



Strategic Business Plan 2023-2024

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Executive Summary

The Municipal Employees' Pension Commission (the Commission) Strategic Business Planning process includes the review of internal and external trends that might impact the Municipal Employees Pension Plan (the Plan, MEPP), its members or the Public Employees Benefits Agency (PEBA), and the Plan administrator.

To support the Commission, PEBA completed an Environmental Scan for 2023-2024, which provides insights on trends and developments in the areas of demographics, technology, economy, politics, and regulations, allowing organizations to plan appropriately.

PEBA's 2023-2024 Environmental Scan analysis has identified three main areas of trends for consideration in the 2023 and 2024 planning cycles. The analysis identified trends coming from each area, as well as trends resulting from intersections between two or more areas, and can be found in Appendix 1 of this document.

In the 2023 to 2024 Strategic Business Plan, the Commission continues to implement the work related to existing initiatives, as well as identified new initiatives* to be included in the plan:

2023-2024 Goals and Initiatives:

Customer Service Excellence

- Engagement Strategy
- Modernization of Services*

Plan Integrity

- Asset Liability Study
- Plan Design Review
- CEM Investment Benchmarking*

Governance Leadership

- NPC Structure:
 - Legislation
 - Governance
 - Finance
 - Human Resources

Transparent Accountability

- CEM Administration Benchmarking*

Background

MEPP is a defined benefit (DB) pension plan maintained for eligible employees of school divisions, cities, towns, villages, rural municipalities, regional colleges, regional libraries and other specified employers in Saskatchewan. The Plan provides pension, disability, death, and termination benefits for all eligible members. Pensions are calculated using a formula based on highest average salary, pensionable service and the accrual rate in effect during the years of service.

Plan provisions are set out in legislation; legislation is the responsibility of the Minister of Finance. *The Municipal Employees' Pension Act* establishes the Commission as the Plan's trustee. The Commission has the fiduciary duty to administer the Plan and manage the investment fund in the best interests of plan members and their beneficiaries, while recognizing that members' needs are diverse. The Commission must exercise appropriate care, skill and due diligence.

The Commission has adopted a comprehensive governance process that includes regular strategic planning and risk assessment. This strategic plan has been developed within the context of the Plan's purpose, mission and goals.

Purpose: MEPP's primary purpose is to provide retirement income and pension services to members.

Mission: Provide secure and predictable retirement income to plan members.

Vision: Sustain the value of the Plan and the retirement income it provides.

In 2022, a legislative process began to allow PEBA to operate as a not-for-profit corporation (NPC), separate from the Government of Saskatchewan. To allow the Commission to assess the impacts of the transition on its strategic priorities, the Strategic Business Plan from 2022 to 2024 will be carried out and executed till December 2024, when the transition is anticipated to be complete.

At the 2025 Strategic Business Planning Session, the Commission will have the opportunity to do a comprehensive review of its Strategic Business Plan and establish a new plan for 2025-2027, taking into consideration PEBA's new structure.

Commission Values

There is a strong consensus among the Commission members with respect to the following values:

Accountability

We are accountable to the members and the stakeholders of the Municipal Employees' Pension Plan for our administration of the Plan. We operate in a transparent manner.

Professionalism

We strive for excellence in our administration of the Municipal Employees' Pension Plan by being diligent and making informed decisions.

Integrity

As trustees of the Municipal Employees' Pension Fund, we hold ourselves to the highest standards of integrity. We strive to act always with honesty and in a manner worthy of the trust our members have placed in us.

Fairness

We administer the Municipal Employees' Pension Plan in the best interests of all members of the Plan. We strive to ensure that our decisions are equitable for all Plan members by adhering to decision-making that is fair and open-minded. Our actions are courteous, considerate and responsive.

Strategic Path Forward

- Due to the nature and scope of the initiatives included and the time that will be required by the Commission at its meetings to complete the initiatives, the 2022-2024 Strategic Business Plan details seven initiatives for the next two years.
- The Strategic Business Plan will inform the Commission's workplan, which will provide further detail on the work required to accomplish the goals and strategic initiatives: the Commission has budgeted 60 hours of meeting time for oversight, and will also allot meeting time to accomplish the education plan for the year.
- Details on the implementation of the initiatives and the time required in meetings will be tracked and reported on in the monthly workplan updates and the time required in.

Goals

A. Customer Service Excellence

The Commission is determined to identify, assess, and implement opportunities where appropriate that add value to the communication and service provided to Plan members. The Commission is aware of the need to implement an effective communication strategy that supports Plan member needs and the Plan's strategic objectives. Communicating information about pensions is challenging given the complexity of the information and the differing levels of financial literacy among Plan members. Litigation within the pension industry continues to highlight the potential risks associated with poor member communications.

In addition, the Commission believes communication with employers is essential to effective Plan management.

The Commission recognizes the delivery of pension services to Plan members as a priority of the Plan. The Commission is determined to identify, assess, and implement opportunities where appropriate that add value to the communication and service provided to Plan members.

The Commission has made considerable progress with respect to this goal, including:

- Providing members and employers with access to Retirement Information Consultants and Employer Relations Coordinators to improve communications;
- Providing additional online forms and communications (e.g. social media, video clips) for employers and members; and
- Delivering accessible, online retirement information sessions, plan overview sessions and providing online retirement planning tools.

Objectives:

- Provide members with information about the Plan, including individual member benefits and responsibilities, that is easy to understand, relevant, accurate, and timely.
- Support participating employers in their responsibilities.
- Maintain an up-to-date suite of services that meet evolving member needs.

2023-2024 Initiatives:

Engagement Strategy

The focus of this initiative is to increase awareness and usage of member resources, improve the digital experience, and provide timely, appropriate information to Plan members. This initiative includes engagement with members on the transition to the NPC structure to ensure members understand the value and experience the benefits of the change.

- In 2023-2024, MEPP will continue to target Plan members by age and career stage with information and workshops appropriate to their own circumstances.
- Beginning in fall 2022, the frequency of Insightrix Research member satisfaction surveys has increased from bi-annually to annually and the Plan is launching online member feedback groups in 2023-2024.
- The current Engagement Strategy is planned will be extended till March 2025 while aligning future engagement strategies with the new NPC corporate strategy.

2023	2024

Modernization of Services

The Commission is determined to develop strategies to digitalize member experiences, simplify online services, and reduce PEBA's reliance on paper.

- PEBA will develop a three-year implementation plan of enhancements to Penfax/PLANet in 2023—designed to streamline operations and improve member experience.
- Implement Penfax/PLANet enhancements selected for 2023-2024. This will include the implementation of Multi-factor Authentication for employer and member access to PLANet to boost security to a financial grade to keep member information and accounts secure.

2023	2024

B. Plan Integrity

The Commission is committed to achieving the needs of Plan members and employers through affordable, sustainable Plan benefits and services. In order to meet the long-term needs of members and employers, sustainable pension products responsive to and valued by members, employers, unions and the sponsor must be maintained. This must be achieved in a way that considers the affordability and adequacy of the Plan's benefits and services. The decisions regarding Plan benefits and funding, combined with investment returns, are significant determinants of sustainability.

Recent initiatives that support this goal include:

- Investment review to examine sustainability;
- Review of sustainability risk dashboard annually to monitor investment and funding risks;
- An increase in the targets for infrastructure and private equity within the portfolio; and
- Commitment to regular reporting on the Commission's initiatives.

Objectives:

- Assess, manage, and monitor risk in the context of the interdependence that exists between the Plan's assets and liabilities.
- Preserve the accrued benefits for active and retired members and their beneficiaries.
- Provide sustainable benefits that are supported by the contributions required to meet the funding needs of the Plan.

2023-2024 Initiatives:

Asset-Liability Study

The Commission is committed to conducting an asset-liability study every three to six years to provide for the alignment of the Plan's assets and investment risk with its' underlying liabilities.

- A review of asset mix to provide for the alignment of the plan's assets and investment risk with its' underlying liabilities is conducted periodically. The Commission is committed to performing an asset-liability study every three to six years.
- In February 2023, the Commission completed the Asset-Liability Study and is scheduled to implement recommendations developed from it in 2023. This may continue into 2024.

2023	2024

Plan Design Review (Benefits Review)

The Commission reviews the benefits on a periodic basis to ensure they meet the needs of members and employers, that benefits are sustainable and that benefits are funded by the contributions and associated investment earnings.

- A review of benefits including uptake of options, costs, and inter-member equity, was identified as a strategic initiative for the Plan and is scheduled to begin at the 2023 strategic planning session.

2023	2024

CEM Investment Benchmarking

The Commission is committed to completing an independent and objective review of the Plan's investment performance, risk and costs compared to pension plans of similar size and type and the CEM's universe of pension plans.

- In 2022, the Commission received the completed analysis for the five-year period ending December 31, 2020. The Commission can expect to receive CEM Investment Benchmarking analysis in 2023 and 2024.

2023	2024

C. Governance Leadership

The Commission strives to demonstrate leading practices of pension plan governance.

The Commission recognizes that good governance is crucial to the long-term success of the Plan. Good governance requires appropriate control mechanisms that encourage good decision-making, proper and timely execution, and regular review and assessment. All parties, including members, employers and other stakeholders, should understand their roles and responsibilities. The Commission has invested considerable effort in developing its governance practices and policies, and will continue to implement and maintain its governance program.

Proper governance also minimizes the risk of a successful lawsuit. Four key elements have been identified for the development of a high-performance pension Commission:

- The context in which the pension fund operates (especially “the pension deal”) must be clearly understood and supported by all stakeholders.
- The Commission must possess the necessary authority and collective competencies to understand their own role, and to provide management with the encouragement and resources to become a high-performance organization.
- The Commission must clearly delegate accountability for the development and implementation of a strategic plan to a high-performance chief executive. Proper resourcing of the organization in terms of both people and IT support are critical success factors.
- Risk must be defined, measured, and managed in an operationally-relevant manner.

Several ongoing initiatives have been implemented in this area, including:

- The creation and maintenance of a Governance Manual;
- The enhancement of Commission education and orientation programs;
- The formal evaluation of all service providers;
- The establishment of service standards with the Plan’s administrator; and
- The development of the Key Performance Indicators report.

Objectives:

- The Plan’s administrative business model, including roles and responsibilities of both the Commission and the contracted service providers, is consistent with the Plan’s strategy and operations.
- Continuous improvement in the Commission’s oversight of the Plan.
- Organizations that appoint people to the Commission understand the Commission’s needs when making their appointments.

2023-2024 Initiatives:

Administrative Structure

Good governance includes periodic review of current structures, which includes exploration of different ways that the Commission could operate.

- A review of the structure of the relationship with PEBA in terms of its’ government affiliation was done in 2021, to determine whether the current administrative model remains the most effective.
- In 2022, Cabinet approved the decision for PEBA to become an NPC with a net zero-profit operation. The implementation of this initiative is expected to take place in four parts:
 - Legislation;
 - Governance;
 - Finance; and
 - Human Resources.

	2023	2024
Legislation		
Governance		
Finance		
Human Resources		

D. Transparent Accountability

The Commission informs the Plan's members and stakeholders about its strategy, operations and values, as well as how the performance of the Plan and the Commission's service providers is managed, measured, and reported.

Effective Plan management requires a strong focus on accountability, the basis of which is the establishment of measurable objectives, the monitoring of progress against these objectives, and the communication of the results to Plan stakeholders. The Plan and Commission operate with a high degree of openness and transparency to allow appropriate external scrutiny. The Commission has made considerable progress with respect to this goal, including:

- Annual self-assessments completed by the Commission;
- Activity reports to Stakeholders are made available on the Plan website; and
- The development and implementation of a strategic plan.

Objectives:

- Members, employees and other stakeholders receive relevant and timely reporting on the performance of the Plan, the Commission and service providers.
- The membership, employers and other stakeholders are informed about how the Commission's strategy, operations and values impact the operation of the Plan.

2023-2024 Initiatives -Transparent Accountability:

CEM Administration Benchmarking

An independent and objective review of the Plan's administration costs and quality of service compared to pension plans of similar size and type and CEM's universe of pension plans with the aim of improving cost-effectiveness and service standards.

- In 2022, MEPP provided data up to the 2021 and 2022 year-end for CEM for Pension Administration Benchmarking, the results were presented at the January 2023 meeting. The next CEM Administration Benchmarking cycle is expected to commence in 2024.

2023	2024

Timeline of Initiatives

2022	Goal	2023				2024			
Q4	Initiative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	<i>Customer Service Excellence</i>								
	Engagement Strategy								
	Modernization of Services*								
	<i>Plan Integrity</i>								
	Asset Liability Study								
	Plan Design Review (Benefit Review)								
	CEM Investment Benchmarking*								
	<i>Governance Leadership</i>								
	Administrative Structure								
	NPC Legislation								
	NPC Governance								
	NPC Finance								
	NPC Human Resources								
	<i>Transparent Accountability</i>								
	CEM Administration Benchmarking*								

Appendix A: PEBA Environmental Scan Summary

PEBA has identified three main categories of trends relevant to the Plan. Presented in the form of a triple Venn diagram, the analysis identified several trends coming from each of the areas, as well as those trends that result from an intersection of more than one area, to be considered for the 2023-2024 planning cycle.



It is PEBA's understanding that being competitive and innovative in the geopolitical and demographic environment of the post-pandemic world will require the Agency and the pension plans to strive for modernization while maintaining flexibility.

Appendix B: Plan Stats

MEPP by the numbers

10-year comparisons

	<u>December 2012</u>	<u>December 2022</u>
Total assets	\$1.6 billion	\$3.2 billion
Investment and custodial fees*	\$6.0 million	\$36.8 million
Membership		
Active members	14,650	16,289
Inactive members	3,516	3,984
Pensioners	4,588	7,134
Total	22,754	27,407
Other figures		
Current Service Cost (% of salary, all members)	14.8	(2021) 17.2
Contribution rates % (general/designated)	7.4. / 10.2	9.0 / 12.5
Average age of active members	46.9	46.6
Ratio		
Active to inactive/retired members	1.8 to 1	1.46 to 1

**Note: Investment and custodial fees have increased corresponding to the increase in fund size as well as the inclusion of infrastructure and private markets in the asset mix, which are associated with higher investment fees than public markets.*