

Alberta Pension Plan

Policy Statement

Briefing

Position

November 2023

Central Committee

Workers First Party

## Title: A Comprehensive Social Retirement Benefit Policy for Alberta

Introduction: This policy paper outlines the Workers First Party's proposal for a comprehensive social retirement benefit, funded by the Alberta Pension Plan (APP). This policy seeks to ensure the well-being, financial security, and inclusive housing for retirees and senior citizens in Alberta.

### Components of the Comprehensive Benefit:

#### 1. Living Wage:

- A living wage ensures financial stability for retirees, covering basic living expenses, including housing, food, and utilities.

#### 2. Healthcare:

- Access to healthcare services is vital for maintaining physical health during retirement, reducing healthcare-related financial burdens.

#### 3. Dental Care:

- Dental health is essential for overall well-being. This component ensures that dental care is accessible, promoting good oral health.

#### 4. Pharmacare:

- Affordable access to prescription medications is crucial for managing health conditions and reducing the financial burden of drug costs.

#### 5. Well-being Care:

- Promoting well-being through mental health support, counseling, and wellness programs enhances emotional and mental health during retirement.

## 6. Life Care:

- This includes services such as long-term care, assisted living, and end-of-life care, catering to varying needs as seniors age.

## 7. Seniors Community Housing:

- Dedicated seniors community housing, designed to cater specifically to the needs of senior citizens, promotes age-appropriate living, accessibility, and safety.
- Supportive services, including healthcare, transportation, and social programs, are easily accessible within the community.

## Funding Mechanism:

- The primary source of funding for this comprehensive social retirement benefit, including seniors community housing, will be the Alberta Pension Plan (APP).
- A portion of the APP's assets will be allocated to support these components, ensuring that retirees and senior citizens can access the benefits.
- Prudent asset management and allocation will be essential to maintain the long-term sustainability of the comprehensive benefit.

Conclusion: The Workers First Party's comprehensive social retirement benefit policy, funded by the Alberta Pension Plan (APP), is a testament to our commitment to the well-being, dignity, and inclusive housing of retirees and senior citizens in Alberta. By offering a wide range of essential services, affordable housing, and dedicated senior living options, we honor the contributions of our senior population and ensure that they can age comfortably, independently, and with a strong sense of community. This proposal is tailored to address the unique needs of seniors in our society and promote their quality of life, welfare, and financial security.

## Considerations:

The type of fund manager Alberta should establish for managing the assets of an Alberta Pension Plan (APP) would depend on several factors, including governance preferences, legal considerations, and the desired level of control. Here are a few options to consider:

**Function of Treasury:** Alberta could choose to manage the APP's assets as a function of its existing Treasury department. This would keep asset management within the provincial government, providing a high level of control. However, it might also be subject to potential political influence and could require establishing robust governance safeguards to ensure responsible management.

**New Department:** Alberta could create a new department specifically dedicated to managing the APP's assets. This would provide a distinct and focused entity for fund management. It could be structured to operate independently and transparently, with a clear mandate and governance framework.

**Crown Corporation:** Alberta could establish a crown corporation to manage the APP's assets. This option would offer some separation from direct government control while maintaining public ownership and oversight. Crown corporations typically have more autonomy and can attract experienced professionals.

**Third-Party Management:** Alberta might opt to hire an external third-party asset manager. This approach could bring in specialized expertise and reduce potential political interference. It's important to carefully select a reputable and experienced asset management firm through a competitive bidding process.

Successful nations often use a variety of fund managers and investment strategies to achieve their financial objectives. The choice of fund manager depends on the specific goals and nature of the investment. Here are some common types of fund managers used by successful nations:

**Public Pension Funds:** Many successful nations establish large public pension funds to manage retirement assets for public employees. These funds are typically managed by professional investment teams and often aim to generate returns that will fund future pension obligations.

**Sovereign Wealth Funds:** Some nations create sovereign wealth funds (SWFs) to manage their excess foreign exchange reserves or income from natural resources. SWFs invest in a diverse range of assets, including equities, fixed income, real estate, and alternative investments.

**Central Banks:** Central banks manage a country's monetary policy, foreign exchange reserves, and sometimes a portion of the nation's sovereign wealth. They focus on preserving the value of a nation's currency and managing interest rates.

**Asset Management Companies:** Successful nations often have a competitive asset management industry, including private sector firms that manage assets on behalf of individuals, institutions, and government entities.

**Public Investment Corporations:** Some nations establish public investment corporations or state-owned enterprises tasked with investing in various sectors to promote economic growth and development.

**Endowment Funds:** In some cases, nations establish endowment funds to support specific causes, such as education or healthcare. These funds are managed to generate income that supports the designated purpose.

**Public-Private Partnerships:** Successful nations may partner with private sector asset managers or investment firms to manage specific projects or infrastructure investments.

The specific choice of fund manager may vary depending on the nature of the assets, investment objectives, and risk tolerance of the nation. Success often comes from having a well-defined investment strategy, transparent governance, and the ability to adapt to changing economic and market conditions. Additionally, successful nations prioritize professional expertise, risk management, and ethical and transparent investment practices to achieve their financial goals.

## Investment Policy Statement (IPS):

The Investment Policy Statement is a fundamental document that serves as a blueprint for managing the assets within the Alberta Pension Plan (APP). It is designed to provide a clear and comprehensive framework that outlines how the plan's investments will be managed, specifying asset allocation, risk tolerance, and ethical investment guidelines.

## Key Components of the IPS:

**Asset Allocation Strategy:** The IPS defines the plan's long-term strategic asset allocation targets. It specifies the desired percentage allocation of assets to various asset classes, including equities, fixed income, real assets, and alternative investments. The allocation strategy is based on the plan's investment objectives, risk tolerance, and return expectations.

**Risk Tolerance Framework:** The IPS establishes a structured approach to assess and manage investment risks. It outlines the plan's risk tolerance levels, indicating the acceptable range of fluctuations in the portfolio's value. Additionally, it describes the risk management strategies to be employed to stay within these boundaries.

**Ethical Investment Guidelines:** The IPS provides clear guidelines for ethical investing. It outlines the plan's principles for responsible investment, sustainability, and ethical considerations. This may include restrictions or exclusions related to specific industries, sectors, or companies that do not align with the plan's ethical values.

**Diversification Approach:** The IPS explains the plan's approach to diversification. It details how diversification is used to mitigate risks and optimize the performance of the portfolio, both within and between asset classes and geographic regions.

**Liquidity Management Plan:** It outlines the strategy for managing liquidity requirements. This ensures that there are adequate funds available to meet benefit obligations and take advantage of investment opportunities without compromising the portfolio's integrity.

**Performance Evaluation Benchmarks:** The IPS specifies the benchmark indices against which the plan's investment performance will be assessed. Each

benchmark is chosen to be appropriate to the asset class and investment strategy.

**Environmental, Social, and Governance (ESG) Integration:** The IPS details how ESG factors will be integrated into the investment decision-making process. This may encompass ESG research, engagement with companies on ESG matters, and the plan's approach to proxy voting in alignment with its ESG principles.

**Periodic Review Schedule:** The IPS establishes a regular review and adjustment schedule. This ensures that the IPS remains in line with the APP's objectives and adapts to changing market conditions. It may also identify responsible parties for reviewing and updating the IPS.

In summary, the Investment Policy Statement is a comprehensive document that plays a pivotal role in guiding the responsible management of the Alberta Pension Plan's assets. It ensures that investments are made in a manner consistent with the plan's long-term goals, ethical values, and risk tolerance while adhering to prudent investment practices.

## Investment Policy Statement for the Alberta Pension Plan (APP)

### 1. Introduction:

- Overview of the IPS and its purpose.
- Explanation of its importance in guiding investment decisions.

### 2. Investment Objectives:

- Clearly defined objectives for the APP's investments.
- Long-term goals, risk tolerance, and desired returns.

### 3. Asset Allocation:

- Strategic asset allocation targets.
- Allocation percentages for equities, fixed income, real assets, and alternative investments.
- Rationale behind allocation decisions.

### 4. Risk Management:

- Framework for assessing and managing investment risks.
- Risk tolerance levels and strategies for risk mitigation.
- Stress testing and scenario analysis.

#### 5. Ethical Investment Guidelines:

- Principles and guidelines for ethical and responsible investing.
- Specific considerations for sustainability, ESG factors, and any exclusions.

#### 6. Diversification Strategy:

- Approach to diversification within and between asset classes.
- Geographic and sectoral diversification.

#### 7. Liquidity Management:

- Strategy for maintaining sufficient liquidity to meet benefit obligations.
- Plans for cash flow management.

#### 8. Performance Evaluation:

- Benchmark indices for assessing investment performance.
- Clear criteria for evaluating the success of the investment strategy.

#### 9. Reporting and Monitoring:

- Procedures for regular reporting on the performance of the investments.
- Ongoing monitoring of investments to ensure alignment with the IPS.

#### 10. Environmental, Social, and Governance (ESG) Integration:

- Approach to integrating ESG factors into investment decisions.
- Engagement with companies on ESG issues.
- Proxy voting and shareholder engagement.

#### 11. Review and Revision:

- Schedule for periodic review of the IPS.
- Criteria for making adjustments based on changing circumstances or performance results.

## 12. Responsibilities:

- Designation of roles and responsibilities for the implementation and oversight of the IPS.

Pension fund mismanagement can have serious consequences for retirees and the long-term financial health of the fund. Here are some red flags that may indicate mismanagement:

**Consistently Poor Investment Performance:** If the fund consistently underperforms its benchmarks or similar funds, it could be a sign of ineffective investment management.

**Failure to Meet Obligations:** An inability to meet benefit obligations or delays in pension payments may indicate a lack of sufficient assets to cover liabilities.

**Lack of Transparency:** If the fund lacks transparency in its operations, financial reporting, and investment holdings, it may be hiding potential issues.

**High Fees and Expenses:** Excessive fees and operating expenses can erode the fund's returns and suggest inefficiencies in management.

**Unusual Investment Concentration:** Over-concentration in a specific asset class, sector, or individual investments can pose a significant risk to the fund.

**Inconsistent or Inadequate Governance:** Weak governance practices, such as conflicts of interest, lack of independent oversight, or inadequate risk management procedures, can lead to mismanagement.

**Frequent Manager Turnover:** Frequent changes in fund managers or investment professionals can disrupt the fund's investment strategy and performance.

**Legal or Regulatory Issues:** Any investigations, legal disputes, or regulatory actions against the fund or its managers can be a red flag.

**Inadequate Risk Management:** A failure to implement sound risk management practices can lead to excessive exposure to market volatility and potential losses.

**Ethical or Governance Violations:** Mismanagement can involve ethical breaches, such as fraud, embezzlement, or other unethical practices by those responsible for fund oversight.

**Failure to Adhere to Investment Policy:** A disregard for the fund's established investment policy or guidelines may result in risky or inappropriate investment decisions.

**Inadequate Funding:** Failure to consistently contribute to the pension fund to meet future benefit obligations can lead to funding shortfalls.

**Inadequate Reporting:** Poor communication with plan participants, stakeholders, and regulators can indicate a lack of transparency and accountability.

It's essential for pension funds to have strong governance, effective risk management, and transparent reporting practices to mitigate these risks. If any of these red flags are observed, further investigation and corrective action may be necessary to ensure responsible fund management.

## Title: Position Paper in Support of the Alberta Pension Plan (APP) Referendum

**Introduction:** The Workers First Party recognizes the importance of the Alberta Pension Plan (APP) referendum and firmly stands in support of it. As a party committed to the well-being of workers and their financial security, we believe that an independent pension plan for Alberta is a crucial step towards securing a prosperous future for its residents. This position paper outlines our stance on the referendum, the amount claimed by Alberta, and the significance of campaigning for a "Yes" vote.

**The APP Referendum:** The APP referendum is a pivotal decision that will determine the direction of Alberta's pension system. It aims to establish an independent pension plan, distinct from the Canada Pension Plan (CPP). The main objective is to give Albertans more control over their pension funds, providing a platform for tailored solutions to address the unique needs and challenges faced by our province.

**The Claim for CPP Assets:** We support Alberta's claim for a fair allocation of CPP assets as part of the transition to the APP. Alberta has been a significant contributor to the CPP, and it is only equitable that it receives its fair share of the assets it has invested in over the years. This claim reflects the province's commitment to ensuring a smooth transition and continuity for its residents.

### Importance of a "Yes" Vote Campaign:

**Economic Independence:** A "Yes" vote is an endorsement of Alberta's economic independence. It allows our province to make decisions tailored to our unique economic and demographic circumstances, rather than relying solely on a federal program.

**Enhanced Financial Security:** An independent pension plan means greater control over our retirement savings. This empowerment is essential for achieving financial security and ensuring that Albertans can retire with dignity.

**Tailored Solutions:** The APP will enable Alberta to develop pension solutions that directly address the needs of its residents. This flexibility is invaluable in adapting to economic changes and demographic shifts.

**Economic Growth:** An independent pension plan can stimulate economic growth by providing investment opportunities within Alberta, thereby boosting the provincial economy and creating jobs.

Protecting Alberta's Interests: Supporting the referendum and campaigning for a "Yes" vote safeguards Alberta's interests, ensuring that our pension system aligns with our vision for a prosperous future.

Conclusion: The Workers First Party urges all Albertans to participate in the APP referendum and vote "Yes." This decision is a significant step towards securing our economic independence, enhancing financial security, and tailoring solutions to meet the needs of our province. We must ensure that Alberta's pension system aligns with our vision for a prosperous and secure future for all residents.