



Department of Finance
Pension Investment Committee
Activity Plan

June, 2007

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MESSAGE FROM THE MINISTER



As the Minister responsible for the Province of Newfoundland and Labrador Pooled Pension Fund, I hereby submit the 2007 Activity Plan for the Pension Investment Committee (PIC). This activity plan was prepared under my direction, and I am accountable for the achievement of the objectives contained therein, pursuant to section 7 of the *Transparency and Accountability Act*.

The PIC has been overseeing the management of the Pooled Pension 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 10.7% average annual rate of return earned by the fund. This exceptional performance of the fund coupled with the recent payments of \$1.953 Billion to the Teachers' Pension Plan and \$982 million to the Public Service Pension Plan, will ensure the security of pension benefits well into the future.

Prudent management of the pension fund by the PIC with a view to earning excess returns is consistent with the strategic direction of Government to help improve the funded status of the pension plans sponsored by the Province.

THOMAS W. MARSHALL, Q.C.

A handwritten signature in blue ink, appearing to read 'Thomas W. Marshall'.

Minister of Finance and Trustee
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 investment 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.

2.0 Mandate

The PIC's mandate, as directed by the *Pensions Funding Act* and MC97-0217R 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. Consistent with government's mission to improve the financial position of the Province, the PIC's mission is to maintain a long term investment strategy that will produce long term average investment returns in excess of that assumed by the province's actuary in valuing the plans' liabilities, but with an acceptable level of risk. Excess returns will lead to a positive improvement in the funded ratio of the pension plans which will have positive impact on the total debt of the province. Over the next two years, the PIC will continue to monitor the performance of the pension fund and make adjustments where necessary.

Measure: Average Annual performance of the pension fund in excess of 7.5%.
Indicator: Funded ratios of plans increase.

8.0 Issues

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. The PIC has implemented an asset mix policy and selected investment managers with a view to achieving annual investment returns that exceed the annual returns earned by the relevant capital market indices. It is hoped that this investment strategy will result in a long term return that exceeds the actuarial discount rate. The fund's average annual rate of return since inception has been 10.7%, which has exceeded the 7.5% rate assumed by actuary in the periodic actuarial valuations.

The PIC is mandated to develop a long term investment strategy with its primary goal to secure the promised pension benefits. On an annual basis, the PIC strives to achieve returns on assets that exceeds the market returns of the various asset classes in which the fund is invested.

Measure: Rate of return on the portfolio for the year ended December 31, 2007
Indicator: Rate of return exceeds returns of the relevant capital market indices

