's not just about increasing the size of the debt outstanding. What's happened is interest rates have gone up a lot at the same time. So the interest payment that these countries have to make has grown exponentially because you've got more debt and you've got a much higher level of interest to pay on that debt. So what's happening is interest payments are starting to crowd out other parts of the budget. And there's less room for governments to support their countries during a crisis.

So those are the three risks that I consider. And I think you should be paying attention to risk number one, two and three. The war is not over. It's expanding. Inflation is climbing and governments are showing absolutely no signs of any kind of a fiscal pullback. There are other risks, tariffs, AI, for example, but I do believe that these are the three biggest threats.

And I suggest that you focus on them and follow those three risks going forward. Now, as I said before, BCI doesn't predict. But with your Board of Trustees, we have prepared.

We are prepared for these three risks. We've increased the diversification in the portfolio, including more inflation sensitive assets. We've diversified, as I've said again, geographically, asset classes and in the capital structure. We need to be ready for when this turnaround comes.

Now, I want to turn to a topic that's been picked up in the papers over the last few years and is gaining some press again recently, which is the Canadian weighting of the large Canadian funds in Canada and the pressure being put on the large Canadian funds to invest more in Canada. I think this all started a few years back when somebody noticed that CPP, the Canada Pension Plan, had 12 per cent of its assets invested in Canada.

Now, CPP is over \$800 billion, so 12 per cent is still a lot of money. But they screamed that that's not enough. Well, Canada makes up about 3 per cent of the world's investment opportunities. So if you're at 12 per cent, as CPP was, you're four times overweight Canada already. But still, this wasn't enough. But the journalists tended to capture all of us in the same thing, thinking everybody was only 12 per cent in Canada.

And in fact, the other seven funds in Canada, the big funds, were all between 20 per cent and 40 per cent invested in Canada. Actually, one of them is getting close to 50 per cent right now.

BCI is at 36 per cent of its assets invested in Canada. That's \$121 billion invested in Canada, of which the Municipal Pension Plan, your plan, has \$43 billion invested in Canada. And I think our allocation is going to grow. The Prime Minister has announced a number of initiatives to attract investment in Canada, and that's going to include investments from BCI.

But we'll be doing this because the opportunities provide us with the right risks and returns that we're looking for, not because anybody's putting pressure on us to do it.

I'm going to finish on this. Sustainability.

It seems that geopolitics, war, tariffs, AI, they've distracted a lot of folks from the sustainability aspect, at least in the press coverage and in annual corporate annual meetings. But I want to make it clear, the focus on sustainability has not changed at BCI. MPP's goal, the Municipal Pension Plan's goal, was to reduce the 2020 level of portfolio carbon intensity by 55 per cent in 2030.

Well, you're five years ahead of plan, you've achieved a 58 per cent reduction, and our commitment to sustainable investments, like yours, is undiminished.

Now, I want to thank you for your confidence in BCI, because I think we're going to need that support in what I expect could be a few rough years coming ahead.

But BCI, with your Board of Trustees, has prepared your fund for what might come. And in my experience, a prepared fund can take a chaotic and volatile market and find unbelievable opportunities.

So thank you, and I will report back to you next year how we've come through the year. Thank you.

DONNA LOMMER: Gordon, thanks for breaking that down for us. Your insights really help reinforce confidence in our investment strategy. Up next is a brief question and answer session moderated by our Governance Committee Chair, Tom Stamatakis.

Joining me on the panel are Gary Yee and Chelsea Kittleson, Executive Director, MPP. Thanks to all who shared questions with us during registration, we received a large number. So we've organized them into themes that we will touch on today.

Tom, over to you.

TOM STAMATAKIS: Thanks, Donna. And thanks to you, Gary and Chelsea, for joining us to answer members' questions. I'll be calling on each of you in turn to answer questions.

Our first question is for Donna. Does the pension amount increase annually with inflation after a member retires?

DONNA LOMMER: Great question. While the plan rules do not guarantee cost-of-living adjustments or COLA increases, our pension security goal includes a desire to adjust for COLA. After retirement, a member's monthly pension may increase through COLA. Providing COLAs that are sustainable over the long term is a key priority for the Board of Trustees, after ensuring lifetime pension benefits.

COLAs are based on three key things. One, changes in the cost of living. Two, any limits set by the Board. And three, the funding available to support increases.

When a COLA is provided, it becomes a permanent part of the pension. You can find more information and great resources about COLAs on the MPP website.

TOM STAMATAKIS: This next question is for Gary. What ensures the pension promise today will still be there when a member retires?

GARY YEE: Thanks, Tom. That really gets to the heart of how the plan works. There isn't a single guarantee, but rather a strong system of protections working together. First, the Board has a legal responsibility to act in the best interest of members. Regular independent funding valuations keep the plan on track, and any adjustments are made gradually over time.

On top of that, investments are well diversified and managed for the long term, and the plan's design bringing together members' and employer contributions help keep it stable across generations. Together, that strong governance oversight and long-term planning help ensure the pension promise today is there when members retire.

TOM STAMATAKIS: Great points, Gary. I will now turn to Chelsea to answer this next question. How is the Board managing the trend toward benefit payments outpacing contributions?

**CHELSEA
KITTLESON:**

The Board pays close attention to these numbers. As we heard earlier from Gary, in 2025, overall contributions were more than the money paid out for benefits.

The numbers will move around year to year, but the important point is that contributions are designed to be equitable, which means that active members fund their own retirements.

TOM STAMATAKIS:

Gary, this next one's for you. What are the key features and benefits that make the Municipal Pension Plan a compelling choice for employees and employers? And how does it differ from other retirement savings options available in the public sector?

GARY YEE:

MPP provides a predictable lifelong income in retirement, unlike RRSPs and other savings plans where your income depends on how your individual investments perform, and you could outlive your savings.

One of its key strengths is that the risk is shared across the plan rather than carried by individuals. Investments are managed by professionals, and decisions are overseen by both employer and member representatives to support long-term stability. MPP's size also keeps costs lower and spreads investments across many areas to reduce risk.

The plan pays a lifetime benefit, so there's no risk of outliving your pension income. MPP is also a valuable workplace benefit, as it helps employers attract and retain employees while giving members a greater peace of mind about their financial future.

TOM STAMATAKIS:

Thanks, Gary. Chelsea, can you please answer the next question? How can current and future members know about sustainable investment commitments?

**CHELSEA
KITTLESON:**

Leadership in responsible investing has been a Board priority for a number of years now. We have recently reaffirmed this priority in our next three-year strategic plan. Our key commitment is the goal to have a net zero portfolio by 2050.

As we shared earlier, we are on track to meet our interim goal of a 55 per cent reduction by 2030. We will continue to report out on our responsible investing activities in our annual report each year, so you can keep track of our progress.

TOM STAMATAKIS:

The last question is for Donna. What changes can members expect over the next five to ten years?

DONNA LOMMER:

Thanks, Tom. The focus over the next five to ten years will be on strengthening the plan for the long term. Things like growing thoughtfully, exploring innovative benefits, continuing to improve how we serve members, and making sure the plan stays sustainable as the workforce and economy evolve.

At the same time, any changes to the plan itself are made carefully and with long-term stability in mind. The goal is to ensure the pension remains reliable, secure, and relevant for current and future members.

TOM STAMATAKIS: Thank you to everyone who submitted questions.

If you have more, please visit the MPP website, use My Account or contact the plan.

I'll now turn it back to Donna to close the presentation portion of the year in review.

DONNA LOMMER: Thanks Tom, for moderating today's panel. And to everyone tuning in, we hope this addresses the topics that matter most to you.

If I could sum up the key takeaways from our discussion, the plan is strong and well-funded, long-term sustainability is a top priority, the plan benefits communities across BC, members are supported at every stage, and pensions are built for the long term.

All of this work is focused on one goal, making sure you can continue to depend on the plan.

A recording of today's event will be posted to the plan website. If you registered, you'll receive an email when the recording is available to view.

I wanted to mention as well that MPP now has a LinkedIn account. Following us is an easy way to stay connected between annual meetings and to learn about plan news and important updates.

We also want to hear from you. There are two ways to share your feedback.

First, answer a few short survey questions about this event that will appear after the session. Second, we hope you will take the 2026 Municipal Pension Plan member survey which is open until October 21. Your feedback will help us better understand what matters most to you. You'll find the link in the Resources section.

Now, we invite you to get involved.

On your screen, you'll see links to the information sessions, which will begin in a moment. When you join a session, you'll learn more about the topic and can ask questions.

If you're deciding which session to attend, keep in mind that all sessions will be recorded and posted to the MPP website. If you'd like to ask a question, be sure to join your preferred session now, as questions can be submitted only during the live session.

Have a great afternoon and enjoy the information sessions.