

MEMBER Q and A for PEPP Steps changes

(May 23, 2019)

Where can I find the old asset allocations of PEPP Steps? [Fund Fact Sheets](#) are available on our website under Investments/Publications.

I'm moving two steps and the unit value is changing how will this affect my account? Your account value will not change. You may have a different number of units, but the value of your account will not change.

Example from the newsletter: Yusuf has an account balance of \$360,000. He is 41 years old and currently in Step 4. On June 27 his account balance will be moved to Step 2.

*Step 4 unit value is currently about \$183 so his \$360,000 currently owns 1967.2131 units.
Step 2 unit value is currently about \$184 so his full \$360,000 will purchase 1956.5217 units.
Yusuf will have 10.6914 fewer units, but still the same account value of \$360,000*

I'm moving two steps lower and will have more expensive units. How is this better for me? Your account value is not changing. The unit values reflect the market value of the investments. The earlier steps have higher unit prices because they have grown in value.

I want to move to Step 3 – can I choose my Step? Sorry, that is not the intent of this life cycle fund. You enter the fund and move along the Steps based on your age. You could choose an asset allocation fund that is close to the asset mix you are looking for. PEPP's asset allocation funds are: Conservative, Moderate, Balanced, Growth and Accelerated Growth Funds. For example if you liked the asset mix in Step 3 and wanted to be invested in it regardless of your age, you could choose to invest in the Growth Fund.

I like the fund performance where I am at currently in PEPP Steps, but now that's changing. What options do I have to stay in a similar type of fund? PEPP Steps is a life cycle fund designed to move members along an investment path by age. If the changes to age bands and asset mixes no longer suits you, PEPP offers six other asset allocation funds that may be an option for you. Please review the [Fund Fact Sheets](#) and perhaps complete a [MY PEPP Investor Profile](#) available on our website for more information. Or phone us and have a conversation about your options with our CERTIFIED FINANCIAL PLANNER® professionals.

Why are you doing this and what does 'improve member outcomes over time' mean? The Public Employees Pension Board hired an independent consultant to assist the Board in their review of the Plan's investment structure. Increasing the diversification and exposure to alternatives and changing the age bands should improve the overall risk/return of the funds leading to improved member outcomes.

Improved member outcomes means more money for retirement!

What are alternatives? An alternative investment is a financial asset that does not fall into one of the conventional investment categories, such as stocks, bonds, and cash. Alternative investments for institutional investors such as pension plans can include private equity, liquid alternatives, commodities, real estate and infrastructure.

Why are you adding alternatives? Diversifying investments protects your money by spreading risk over different investment types. Alternatives have long been a part of PEPP's investments. We are separating them into their own portfolio, increasing their weight in the PEPP funds and further diversifying the alternative investments in the Plan.

Why is it good to keep the funds aggressive longer? Being more aggressively invested for longer should improve the overall risk/return of the fund leading to improved member outcomes at retirement.

How long will it be before the 'targeted' asset mixes are in place? Generally asset mixes will be pretty close to targets in July 2019, however private equity, infrastructure and real estate will take longer to implement.

I'm not in PEPP Steps do these changes affect me? The three portfolio structure and increase in diversification and exposure to alternatives will impact all asset allocation funds and PEPP Steps. Asset allocation funds are: Conservative, Moderate, Balanced, Growth and Accelerated Growth Funds. The specialty funds – Money Market and Bond – are not impacted.

We are not moving anyone into or out of PEPP Steps automatically.

Will I be charged a fee for this change, or will it count toward my two free manual inter-fund transfers?

This change is not considered an 'inter-fund' transfer because money is not leaving the PEPP Steps Fund. No fees will be charged and any Step transfers that happen within the fund are not tracked toward the two free manual inter-fund transfers.

*The Plan tracks and charges fees for **manual** inter-fund transfers – transfers from one fund to another using the Investment Option Changes Form. All **online** inter-fund transfers using [PEPP Access](#) are free!*

Blackout question:

During the system interruption, will the changes in the markets still affect my investments? Whatever has happened in the markets during the system interruption will be reflected in the unit values declared after we resume normal business.