

## **Trustee Report to the CPPR2023 Annual General Meeting**

Pensions are supposed to be dull; and trustee reports duller. Looking at our College Pension Plan from 30,000 feet, all seems serene: our pensions remain secure and our plan is well funded, but it has been an “interesting” year of investment ups and downs and I suspect the future may hold more of the same.

### **The Downs and Ups of Investments**

Last year, for the first time in my terms as a trustee, investment returns slid into negative territory. At the end of the plan’s fiscal year (August 31, 2022) the yearly investment returns were -2%. Market and political volatility had hit. Inflation was at twenty year highs; central banks were repeatedly boosting interest rates. Markets were not happy.

That was last year. Yearly results for the 2023 fiscal year end are not yet available; however, as of June 30, 2023, the College Pension Plan’s one year investment return was 8.5%. Some of the asset classes that were very weak last year, like public equities, were positive contributors to the bottom line this year.

Your trustees are always more interested in long-term results than one-year ups and downs. So they were very pleased that the annualized ten year return was 8.4%—well in excess of the 6.0% the actuaries say we need to fulfill pension obligations.

This positive news does not mean that the trustees have no worries about future returns. The economic climate remains uncertain at best. Central banks may, or may not, stop raising interest rates. Inflation seems to have been contained, but it is by no means tamed. Some European economies are in recession, and many economists feel that a mild recession on this side of the Atlantic is likely in early 2024.

However, our plan’s \$7 billion of assets are being well-managed by the British Columbia Investment Management Corporation (BCI) at a very reasonable cost to plan members. Direct fees for investment remained in the range of 0.4%.

### **Inflation Protection Still Solid**

Last January, our pensions received a COLA increase of 6.5%, the full amount of inflation in Canada over the previous year. While future COLA adjustments are not guaranteed, trustees and plan partners have made inflation protection one of their highest priorities, and the Inflation Adjustment Account is very healthy.

Calculation and approval of the COLA adjustment for January, 2024, will be completed soon. For information on how COLA increases are calculated and administered, visit the plan website or read material on the CPPR site.

### **Membership Continues to Grow**

The numbers of both active and retired members in the College Pension Plan continue to grow. Over the past five years, the number of active members has increased by 18%—a large piece of that was due

to Simon Fraser University joining in 2021. Growth in number of retired members increased even more, by 27% over the last five years. The 2022 Annual Report reported that in just the previous year the number of retirees increased by over 800, to just over 10,000.

However, while the number of retirees is growing pretty rapidly, membership in the CCPR has remained relatively static. Our challenge is to get those new retirees signed up as members.

### **Many Issues, Lots of Meetings**

Asset Allocation: A recurring agenda item for trustees is examination and revision of asset allocation. The results of the 2021 actuarial valuation were presented to the board in 2022. This year a major part of board meetings has been in-depth consideration of how much of the plan's assets should be invested in various categories.

If I had to choose one word to describe trustees' approach to asset allocation this year, it would be "cautious." Our investments are well diversified, and the existing asset mix got us through the 2021/22 downturn pretty well. BCI continues to improve its services for all BC public sector pension plans; it has now opened offices in both New York and London to improve insight into investment opportunities—particularly in private equity.

At the end of many hours of briefings and discussion, the trustees decided to make only minor changes in asset allocation. The top five categories of investment are: global equities—21%; bonds—18%; real estate—17%; private equity—14%; and infrastructure and renewable resources—11%. I remember when Canadian equities were a major investment category, but now they account for only 3% of the plan's assets. Details of the plan's investment portfolio can be found in the 2022 Annual Report.

Post-Retirement Group Benefits: After last year's decrease in premiums for the optional health and dental insurance provided through GreenShield Canada, inflation reared its ugly head. In 2023 health premiums increased by 5.2%, and dental premiums by 12.5%. Negotiations for 2024 premiums are now underway. Health insurance is not exempt from current inflationary pressure; so the goal will be to limit increases rather than avoid them.

A review of the insurance offered through GreenShield is underway. A survey of retirees to examine what they want/need from post-retirement health and dental coverage will be conducted in early 2024. The CCPR has been consulted about this review and has been very involved in development of the survey.

ESG and Climate Change: BCI released its updated climate action plan last November. It seeks to align BCI's operations with achieving net zero greenhouse gas emissions by 2050. However, its plan will certainly not satisfy all plan members, since it rejects divestment from carbon-intensive investments as the best way to achieve that goal. Engagement and partnering with other large investors to reduce climate impacts is its preferred strategy. I encourage those who care deeply about this issue (as I do) to read the climate action plan on BCI's website.

Separately from BCI's work, the trustees are undertaking a review of its SIPP (Statement of Investment Policies and Procedures), focusing on ESG issues, particularly climate change. There is nothing easy or obvious about this review.

## **Some Reflections on Trusteeship**

— This is my penultimate report to our AGM; my third (and last) term ends in September 2025. It is not too early to start thinking about who our next retiree trustee will be. Just as important as “who” that trustee will be is “how” she/he will be selected.

I hope that I am the last retiree trustee who will be appointed without any involvement of the CPPR—the only organization committed to advocating for the interests of College Pension Plan retirees. Associations representing retirees in other BC public sector pension plans play a role in the appointment of retiree trustees. It is time to redouble our efforts to incorporate a similar role for the CPPR in our joint trust agreement.

— As I wrote last year, I am pleased with the increasing recognition the CPP is receiving from our board of trustees, from the staff at the Pension Board Secretariat, and from the Pension Corporation. Our long-serving President, Mary Griffin, deserves a huge amount of the credit for bringing this about. She will be stepping down from her role as President at this AGM. Thank you, Mary, for your tireless efforts on behalf of the CPPR; your work has made my role as the retiree trustee both easier and more successful.

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