Transcript of the Municipal Pension Plan 2023 annual general meeting

2023 AGM

The Municipal Pension Board of Trustees hosted the 2023 annual general meeting on October 12, 2023. Below is a full transcript of the meeting.

GARY YEE: Hello everyone, and welcome to the Municipal Pension Plan's 2023 annual general meeting. My name is Gary Yee, and I'm the chair of the Municipal Pension Board of Trustees. Thank you for taking the time to join us today.

I would like to begin by acknowledging that most of us are joining this event today from unceded territories throughout the province and beyond. The Office of the Municipal Pension Board of Trustees is located on the traditional and unceded territory of the Lekwungen People, also known as the Songhees and Esquimalt Nations. We honour their ongoing connection to the land and respect the importance of the diverse teachings, traditions and practices within this territory.

As you can see, we have a full agenda today. First, we'll share financial highlights from 2022. Then we'll tell you about the plan's net-zero goal. Next, we'll hear an investment update from BCI. We'll also have a message from the board chair of the Municipal Retiree Benefit Trust.

Then, we'll share what's ahead for the Municipal Pension Plan. And finally, we'll move into the question-and-answer session, where experts are available to help us answer your pension and investment questions.

For the Q&A session, you'll be asked to enter your question in the box at the bottom left of your screen. If you have a personal pension question to ask, that can be done through Message Centre in My Account. The link to My Account appears on your screen now. The AGM is for you, so if you have questions or comments, we'd love to hear them. Feedback can be sent to the email address on your screen.

All plan trustees are appointed by an organization. Each of the organizations you see on the screen are responsible for appointing at least one plan trustee.

Thank you to all the trustees who are here with us today—it's a privilege to work with you as we do our part to guide the Municipal Pension Plan in the interest of members and their beneficiaries.

Some of you may be new to the plan or attending the AGM for the first time. Let's quickly go over the organization of the plan. On your screen, you'll see the structure of the Municipal Pension Plan. Starting at the top, the employer partner is the BC government, together with the Union of BC Municipalities. The member partner is the Municipal Employees' Pension Committee. These entities, and other appointing authorities, nominate trustees to the plan's board. We are a joint trusteeship. This means employer and member representatives share the responsibility for managing the plan. Here you can see how we, the board of trustees, fit into the overall structure. We also have the Office of the Municipal Pension Board of Trustees. This office works directly to support trustees and includes staff employed both by the board and the BC Pension Corporation. The plan's executive director, Judy Payne, is with us today.

Finally, we have a number of agents and service providers we work with. Several representatives are with us today, including: Aaron Walker-Duncan, representing the BC Pension Corporation, the plan's administrative agent. Aaron is vice president of Board and Communication Services. Gordon Fyfe is chief executive officer and chief investment officer for the British Columbia Investment Management Corporation. BCI is the plan's investment agent. For Eckler limited, our plan actuary Catherine Robertson is here. Eckler provides actuarial services to the plan. We're also pleased to welcome Bonnie Pearson, board chair of the Municipal Retiree Benefit Trust. Thank you all for being here.

The most important people joining us today are you, our members, and your unions and employer representatives. We're proud to say that over 420,000 people like you rely on the Municipal Pension Plan to provide a dependable income in retirement.

Research from the Canadian Public Pension Leadership Council shows that over 7,000 businesses across British Columbia are supported by funds generated from public sector pensions. Every ten dollars paid in retirement income supports nearly $16 of economic activity in BC. Together, we're strengthening communities and supporting local jobs while providing members with retirement security.

We hope you enjoy today's event and that it helps you learn more about the value of your pension plan.

Who are our members? As your trustees, we strive to understand who you are and what's important to you. This is critical to successful management of the pension plan. Our members include workers from many industries, active health-care workers, public servants with local governments, people in community social services, police officers, firefighters and staff at school districts and colleges. Thank you to our members for working to support and improve communities throughout the province.

Like most of our members, you may be actively contributing to the plan as you build your career or find your path. Many of you are collecting your pension after working hard to build a future for yourself and your families. And some of you have stopped working with a plan employer or are on a leave of absence to focus on other aspects of your life.

Members like you are reaching milestones in your careers and personal lives and we're pleased to be there with you every step of the way.

The Municipal Pension Plan is the largest pension plan in Western Canada, providing hundreds of thousands of members like you with retirement security. But it's not just members who benefit from the plan—their spouses, families and beneficiaries all benefit from the reliable income the plan provides.

There really is strength in numbers. As the plan continues to grow, more workers across the province can breathe easy knowing they have a pension.

I'm proud to welcome you all to the Municipal Pension Plan's 2023 AGM.

Once again, our agenda for the day is up on your screen. Let's get started.

Vice-chair Donna Lommer is next with the 2022 financial highlights. Donna has been a board member since 2017 and I know she's excited to share this information with you today.

Over to you, Donna.

DONNA LOMMER: Welcome everyone and thank you for attending this year's AGM. I'm Donna Lommer, vice-chair of the Municipal Pension Board of Trustees.

2022 challenged all of us in many ways. We faced lingering effects of the multi-year pandemic and experienced the highest inflation seen in four decades. We watched major environmental and geopolitical events unfold at home and around the world. Amid the uncertainty of the day-to-day world your board of trustees had a clear set of goals. As a board, we work together to build and carry out a long-term strategy for success.

We draw on our areas of expertise and experience, engage experts and set goals for one shared purpose: to ensure the plan is well managed and sustainable for the long-term. I'm happy to share the results of these efforts with our financial highlights from 2022. Our role as the board of trustees is to make investment decisions in the best financial interests of the plan's beneficiaries, which includes all of you members who are watching. We also ensure employers can offer an ongoing, valuable benefit to employees.

The Municipal Pension Plan remains well funded, despite continuing uncertainty in the world markets. As at December 31, 2022, the plan's assets were $71.5 billion, down from $74.2 billion at the end of 2021. The annual rate of return was -3.5 per cent, which outperformed the benchmark of -5.9 per cent. Like most other Canadian public sector pension plans, we saw investment losses in 2022.

We take a long-term view when developing the plan's investment strategies, and we are well-positioned to withstand short-term losses like those we had in the last year. Our careful approach lets us govern with a steady hand and avoid overreacting to short-term trends in the investment market.

The plan's 5-year return rate of 6.7 per cent and 10-year return rate of 8.5 per cent show that focusing on the long term works. You'll see that the contributions that came into the plan were less than the benefits we paid out. While this is significant, the plan's durability reduces the impact.

In 2022, the plan collected $2.6 billion in member and employer contributions. Approximately $2.9 billion was paid out in pensions, benefits and expenses. The rate stabilization account created in 2015 to protect against future contribution rate increases was valued at $4.1 billion at the end of 2022.

Managing risk is part of the fiduciary duty held by the board and BCI. This includes assessing risk and limiting exposure as well as identifying and capitalizing on opportunities.

Diversification of investments is key to managing risk and we regularly review our asset allocation.

The Municipal Pension Plan is in a solid financial position and will be there for you whether you're two or twenty years away from retirement.

Our long-term view has charted a path of success and sustainability. As we look to the future, we're committed to continuing our focus on responsible investment strategies. That's why we've set a goal to reach net-zero emissions in the plan's investment portfolio by 2050. Despite the uncertainty of our times, the Municipal Pension Plan continues to deliver on its goal of providing secure pensions to all members.

Thank you.

GARY YEE: Thank you for the update, Donna.

Next up we have Harpinder Sandhu with information about our net-zero goal. Harpinder has been a board member since 2019 and is currently the chair of our Investment committee.

HARPINDER SANDHU: Hi, I'm Harpinder Sandhu, chair of the Municipal Pension Plan investment committee. Thank you for joining us today.

In 2020, the board made it a priority to address climate risk in the plan's investment portfolio. We have worked on this priority over the last three years, and I'm happy to share our progress with you. Let's take a look at our net-zero goal.

From heat domes to atmospheric rivers, we've all witnessed the impacts of climate change in our province over the last few years. As your board of trustees, we take climate risk seriously, that's why we've set a goal to be net-zero by 2050.

By 2030, we aim to reduce the carbon intensity of our portfolio by 55 per cent of 2020 levels. What does net zero mean? A net-zero portfolio means the investments in total don't contribute to an increase in global greenhouse gas emissions. Our net-zero target aligns with the Paris Agreement, which is an international treaty on climate change. Its purpose is to limit global warming to less than two degrees above pre-industrial levels.

What does this mean for members? Addressing climate risk in the plan's investment portfolio means the fund is more resilient, and that means more pension security for you now and in the future.

We believe that companies that take environmental, social and governance factors into account have less risk and generate more long-term value for investors like the pension plan, compared to companies with less-robust practices.

How will we reach our goal? To reach our goal, the plan's investment manager, BCI, will engage with portfolio companies and hold them accountable for credible plans to lower carbon emissions. Choose investments that align with our net-zero goal and meet our financial targets, increase investments in clean energy solutions, and track economy-wide decarbonization.

We were one of the first large pension plans in Canada to voluntarily report climate-related financial disclosures. We use climate scenarios to understand how climate change affects our investment portfolio. We measure the carbon footprint of all asset categories. We support BCI in using climate change analysis in its investment decisions. We collaborate with and take part in global movements to address climate risks, such as Climate Action 100+. And we are educated and informed about climate change and how it affects investment markets.

This is the beginning of a major effort to achieve net-zero plan investments by 2050. Net zero and secure pensions overlap. Climate change and its impacts threaten future growth and prosperity—and acting now will serve our long-term objectives.

We're excited about our progress and look forward to sharing updates with you in the coming years.

Thank you.

GARY YEE: Thank you for sharing that information about our net-zero goal, Harpinder.

Next up, we have Gordon Fyfe, chief executive officer and chief investment officer for BCI. Gordon is going to provide us with an investment update and address some hot topics that may be of interest to you. Over to you, Gordon.

GORDON FYFE: Hello. I'm Gordon Fyfe. And since 2014 I have been the chief executive officer and chief investment officer of BCI—British Columbia Investment Management Corporation—manager of your pension.

Well, looking back, I'm pleased to report to you that your plan's returns over the last five years have averaged 6.7 per cent per year. That's 6.7 per cent per year in each of those five years. And that adds up over the five-year period to over 38 per cent increase in the overall funds in the pension plan. And it beats the fund's benchmark of 5.2 per cent by one and one-half percent per year. So the return was 6.7 and the benchmark was 5.2, so out-performance of one and one-half per cent per year during that five-year period.

Well that's looking back. But let's spend most of the time looking forward.

I will start by talking about the economy. There is a lot of uncertainty, so are we going to be faced with a soft landing and miss the recession or are we actually going to experience a recession? Are interest rates at the Bank of Canada—have they finished raising them or are they going to have to raise them further?

There is a lot of uncertainty, but I want you to know that it's not just on this call this morning who are uncertain. The Bank of Canada itself said at the June meeting I had with them that they would be making their rate decisions going forward on a meeting-by-meeting basis depending on the information from the economies coming forward at that time. So even they don't have a lot of clarity of where inflation is going, so they want us to be prepared that there could be more going forward.

The economies are slowing right now, though not as quickly as originally expected and this is not really an ordinary economic cycle, partly for two reasons.

As we came through Covid, it really threw things off. The first is that all of us saved a lot of money during Covid through the government subsidies, but also through the inability to travel and spend money. So our savings were much higher as Covid came to an end than they would have normally been the case. And we've been spending that money which has kept the economy quite strong, but that's running down now and we're getting close to normal savings levels. So that spending support is running out.

The second thing is that incomes have been very, very strong. Unemployment as you might have read has been very low in Canada. It's up a little bit from where it was, but still historically very low. But also wages have been growing between four and five per cent per year. How do you get to two per cent inflation with wage growth of four to five per cent per year?

Well there are two things that I do know and the first is that rates are going to stay high for some time. They may go higher, but they're not going to be coming down for some time. That's for sure. The second is that the Bank of Canada will get inflation back to two per cent. They are adamant that they will be bringing inflation back to two per cent. Their credibility depends on it and they're going to do that.

Let me just say if you have a mortgage, whether it's a floating rate mortgage or a fixed mortgage that you've rolled recently or will have to roll going forward, you're already feeling the pain that this environment is causing.

But the Bank of Canada, as I said is adamant they will bring inflation down. And how do they do that? They've got to get us to spend less. And how do you get somebody to spend less? You make them feel poor. And how do you make somebody feel poor? You reduce the value of their house. You reduce the value of their stock portfolio and any of their other investments.

Bank of Canada will never tell you this, but they are going to make us all feel less wealthy to make sure that we slow down our spending going forward and that in itself is ultimately going to bring down the level of inflation.

So that's what's going on in the economies. In the markets, this economic and policy uncertainty is leading to a lot of market uncertainty. You'll go through a couple of days or an even slightly longer period where you'll see the markets run up or you'll see the stock markets coming down. But if you look at it, it's been in a very, very tight range over a very long period of time, which just shows us there's a lot of uncertainty and there's no conviction one way or the other right now.

So let me talk about the implications of the economy and markets for the BCI portfolio. Your portfolio is built of long-term, high-quality core assets. We have not been investing in stylish things like crypto currencies, Spacs [special purpose acquisition companies], things like bell bottoms and platform shoes. We're very core asset buyers, long-term holders of high-quality assets.

But I will say if there is a recession, if there is a decline in markets, we will be on an accounting basis marking down the value of our assets. So you will see our returns won't be what they have been historically. But the trick in marking down the assets – that's just an accounting entry. If you don't have to sell the asset, if you have capacity to hold on to the asset, if you've prepared for the bad markets, you will be able to get through that and you won't have to realize the loss. You will report it from an accounting basis, but you will continue to hold the asset and it will recover.

But more importantly, at BCI we're very liquid. We've been preparing for this for some time. We have a lot of liquidity so we have the capacity to go and buy when other investors are finding themselves in trouble and have to start selling assets.

So, I always say that if during a really bad market you come around the office and you see us all smiling, don't think we're crazy. It's actually that we're out buying assets that we've only dreamed of getting at prices we never would have imagined because we are helping other distressed investors out of their problems. Because we are such long-term investors, we can buy them and hold them for the next 20 years.

Right now we're waiting. The deal flow we're seeing and the investments flow is very low and quiet. But we are ready and we are on standby waiting for better opportunities to come.

Now it's the strategy we've been implementing the last nine years that's prepared us for today's markets. We've been diversifying into more markets, more countries, more types of assets. Importantly we brought a lot of the investment-making decisions that were previously down by people outside the organization, we've brought those in house, inside BCI. We've built our own teams to manage a lot more of the BCI assets.

We have saved over one and one-half billion dollars since 2016. That's one and one-half billion dollars that we would have paid external managers and their fees because we've built the teams internally and took the money away from them and brought it in.

How do we do that? Why does that work? It's because external management fees that we pay people on the outside are sometimes ten times as expensive as what it costs us to build the teams internally. For example, if we take a private equity mandate and give it to somebody on the outside, they are going to charge us around four and one-half per cent. That's – let's say it's $100 million we're handing out to somebody at four and a half per cent. That's $4 and a half million a year in fees that we would be paying that external manager. BCI can build the internal team and the costs to you of doing that is one-half of one per cent. So instead of $4 and a half million it would cost a half of one per cent. So just on that half a million dollars, we're saving $4 million a year. That's where that $1 and one-half billion has come from.

The same for real estate and infrastructure. Real estate, for example, costs if we hand it out to someone else about two and one-half per cent. If we do it internally, it's costing us about a quarter of one per cent.

So we've been continuing to bring more and more of those investment decisions in house because not only does it save us a lot of money, but it also gives us a lot more control over the assets. So, in terms of influencing—and I'll talk in a moment about bad behavior in companies—it gives us a lot more control over the value of the organizations that we're investing in.

Overall, BCI is a low-cost investment manager among our peers in Canada. When we compare ourselves to the other seven big pension funds in Canada, we are running at a cost of $300 million a year less than if we were costing the average of the other seven pension funds. $300 million a year less. That's a lot of money each and every year coming in because we run our organization very efficiently. And at BCI we know that a penny saved for our pensioners is a penny earned and they can spend it the same way.

Looking forward I just want to repeat that we could be in for a much tougher environment and it's going to be tougher for returns. But we're still looking for ideas to make sure than in the years ahead we will able to generate value for you.

For example, in the last year we've opened two foreign offices. We opened an office in New York and an office in London. What that does is gives us access to people and experience that we would love to have but for whatever personal reasons those people could not relocate to Victoria. So now we have them working for us, just located somewhere else. It also brings us closer to the big markets where the deal flows happen. So we're getting an earlier look at some very interesting investments.

And finally I'm going to discuss sustainability. The reason I want to do this is that I know it's very important to the members of the Municipal Pension Plan.

BCI has an ESG team of over 16 people today. And their job is to identify and influence bad actors in our portfolios. Whether the bad actions are toward shareholders, clients, the community or the environment, bad behavior drags down the value of our investment over the long-term holding period of BCI. So we engage with those companies, with the senior management to let them know how we feel and to persuade them to change.

When we meet resistance, sometimes we collaborate with some of the other large funds both in Canada and in the U.S. and Holland and elsewhere to all gang up on companies that are not behaving properly.

But ESG is not just about policing existing investments. It's also about investment opportunities in the energy transition. Recently we've invested in battery storage and solar companies. But there's also big opportunities lending to companies requiring some of the massive amount of capital that's going to be needed for the energy transition.

I'm going to stop here and see if there are any questions.

Just before I end this, I'd like to thank the organizers for inviting me back again this year and thank all of you for your patience in listening to me. Thank you.

GARY YEE: Thanks, Gordon.

I do want to clarify that we'll be taking questions for Gordon during the Q&A session.

At last year's AGM we had the pleasure of hearing a presentation from the Municipal Retiree Benefit Trust or MRBT. We're delighted to have them join us again this year to talk about the trust's latest actuarial valuation. With that, I'd like to introduce Bonnie Pearson, chair of the MRBT board of trustees. Over to you Bonnie.

BONNIE PEARSON: Hello, Municipal Pension Plan members. On behalf of my colleagues on the board of the Municipal Retiree Benefit Trust (or MRBT), I would like to thank the pension board for offering us the time to speak with you today.

I am pleased to share the results of MRBT's first valuation. As at December 31, 2022, MRBT has funding for 31.3 years of health benefits at current coverage and subsidy levels. Based on these results, the board has decided not to change coverage or subsidy levels right now.

Before we dive deeper into the results, let's talk about what a valuation is and why it's important.

Like your pension plan, the Municipal Retiree Benefit Trust has a valuation done at least every three years by an independent actuary. An actuary is a specialist in financial modelling, statistics and risk management. A valuation is a snapshot of the trust's financial position at a specific point in time. The actuary compares current assets as well as expected future contributions, premium payments and investment returns against the projected cost of future benefits.

The valuation determines how many years MRBT can continue to provide the same benefits at the same subsidy level based on current funding. This is important because, unlike your pension, your group health and dental benefits are not guaranteed.

To understand why a valuation is so important, you need to understand how your group benefits are funded. Extended health care benefits are funded through MRBT. Ongoing funding for the trust comes from three sources: Employer contributions of 0.6 per cent of active member salaries. Premiums paid by retired members enrolled in group benefits. Investment returns. Dental benefits continue to be funded solely by retired member premiums.

Like most things, the group benefits program is becoming more expensive to offer. That's because the program faces cost pressures like benefit cost increases, inflation and higher usage by members and beneficiaries enrolled in the group benefits program. Also, the amount of money available in the trust can vary, based on the contributions received from employers, the number of retired members choosing to enrol in the group benefits program and investment returns.

These factors make it hard to predict how much the program will cost and how much money will be available to cover that cost. Fortunately, the MRBT board has several tools to help keep the funding of the trust on track, including regular valuations.

Following a valuation, the board may choose to increase or decrease subsidy levels, enhance or reduce the benefits covered by the program, or maintain current subsidies and coverage levels.

The extended health care plan is currently partly subsidized based on your years of service. That means the Municipal Retiree Benefit Trust may pay a portion of the premiums for your extended health care coverage. However, that subsidy is not guaranteed.

The board reviews premium rates annually. The results of the valuation do not directly affect rates. However, premium rates can change based on how claiming patterns are changing and demographics. These changes may then influence future valuation results.

Valuation results show that, as at December 31, 2022, MRBT has enough funding for 31.3 years at the current coverage and subsidy levels. As a result of the valuation, the board has decided not to make any changes to coverage and subsidy levels right now. However, to ensure the group benefit program is sustainable for current and future retirees, the board aims for a funding target of 35 years.

Premium rates will be set during the annual review process, and 2024 rates will be announced in Pension Life and on the plan website in January.

Tools like regular valuations help the MRBT Board of Trustees plan for a sustainable future. In addition to doing regular valuations, the MRBT board seeks expert advice from service providers and monitors program use, investment returns and industry trends.

The MRBT is still at the beginning of its journey. However, the MRBT board is cautiously optimistic about the future. We believe we are on the right path to continue to provide members with access to group benefits over the long term.

You can read more about the trust's first valuation in our 2022 Annual Report, available now on the MRBT section of the plan website. Visit mpp.pensionsbc.ca > About us > Who we are > Municipal Retiree Benefit Trust.

We will also share this information in the January issue of Pension Life, your retirement newsletter.

On behalf of the MRBT board, I'd like to thank you for your time today. Back to you, Gary.

Gary Yee: Thank you, Bonnie, for your update on the Municipal Retiree Benefit Trust. We will open things up for questions in just a little bit.

First, I want to give you all an update on some goals and initiatives for the year ahead. We embarked on our 2023-2026 strategic plan in June. This strategic plan outlines our top priorities for the next three years. These priorities are to: be a leading responsible investor, continue strengthening plan awareness, and grow the plan. I'd like to tell you a bit about how we're going to deliver on these priorities.

Let's start with responsible investing. Responsible investing has been a board priority for over a decade. We've continued to make progress year over year on our investing goals and the work we do from 2023–2026 will build upon this progress. As the plan's trustees, we remain committed to future-proofing the plan. This means mitigating risks associated with climate change. We actively seek opportunities to invest in ESG-focused investments that meet our return objectives and can get us closer to net-zero greenhouse gas emissions by 2050. What is net zero? A net-zero portfolio means the investments in total do not contribute to global greenhouse gas emissions.

Over the next three years, we will work toward meeting our net-zero goal and interim target.

We will continue to engage with our peers in the Canadian pension industry and participate in setting standards for responsible investing. We believe that engagement with companies is more effective 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.

Part of being a responsible investor is embracing continuous learning. Over the next year, we'll continue training for trustees so we stay up-to-date on emerging trends in responsible investing standards and practices. Most importantly, we'll be transparent about our climate action initiatives, so you remain confident in our progress.

The next priority we've set for the coming years is to strengthen plan awareness. We want a bright financial future for workers throughout the province and the pension plan is part of building that bright future.

One of our goals for 2024 is to improve our communications to new and young members. Another focus will be to enhance communications to all plan participants about how our governance and stewardship practices ensure the plan's longevity.

For many, participation in the plan is mandatory, but where it is optional, some employees may find it hard to decide whether to join. Over the next year we will seek to understand the needs of potential members and improve our tools and resources so they can make this decision with confidence.

Part of this work is to support financial literacy. Last year we redesigned our courses to make them shorter and easier to understand. In the year ahead, we'll use members' feedback on these courses to enhance our pension education offerings.

A growing plan is a strong plan. Educating and engaging potential members will contribute to overall plan health. Plan growth is good news for all current and future members. Not only does plan growth mean greater access to pensions in a time when planning for retirement is increasingly challenging. It also means safeguarding the longevity of the plan. As life expectancy increases, and we see shifts in labour market trends, we may see continued growth in the plan's retired to active member ratio.

In the coming year we will explore ways to expand membership in the plan. That way, there is a steady flow of active members and more workers benefiting from the security of the plan. Part of this exploratory work will be to see if we can make changes or improvements to enrolment and eligibility rules so more employees are eligible to join. We know that employers are keen to recruit and retain top talent and provide their employees with a defined benefit pension plan so we will also review the eligibility rules for employer enrolment. We'll update you with our progress on these initiatives in future annual reports.

The plan's 2022 Annual Report includes our fourth climate-related financial disclosure. We believe that better access to climate-related data helps investors assess and manage climate risks within investment portfolios. We're committed to providing disclosures in line with the world's leading framework, the Task Force on Climate-related Financial Disclosures, or TCFD.

In 2006, BCI was a founding signatory to the Principles for Responsible Investment, or PRI, a United Nations-supported network of investors from around the globe. The plan board became a signatory in 2007.

In the year ahead, we will continue to monitor and share our progress on climate action. For example, we will track BCI's progress using policy advocacy, proxy voting and corporate engagement to reduce the portfolio's carbon intensity. We will also review the portfolio's highest emission companies for each asset class.

It's a priority for us to enhance communications for members and employers.

We know pensions are complex and part of our job as trustees is to provide tools and resources to help you understand your pension. That's why we recently expanded our online member education to include a series of animated videos focused on various pension topics and services. These short videos cover things like nominating a beneficiary and applying for retirement online. This is all part of our goal to improve the digital experience for members.

In the spring, we improved the personalized pension estimator in My Account so that it works for members who have a former spouse with entitlement to a portion of their pension. We're delighted that this valuable tool is now available to broader membership. Also new to My Account is a tracking system that lets you view and track the status of your request or application.

We look forward to bringing you more enhancements over the coming year. Remember to check the plan website regularly for updates.

I want to take a moment to acknowledge our outgoing executive director, Judy Payne, who is retiring at the end of this year. Judy has been with us since 2014 and made a significant contribution to the work of the board. Most notably, Judy supported the board with progressive initiatives such as plan redesign, orchestrated a stronger support network for the board, and facilitated the implementation of a robust strategic planning and risk management framework. Judy has dedicated much energy to ensure the board is focused and aligned to our vision. She is a passionate, thoughtful, dedicated and ambitious leader and we cannot thank her enough for her service. Judy, you will be missed. We wish you all the best.

With that, I would like to introduce our incoming Executive Director, Chelsea Kittleson, who will start her new role on November 15. With 25 years of finance, capital markets and public sector pension industry experience, Chelsea has a deep understanding of the complexities of managing a defined benefit, multi-employer pension plan. Her most recent role was director of client relations at British Columbia Investment Management Corporation, or BCI. Prior to joining BCI, she worked in capital markets, including as director at CIBC World Markets, and led financing and investor relations at British Columbia Ferry Services Incorporated. We are confident that Chelsea's expertise and dedication will greatly contribute to the success of our 2023–2026 strategic plan, positioning the plan for continued growth and stability. Welcome Chelsea, we're delighted to have you.

Before we dive into the question-and-answer session, I'd like to go over a couple of housekeeping items. On your screen is a description of the different roles we have with the Municipal Pension Plan. Representatives from these areas are available to help answer your questions. Your board of trustees can answer questions about how the plan is managed and how the fund is invested. BCI, our investment agent, can answer your questions about the plan's investment approach. Questions about how your pension is administered can be directed to BC Pension Corporation, our administrative agent. If you have questions about group benefits such as your extended health and dental care, Pacific Blue Cross is here to help. Bonnie Pearson, board chair of the Municipal Retiree Benefit Trust, can answer your questions about the trust and how your group benefits are funded. Other experts will also be on hand to help answer questions not covered here.

To ask a question, enter it in the "Ask box" located on the bottom left of your screen. We will get to as many as we can. If we run out of time and don't get to your question, a response will be published to the plan website in the coming weeks.

Once again–you can ask a question by entering it in the Ask box located on the bottom left of your screen.

Just a reminder that if you have a personal pension question, those can be sent through My Account at myaccount.pensionsbc.ca. From the plan website, sign in or register for My Account and locate the envelope icon on the web page to send a personal pension question. You will be contacted with a response.

Thank you. We are now ready to take your questions.

GARY YEE: Our first question is going to be for Donna. The plan lost 3.5 per cent of its assets in 2022. Will contribution rates have to rise? Why did this happen?

DONNA LOMMER: Thanks, Gary. The plan is fully funded, meaning there is enough money to pay pensions for all current and retired members at current contribution rates. It has been a challenging year in the markets, but we take a long-term view when developing the plan's investment strategies and we are well-positioned to withstand short term losses like those we had in the last year. Contribution rates are not changing because of last year's returns.

GARY YEE: Thank you, Donna. The next question is: How soon will the MPP board notify us of the COLA for 2024, so that we can adjust the income tax deducted from our Pensions before the MPP's January 2024 cutoff for our first payment? What was the September to September CPI this year?

We anticipate the September to September CPI will be announced later this month. The decision will made later this year, after we've had an opportunity to take all factors into consideration. The COLA amount is posted on to the plan website by January 1 (usually by the last working day of December). It will also be in the Winter issue of the retired member newsletter, Pension Life, in January.

Thank you very much.

GARY YEE: The next question will be for Harpinder. What would be one example of a leverage investment in our portfolio? I understand what all of the other categories are in our investment portfolio.

HARPINDER SANDHU: Thanks, Gary. A leveraged investment is a technique that seeks higher profits using borrowed money. So, we borrow money to use that for investments. So these profits come from the difference between the investment returns on the borrowed capital and the cost of the associated interest. So leveraged investing exposes a little bit higher risk but we can manage that accordingly.

GARY YEE: Perhaps Gordon you can share some examples of BCI funding using leverage.

GORDON FYFE: I'll give you an example of leverage, Gary, that I think will help the person posing the question understand. For example, we own some very, very core real estate. We have some very core buildings. They are fully leased with great tenants, long-term leases. We can finance that with equity so we can have 100 per cent equity ownership of that building. We know the cash flow that's going to come from the rents on that building. And so those are fairly riskless assets. So what we can do is borrow against that building and so instead get some debt and use that to pay for the building and put in less equity. That allows us then to take that equity and put it somewhere else that would generate a higher return. So we're using leverage, but in a very, very moderate way. In fact, the leverage that BCI uses is significantly below the average of what our peers are using in any of our portfolios. And in fact we were quite far behind in using leverage. So there are places we will use leverage and there are other places where it's a much riskier investment and we wouldn't use leverage in things like that.

GARY YEE: Great. Thanks, Harpinder. Thanks, Gordon.

The next question we have is going to be for Bonnie Pearson. Has the MRBT made their decision yet for the 2024 percentage increase in Health & Dental plan premiums?

BONNIE PEARSON: Thanks Gary. The decision for the 2024 premium rates will be published in the winter 2024 issue of Pension Life. That will be available to people in January of 2024. And we'll also put the rates on the website in January of 2024 to be effective February 1 of '24.

GARY YEE: Great. Thanks Bonnie.

The next question I have is going to be for Gordon: Is BCI indicating a shift in our $15.5B Real Estate portfolio away from commercial office buildings and looking into investing into purpose built residential apartment buildings as all levels of government are increasing incentives to build more of these?

GORDON FYFE: Gary, in terms of our exposure to commercial real estate and let's call that office buildings, QuadReal, our real estate subsidiary has been reducing the exposure that we have to office buildings in our real estate portfolio since its creation in 2016. Our exposure to office buildings was 40 per cent of our real estate portfolio. It's now under 20 per cent. It's been cut in half over that period. The longer-term target is to bring it down to around 13 per cent. I know that a lot of office buildings have lost significant value, but I want to just point out that in core cities, sorry in major cities in the core downtown area when you have a high quality building those building are holding up. They're fully leased or close to it and doing very, very well. However, we have made the decision and we have been reducing our exposure there. Now that money is obviously freed up and we've been investing in two, in three areas. One is multi-family housing. It is a great—it is great assets for our pension, for our long-term liabilities so we like it very, very much.

The other areas. I know it isn't part of the question, but the other areas we've been putting our real estate capital have been putting in in logistics, so warehouses, but also data warehouses. So when you think about all the information, so if you drive a Tesla there is so much information today when you're driving down the road and it's got its cameras recording everything, there's an incredible amount of storage that's required. So we've taken up with some of the larger web-based providers of storage and we're building data warehouses for them. So again we've reduced our office building holdings. We've already done that; we've got a bit more to go. And putting it into multi-family. We've been putting it into logistics and warehouses, regular warehouses and also data warehouses.

GARY YEE: Great. Thank you, Gordon.

The next question I have is going to be for Donna: Is there any consideration for additional voluntary contributions akin to what OMERS offers?

DONNA LOMMER: Thanks Gary. At this time, we are not planning additional voluntary contributions as a plan feature.

GARY YEE: Okay. Thank you, Donna.

And Judy, the next question is for you: I work for the federal government as well and bought back my pension at 50 dollars per month. Why can't we do this with the municipal pension and they only give a five year buyback period why not ten years?

JUDY PAYNE: So that's a great question. Good morning, everybody. So just for background, members can buy service for an approved leave under some circumstances, mainly that they were an active member when they took the leave and they apply for that purchase within five years of taking that leave or within 30 days of ending their employment with the employer with whom the leave was taken. And that's subject to some limits that I won't get into now. Members can also, though, make continuous contributions while they are on an Employer Standards Act-related leave, such as parental leave, that kind of thing. But having a window to purchase the leave after the leave aims to balance two competing interests. One is getting money into the plan in a reasonable time, but also members having time to save money for a purchase. So the five-year limit was set following advice from the plan actuary when the board adopted the current salary and the current contribution rate approach and that was back in the early—really at the turn of the century. And because of the price of past service increases as time passes, the plan really needs to get the purchase cost in as close to when the leave happens in order to keep the price of the purchase reasonable for members.

GARY YEE: Thank you, Judy.

The next question I have I'm going to address to Gordon: How do you measure the carbon footprint of the companies you invest in? How do you ensure that that the method of measurement is consistent and accurate?

GORDON FYFE: We do align with PCAF and following, oh, shoot [live video interrupted]. Zoom quit unexpectedly. Gary did I just log out? Gary am I still here?

GARY YEE: Yes you are.

GORDON FYFE: Oh, good. It told me I had been logged out. I'm still alive, thank you. We do align with PCAF and are following best practices.

GARY YEE: Oh, now we lost you. So we'll come back to that question in a bit.

So moving on, the next question I have is for Aaron: What does a temporary annuity mean?

AARON WALKER-DUNCAN: Good morning, Gary and good morning everyone. Thank you for the question. Temporary annuity allows members to convert a portion of their lifetime pension into additional funds for their early retirement years. There are three temporary annuity options. Yu can take a full temporary annuity, a half, or a quarter. You can use the personalized pension estimator in My Account to see how a temporary annuity would affect your basic lifetime pension and this will allow you determine what your pension will be before and after age 65. For example, if you retire before age 65 you might choose to top up your monthly pension. This means your lifetime pension would be reduced so after age 65 your pension would drop by a certain amount. The younger you are when you retire, the bigger the impact the temporary annuity would have on your pension after age 65.

GARY YEE: Great. Thanks, Aaron.

The next question. I'm just going to go to the next question first. The next question is for Donna: Lots of people are working during the AGM, and they can't attend. Have you considered having the AGM in the evening or on a weekend?

DONNA LOMMER: Thanks, Gary. Lots of great questions this morning. I appreciate the question and the desire for as many people as possible to attend. We take that into consideration when we're planning these events in terms of date and timing. One of the good things about a virtual meeting like this is people can watch the meeting on demand and it will be posted on our website. They can watch the whole event or focus on parts that are of most interest to them. Again, thank you for the question and the input.

GARY YEE: Thanks, Donna.

I have another question for Aaron: Ransomware attacks seem to be happening more frequently. How do you protect members' privacy and that there is no disruption to their benefits?

AARON WALKER-DUNCAN: Yeah, thanks Gary. You know the BC Pension Corporation takes the protection of members' personal and financial data very seriously. And we invest a lot of time and energy in ensuring we protect the members' privacy and the information that we hold. We regularly review our cyber security model in response to new and ever-changing threats. We also spend considerable time training our staff to ensure that we complete training on privacy and security. Employees are required to refresh their knowledge every year. So, yeah, protecting members' personal and financial data is sort of a foundational activity for the corporation because of the importance we place in ensuring that we protect that information for members.

GARY YEE: Great. Thank you, Aaron.

I see Gordon is back, so I'll go back to the question for him. I'll just repeat the question to remind everybody. So Gordon: How do you measure the carbon footprint of the companies you invest in? How do you ensure that that the method of measurement is consistent and accurate?

GORDON FYFE: I just want to point out that while Donna was saying how great it was to have this done virtually, I was losing signal. So there are benefits, but there are a few disruptions as well.

So we do align, as I said, to PCAF [Partnership for Carbon Accounting Financials], which is a best practice. And you can if you want more information, go into our annual report and see our Task Force for Climate-related Financial Disclosure report in there, which I think would be a lot more elaborative than I can provide here. But what I will share with you, which isn't in the annual report, is what we're doing in looking forward. The first is the data is still improving that we're getting and so our analysis and estimates are still improving. But we do plan to bring in auditors and have this climate estimates, sorry, carbon estimates audited in the future as we get better at that. And we have a project in place ongoing this fiscal year so that's going to the end of March … we are looking to significantly improve to make almost live the data of the carbon footprint of the overall portfolio and that is a very big project. I'm not promising it will be finished by the end of the fiscal year, but it's going to give us a lot more information because we're going to be pulling in data from all of the assets, including private assets. And it will be, I won't say live, but more current information. Thank you, Gary.

GARY YEE: Great. Thank you, Gordon.

The next question I have will be for Donna. Two questions have come in that we can answer together: What does guarantee stand for? What are the key features and benefits that make the Municipal Pension Plan a compelling choice for municipal employees, and how does it differ from other retirement savings options available in the public sector?

DONNA LOMMER: Wow. I think being a defined benefit plan it actually is a benefit in itself because the plan members can be confident their pension will be there when they need it. The Municipal Pension is based on a formula that uses your years of service and your highest average salary. The plan is well-positioned to withstand market fluctuations. Your pension is secure and there for you when you retire. It's guaranteed, based on the formula of the defined benefit plan.

The plan is a good value that will provide a dependable income in retirement.

Is there anything that you want to add to that, Gary?

GARY YEE: These are some key features of a defined benefit pension plan. Other defined benefit plans in the public sector have some similar – and some different – features, but reliability and being able to predict what you'll get in the future are similar. So thank you very much.

The next question I have is for Judy. Is it possible to invest your retirement funds on your own before retirement and still have your employer matching your monthly pay cheque contribution?

JUDY PAYNE: So the short answer is no, not if you are contributing to the Municipal Pension Plan. So under our rules, Municipal Pension Plan contributions come to plan where they're invested in pooled funds with BCI. Nothing prevents you from saving additional money if you want to for retirement through a TFSA or RRSP or another vehicle, but there's no obligation for your employer to share in those costs unless you have a separate arrangement with your employer to that effect. The plan rules themselves don't permit you to invest the funds on your own.

GARY YEE: Great. Thank you.

The next question I have is going to be for Harpinder. The Canadian Oil and Gas industry pays good dividends and provides good cash flow and relatively cheap assets, lots of these company have good ESG records; how can I ensure that a Municipal plan will not be cutting off this large and vital industry in our Canadian economy?

HARPINDER SANDHU: Thanks, Gary. So essentially we govern the plan in the best interests of plan beneficiaries and have a fiduciary duty to invest the fund in the best financial interests of members and their beneficiaries.

Now, although we do recognize that climate change presents both risks and opportunities for the plan's investment portfolio, we believe that companies that take environmental, social and governance factors into account have less risk and generate more long-term value for investors like the pension plan, compared to companies with less-robust practices.

Our goal is on the expectation that rest of the world will evolve and governments will deliver on their global commitments to climate change. We'll review our goal annually to make sure it remains prudent and aligned with the board's fiduciary duty. Thank you.

GARY YEE: Gordon would you have any additional information on this question?

GORDON FYFE: In our active portfolios we're obviously looking at returns and risks and if there are companies—as the person posing the question mentioned—that fulfil our return and risk objectives then we would be investing in it. But I will say we are very active engaging with both the management and the board, the chairman, the chair of the compensation committee for example, of those companies to make sure they have a plan in place for the ongoing energy transition to make sure that—because we're a very, very long-term investor. And so if they don't have those plans in place, then that will depreciate the value of our asset long term. But today 80 per cent of energy use still comes from fossil fuels, but as that reduces over time we want to make sure they've got plans in place and they are preparing for that.

I think part of the question may be relating to divestment and if you don't mind Gary, I would just touch on that as well because I do get a lot of inbound from interested parties asking us to divest from this, sell that, get rid of everything. But, if we sell something, somebody else is buying it. And it's usually someone who does not have the same sense of fiduciary responsibility that we do. And as I said, I have a team at BCI, I have 16 people in my ESG, my sustainability team, that are actively involved in engaging with the companies, voting the proxies, working on plans with them, collaborating with other funds around the world working on putting pressure on companies that aren't making these pressures. So if we sell to somebody that doesn't have that maybe we feel better. We look in the mirror and say guess what, we don't have any carbon in our portfolio. But we haven't actually helped the world. We haven't actually used the muscle and the influence that we have to make these companies better. As I said there is a lot of pressure to divest but I don't think it makes the world a better place. It doesn't raise the cost of capital. There's been studies shown that selling doesn't raise the cost of capital for these companies. It doesn't make it more difficult. All it does is allows us to wash our hands and not invoke any change.

I wanted to add that as well, Gary. Thanks.

GARY YEE: Thanks, Gordon.

Just a note here. Someone has asked for the link to My Account. We'll have a slide at the end of our presentation today with resources, including that link. So we'll have that up on a slide at the end of our Q&A session.

The next question I'm going to be referring to Aaron Walker-Duncan. The question is: Continuous contribution leaves are very onerous for employers to process, and for the plans as well as I understand it. Is the board looking into alternate solutions?

AARON WALKER-DUNCAN: Yeah, so thanks very much for this question. I assume it's come from an employer. I guess I'll start by saying at the Pension Corporation we sympathize with you as well because we feel the administrative burden of those as well. Maybe I'll just back up and remind everyone that continuous contribution leave was introduced a couple of years ago by the plan as a way to expand the options available for members taking certain leave types while they were actively employed. So typically leaves covered under the Employment Standards Act, so this might be maternal leave or parental leave. Unlike the current rules where members once they return from a leave they have up to five years to purchase that time, we introduced an option for members to continue to make contributions while they are on the leave of absence. So effectively purchase the leave while they are on their leave of absence in those circumstances. So it was about expanding the options available for members. Which is great. But we also recognize that there were some not unintended but recognized issues associated with that so we as a corporation are exploring how we can better manage that process perhaps through automation. So nothing right now, but work is underway to improve that for employers and ourselves because ultimately it will make the process smoother for the member as well. So more to come, but we are looking at it.

GARY YEE: Great. Thank you, Aaron.

The next question I have is for Gordon: How is the divestment of investments going with Russia as noted was happening last year? Also are you starting to invest in alternate energy, specifically geothermal?

GORDON FYFE: OK, first on Russia. We can't sell anything in Russia. We're forbidden from trading in Russia and anyway there's no market. But what we did is mark everything, the exposure that we had—a couple hundred million dollars, which I know it sounds large, but on $250 billion it was not in relative terms a huge exposure for the organization—what we did was write everything now to zero what was it, a week or week and a half after the invasion. It wasn't even that long, less than a week after the invasion we wrote everything down to zero. So we've made no further investments and it's all sitting down in the vault marked at zero. So if ever something happens and there's value to it, it's still there. There's no way to get rid of it anyway. And so it's sitting at zero.

As for alternative investments, we've got, as for BCI overall, just over $11 billion invested in climate-related investments. And those are investments defined by the sustainable development goals. Of that $11 billion, $4 billion belongs to the Municipal Pension Plan. So some examples are, for example we bought in our infrastructure portfolio a solar company in the last year. We've also made a good investment in Europe in a battery storage business. And we have been looking—there's a huge amount of capital that is going to be required for the energy transition. So a lot of organizations today—manufacturing for example —are using fossil fuels to power their organizations. They want to change but it's incredibly expensive. So how are they going to do that? How are they going to finance that? A lot of capital is going to be needed going forward to finance this energy transition. A lot and its going to take decades. And so we're looking at various partners for us to get involved in putting money into some of these energy transition funds.

GARY YEE: Great. Thanks, Gordon.

The next question I have is going to be for Judy Payne.

When I hear or read hear that COLA in the Municipal Pension Plan is based on CPI numbers from September to September. Can you explain what this means? Is it based on September 1st of previous year to August 31st of the next year?

JUDY PAYNE: Great question and all the plans calculate the change in the consumer price index slightly differently. The way Municipal does it we look at the difference between September 30th of current year and September 30th of the prior year. So in this case that number should be available mid October, so shortly after the AGM. Then the board will make a decision with respect to 2024 COLA in November.

GARY YEE: Great. Thank you.

The next question is for the MRBT so I will either address it to Bonnie or to Monique. So the question is: What is the difference between “reimbursement percentage” and “dollar maximum” regarding massage therapy?

BONNIE PEARSON: I’ll let Monique Klein clarify more thoroughly, but the benefit is reimbursed at 70 per cent to a yearly maximum of $500. So I’ll let Monique add to that, but that’s basically what those two terms cover.

MONIQUE KLEIN: Perfect. Thank you very much Bonnie. Yeah, so paramedical practitioners on your Pacific Blue Cross benefit plan with the MRBT are covered up to $500 per practitioner per person per calendar year. So we’re looking at physiotherapy, massage practitioners, acupuncturists, chiropractors, etc. That’s one aspect of the plan design. So the paramedical is a yearly maximum amount. But the other aspect is the co-insurance and that’s 70 per cent as Bonnie correctly stated. 70 per cent of the first $1,000 paid per person per calendar year. And it actually goes to 100 per cent thereafter. So after $1,000 has been paid by Pacific Blue Cross, it moves to 100 per cent, which is great. So there are those two aspects to consider when you’re submitting for a paramedical practitioner. Now just as a brief example because it might be easier to understand. If you went to a practitioner and the coverage was, your expense was $100, and you had already paid your deductible, 70 per cent of that would be covered, so $70 assuming all things remain equal.

Additionally I’d like to comment on the fact that this information would be available to you on the special microsite that we have available for the MRBT. It’s a customized site for you. You can visit it at www.pac.bluecross.ca\mrbt. And there you can find all kinds of information with regard to your booklet, you can get a quick brochure with the high-level plan design information as well as a lot of other information about your plan. So I encourage you to take a look at the microsite as well as your Pacific Blue Cross Member Profile where you can access your individual information about your claims, you can submit claims, and access everything on the Pacific Blue Cross main website. I hope that answers. Thank you.

GARY YEE: Thanks, Bonnie. Thanks, Monique for your answers there.

The next question I have is for Aaron. Someone has asked what the best plan is if they have 13 years in the plan.

AARON WALKER-DUNCAN: Thanks Gary. Well first of all I’d say congratulations. That’s a pretty good amount of service in the Municipal Pension Plan. Without knowing any more about the member’s circumstances like their age or their earnings level, things like that, I can’t really comment on how good something is or not other than to encourage you to go to the plan website. You can check out not only all the great educational information that’s available for members about the plan. There’s lots of videos, there’s webinars you can sign up for. But also make use of the personalized pension estimator. You can go in and see well what does 13 years mean based on the salary information that’s been provided for you and that sort of thing. The estimator looks at projections, so depending on your age and how close you are to retirement there’s different variables you can put in there to determine what your expected pension might be when you come to retire. So, yeah, I'd encourage you to look at that along with the educational material that's available to you, but also just say, yeah, congratulations.

GARY YEE: Thanks Aaron.

The next question I have is for Donna: The goals of maximizing the plan's investment returns and conformance to targets mandated by climate change considerations are not necessarily always aligned. What is your approach to this potential conflict of goals? How does this potential conflict inform your interpretation of your fiduciary responsibilities?

DONNA LOMMER: Great question. Thanks for that. As a board we govern the plan in the best interests of plan beneficiaries and have a fiduciary duty to invest the fund in the best financial interests of members and their beneficiaries. We believe climate change is the risk and climate action is the opportunity. That's why we are preparing the plan for a low carbon future and why we will invest in solutions while meeting our fiduciary duties.

Our goal is based on the expectation that the rest of the world will continue to evolve and governments will deliver on their global commitments. We'll review our goal annually to ensure it remains prudent and aligned with the board's fiduciary duty.

Thanks Gary.

GARY YEE: Thanks Donna.

The next question I have is for Aaron: If a member is ready to retire and is going to be choosing a Joint life pension. Does the application form use the term "spouse" and or "partner" as the beneficiary?

AARON WALKER-DUNCAN: Thanks Gary. I believe we use the term "spouse" because it's set out in the "Spousal declaration form" which is a statutory form that we're required to use under the Pension Benefits Statues Act. But the definition of spouse is broad and does include common-law and legally married individuals so that information is included on the material that's provided with the forms and is part of the online retirement process.

GARY YEE: Thank you Aaron.

The next question I have is going to be for Gordon: What effect on investments do you think that the civil unrest in the Ukraine and Israel will have on our Canadian investments/ economy?

GORDON FYFE: Well it's definitely going to create some volatility as we've seen. I think if I can just folks on Ukraine for just a moment. And listen – I'm not addressing all of the humanitarian suffering which is just devastating. Some of the stuff I've read is unbelievable in both of the fights. But from an economic and a market perspective the US dollar has been the reserve currency since at least the end of the Second World War and the US treasuries have benefited form that. So interest rates at the longer end and all across the US curve interest rates have benefited and kept lower than they otherwise might be because of demand for US dollars. But what happened with the invasion of Ukraine, Russia, which had some reserves tied up in US treasuries lost access to those. What that meant is the world was put on alert that if the US gets upset with you about something you're doing you may not have access to those US treasuries that you put some of your extra cash into. And one of largest owners and buyers of US treasuries has been China. And it didn't take them long to figure out that maybe that's not such a great thing for us to use the US currency, to have so much invested in US treasuries. And so if you look at the Chinese purchases of US treasuries they've been falling.

Now there's other reasons that longer-term interest rates have been going up. There's many different things. But certainly the lowering of demand from China, which had been a very large buyer of US treasuries has put upward pressure on interest rates.

The other coming from both of these skirmishes has been the impact it's had on commodity prices and the supply of commodities. Now Russia is finding ways to get around that by selling into some other countries less scrupulous than perhaps we are in obeying the sanctions and getting cheap oil. But generally it's put upward pressure on commodity prices. But I do, Gary, think the biggest pressure has been on the US dollar reserve currency and on long-term interest rates going forward.

GARY YEE: Great. Thank you Gordon.

The next question I have is for Bonnie: What is the value, money value, of the MRBT?

BONNIE PEARSON: That's a great question and thank you for it. Since the change in plan design and creation of the trust, we're now able to earn investment income. So as at December 31, 2022, the trust's total assets were $157.2 million and total liabilities were $20.1 million. This means the net assets available for benefits were $137.1 million. And you can learn more about the MRBT's financial summary and performance by reading the 2022 Annual Report, which is available now at mpp.pensionsbc.ca > About us > Who we are > Municipal Retiree Benefit Trust. That's our first annual report and we're very pleased to present it to plan members. It's a group plan so the benefit is in the group but the assets are sustainable for the future; the board is really cautiously optimistic as I said in my previous comments. Thank you.

GARY YEE: Great. Thank you very much Bonnie.

We have one last question and the question is: Will the COLA cap be reintroduced?

Following our last valuation, the COLA cap was cautiously removed for 2023–2025, on the advice of the plan actuary. We continue to closely monitor inflation, investment returns and the health of the plan. The COLA cap will be revisited at the next valuation.

GARY YEE: This concludes our 2023 annual general meeting.

Thank you to everyone who helped make this event possible and to all of you joining us online today. Again—if we didn't get to your question, we will make every effort to respond soon on the plan website. Additionally, a recording of today's event will be published to the plan website under About us.

We welcome your feedback on the AGM. Your input helps us continue to improve the event. This can include what worked for you and what did not.

Anything you'd like to see different next year?

Take a moment to share your thoughts by sending an email to mpbt@pensionsbc.ca. If you have a personal pension question, remember that you can sign in or register for My Account and ask your question through Message Centre.

Finally, I will leave you with a list of resources shared throughout the AGM. These will appear on your screen now. Thank you again for being here and for engaging with your pension plan. Spread the word—next year's AGM is on October 17, 2024.

We look forward to seeing you all online again next year.

Thank you.

END OF TRANSCRIPT