

## Summary - PEPP investment fund changes

The last two *Pension Perspectives* newsletters (Winter 2019 and Spring 2019) covered changes coming to the PEPP investment funds:

1. the switch from two to three portfolios;
2. Bond Fund changes; and
3. PEPP Steps changes.

This article summarizes the changes as they relate to the various funds.

### 1. Switch to three portfolio – April 1, 2019

The asset mixes of all PEPP funds (except the specialty funds – Bond and Money Market) have gone from a two portfolio structure - growth and fixed income – to a three portfolio structure – equity, income and alternatives.

The equity portfolio includes a number of existing global and regional equity mandates but will also include private equity.

The income portfolio includes a number of existing fixed income mandates with varying exposures to Canadian and/or global fixed income markets, but with the heaviest exposures to Canadian fixed income.

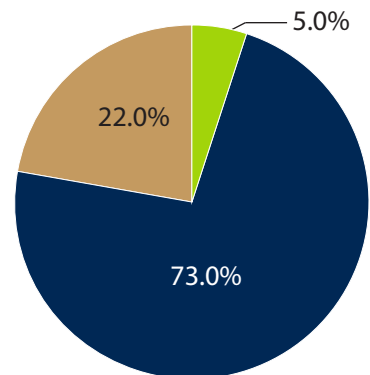
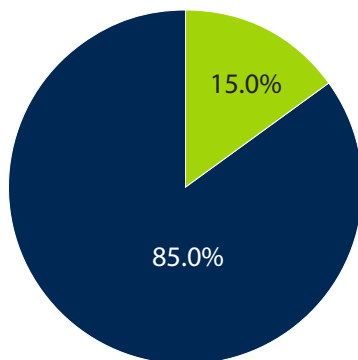
Alternatives have always been a part of the equity portion of each fund or Step. We are separating them into their own asset class, increasing the weight in the PEPP Funds and further diversifying the portfolio. The alternatives portfolio will include the existing Canadian real estate and liquid alternatives (currently under the Growth Portfolio). Along with the restructure, the new alternatives portfolio will add global real estate and infrastructure as two new asset classes.

## Asset Allocation Funds

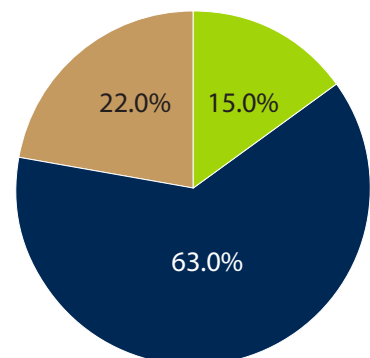
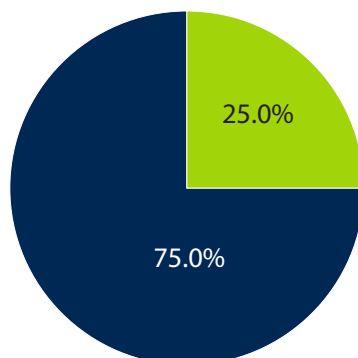
Two portfolio structure

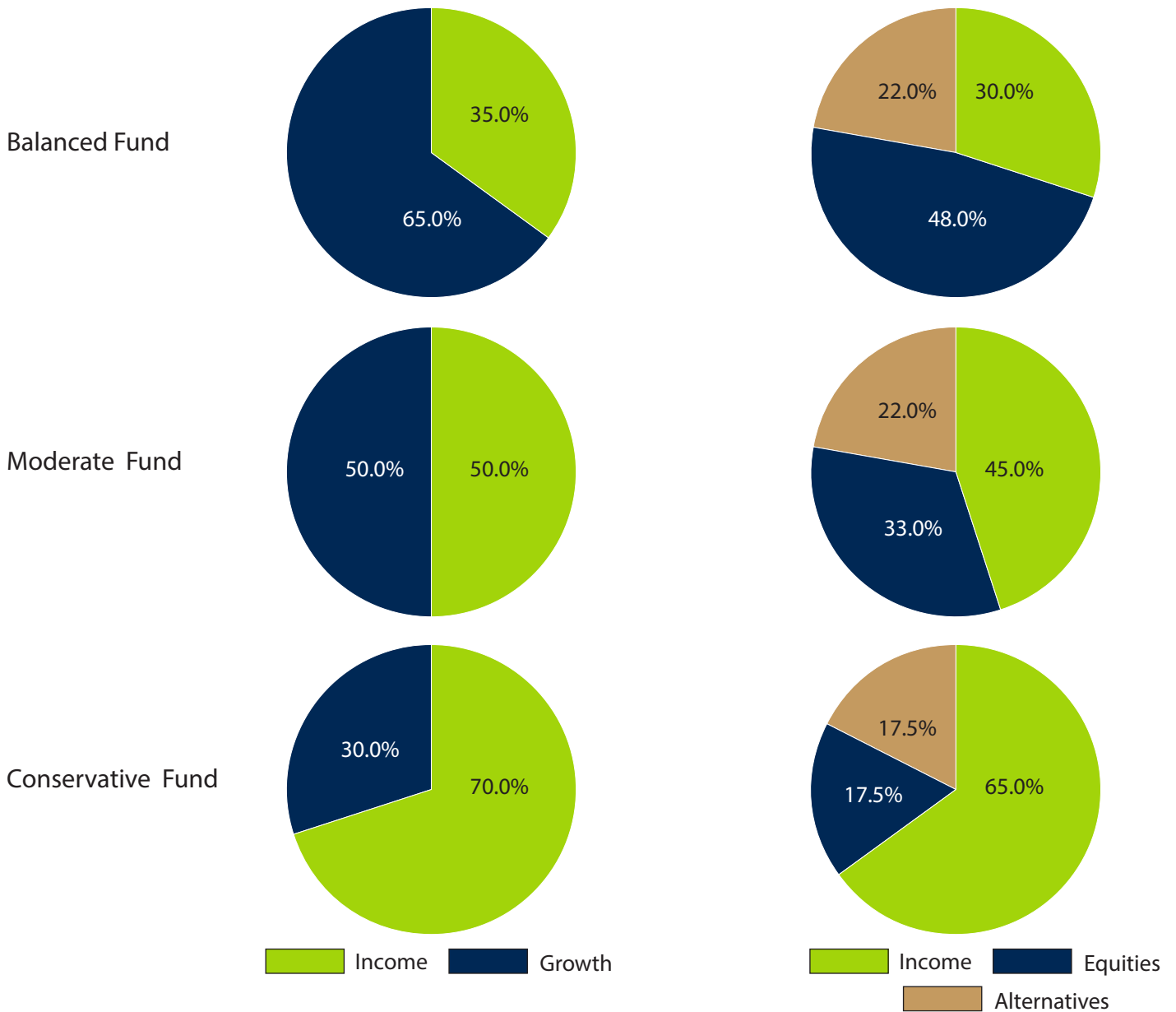
Three portfolio structure

Accelerated Growth Fund



Growth Fund

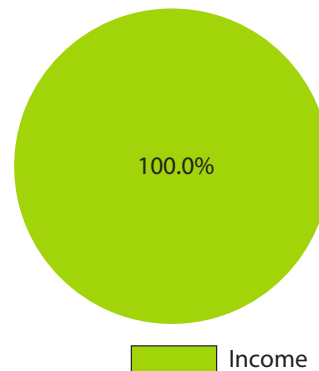
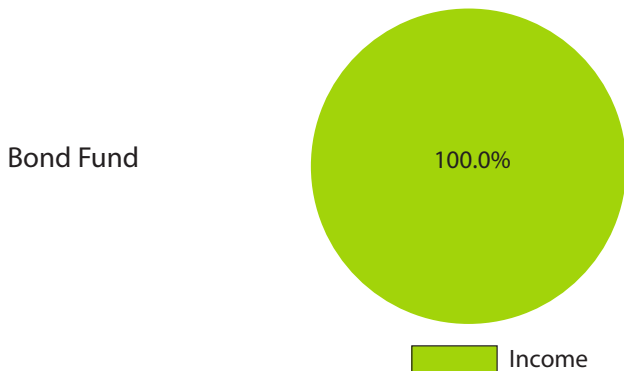




**2. Bond Fund – April 1, 2019** The Bond Fund will now see a more diversified fixed income portfolio that mirrors the income portfolio within each of the asset allocations funds and the PEPP Steps.

Two portfolio structure

Three portfolio structure



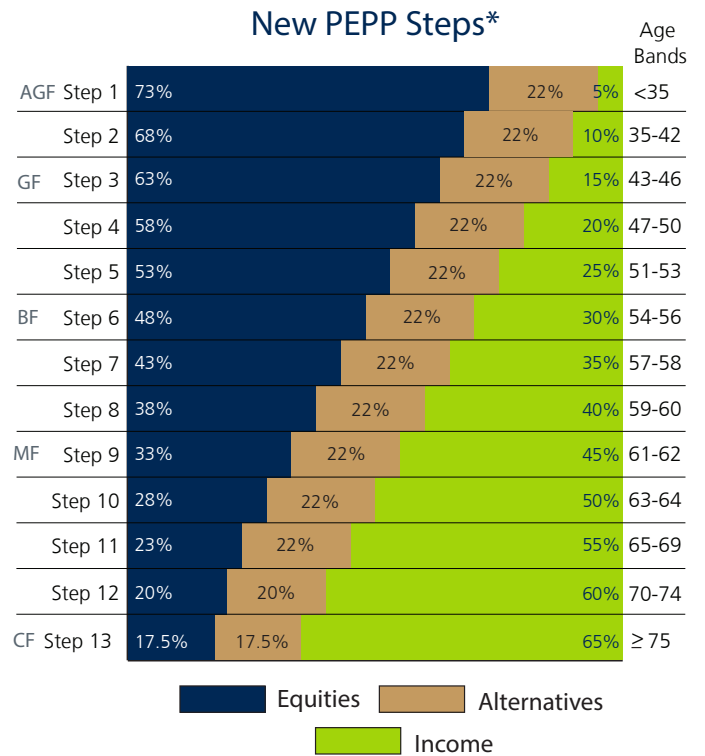
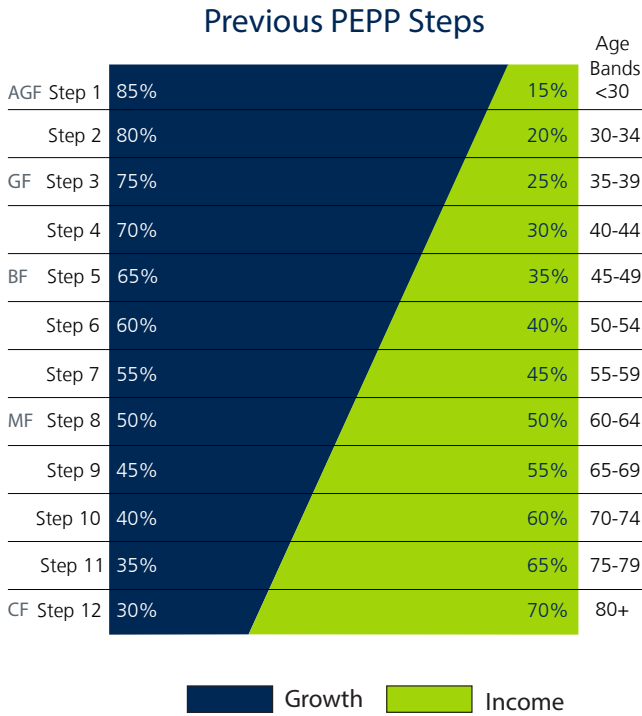
Underlying investments are primarily Canadian Core Bonds with allocations to cash.

Underlying investments have exposures to Canadian Core Bonds, Canadian Core Plus Bonds, and Absolute Return Bonds with small allocations to cash.

### 3. PEPP Steps will have three changes June 27, 2019:

- changes to the age bands;
- adjustments to the asset mixes – including switch to three portfolio structure; and
- expanding the fund from 12 to 13 steps.

\*The New PEPP Steps chart shows the new Step 13, new age bands and the target asset mixes and three portfolio



AGF - Accelerated Growth Fund GF - Growth Fund BF - Balanced Fund MF - Moderate Fund CF - Conservative Fund

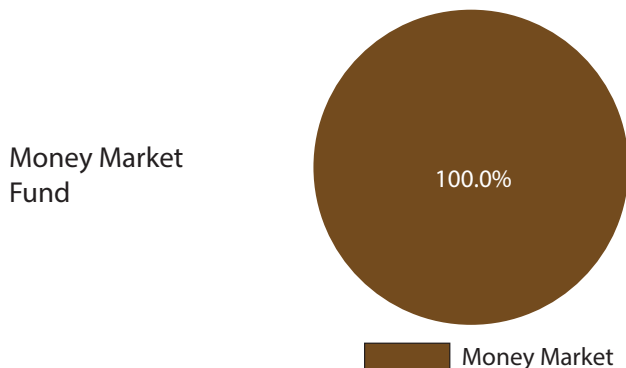
structure. Beside certain Steps you will see the asset allocation fund that shares a similar asset mix – for example: Step 3 is very closely matched to the Growth Fund.

Your account may move a Step or perhaps even two Steps as a result of the changes to the age bands. To see where your account will be invested after June 27, 2019, find your current age in the “NEW PEPP Steps” chart above.

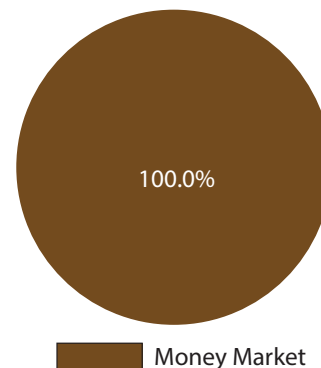
Some of the asset mix changes will take place immediately and others may take a few years before the targets are hit. Assets like real estate and infrastructure take time to transition.

### Money Market – no changes

Two portfolio structure

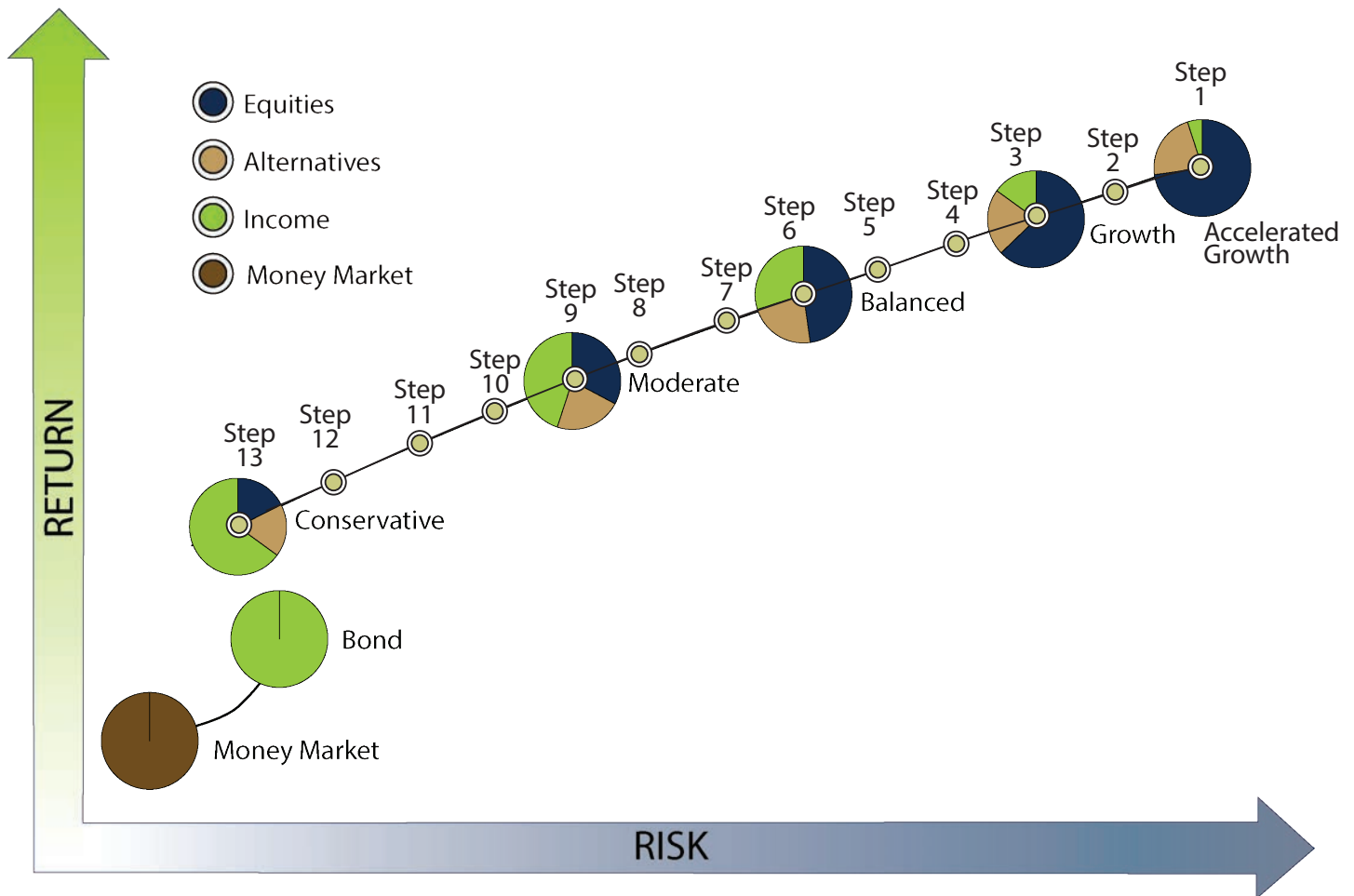


Three portfolio structure



## Improving member outcomes

The increased and more diversified exposure to alternatives in all the asset allocation funds and the PEPP Steps Fund should improve the overall risk/return expectations of the PEPP funds which should lead to improved member outcomes – more money for retirement!



Fund fees will go up moderately, but long-term returns are expected to increase and volatility is expected to decrease.

All these changes are done or will be completed on the direction of the Public Employees Pension Board and on the advice of an independent consultant.

### Online resources:

We do suggest you review your PEPP member statements and complete a *MY PEPP Investor Profile* (available online) annually to re-assess whether your investment fund choice is still appropriate for your risk tolerance and time horizon.

- Q and As on the changes
- Winter and Spring 2019 issues of *Pension Perspectives* newsletter - under Member/Publications
- *Fund Fact Sheets* provide more details on each fund – under Investments/Publications.
- *MY PEPP Investor Profile* – under Investments/Member/Publications
- *Fund Performance Bulletins* – under Investment/Fund News and Performance
- *Statement of Investment Policies and Goals* – under Investments/Publications.

Please contact us if you have any questions.