

MUNICIPAL PENSION BOARD OF TRUSTEES STRATEGIC PLAN | 2023–2026

Our three-year strategic plan from June 2023 to June 2026



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Message from the board

We are proud to introduce our 2023–2026 strategic plan

This strategic plan builds on the work the Municipal Pension Board of Trustees has overseen since joint trusteeship in 2001.

BC's Municipal Pension Plan is now in its 84th year. It is one of the largest pension plans in Canada and widely recognized for its unique value proposition. It is fully funded as at the last valuation (December 31, 2021)¹.

As fiduciaries, our role is to administer the plan for the benefit of plan members and other beneficiaries. This strategic plan articulates our vision and long-term goals for the future. It also contains specific strategic objectives and a high-level list of work we expect to complete over the next three years.

Strategic planning plays an important role in helping us—as leaders—make critical decisions and implement actions that will shape the organization: our focus and our operations. The board's planning process helps us determine what we should do today to prepare for tomorrow, such as our goal to achieve net-zero emissions in the portfolio by 2050. This essential planning process is undertaken by the board every three years, ensuring that the actions we take align with our commitment to fulfil the pension promise for current and future retirees.

We are aware that we will encounter new opportunities, challenges and risks as a pension plan. We are committed to measuring and monitoring the advancement of these strategic objectives and their effects on our long-term goals. If necessary, we will refine our approach to ensure our strategy remains relevant and we can meet our pension promise.

Plan members can be confident that the pension plan will be there when they need it.

This strategic plan articulates our vision and long-term goals for the future.

¹ Every three years, an external actuary performs a valuation of the plan. Valuations help the board make decisions and ensure there are enough funds available to meet plan members' basic pension promise.

About the plan

As the plan administrator, the board is accountable for the administration of the plan and the investment of the fund. Our joint trust model ensures that trustees act in the best financial interests of current and future retirees.

We are a defined benefit pension plan with more than 400,000 members and more than 900 participating employers. Our plan members and employers come from a variety of sectors across the province, including health, local government, education and community services. Our members generally retire in BC, spending their pension income where they live, volunteering and contributing to local and provincial economies.

Our plan is one of the largest pension plans in Canada. It is prefunded by member and employer contributions. Approximately 75 per cent of the cost of pensions paid out by the plan come from investment returns.

We provide a basic defined benefit pension together with sustainable cost-of-living adjustments (COLAs) and access to retiree group benefits through the Municipal Retiree Benefit Trust. COLAs and group benefits are not guaranteed. Our prudent financial management contributes to the plan's sustainability and stability—even during periods of market upheaval.

As the plan administrator, the board is accountable for the administration of the plan and the investment of the fund.

Our vision

Secure and sustainable pensions for current and future beneficiaries of the plan.

Our mission

To provide prudent management of the Municipal Pension Plan in a framework where plan members and employers share the responsibility of plan governance and share the risks and rewards of plan sponsorship.



Erin White,
member

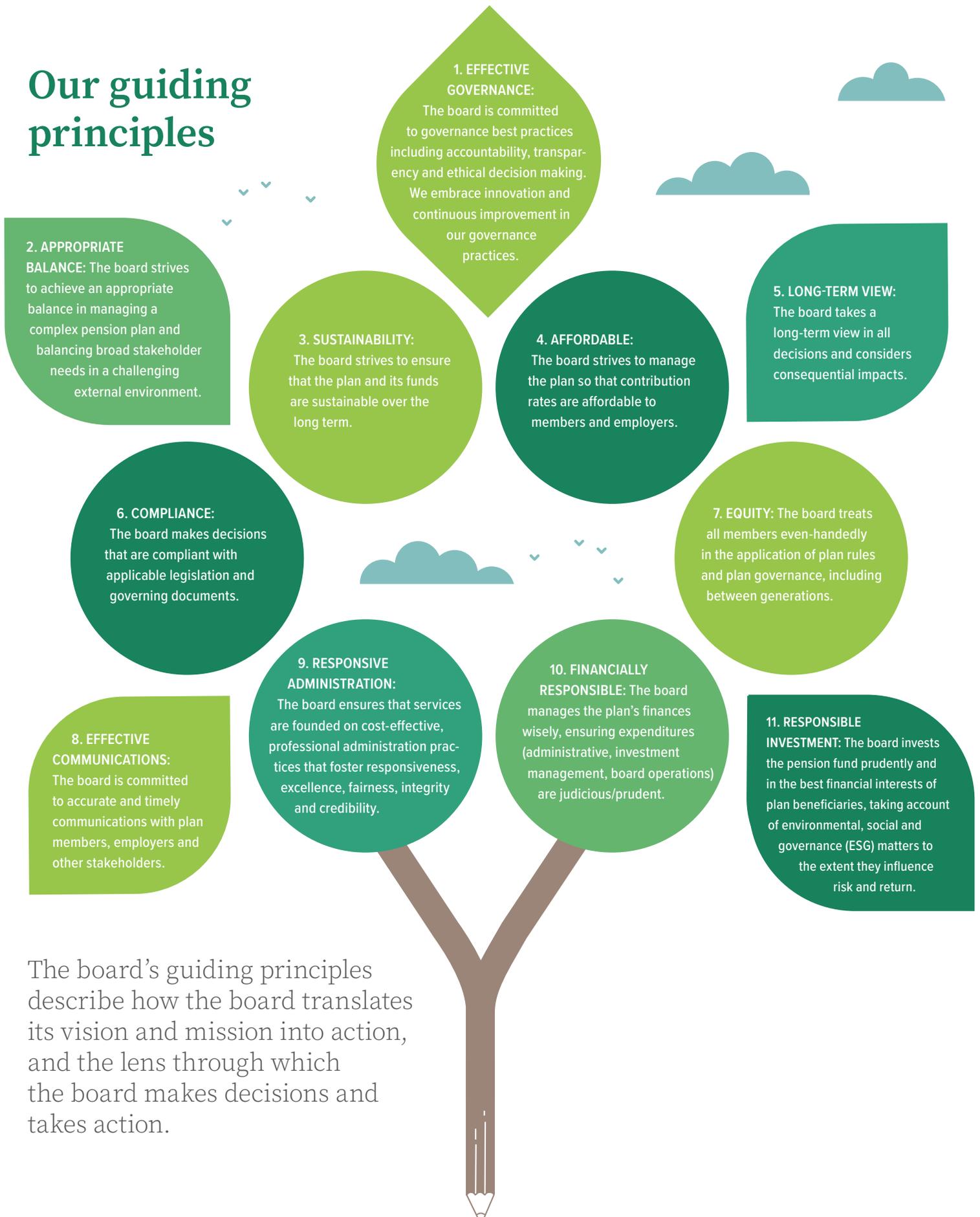


Joseph Chen,
member



Prabha Chawla,
retired member

Our guiding principles



The board's guiding principles describe how the board translates its vision and mission into action, and the lens through which the board makes decisions and takes action.

Our long-term goals

3. ACCESS TO GROUP BENEFITS: The third priority of the board is to provide access to group health benefits coverage for retirees and their beneficiaries².

4. MEMBER EDUCATION AND COMMUNICATIONS: The board will ensure that members and retirees have the information they need to make appropriate choices when they have options about their pensions.

2. SUSTAINABILITY OF COST-OF-LIVING ADJUSTMENTS: The second priority of the board is to provide cost-of-living adjustments within the long-term funding capacity of the inflation adjustment account and to provide cost-of-living adjustments that are sustainable over the long term.

Four Pension Security Goals

1. GUARANTEE OF BASIC PENSIONS: The first priority of the board is to provide basic guaranteed pensions to plan members and survivor benefits to their beneficiaries.

Our governance responsibility goals are on the next page

The plan, and our unique governance model, is in place to achieve a series of long-term goals related to the payment of pensions to members and effective governance to ensure it is managed in an efficient and sustainable manner.

² The board sponsors a group benefit program offered through the Municipal Retiree Benefit Trust.

Our long-term goals, continued

Our pension security goals are on the previous page

5. ADMINISTRATIVE EFFECTIVENESS: The board will strive for excellent service to plan members and employers that is timely, accurate and cost-effective.

6. INVESTMENT RETURNS: The board will strive to achieve an investment return required to ensure the plan can meet its top pension security goals, while balancing risks and returns in developing its investment policy.

Six Governance Responsibility Goals

7. NET-ZERO GHG EMISSIONS: The board is addressing climate risk to the pension fund. The board aspires to achieve net-zero green house gas (GHG) emissions by 2050 and a 55% reduction in emissions intensity by 2030.

10. EFFECTIVE PENSION PLAN ADVOCACY: The board and plan stakeholders act as effective advocates for the plan. The board strives to be an industry leader as a pension provider and an effective participant in the pension industry in the interests of the plan, its members and employers, and other stakeholders.

9. ONGOING BOARD DEVELOPMENT: The board supports continuous improvement in board competencies and values a diversity of perspectives at the board table, and will continue to provide guidance to plan partners and appointing authorities in succession planning.

8. EFFECTIVE AND STRONG STAKEHOLDER RELATIONSHIPS: The board will continue to enhance its collaborative relationship with the plan partners and to communicate with all stakeholders (members, retirees, beneficiaries, employers, unions, etc.) about the board's governance process, its decisions and the initiatives it is undertaking.

Our agents

Like many corporate boards, we:

- Set strategic direction
- Assess and manage strategic risks
- Hire and supervise our senior strategic advisor, the plan's executive director, and engage other experts as required
- Approve an annual budget, financial statements, and an *Annual Report*
- Hold an annual general meeting

Uniquely, with a small number of board employees, we also delegate day-to-day administrative and investment operations to our agents. We set policy and direction for our agents, and we oversee the agents as our delegates. We realize significant advantages, including economies of scale, through a BC public sector pension plan shared services model.

As independent organizations with multiple clients, our agents have their own ambitious objectives that they develop in consultation with us.



BC Pension Corporation

On our behalf, our administrative agent—the Pension Corporation—performs the following key administrative functions for the plan:

- Enrolling employers and eligible employees
- Collecting and recording contributions
- Establishing and maintaining plan member records
- Calculating, processing, paying, and recording payment of pension and other benefits
- Providing plan members with information about the plan and their entitlements and opportunities
- Informing employers of their duties under the plan
- Keeping account of monies paid into and out of the fund
- Managing cash flow in concert with the plan's investment agent
- Preparing financial statements

BC Pension Corporation objectives (at the time of our planning process):

- Strengthening quality and operational efficiency (cost/time)
- Elevating the member and employer experience (e.g., new/improved services)
- Supporting the plan to increase its membership numbers

Our agents, continued



BC Investment Management Corporation

On our behalf, our investment agent—BC Investment Management Corporation—performs the following key investment functions for the plan:

- Selecting, monitoring and managing investments
- Developing, implementing and managing investment strategies
- Developing, monitoring and managing investment risk program
- Selecting, monitoring and managing external investment fund managers
- Keeping account of all investment transactions and managing the fund's cash flows in concert with the plan's administrative agent
- Making tactical asset allocation decisions, including active versus passive strategies, within the board's policy range
- Developing, monitoring and managing a securities lending program
- Being an active owner in public markets, including engaging with investee companies and voting our shares for publicly traded companies
- Developing, monitoring and managing a securities litigation and recovery program

Both organizations are also focused on leveraging digital technology and investing in people and culture—to ensure they can purposefully navigate risks and opportunities on behalf of the plan.

British Columbia Investment Management Corporation objectives (at the time of our planning process):

- Adding value through active management and more direct investment
- Providing cost efficient services through internalization of asset management
- Leveraging ESG as a source of value creation

Our context*

421,666
members, including
123,908
retired members

In 2022, the plan paid out
\$2.7 billion
in pension payments³

In 2022, the plan received
\$2.6 billion
in member and employer
contributions



Plan design fully implemented



Municipal Retiree Benefit Trust established—
additional funds approved

>**\$70 billion** in assets

Five-year investment return:

6.63% vs. benchmark of **5.15%**

Fully funded at December 31, 2021, valuation

Discount rate: **6.0%**

Rate stabilization account balance

\$4.07 billion

While future COLAs are not guaranteed, in 2022
the plan eliminated the COLA cap for three years,
enabling the board to provide a

COLA of 6.9%

to retired members on January 1, 2023

* Figures as of December 31, 2022, except where noted

³ Includes transfers to other plans and to fund retiree group benefits.

Our strategic direction

Our strategy is focused on three objectives over three years.

Over the next three years, we will:

- **Be a leading responsible investor**
- **Continue to strengthen plan awareness**
- **Gain advantage with size**

Be a leading responsible investor

Over the course of the strategic plan, we will:

- Act on our goal of a net-zero portfolio by 2050, with appropriate interim targets (aligning with Paris Agreement goals)
- Drive informed responsible investment (RI) strategies across all asset classes to promote overall plan sustainability
- Be regarded as a Canadian RI leader, engaging in peer consultations and RI standard setting
- Implement an ongoing education plan for trustees, addressing climate change concepts and RI approaches together with their associated investment risks and opportunities
- Ensure transparency of the board's climate risk and RI directives for all stakeholders



Continue to strengthen plan awareness

Over the course of the strategic plan, we will:

- Maintain constructive relationships with key stakeholders
- Assess member awareness of the plan's sustainability, governance, and stewardship
- Enhance communications to all plan participants regarding how the plan's governance and stewardship practices ensure the plan's sustainability
- Improve communications to new and younger members
- Understand future member needs and improve communications
- Provide plan participants with regular communications about the plan's path to net zero
- Consider future public-facing research projects that demonstrate the strengths of the plan



Gain advantage with size

Over the course of the strategic plan, we will:

- Review and confirm/vary the enrolment eligibility rules for non-full-time employees with a view to increasing membership
- Encourage currently eligible employees to enrol and future members to enrol when first eligible
- Encourage a) new employers to participate and amalgamate existing plans, and b) participating employers to participate for all employee groups
- Assess the potential for elected local government officials to participate in the plan, and any implications
- Review and confirm/vary the plan's terms and conditions for new employer enrolment with a view to expanding the number of participating employers



We will encourage currently eligible employees to enrol and future members to enrol when first eligible

Conclusion

As you can see in this strategy, the board’s planning process helps us determine what we should do today to prepare for tomorrow.

We will measure and monitor our progress on these strategic objectives and their effects on our long-term goals. If necessary, we will refine our approach to ensure our strategy remains relevant and we can meet our pension promise.

We will adapt as required to continue to achieve our vision of secure and sustainable pensions for current and future beneficiaries of the plan.

