

CUPE BC 2023 CONVENTION MPP TRUSTEE REPORT

Over the past year, there have been several changes to the Municipal Pension Plan and its governance, primarily the board's commitment to Net-Zero greenhouse gas emissions by 2050 and the Municipal Retiree Benefit Trust. As Investment Committee Chair, there have also been notable improvements in investment returns, which are outlined below.

Plan Goal of Net-Zero by 2050

We have set a goal to change our investment portfolio to net-zero greenhouse gas emissions by 2050. By 2030, we aim to cut the emissions intensity of our portfolio by 55 per cent from a 2020 baseline.

A net-zero portfolio means the investments in total do not contribute to global greenhouse gas emissions. This aligns the plan investments with the Paris Agreement, which is an international treaty on climate change. Its purpose is to limit global warming less than 2 °C above pre-industrial levels.

To reach our goal, the plan's investment manager, BCI, will:

- Choose investments to ensure the portfolio emission intensity decreases over time.
- Increase investments in clean energy solutions.
- Engage with portfolio companies. The purpose is to hold companies to account to establish credible plans to thrive in the lower-carbon future.
- Track the economy-wide decarbonization over time.

We believe that selective engagement with companies in the energy sector is better than divestment. Working with companies to transform their businesses will benefit our members, communities, and portfolio companies. We will not use carbon offsets or blanket divestment to meet our net-zero goal. We base our goal on the expectation that the rest of the world will continue to become low-carbon, and governments will deliver on their global commitments. You can read more details about our approach on the [Responsible investing](#) page.

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We support [BCI's 2022 Climate Action Plan](#) which describes their approach for managing the implications of climate change across asset classes. The related information available on BCI's website.

The Board's Duty to Address Risks and Opportunities

Our fiduciary duty requires us to invest the fund in the best financial interests of beneficiaries. Climate change presents unparalleled risks and opportunities. We need to address climate risk to ensure the fund remains resilient. We are responsible for ensuring it continues to meet the plan's obligation to pay basic pensions to current and future retirees. That's why we are preparing the plan for a low-carbon future and why we will invest in solutions. In meeting our net-zero goal, we must also achieve investment return objectives. We will review our goal annually to ensure it remains prudent and aligned with the board's fiduciary duty.

Our Progress on Addressing Climate Risk and Opportunity

The board signed on to the [UN's Principles for Responsible Investment](#) in 2007. Since then, we have added environmental, social, and governance matters to our investing policy. Below are highlights of our progress:

- We were one of the first large pension plans in Canada to voluntarily report climate-related financial disclosures. You can read these in our *Annual Report* for 2019, 2020 and 2021.
- We use climate scenarios to understand how climate change affects the portfolio.
- We measure the carbon footprint of all asset categories.
- We support BCI in using climate change scenario analysis in its investment decisions and asset management processes.
- We collaborate with global movements to address climate risks, such as [Climate Action 100+](#).
- We educate trustees about climate change concepts and associated investment risks and opportunities.

Preparing the Plan Fund for a Low-Carbon Future

This is the first step of a major effort to achieve net-zero plan investments by 2050. We believe the plan will benefit directly and indirectly if we reduce greenhouse gas emissions. We are excited to share our progress with you in the coming years.

Municipal Retiree Benefit Trust

In 2021, the plan partners – the employer and employee sponsors of the plan – created the [Municipal Retiree Benefit Trust](#) (MRBT) as part of plan redesign changes. The MRBT provides a new way for retired members to access group health benefits. When the plan partners established the MRBT, the plan provided initial funding of \$100 million. At the time, the specific amount needed for sustainable funding was not known.

At the request of the plan partners, the board will transfer additional funds to supplement the seed funding and extend the sustainability of the trust. The additional funding is not a response to inflationary or cost pressures that have arisen since the transition. The additional funding will be taken from employer contributions that would otherwise go into the inflation adjustment account. The additional amount – up to \$70 million – will be transferred between November 17 and December 31, 2024.

The Municipal Pension Plan remains healthy. The plan is fully funded, as determined by the valuation taken at December 31, 2021. Half of the available basic surplus (i.e., 50 per cent of \$1.018 billion) from the 2021 valuation went into the inflation adjustment account, as directed by the [Joint Trust Agreement](#). The plan's actuary has confirmed that the additional funding for MRBT does not affect the health of the plan.

Investment Committee Chair

In the second year as Investment Committee Chair, the primary role is to ensure a well functioning group that follows a set of outlined processes. The board's investment decisions are guided by investment beliefs, supported by investment policies, and validated through measurement.

Investment Beliefs: These statements define how the board seeks to create investment value. They also help the board make practical decisions about diversification, asset allocation, performance objectives and investment activities. They cover a variety of topics, including responsible investing and climate change.

Investment Policy: These policies outline the board's investment strategy and overall framework for managing assets. They are documented in policies such as the Statement of Investment Policies and Procedures, and the funding policy.

Measurement: The board measures the effectiveness of its investments using benchmarks, return targets, and independent assessments by an actuary.

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The analysis and implementation of responsible investment practices plays a significant role in ensuring plan financial assets are safe and well-managed. Assessing and managing environmental, social, and governance-related risks over the long term is a fundamental way to meet the mandate of protecting and growing the value of the plan's fund. Based on ongoing research and experience, we continue to evolve our approach to responsible investing and stewardship generally and climate change specifically.

Respectfully submitted:

Harpinder Sandhu, Primary Trustee
Sara Manchester, Alternate Trustee

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