



**Department of Finance**

**Activity Plan**

**Pension Investment Committee  
Of the  
Province of Newfoundland  
And Labrador  
Pooled Pension Fund**

**January 1, 2008 – December 31, 2010**

## Table of Contents

Message from the Chair.....	1
1.0 Overview.....	2
2.0 Mandate.....	2
3.0 Lines of Business.....	2
4.0 Values.....	2
5.0 Primary Clients and Stakeholders.....	2
6.0 Vision.....	3
7.0 Mission .....	3
8.0 Strategic Issue .....	3

**PENSION INVESTMENT COMMITTEE  
OF THE  
PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
P.O. Box 8700  
St. John's, NL  
A1B 4J6

March 31, 2008

Honourable Thomas W. Marshall, QC  
Minister of Finance  
Government of Newfoundland and Labrador  
Confederation Building  
St. John's, NL A1B 4J6

Dear Minister Marshall:

The Pension Investment Committee (PIC) of the Province of Newfoundland and Labrador Pension Fund has been overseeing the management of the Pooled Pension Fund (the fund) since its inception in 1981. Throughout that period, the performance of the fund has contributed to the reduction in the unfunded liabilities of the five participating pension plans sponsored by government. Ensuring that the assets are invested in a prudent manner within acceptable risk tolerances has been the guiding principle for the PIC and its success is evident in the 10.6% average annual rate of return earned by the fund.

Prudent management of the pension fund by the PIC with a view to earning excess returns to achieve funding targets is consistent with the strategic direction of the Department of Finance towards effective management of the province's finances.

Pursuant to the provisions of the *Transparency and Accountability Act*, the PIC is accountable for the preparation of an Activity Plan and the achievement of the Plan's objectives. As the Chair of the PIC, I hereby submit the 2008-2010 Activity Plan for the Pension Investment Committee (PIC).

Sincerely,



Terry Paddon  
Chair of the Pension Investment Committee  
Of the Province of Newfoundland and Labrador Pooled Pension Fund

## Activity Plan

### 1.0 Overview

The Pension Investment Committee (PIC) advises the Minister of Finance, as Trustee, on the operation of the investments of the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund). The fund was established to finance benefits under the various government sponsored pension plans, including the Public Service Pension Plan, the Teachers' Pension Plan, the Uniformed Services Pension Plan, the MHA Pension Plan and the Provincial Court Judges Pension Plan.

The PIC has 15 members including representatives from government and the plans' stakeholders, including employee groups and pensioners, with the Deputy Minister of Finance as the Chair. Responsibilities of the PIC include the review of all the financial activities of the Fund; the development, review and implementation of Fund objectives and investment strategies; and the recommendations for the appointment of investment consultants, a custodian and investment managers as required.

The PIC also oversees the operations of Newvest Realty Corporation (Newvest). Newvest was established solely to facilitate the fund's investment in real estate. The activities of Newvest will be included as part of the activities of the PIC.

### 2.0 Mandate

The PIC's mandate, as directed by the *Pensions Funding Act* is to review, monitor, administer and supervise all investment activities of the Newfoundland and Labrador Pooled Pension Fund.

### 3.0 Lines of Business

#### Investment of pension plan contributions

Ensure that pension fund contributions are invested in a prudent manner to maximize investment returns on those contributions within reasonable risk tolerances.

### 4.0 Values

Inclusion: Each member of the PIC acknowledges each others' views and perspectives and has the right/opportunity to express their own.

Independence: Each member, while representing the interests of diverse stakeholders, recognizes that the decisions of the PIC are in the best interests of all stakeholders.



## 5.0 Primary Clients and Stakeholders

The primary clients and stakeholders for the Pension Investment Committee are both the active and retired members of the various pension plans.

## 6.0 Vision

The vision of the PIC is the reduction/elimination of the unfunded liability of the government sponsored pension plans.

## 7.0 Mission

*The mission statement identifies the priority focus areas of the PIC over the next two planning cycles. It represents the key longer-term result that the PIC will be working towards.*

The PIC's mission is to maintain an investment strategy that should produce investment returns in excess of that assumed by the province's actuary in valuing the plans' liabilities, within an acceptable level of risk. Excess returns will lead to a positive improvement in the funded ratio of the pension plans and, consistent with the Department's commitment to effectively manage the province's finance, will have a positive impact on the debt of the province. Over the next two cycles, the PIC will continue to monitor the performance of the pension fund and make adjustments where necessary.

By 2010, the PIC will have continued to prudently managed the pooled pension fund.

**Measure:** Average annual performance of the pension fund in excess of the interest rate assumed by the actuary in measuring plan liabilities.

**Indicator:** Funded ratios of plans increase.

## 8.0 Strategic Issue

### Prudent Management of the Pension Fund

The Pooled Pension Fund was established as a vehicle to invest employee and employer pension plan contributions in the capital markets with the long term goal to achieve investment returns on those contributions sufficient to meet the cost of pension obligations as they become due. As the obligations of the participating plans are not fully funded, any excess returns will slow the growth in the unfunded liability.

In evaluating the long term pension obligations of the province, the province's actuary currently uses a long term annual interest rate of 7.5% to discount the pension obligations. Similarly, in determining the cash flow requirements of the plans over the

valuation period, the actuary assumes that the assets will achieve a 7.5% annual rate of return.

The PIC is mandated to develop an investment strategy with its primary long term goal to secure the promised pension benefits. In advancing this goal, the PIC has adopted an active investment strategy that strives to ensure that the fund earns annual returns that exceed those earned in the capital markets. Through this active management strategy, the PIC will achieve its long term objective to exceed the discount rate assumed by the Actuary.

The fund's average annual rate of return since inception has been 10.6%, which has exceeded the current 7.5% rate assumed by actuary in the periodic actuarial valuations. The main objective of the PIC is to achieve annual rates of return that exceed those earned in the capital markets.

### **Goal**

By 2010, the PIC will have continued to prudently manage the investments of the Pooled Pension Fund.

**Measure:** Rate of return on the portfolio.

**Indicator:** Rate of return as compared to the actuarial discount rate.

### **Objective 1:**

By December 31, 2008, the Pooled Pension Fund will earn annual returns in excess of the market index for the relevant category of investments.

**Measure:** Capital market returns i.e., the S&P TSX Composite Index; S&P 500 Index; MSCI/EAFE Index; the DEX Bond Index and the ICREIM/IPD Canadian Property Index.

**Indicator:** Returns on investments in each category exceed the return of the relevant index.

### **Objective 2:**

By December 31, 2009, the Pooled Pension Fund will earn annual returns in excess of the market index for the relevant category of investments.

### **Objective 3:**

By December 31, 2010, the Pooled Pension Fund will earn annual returns in excess of the market index for the relevant category of investments.