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## **A Case for Retiree Representation on the Public Employees Pension Plan Board**

### **Saskatchewan Retirees Association**

#### **Current Board Composition**<sup>1</sup>

Saskatchewan's defined contribution plan for public employees was officially created on October 1, 1977 under The Superannuation (Supplementary Provisions) Act. Initially called the Saskatchewan Public Employees Superannuation Plan (PESP), the name was changed to the Public Employees Pension Plan (PEPP) on July 1, 1997.

The Act provided for a Board composed of:

- a Chairperson appointed by the Board;
- four members representing employees; and
- four members representing the employers of employees participating in the Plan

Since then, the PEPP Board has continued to be composed of an equal number of employee and employer representatives, with a chairperson.

#### **Growing Retiree Membership**

When the Public Employees Pension Plan was established, members had to leave it to take their retirement income. It was not until the Variable Pension Benefit (VPB) was introduced in May 2006 that members were given the option to remain in the Plan and continue to take advantage of PEPP's investment options and low fees while drawing retirement income.

The number of retirees taking the VPB option and remaining in the Plan has been growing since 2006, both in real terms and in proportion to total PEPP membership.<sup>2</sup> In December 2012 there were 1,538 members (2.9% of the total) receiving the Variable Pension Benefit. By March 31, 2016 there were 3,389 VPB members, comprising 5.3% of the total PEPP membership. At March 31, 2024, there were 8,141 VPB members, comprising 11.1% of the total membership. The number of retirees in PEPP continues to grow as PEPP continues to promote the Variable Pension Benefit and emphasize member retention.

Not surprisingly retirees hold an even higher proportion of PEPP funds. The average account balance of VPB members (\$385,408) was nearly three times the average account balance of active and inactive PEPP members combined (\$130,530) in December 2022, and VPB pensioners held about 26% of PEPP's total \$11.2 billion assets at that time.<sup>3</sup>

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## **The Case for Retiree Representation**

Clearly retirees are now important, but unrepresented, stakeholders in the Public Employees Pension Plan. They hold a significant portion of PEPP funds and have a vested interest in ensuring that funds are effectively managed to ensure retirement security. They also have the experience of retirement within the plan and can offer insight on issues important to it, such as member retention and the development of future retirement options. PEPP retiree members have diverse backgrounds, skills and experiences from the wide range of organizations that participate in the pension plan and represent a significant resource from which board representation could be drawn.

Many public sector pension boards across Canada include retiree representation.<sup>4</sup>

Retiree representation on pension boards is important for several reasons:

1. **Stakeholder Perspective:** Retirees are key stakeholders in the pension plan. “They have a vested interest in how their pension plan funds perform and deserve representation when decisions are made that may affect their retirement security.”<sup>5</sup>
2. **Oversight and Input:** Including retiree representation helps to ensure that the interests of retirees are considered. These representatives can provide valuable insights, oversight and input to the board of trustees and committees.
3. **Board Legitimacy:** “Adequate stakeholder representation... contributes to board efficacy by promoting board legitimacy to various stakeholders.”<sup>6</sup>
4. **Effective Management:** “Existing research has identified two key elements of board composition related to board effectiveness: 1) the appropriate skill sets, experience, and content expertise to execute fiduciary responsibilities; and 2) adequate stakeholder representation.”<sup>7</sup>

In summary, retiree representation will contribute to a balanced perspective, better decision-making, and increased trust in pension fund management.

## **Notes and References:**

1. PEPP. Governance Manual for the Public Employees Pension Board. February 24, 2023.
2. See Appendix Table “Variable Pension Benefit (VPB) Members as a Percentage of Total PEPP Members” below.
3. See Appendix Table “PEPP Assets by Member Category” below.
4. Examples of public employee pension boards with retiree representation include: BC’s Public Service Pension Plan; Retraite Quebec responsible for administering QPP and public sector staff pension plans; and the public service pension plans in Nova Scotia, New Brunswick and Prince Edward Island. (Source: Annual Reports) Many local government pension plans also have retiree representatives. Some examples include: BC’s Municipal Pension Plan; the Alberta Local Authorities

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Pension Plan, the Ontario Municipal Employees Retirement System, and the Winnipeg Civic Pension Plan. (Source: CUPE submission to the MEPP Composition Review, September 28, 2015)

5. .Roy Goodall, President of the National Association of Federal Retirees, quoted in “Federal Retirees Meet Minister O’Regan. National Association of Federal Retirees, News and Events, March 26, 2024.
6. Jean-Pierre Aubry and Caroline V. Crawford, “Does Public Pension Board Representation Impact Returns”, page 3. Center For Retirement Research at Boston College, State and Local Pension Plans, Number 67, August 2019.
7. Ibid., page 3.

## APPENDIX

<b>Variable Pension Benefit (VPB) Members as a Percentage of Total PEPP Members</b>					
<b>Year</b>	<b>Member Status at March 31</b>				<b>% VPB</b>
	<b>Inactive</b>	<b>Active</b>	<b>VPB</b>	<b>Total</b>	
<b>2016</b>	<b>25,397</b>	<b>34,891</b>	<b>3,389</b>	<b>63,677</b>	<b>5.3%</b>
<b>2017</b>	<b>26,019</b>	<b>34,466</b>	<b>3,973</b>	<b>64,458</b>	<b>6.2%</b>
<b>2018</b>	<b>26,210</b>	<b>33,725</b>	<b>4,741</b>	<b>64,676</b>	<b>7.3%</b>
<b>2019</b>	<b>26,331</b>	<b>33,880</b>	<b>5,368</b>	<b>65,579</b>	<b>8.2%</b>
<b>2020</b>	<b>26,633</b>	<b>33,767</b>	<b>6,031</b>	<b>66,431</b>	<b>9.1%</b>
<b>2021</b>	<b>26,746</b>	<b>34,054</b>	<b>6,572</b>	<b>67,372</b>	<b>9.8%</b>
<b>2022</b>	<b>27,601</b>	<b>34,357</b>	<b>7,160</b>	<b>69,118</b>	<b>10.4%</b>
<b>2023</b>	<b>28,626</b>	<b>35,158</b>	<b>7,603</b>	<b>71,387</b>	<b>10.7%</b>
<b>2024</b>	<b>28,991</b>	<b>36,377</b>	<b>8,141</b>	<b>73,509</b>	<b>11.1%</b>

Source: PEPP Annual Reports, 2015-16 to 2023-24

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<b>PEPP Assets by Member Category</b>				
<b>December 2022</b>				
<b>Member Category</b>	<b>Number</b>	<b>Average Account</b>	<b>Total Assets</b>	<b>Percent of Total</b>
<b>Active members</b>	35,173	\$ 178,861	\$ 6,291,077,953	56.2%
<b>Inactive members</b>	28,326	\$ 70,516	\$ 1,997,436,216	17.8%
<b>VPB members</b>	7,557	\$ 385,048	\$ 2,909,807,736	26.0%
<b>Total</b>	71,056		\$11,198,321,905	100.0%

Source: PEPP Strategic Business Plan, 2023-24 and 2024-25, March 30, 2023.

Appendix 2 PEPP by the Numbers on page 16.