



## **CUPE BC 2024 CONVENTION MPP TRUSTEES REPORT**

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Over the past year, there have been a few changes to the Municipal Pension Plan (MPP) and related governance, primarily the board commitment to net-zero greenhouse gas emissions by 2050 and hiring a new director. Additionally, as Investment Committee Chair, I would like to emphasize some notable improvements in investment returns outlined below.

### **Plan Goal of Net-Zero by 2050, Interim 2030 Target.**

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 percent 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.

The board has taken several actions to enable a successful path toward net-zero by 2050:

- Continued to engage with BCI on the implementation of its Climate Action Plan, including risk management, proxy voting, policy advocacy, and shareholder engagement;
- Considered systemic climate change as part of the triennial asset liability reviews;
- Reviewed climate scenario analyses;
- Monitored climate-related metrics, including climate stress test results, climate opportunity exposure, portfolio carbon footprint, and weighted average carbon intensity for public equities.

## Chelsea Kittleson Appointed Executive Director of the Municipal Pension Plan

After an exhaustive nationwide search, it is with great pleasure that we announce the appointment of Chelsea Kittleson as executive director of the Municipal Pension Plan effective November 15, 2023. She succeeds Judy Payne, who is retiring after serving as executive director since 2014.

Chelsea emerged as the outstanding candidate following a comprehensive selection process led by Boyden Global Executive Search. We are impressed by her qualifications and track record.

She brings a wealth of knowledge and experience to our team, and we are confident that her expertise and dedication will greatly contribute to the success of our 2023-2026 Strategic Plan, positioning the Municipal Pension Plan for continued growth and stability.

### Message from the Trustees

Over the past few years, it seems like the only constant has been change. The world has reacted to a global pandemic, increased inflation, and a series of unprecedented severe weather events. While there continues to be change on a global scale, one thing will remain the same: you can rely on your pension.

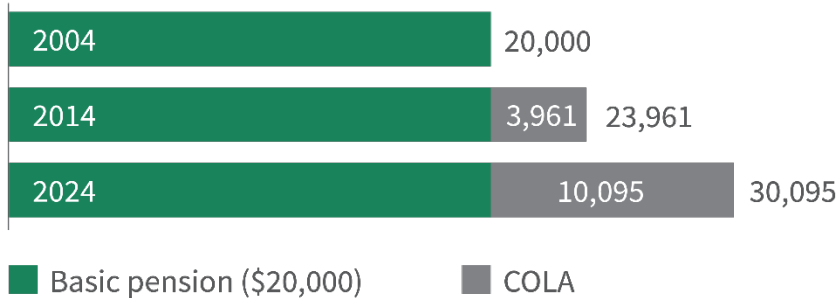
Our priority is to provide lifetime pensions. In 2023, thousands of members decided to retire, joining the more than 123,000 members like you who are already collecting a pension. We're proud we continue to deliver reliable pensions, especially as the world remains in flux.

This commitment is reflected in our disciplined investment strategy. Our focus on the future helps us to navigate challenges. Instead of reacting to short-term market downturns, we stay the course, knowing that our diversified portfolio is prepared to withstand fluctuations. Responsible investing has been a key part of this strategy and will remain important, especially as we continue along the path toward our net-zero goal.

We understand there will always be change. By remaining consistent in our approach, we will keep your pension healthy and secure now and for the future.

## Basic Pension Plus COLA Granted (\$)

The graph below shows how an average pension granted 20 years ago has grown due to COLAs.



## Your 2024 Cost-of-Living Adjustment (COLA) is 3.8 percent.

The COLA is based on the change in the Canadian consumer price index from September 2022 to September 2023. COLAs help your pension keep pace with inflation and the rising cost of goods in the marketplace.

As a retired member, you received a 3.8 percent cost-of-living adjustment (COLA) to your pension. The COLA provides you with some inflation protection. While not guaranteed, once a COLA is provided, it becomes part of your lifetime pension. The COLA also applies to your bridge benefit and temporary annuity as long as you receive them.

The board cautiously removed the COLA cap for 2023–2025. We continue to closely monitor inflation and investment returns and make annual decisions on COLAs that consider the health of the plan and plan rule requirements.

Each year, the board decides whether to provide a COLA based on these guidelines:

- The amount can't be higher than the increase in the Canadian consumer price index (CPI).
- The cost can't exceed the funds in the inflation adjustment account (IAA).

The COLA cap will be revisited at the next valuation.

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## Where Does Money for COLAs Come From?

Money in the IAA funds COLAs. This account is made up of contributions and investment returns. When you were working, most of the contributions from you and your employer went into the basic account, which funds your lifetime pension. Some went into the IAA and is now going toward providing COLAs.

## Investment Committee Chair

In the third 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.

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

March 2024

