Legislative Assembly of Alberta

The 28th Legislature
Second Session

Standing Committee
on
Alberta’s Economic Future

Bill 9, Public Sector Pension Plans Amendment Act, 2014
Bill 10, Employment Pension (Private Sector) Plans Amendment Act, 2014
Stakeholder Presentations

Wednesday, June 4, 2014
8:31 a.m.

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Standing Committee on Alberta's Economic Future

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Standing Committee on Alberta's Economic Future

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City of Calgary, City of Edmonton, Alberta Association of Municipal Districts and Counties,
Alberta Urban Municipalities Association....EF-613
- Brad Stevens, General Manager, Corporate Services, City of Calgary
- Simon Farbrother, City Manager, City of Edmonton
- Jeff MacPherson, Manager, Human Resources Services, City of Edmonton
- John Whaley, Director, District 3, Pembina, Alberta Association of Municipal Districts and Counties
- Steve Christie, Mayor of Lacombe; Vice-president and Director, Cities up to 500,000, Alberta Urban Municipalities Association
- Bernie Gold, Director, Retirement Services, Alberta Urban Municipalities Association

Alberta Federation of Labour, Alberta Union of Provincial Employees, Health Sciences Association of Alberta
United Nurses of Alberta, Canadian Union of Public Employees, Alberta....EF-625
- Gil McGowan, President, Alberta Federation of Labour
- Guy Smith, President, Alberta Union of Provincial Employees
- Elisabeth Ballermann, President, Health Sciences Association of Alberta
- Heather Smith, President, United Nurses of Alberta
- Marle Roberts, President, Canadian Union of Public Employees, Alberta

Public Service Pension Board, Management Employees Pension Board, Local Authorities Pension Plan Board
Special Forces Pension Board....EF-637
- Larry Murray, Chair, Public Service Pension Board
- Elaine Noel-Bentley, Vice-chair, Public Service Pension Board
- Scott Kashuba, Chair, Management Employees Pension Board
- George Walker, Vice-chair, Local Authorities Pension Plan Board
- Meryl Whittaker, Chief Executive Officer, Local Authorities Pension Plan Board
- Roger Rosychuk, Chair, Special Forces Pension Board

Laborers' Pension Fund of Western Canada, Alberta Ironworkers Pension Fund
United Food and Commercial Workers Canada....EF-646
- Sid Matthews, Chair, Laborers' Pension Fund of Western Canada
- John Leder, Chair, Alberta Ironworkers Pension Fund
- Bob Linton, Director, Legislative and Political Affairs, United Food and Commercial Workers Canada

8:31 a.m. **Wednesday, June 4, 2014**

[Mr. Amery in the chair]

The Chair: Well, good morning, ladies and gentlemen. I'd like to welcome all members and staff and guests in attendance at today's meeting of the Standing Committee on Alberta's Economic Future. I would like to call this meeting to order and ask that members and those joining the committee at the table introduce themselves for the record, and for those members who are joining by phone, if you're substituting for someone else, please indicate that.

I'm Moe Amery, MLA for Calgary-East and chair of this committee.

Mr. Fox: I'm Rod Fox, MLA for Lacombe-Ponoka and deputy chair of this committee.

Ms Kubinec: Good morning. I'm Maureen Kubinec, MLA for Barrhead-Morinville-Westlock.

Mr. McDonald: Good morning. Everett McDonald, Grande Prairie-Smoky.

Ms Kennedy-Glans: Good morning. Donna Kennedy-Glans, Calgary-Varsity.

Ms Pastoor: Good morning. Bridget Pastoor, MLA, Lethbridge-East.

Mr. MacPherson: Good morning. Jeff MacPherson, manager, human resources, city of Edmonton.

Mr. Farbrother: Good morning. Simon Farbrother, city manager, Edmonton.

Mr. Whaley: Good morning. John Whaley, director for the AAMDC.

Mr. Stevens: Good morning. I'm Brad Stevens. I'm the general manager of corporate services with the city of Calgary.

Mr. Christie: Good morning. I'm Steve Christie. I'm the vice-president for cities up to 500,000 with the Alberta Urban Municipalities Association.

Mr. Gold: Good morning. I'm Bernie Gold, director of retirement services from AUMA, sitting in for John McGowan.

Mr. Rowe: Good morning. Bruce Rowe, Olds-Didsbury-Three Hills.

Ms Sorensen: Good morning. Rhonda Sorensen, manager of corporate communications and broadcast services.

Ms Robert: Good morning. Nancy Robert, research officer.

Dr. Massolin: Good morning. Philip Massolin, manager of research services.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Thank you all very much.

Just a few housekeeping items to address before we turn to the business at hand. The microphone consoles are operated by the *Hansard* staff. Please keep cellphones, iPhones, BlackBerrys off the table as these may interfere with the audiofeed. The audio of committee proceedings is streamed live on the Internet and recorded by *Hansard*.

Now can I ask the members on the phone to introduce themselves for the record, please.

Mr. Hehr: Yeah. Kent Hehr, MLA, Calgary-Buffalo.

Mr. Bikman: Gary Bikman, MLA, Cardston-Taber-Warner, sitting in for Pat Stier.

The Chair: Thank you, Mr. Bikman and Mr. Hehr.

Anybody else?

Mr. Luan: Jason Luan, MLA, Calgary-Hawkwood.

The Chair: Thank you, Jason.

Mr. Lemke: Ken Lemke, Stony Plain.

The Chair: Thanks, Mr. Lemke.

Mr. Eggen, would you like to introduce yourself for the record?

Mr. Eggen: Yes, I sure would. My name is David Eggen, and I'm the MLA for Edmonton-Calder with the Alberta New Democrats.

The Chair: Great. Anybody else? Thank you.

We need a motion to approve the agenda for today. Ms Donna Kennedy-Glans moved that the agenda for the June 4, 2014, meeting of the Standing Committee on Alberta's Economic Future be adopted as circulated. All in favour? Opposed? Carried.

Ladies and gentlemen, today we will be receiving presentations from a range of stakeholders relating to the committee's review of Bill 9, Public Sector Pension Plans Amendment Act, 2014, and Bill 10, Employment Pension (Private Sector) Plans Amendment Act, 2014.

I am pleased to welcome our guests participating in panel 4, who will be addressing Bill 9. Gentlemen, you each have 15 minutes to make your presentations, and I will open the floor to questions from the committee once we have heard from all presenters.

We will go in the order listed on our agenda, starting with Mr. Stevens from the city of Calgary. Welcome, sir, and you may begin. The floor is yours.

City of Calgary, City of Edmonton, Alberta Association of Municipal Districts and Counties, Alberta Urban Municipalities Association

Mr. Stevens: Good morning, Mr. Chairman and members of the committee. It's my pleasure to be able to attend this meeting of the legislative Standing Policy Committee on Alberta's Economic Future. I represent the corporation of the city of Calgary, one of the largest public-sector employers in Alberta.

We are a highly diverse and complex organization, with employees working in hundreds of different occupations over many varied lines of business. We also have collective bargaining agreements in place with 10 union jurisdictions. In total more than 14,000 of our employees currently participate in either of the local authorities pension plan or the special forces pension plan. These employees and their families are vitally interested in the deliberations of this committee with respect to the proposed legislation and public-sector pension plan changes. As an employer in the highly competitive Calgary labour market the review being undertaken by this committee is equally important to the city, so we thank you for this opportunity to speak to you today. I hope that this is the first step in what will be a comprehensive dialogue on the future of public-sector pension plans in Alberta.

From the outset of the government's pension reform process in the summer of 2013 the city has participated in all opportunities to meet with the government. As stated in our letter to the minister in December of 2013, we were assured that the government was committed to ongoing dialogue with all stakeholders continuing well into 2014, when all the stakeholder feedback had been gathered. We were disappointed, therefore, when this did not occur before the February 2014 announcement of the plan changes and the subsequent introduction of bills 9 and 10. Against that background we were very pleased when the minister decided to briefly hit the pause button and referred the bills to this committee. We trust that our presentation will be helpful to you with your mandate to examine how the long-term sustainability and affordability of our public-sector pension plans can be managed, taking into account both intergenerational fairness and protecting the defined benefit pension promise.

In our December 2013 response to the government the city articulated five principles which framed our response on the subject of pension reform and the process that we hoped would be followed. These principles remain the very foundation of our viewpoint and are equally important to us today. Our presentation today then is based upon our understanding of what's in Bill 9, introduced on April 16, and Minister Horner's intended pension changes of February 24. Obviously, if either of these are altered, we'd like the opportunity to again review our submission.

I'd like now to review with you each of those principles. First, a balance must be struck between the need for plan and governance changes against honouring the pension promise made to city employees when they joined local authorities and special forces. Since our December 2013 response it has become increasingly evident to us that the imposition of plan changes undermines the pension promise that was made to city employees.

The city believes that a pension deal promised to our employees at the time of their hire should be honoured, that a deal is a deal. If changes are imposed, these commitments can only be honoured by ensuring that our employees are fully – and I emphasize that word "fully" – grandfathered in the current plan. By this we mean that employees who are participating in the plan should continue unaltered until they terminate or retire from the city. We acknowledge that the government is prepared to grandfather service only up to the end of 2015.

In addition, this February the government unexpectedly introduced another form of grandfathering but only for public safety occupations, who could retain an unreduced pension as early as 55 with the 85 factor. As an employer who has a multitude of occupations throughout our workplaces providing this to only one group within the local authorities membership will cause us both internal inequity and labour relations challenges.

A commitment to grandfathering current plan participants would not preclude the parties from exploring new approaches to cost savings, stabilization measures designed to ensure that local authorities and special forces remain on a sustainable course, and moving towards a joint governance structure. Furthermore, the parties can turn their minds to creating a new deal with respect to pensions for a new generation of public servants. Employers such as the city will have an opportunity to position ourselves to attract new employees based upon this new deal.

In the absence of a commitment on fully grandfathering our participating employees, the city will also face some practical issues. Most significantly, our employees do have a right to adequate information and time to fully understand the impact of the proposed changes and how these changes will affect them and their families. The city is not currently aware of any plan on the part of anyone to provide the kind of face-to-face, clear, and transparent communication our employees will need in order to understand the changes and make informed decisions. Decisions based on emotion or insufficient information will have a negative impact not only on employee retention but on the financial health of the pension plans.

Principle 2. The city is committed to the retention of sustainable and affordable defined pension plans. The city believes that the local authorities and special forces boards have done a good job in managing these plans. The boards have a funding strategy in place to manage the short-term and long-term risks to the plans of volatile investment markets, lower interest rates, longevity, and growing plan maturity due to the increased ratio of retirees to active members of the plans.

8:40

Each board conducts regular valuations to assess the ability of the plan to meet its current and future obligations and set the contribution rates. Local authorities performs annual valuations, where special forces follows a three-year valuation schedule, with one currently in progress for 2013, a year ahead of schedule. It is important to note that the boards already have a plan in place to address the unfunded liabilities over a 15-year time frame. The city acknowledges that the cost of these plans is significant. The members and employers of LAPP and special forces pay for their share of the ongoing costs as well as their share of the total unfunded liabilities in these plans.

In looking at the rate history over the last 10 years, from 2005 to 2014, the local authorities board has increased contribution rates eight out of the 10 years, and in 2009, rather than a one-time significant increase for members and employers, the board phased in a rate increase over three years. These prolonged periods of contribution rate increases for employees were a result of the local authorities plans to fund the unfunded liabilities over the required 15-year period. The local authorities board has indicated that these liabilities will begin to decrease by 2019 and expect that they will be paid in full no later than 2026. Over the same 10-year period, 2005 to 2014, the special forces board increased rates once, in 2010. This increase in rates is intended to fund the special forces unfunded liabilities on post-1991 service, and that should be in place by 2023.

It is very difficult to assess whether the government's proposed changes will make the plans sustainable and affordable. This uncertainty makes it difficult if not impossible for the city to calculate the financial impacts of the proposed changes to the city's future budgets and its taxpayers. Therefore, we support undertaking a comprehensive dialogue amongst stakeholders on the future plan funding elements such as contribution rate caps and cost sharing and on the future plan design elements such as early and normal retirement ages, pension formulas, and cost-of-living adjustments. Unless common ground is found among the stakeholders, we question whether a meaningful plan that is sustainable and affordable across generations will actually emerge.

Principle 3. Changes to the plan must enhance the city's ability to attract and retain its employees and thus deliver citizens to the city of Calgary. The ability to offer a defined benefit pension plan is one of our few advantages to attract employees when faced with competition from other employers. Retaining the employees who already serve our citizens is equally essential. We recognize that many of our employees could choose to work for other employers who offer attractive compensation programs with long- and short-term incentives, generous perquisite packages, and supplemental benefits. Our employees have told us that faced with that choice, access to a secure, unreduced pension motivates them to stay with the city of Calgary. Imposing unilateral changes to the pension deal, including changes which are seen by the employees to be detrimental, will drive up our turnover, which in turn will adversely affect our ability to provide effective citizen service.

We see ourselves at risk in two categories: mid-year employees who find it in their financial best interest to leave the city earlier than intended to pursue more lucrative employment, and that's up to 27 per cent of our workforce, or a full 3,200 employees; or long-service employees who are currently eligible for an unreduced pension and may retire earlier from the city than intended. Those employees may opt to retire as the province states in its frequently asked questions about local authorities that these changes will not impact anyone who is currently retired or anyone who retires before January 1, 2016. A pretty big incentive to get to your pension. Some examples of front-line positions with a high number of employees eligible for retirement include 40 per cent of our transit operators, 40 per cent of our road staff, 27 per cent of our waste and recycling staff, and 41 per cent of our water services staff.

Although one would assume that speaking about pensions is a logical conversation, it actually invokes many emotions amongst our staff. Generally speaking, there is a lack of understanding about the pension plan. The announced changes add another layer of complexity that can be confusing and frightening to our employees. These emotions may result in employees resisting the proposed changes and leaving or retiring, especially before January 1, 2016, in order to avoid having their pension plans affected by other changes or being unsure that further changes are still yet to come.

Principle 4. Ongoing consultation between the province, the city, and other stakeholders will be essential as enabling legislation, applicable rules and regulations are developed and the Employment Pension Plans Act is amended. Our discussion here today is the beginning of what we hope will be a comprehensive consultation process. Although we have now seen the enabling legislation on pension reform, we have not seen the applicable rules and regulations for either the public-sector pension plans act, Bill 9, or the employment pension plans act relating to the unproclaimed Bill 10.

Forging ahead without a full understanding of the details of changes of this magnitude makes it difficult for the city to assess the implications for us as an employer or for our employees. We feel that it is essential that the city be given an adequate opportunity to review the rules and regulations in order to assess the financial and workforce impact on our organization. As such, we would respectfully request a copy of the regulations well in advance of their proposed implementation.

Principle 5. As the largest municipal employer of the local authorities pension plan and special forces pension plan we see that the city has a leading role to play in developing and participating in the governance structure of the plans.

Our final principle speaks to the very important issue of pension plan governance. Successful pension plan governance requires effective stakeholder engagement and participation. If this foundation is lacking, the plans will lose credibility in the eyes of both employees and employers. The presence of effective stakeholder involvement is critical to the success of any reforms required now or in the future.

The city agrees with the government proposal for a joint governance structure in which the powers devolve from the province to local authorities and special forces employers and member representatives. The success of such a process has been demonstrated in British Columbia, where all of the major public-sector pension plans moved to a joint governance framework more than a decade ago. We feel, however, that the current governance structure should be kept in place until an agreed-upon joint sponsorship model has been developed with the roles and responsibilities of the parties clearly defined.

We also feel that it is important that the new governing bodies are empowered to make plan design changes without the imposition of any further constraints. We still believe that, as we stated in our December letter, given the innovative governance structures being proposed, latitude may be required to adapt the models after their implementation in order to address any unforeseen implications.

In conclusion, Mr. Chairman, members of the committee, I wish to reiterate the city's willingness to collaborate with other stakeholders on the future of public-sector pension plans in Alberta. Our understanding is that the plans are not in crisis. Changing an existing pension plan has a significant impact on the members of the plan, our employees, and their families. Translated throughout all of the public sector, hundreds of thousands of Albertans will be impacted by these changes. Given the tremendous ripple effect on the economic and social well-being of the members, the employers, and, ultimately, the province as a whole these decisions warrant very careful consideration. Let us take the time that is necessary to generate a new vision for these plans, which honours our commitment to current members, involves all stakeholders in a meaningful way, and addresses future challenges.

If it would be helpful to your deliberations to review in any further, greater detail the complex implications for the city of Calgary, we'd be happy to have you meet with our team.

With that, Mr. Chair, we'd be happy to hear the other submissions and then answer any questions you might have. Thank you.

The Chair: Thank you very much, Mr. Stevens. Very impressive, very impressive. Right on time.

Before I invite our next presenter, I would like to ask Mrs. Sarich to introduce herself for the record, please.

Mrs. Sarich: Yes. Good morning and welcome. Janice Sarich, MLA, Edmonton-Decore.

The Chair: Thank you.

With that, we will move to Mr. Farbrother, from the city of Edmonton. Please, go ahead.

Mr. Farbrother: Good morning. My name is Simon Farbrother, city manager for Edmonton, and joining me today is Jeff MacPherson, our manager of human resources. I want to thank the committee for the invitation to share our perspective on the proposed public-sector pension plan changes.

The city of Edmonton has about 10,000 active members in the local authorities pension plan and over 2,000 members in the special forces pension plans. These plans are important to our overall approach to attracting and retaining talented staff. As we know, demographic changes that are taking place and, certainly, the increasing global competition for skilled labour mean that our ability, not only as a city but as a province, to attract labour in the next 20 years is probably going to be the most fundamental challenge that we actually face.

We have participated in sustainability reviews for LAPP and special forces over many years. Based on what we've heard, we agree that neither plan is in financial crisis, but we do have concerns. Considering that there isn't an immediate threat, we do actually think that there is an ability for change to take place.

Before addressing our concerns, let me begin by stating that the city of Edmonton is committed to maintaining a defined benefit plan as a key element of our overall compensation program. We are convinced that this type of plan best meets the needs of our employees and also the competitiveness of the city as a whole. City staff value LAPP and the special forces pension plan and rely on them as a substantial part of their overall retirement planning. The city is a proud member of both plans.

8:50

We are concerned about affordability, fairness, and addressing legacy plan design issues. To begin with, plan affordability has become a major concern. We understand that at times pension plans may find themselves with some unfunded liabilities as part of the normal cycle of plan management and may require temporary increases in contribution rates. However, our experience has been that the LAPP board has used contribution increases predominantly as the only mechanism to address the financial shortfall in unfunded liabilities. The LAPP board has raised pension plan contributions nine out of the last 11 years for an overall increase of over 50 per cent.

Notwithstanding the current liability we're also concerned that the plan will face new risks not yet accounted for such as the impact of plan members living longer and the requirement to use new mortality tables to calculate liabilities, that will place more upward pressure on contribution rates. In our view, increasing contributions is not affordable, sustainable, or appropriate. Rather, changes to benefit design are required.

Secondly, we are concerned about fairness. It is a fundamental principle that any plan must be fair to all members, including new entrants. A significant component of fairness is the ability to share risk and cost. We believe the plan risks must be shared more equitably than they currently are. Currently only the employer and the active employees are responsible for unfunded liabilities. This raises the issue of intergenerational transfer of liabilities to new plan members. New employees are funding a pension liability from which they will receive no direct benefit. For example, new LAPP members contribute about 3 per cent of their gross pay to fund the current pension liability. We're concerned. If this trend continues, will it impact our ability to attract new employees?

It is important to us that the base pensions earned must be protected and secured. It is reasonable, however, that in extraordinary times of significant financial shortfalls some risk be shared with pensioners. One way we believe this could be done through LAPP is through the implementation of a targeted COLA. To be clear, we do not support a change to an ad hoc COLA provision, but we do believe that a targeted COLA approach is a reasonable alternative. The way it is established and funded is critical to whether it would be successful and supported and clearly requires full discussion.

Our final concern is about legacy design issues. We hope the government of Alberta will use this review process to explore options. LAPP currently applies a 3 per cent reduction per year when an individual retires early without qualifying for an unreduced pension. In reality it costs the plan more than 3 per cent; therefore, the retiree actually receives a subsidy. This needs to be reviewed in terms of fairness and equity.

The second legacy design issue that we believe needs to be addressed is the concern of employees terminating their plan membership before the age of 55. Despite an unfunded liability employees who leave the plan early receive a fully funded commuted value. The current government proposal does not address this issue, and we believe early terminations warrant more discussion and consideration.

In the remaining moments I want to share our perspective on some of the specific proposals and approaches. We agree that the benefit plan design changes must only apply to future service. Benefits earned must not be changed or impacted. In general we agree with most of the changes proposed for LAPP, including that the proposed 90 factor, age plus service, is a reasonable criteria for an unreduced pension. One point on which we do differ is that we feel the additional requirement of also attaining the age of 60 is actually unnecessary and somewhat counterproductive.

With respect to the special forces pension plan we remain committed to working with the board on plan design changes and governance. However, it is important that design changes occur before implementing a new governance model. We raise that on an equity basis as we obviously administer a number of different pension plans.

We look forward to the opportunity to participate in additional consultation that may be required to move forward, including looking at pension plan contribution caps and governance.

Finally, the city of Edmonton feels strongly that the way the change is implemented is critically important. Any changes must respect and honour benefits earned, apply to future service only, and allow members enough time to review and understand the changes so that they can actually make informed decisions. Given that additional time has been allocated for consultation, we suggest that it would be prudent to move the date of information forward to at least January 1, 2017. This is a significant time of transition for our 12,000 employees. It is critical that they receive accurate information so that they can make fact-based decisions about their futures. We believe that we can better manage staff retention through the transition period if employees have quality information.

We understand that pensions are a complex issue and a valuable benefit. We also know through experience that continual pension contribution increases are not sustainable. We do believe that there is a balance that can be achieved with a defined benefit program. We do believe that we need an appropriate pension mechanism if we are going to actually continue to be competitive in a global situation, and we do believe that further consultation will help that outcome. Today we wanted to share our commitment to this discussion, and we look forward to any further discussion that may take place.

Thank you.

The Chair: Thank you very, very much, Mr. Farbrother.

Our next presenter is Mr. Whaley from the AAMD and C. You may begin, sir.

Mr. Whaley: Thank you very much, ladies and gentlemen. I apologize to those on the phone. I brought paper copies this morning, so I'm sorry that they don't have the advantage of that. I'm going to speak at a pretty high level. Certainly, I think that the presenters here were all pretty well on the same page, I would guess. I'm just going to quickly go through and highlight what I've got in written form here, so I won't go word by word.

AAMD and C represents 69 counties, MDs across Alberta. We do have concerns, and I'll just quickly go through these. I mean, I'm speaking specifically to the LAPP. Our employees are in the LAPP. What I understand is that bills 9 and 10 address all pension boards and plans coming forward, and certainly any reforms required should be tailored specifically to each pension plan.

Another concern we have is the actuarial evidence presented by the government. We'd like to see that. What shows the risks that you see coming forward, that shows that these plans are in peril, I guess? Then we can address that going forward as a team.

The current status of LAPP as well as the impact of any proposed reforms are not well understood by employers or employees, and I agree with Simon on this part, that we need more time to understand that. Pensions are one of those things that are just put there, and people expect them to be there when they retire. Unless you're in the pension world specifically, it's difficult to understand, and it's very complex. Every individual is different in how they look at it and what's coming out of it. They need time to digest and to understand what the ramifications will be to them individually.

The proposed change to plan sponsorship and governance is not well understood as the government of Alberta would be divesting itself only of governance responsibilities and not others coming forward. Further information is needed to understand the changes in sponsorship and whether they would help or hinder the sustainability of the LAPP.

Some of the employer concerns. I mean, we're in a unique position. We're speaking on behalf of both the employer and the employee. You know, we're speaking out of both sides of our mouth here, but generally this is for the good of everybody concerned.

We as municipalities face direct competition with the private industry for the labour force, which is unique compared against the education and health sectors. They have their own expertise. We're not competing directly with that, and they're not competing for other employees. We are in many cases. Municipal careers are not top of mind to potential employees, and any disincentives, real or perceived, further hinder municipal recruitment. It is currently perceived that the proposed reforms will only heighten retention challenges faced by municipalities coming forward.

9:00

If you look at the Occupational Demand and Supply Outlook for 2011-21, it shows that there will be an approximate shortage of 114,000 workers. We put forward that rural municipalities will feel this shortage most acutely. Most of the workers are going to be in the urban centres, and trying to get people to move out to some of these remote, rural areas is not easy. We're already seeing that now.

I just want to go on to contribution rates. Yes, they are high. They're just short of 25 per cent now, and if they're capped under the new proposal, it's unclear how the rate caps would address the unfunded liabilities of the future. We need to understand: if the caps are going to be on there, how are we going to address that going forward?

Under the current rules it's very difficult for the municipality to practically withdraw from LAPP. At elevated contribution rates some municipalities will have difficulty justifying to the taxpayers the cost of the LAPP pension benefit. Many people do see it as a gold-plated pension. I would suggest it's not gold plated, but it is good. I would suggest it's a perk to get people to come out to some of the rural areas. We need that.

Some of the employee concerns: regardless of the proposed pension reforms or the status quo the continued unfunded liability means employees question the pension's value and the ability to pay the future entitlement. It's a trust issue. They need to know that it's going to be there if they're going to be paying into it. Certainly, the employees participate in LAPP with certain expectations regarding their contributions, the plan management, and the benefit entitlement. Any changes that will impact the financial compensation currently or in retirement must be well understood going into it. This underscores the need for any changes to be evidence based and demonstrate the plan will become sustainable.

Now we go into the 50-50 contributions split between the employees and employers. It will not enhance the sustainability of the LAPP, but it will increase the contribution payments by the employees, so there is a concern with that.

Specific concerns. The loss of the 85 factor for the employees is a concern, so is the possibility of decreased income replacement with changes to COLA. The increased penalty applied each year that pensions are taken earlier is also a concern to the employees. Many new employees do not see or value the long-term financial benefits and would prefer the ability to invest income as they see fit. That's just a generational thing. The young kids coming into this world don't see themselves getting old very soon, and it is a problem there in all pensions.

Some of the recommendations going forward. Challenges, risks unique to each plan should be addressed with reforms that are specific to each affected plan. All the plans, all these public-sector plans are different, all four of them. I would suggest to you that LAPP is not in crisis mode. Yes, there are unfunded liabilities, but we've had that before, and with a number of years they managed to make that go away.

The government of Alberta needs to provide additional information on the proposed changes to the benefits and contribution rates that are enabled through Bill 9. Increased education regarding the true risks facing LAPP and the analysis of the outcomes of proposed pension reform is necessary. Pension sustainability is more complex than the government's resource materials outline, and I mentioned that at the beginning of my presentation. As noted by the government itself, the LAPP is not in crisis, so the government needs to justify why these proposed reforms are required now. Actuarial evidence should be provided to prove that the proposed reforms will in fact increase plan sustainability; for example, further reducing benefits for early retirement and adjustments to the COLA.

Municipal interests must continue to be represented adequately in the pension plan governance structure. Retirees should have a more significant role in planned governance and decision-making. The proposed plans and sponsorship and planned governance need to be explained in the context of improvement to plan sustainability. The government as the plan trustee should accept a share of the responsibility for the current unfunded liability within the LAPP. Also, the government needs to provide additional information on how the government's share of the responsibility for this unfunded liability will be accounted for under the new governance arrangements that have been proposed.

Any pension plan must acknowledge that municipalities face competition with the private sector for the labour force, and that is not inherent to other plan members, as I explained before. Education and health make up a big number on the LAPP board on the plan. I think health is over 40 per cent.

The government of Alberta must consider the impacts of behavioural reactions to pension changes. I mentioned before, between the retiring, the old, and the young employees, how these changes will undermine trying to get municipal recruitment and retention. Pension plans and government must be mindful of the generational shifts in financial management and decision-making when considering the longevity of pension plan schemes.

Just quickly moving on to Bill 9. Certainly, this is an enabling piece of legislation that allows the government to develop and implement changes to benefits and contributions through regulations as opposed to legislation for each individual change. Consequently, the full range of proposed changes to Alberta's public pension plans are not clear, seeing that a lot of these rules will come down later on.

Just quickly going through the joint sponsorship governance models, our position is that we support reforms to the governance structure of LAPP that ensure all sectors are adequately represented and encourage effective decision-making to advance plan design.

The 50-50 plan rate: we recognize the split has been proposed, but it will not enhance the sustainability of LAPP, as far as we can see, and it will only shift the contribution burden to the employees. The way it is at the moment: I don't think it's a big deal. The employers will pay that extra 1 per cent. I mean, why stir the pot, essentially, on that issue? If it's nothing to do with sustainability, why mess with it?

The retirement factor. The AAMDC is concerned about the loss of the 85 factor and how it will impact the younger employees. Moving it to that 60-90 factor will force workers to work longer, impacting both productivity and morale, so we're not quite clear on what's the reasoning for that.

The contribution rate cap I mentioned earlier on. Contribution rates are already high. The cap, based on a percentage of pensionable pay and a percentage of current service costs, would limit further increases and make the plan more attractive to prospective employees. If contribution rates are required to go beyond established limits, this would be an indication of ever more serious measures that need to be addressed. Further explanation is needed on how that will affect the current unfunded liability.

The cost of living, COLA, and concern with a decreased level of income as a result of the changes to COLA: the evidence should be provided to prove that the proposed reforms will in fact increase plan sustainability.

We have no position on the benefits, no position on the early retirement. When you go to Bill 10, we have no position on any of those issues either.

With that, I would suggest – I mean, I like Simon's idea to move it back here to January 1, 2017, give it more time. That's just my position. That's not the position of the board, but I like that position. Giving more time for this to be worked through I would suggest would be of benefit here.

With that, I'll open it to questions later on. Thank you.

The Chair: Mr. Whaley, thank you very, very much for your presentation.

I would like to invite Mr. Christie, representing the AUMA. You have the floor, sir.

Mr. Christie: Thank you, Mr. Chair. I see that on my nameplate it says Mayor Steve Christie, so I must say that I serve the city of Lacombe as their mayor as well as my director's position at AUMA.

The Alberta Urban Municipalities Association represents 271 urban municipalities, most of whom participate in the local authorities pension plan, and all seven who belong to the special forces pension plan, three of which are here at the table today.

9:10

The goal of AUMA is to work in partnership with the province through a shared vision, with long-term planning that facilitates social and economic growth to ensure the sustainability of the Alberta advantage. AUMA has the mandate to represent and advocate the interests of our members to the province. Any movement to reform the public-sector pension plans is of considerable interest to both AUMA and our members. It also falls under AUMA's working partnership with the province. The AUMA, through the sponsorship of several retirement savings programs dating back to January 2003 and the establishment of a governance board of pension experts supported by a network of in-house pension professionals – such as Bernie and his staff here – and external consultants, is uniquely qualified to address the standing committee on public-sector pension plan reform.

We appreciate the opportunity to participate in the standing committee panel, and we applaud this more expansive review and consultative process on the pension reform and how to better manage the public-sector pension plans. It is vital that the AUMA maintain or strengthen our representation in the future with regard to the board governance structures of the public-sector plans.

The AUMA understands the issues of major pension deficits and long-term sustainability. The only ways to address pension deficit are through changing the contribution rates, investment policies, and the plan designs. Changing any of the three levers results in the following issues.

First of all, contribution rates. Rates have risen steadily to a total contribution rate of 24.1 per cent over a little more than a decade, I believe about 12 years. Many plan members and employers are reaching affordability limits. It also places additional pressure to increase compensation to help maintain take-home pay. Affordability can substantially impact the tax base of our communities.

Secondly, we talk about investment policy, the risk profile presently set to meet long-term funding objectives in some of these plans. An increasing investment risk to generate increased rates of return can also lead to poorer performance, further worsening the deficits.

Lastly, plan design. The initial proposal was met with significant resistance, and it appears that there's no consensus among plan stakeholders as to whether reform is required and, if so, to what extent. The AUMA feels that extensive consultation and a sufficient time period to work towards consensus are required. I don't think we want to put a time limit on it. I think it is what it is, and what it takes is what it takes.

To summarize, the challenges are to find an acceptable balance of affordability, protecting the pension promise, and long-term plan sustainability.

Through our member feedback the primary concern is the impact of pension reform on the attraction and retention of employees to the municipal sector. They also are looking for more detailed information and analysis justifying pension reform. Municipal employees require adequate information, assistance, and time to understand the impact of pension reform on their careers and their retirement planning, rounding out the top three concerns of our members.

The transfer of reporting of liability. Of note, currently unfunded liabilities have come about under the present governance structure, ultimately overseen by the Minister of Finance. Municipalities will not accept accountability for the unfunded liability for which they did not have sufficient input in a decision-making process. To date municipalities do not recognize their share of any plan surplus or deficits on their financial statements. The AUMA has grave concerns that, at some point in the future, municipalities will be required to include pension liabilities on their financial statements.

Employer withdrawal. Under the current rules it is very difficult for a municipality to withdraw, and under the future governance structure withdrawal provisions should be reviewed.

Governance structure. The AUMA supported the restructuring of the government's project in the late 1990s before it was halted. The inability to address governance issues at that time has exacerbated the present funding shortfalls, and the inability to implement a more effective governance model over time has made it progressively more difficult to deal with the realities such as a prolonged period of low interest rates, lower than expected long-term investment returns, longer life expectancies, an increased ratio of pensioners to active members, and the funding effect of early retirement and guaranteed benefits.

The importance of public-sector plans to local governments' keeping and attracting highly skilled labour within the public sector. Pensions are to represent a long-term stable benefit that incents highly skilled labour to seek employment within our municipalities as an offset to economic instability.

In conclusion, it is imperative to reach a long-term solution built by consensus of all stakeholders, including employers and plan members, where stakeholders have a clear understanding of the parameters involved and the implications of decisions made.

With that, we would submit that as our presentation and look forward to any questions. Bernie would love to answer at the end of this.

The Chair: Well, thank you very much, Mr. Christie, and thank you to our presenters on this panel.

I have a list of members who have questions, and I would ask that we proceed with one question and one supplemental so that all members have an opportunity to pose their questions to the panel.

I will start with Mrs. Sarich.

Mrs. Sarich: Thank you very much, Mr. Chair. Thank you very much for the presentations as well this morning. It's wonderful to have you frame what the state of affairs is, the challenges, and so forth. I'm very curious, and I would like to ask each of you as representatives of your organizations – the city of Calgary, the city of Edmonton, AUMA, and AAMD and C – when did you come into the consultation process about the bill itself? If it dates back a year or two, when were you asked to come into the consultation process?

My second question. I have to apologize. I was going to try to have a look at the Blues from yesterday. It was suggested through some of the presentations that we received yesterday that we have, like, two activities going on here, one addressing governance structure and one the other part, the impact and challenges for the stakeholders involved. The presentations yesterday suggested that perhaps it would have been more germane to just take a look at the governance structures first and then tackle the next one. I was wondering if you had an opinion on that or if that approach would be helpful at this juncture.

Thank you.

Mr. Stevens: I see my mike is alight, so I will go first. Thank you very much for the questions. I don't want to be too pointed in my first response. What we have done is that we have reviewed all of our participation in the entire process, and I would say that we began discussions and information-sharing back in 2010, but I wouldn't call that consultation. I would say that there was a lot of information, there were a lot of information sessions, but the consultation process was a very short period of time. We were asked for our input in late December. We gave it. Our information was received in January, and when we scheduled the next meeting for our input, that's when we were advised that the plan changes had been decided upon and that the announcement would come on the 24th. I think there is a fine line that needs to be drawn. We freely participated in information-sharing, but the exchange of positions and views and impacts and how implementation might occur was over a very short period of time in late 2013 and early 2014.

9:20

With respect to your second question – I think that's an excellent question for debate – as to what ought to come first, I think many organizations take the view that governance should have come first. From the city of Calgary's perspective, I think they can go somewhat in parallel. We would have liked to have seen the completion of the governance review that has been going on and off intermittently for a number of years. I think I would agree with some of the comments before. Had some of that been seen to completion, we might see ourselves in a different view, but hindsight is always 20/20. I would say: we're here where we are now, and I think that both issues need to be resolved in a timely manner. I think it's going to take quite some time, likely beyond 2017, to get the kind of consultation and information out to the employees that they need in order for them to feel like they've been a partner in this process.

Mrs. Sarich: Thank you very much.

I've asked the two questions with the expectation to provide each one of you an opportunity to answer.

Mr. Christie: I'll go next. With regard to that, I think it was seriously brought to the table last fall, so it's been not a great, long time. I think you said late 2010, but we were seriously brought to the table last fall.

I feel the same way. I think that governance is quite important. I sit on the Special Forces Pension Board as well. We currently have been dealing with stakeholders quite prevalently for the whole time I've been on there, the last two and a half years. I think that is hugely important, and I would like to see the governance side. I think we at the AUMA feel that the governance side would be a whole lot better off being done first, and then we can deal with everything under that banner once that's looked after.

Mr. Farbrother: It looks like I'm up. In terms of, you know, the actual process of discussion, there's been a lot of discussion at the LAPP board over a period of time, but in terms of the provincial government formally getting involved, I would say that there's been a fairly compact time period. Having said that, I would say that the government was fairly clear that that was the objective, so we geared up to respond to that kind of time frame.

In terms of the governance structure, you know, often form follows function. Our only observation here is that on the LAPP side we're discussing what it is that we're actually doing, and on the special forces side we're discussing governance, and we would look for some consistency in, actually, both. In terms of whether you do governance before, I think you have to have a sense of what it is you want to achieve and then put in place a governance model to get you there.

That would just be my comment.

Mr. Whaley: Thank you. Yeah. Okay. I'll just preface my comments. President Bob Barss wanted to be here, but he couldn't, so I was sent in his place. Also, I do sit on the LAPP board on behalf of the AAMDC. I'll just put that out there.

The earlier two questions. When it comes to the process, the board has been dealing with this, sustainability, for a little while. I would suggest for a year or so. Finance, Doug Horner came into the picture last year, and then he wanted it all. It was taken out of the board's purview and taken into his as he is a trustee, specifically. It was taken into his purview for sustainability going forward, and everybody was asked to give everything in by December last year, which we did at AAMDC. We said, basically, pretty similar to what I've said here: we need to understand this; we need the reasons why you're doing what you're doing, specifically as it relates to LAPP.

In terms of governance structure, yes, the board of LAPP has been asking for this governance structure to be changed for more years than I've been on the board. It is hamstrung between the employer and employee side evenly, so when it comes to many major decisions, it becomes a stalemate, and to get any major changes through, you need two-thirds. The governance structure needs to be changed. We've been asking that for quite some time. For whatever reason the government has been reluctant to change that, and I'm not sure why. Yeah, the stakeholders have been asking for this for quite some time. You know, let's be in charge of our own destiny in many ways. The board has been working within strict rules of what it can and can't do, I would suggest, so we're not in charge of our own destiny because of those rules that are in place.

I'm speaking as a board member, knowing the inside parts, so I apologize for that. I hope that answers some of your questions.

Mrs. Sarich: Yes, it does. I'll just close to frame this in the context. One of the themes coming in quite clearly is that more time is needed to sort the complexity of what we're dealing with here and that you would appreciate a bit more time. I thank you for your suggestion of how far out you're looking, but it seems like everyone is prepared to roll up the sleeves, sharpen the pencils, and really bear down and get it done.

Thank you.

The Chair: Thank you, Mrs. Sarich.

Gentlemen, I was going to say that unless the question is to a specific panelist, please feel free to jump in and give us your thoughts. Thank you very much.

I'll move to Ms Kennedy-Glans, please.

Ms Kennedy-Glans: Thank you, Mr. Chair. My first observation is that it's really, really helpful to have the four groups represented here at the same table. I think that this has actually given me ideas that probably wouldn't have been as obvious, so kudos again to the organizers. This is very thoughtfully done, and I think it actually leads to good outcomes.

All of you mentioned the reference to intergenerational fairness and retention. That was interesting. You were looking for more time to be able to have those conversations with employees, employers. I was also grateful to hear you talk about taxpayers because I think that ultimately we have to rationalize all of this to taxpayers.

I'm going to throw out a challenge to you that just occurred to me as you were presenting. You probably see yourselves as competing for people to some degree in the province of Alberta. I'm wondering if there's a possibility here for collaboration. Oil companies actually compete and collaborate, so I'm sure you can very well also. I'm wondering if it's possible to have a dialogue, a really deep dialogue, at a provincial level about our competitiveness – this is a competitiveness question – that could be worked together with the competitiveness group out of the innovation ministry as well as the Minister of Jobs, Skills, Training and Labour to look at workforce strategies.

I hear you saying the same things about making sure that we can attract and retain new employees, who want different choices, so being kind of ahead of that curve but also rationalizing to taxpayers in Alberta the value of these pensions and why they're essential to do the work that we all need to have done in Alberta. Maybe there's a tweaking required because you've got different locations, and you've talked about differences with health versus other labour. If we've got a window of time, that could actually be something that's more co-ordinated, clearer because, my goodness, taxpayers in Alberta need to understand this question more fully. I'm going to throw that out to all of you to comment on, the viability of some idea like that.

Mr. Christie: You bet. I think that for municipalities that's a huge conversation at the table always, working together. How can we share? I think that happens a lot, especially in the smaller communities. We share water people. We share CAOs. I know that we share employees back and forth between the city of Lacombe and the city of Red Deer. We share services. We do those types of things. I think that John spoke about – I believe it's in 2021 or 2023 that we're going to be 114,000 people short in our labour field. It's not only finding people within Alberta; it's drawing people from other locations. It's bringing people to Alberta and attracting and retaining them because of the Alberta advantage, that we spoke about as well, and keeping that up.

In our police forces as well – there are only seven municipal police forces within the province of Alberta. I know that in the last year or so special forces has made the provision that you can go back and forth with the RCMP, so that has been, I think, a plus with regard to pension plans, that they'll exchange it back and forth. It's more the attracting from outside because I think that we are doing that. Can we do it with private industry? Probably in some places we can, but in others it's tough because we're competing for the same CAOs, we're competing for the same administrators and just different pensions. The public sector is different from others. Yes, we appreciate that comment, and yes, we can and will wherever we can, but there's still a gap that we have to fill.

9:30

Mr. Stevens: I would say: absolutely. You can count on the city of Calgary. About five years ago we began to see some of these trends coming at us, and we have compiled a workforce planning group that specializes and looks out over the bow to be able to see what kind of recruitment and retention challenges we're going to be facing. We've got full-time staff that are actually looking to see the kinds of issues that we will face, and they would be more than happy to participate as part of any of that group to share data, to share challenges, to share opportunities. We would definitely look forward to participating.

I might also say that I would agree with your opening comments. This is a great process, the beginning of these hearings and coming around and having hearings. I report regularly to a pension governance committee made up of our local politicians, and this is at the forefront. The impact on our budgets and therefore the taxpayers is absolutely in the forefront of our minds.

Mr. Whaley: Thanks, Donna. Yeah, I like your word "collaboration." That's my mantra on another front, isn't it, Simon?

Mr. Farbrother: It absolutely is.

Mr. Whaley: Just building on Steve's comments, yeah, these public pension plans are defined benefits. They are good, and we want to try and keep them as best we can. You go to private industry, and it's more defined contribution. It's more the basic plan. Defined benefits: we need to keep those to keep our attraction and retention going, especially in the rural municipalities. That is a huge plus, we find. Take that away, and I think we would have a tough job competing against private industry. I say competing. I mean, we're competing against the oil industry, basically, in the rural areas. They can afford to outbid any time they want.

Employees coming to municipalities are coming for a lifestyle. They're at a time in their life when they're probably married, got kids. They want to settle down. They want to stay home every night. They don't want to travel. So you're looking to keep those people. They want to stay there for the rest of their days, in essence, you know, in the community they're in. They've done their younger days working in the oil industry, working in private industry.

I say competing, and we are, but on many fronts we do work together with industry as well, as Steve has mentioned. The labour force is short, the type of people we are all looking for, and this is just one way we're going to keep them. This is just one way to keep them. They know they've got that retirement coming when they've done their 30-odd years in municipal government. That's what they're looking forward to.

I don't know what else I can say on that point, Donna. Thank you.

Ms Kennedy-Glans: You said that you like to collaborate. That was a good sign.

Mr. Whaley: I mean, we're all in this game together. We have to collaborate. Everybody is working for the end goal for the right reasons. Yeah, you can have a little bit of competition in there. It keeps you sharp as well. If you take it out, you're into a communism-type style, where everybody is the same, right? You've got to have that bit of competition style there. We're in Alberta, after all.

Mr. Farbrother: Maybe just a couple of observations. At a global level in the next 20 years there will be an undersupply of skilled labour and an oversupply of unskilled labour. That is a fact, and it is a fact that different parts of Canada will face in very different ways. To be honest, Alberta is probably in the best position of any province in the country to actually face that, but it will still face that challenge. That conversation is a provincial conversation. It's a city conversation. It's a county conversation. It's a town conversation. It's real for every single one of us. I think that the competitiveness question will remain. Co-operation, competitiveness: those two words are going to be interchangeable, but they are absolutely real. So the labour mobility question just stands out.

The other piece, you know, is that our ability to attract is fundamentally driven by our reputation, our reputation as an employer. A pension is a piece of the pie, but it's certainly not the pie. It's around engagement. It's around feeling involved. It's around having something meaningful to do, et cetera, et cetera, and includes salaries, benefits, those kinds of things.

The one thing that we don't have in the public sector, certainly in the good times – and this is driven by public perception predominantly, not because we couldn't do it; the public just wouldn't allow us – is the private-sector ability to use bonuses and we don't have the private-sector ability to use expense accounts to actually fill out that tool kit that employees get. On the other side of the equation, we do have a defined benefit plan and we do have some level of security. But I don't want to leave anybody with the impression that working in the public sector is about: you've done X number of years, and then you go to the public sector. That is not our world today.

At the city of Edmonton we provide 600 different programs every single day. We work 24/7, and we work seven days a week. We operate all around the clock. So our ability to get the best and the brightest, because that ultimately will drive what the taxpayer pays, value for money, is our ability to offer competitive packages. A pension is a component of that package. That's how we're coming to this conversation.

Thank you.

The Chair: Are you okay, Ms Kennedy-Glans? Good. Thanks.

Mr. Fox, I understand you have a presentation, not a question.

Mr. Fox: Thank you very much, Mr. Chair. Just a couple of short questions, pointed questions but short questions. The theme that I've heard over and over from the panelists that we've seen so far is that there's been a bit of a lack of communication in the issues facing public-sector pensions and the levers being proposed in Bill 9 to address them. In the opinion of the panelists here, what would an appropriate model for approaching the stakeholders for input in the decisions being made in the development of the Bill 9 legislation look like to you?

Mr. Stevens: Thank you very much for the question. I think this is a good beginning, but this is what it has to be. It has to be face to face. It has to be going out and giving more than just information. It can't be, "Hey, here's what's going to happen" or "Here; let me give you a website connection." You've learned and seen that this is very technical and very much turns on the wording of what can happen in a regulation as to what might impact me and my family in my retirement. So I think that face to face is the beginning. That's an essential component, to be able to come out, facilitate sessions, get feedback, come back and tell the group what you've done with the feedback.

That takes time, and that will in itself allow people to make better decisions. It will take the fear out. It will take the fear out of somebody saying: "You know what? I've got to get to a pension because they've said that they'll leave pensioners untouched." That will begin to alleviate the fear, and unfortunately – or fortunately – that takes time in a province-wide assessment. That's the kind of approach that we were looking for.

We began it as a province through an exchange of letters. We anticipated the discussion to say: "Okay. Let's begin to have these employee forums. Let's facilitate a way that you can come and present and share this information." That's what we think the next logical step looks like.

Mr. Christie: Absolutely, inclusion of all people affected – the stakeholders, the employers, the employees – and understanding of everybody as well. I know that at special forces they've been dealing with the stakeholders group for a number of years now, and to have them at the table and to hear what is actually on the streets, what people think their plan is and what they expect their plan to be, isn't always correct. To have them at the table and to bring that forward and be able to get that proper information back to them and communicate that to them is highly, highly important. Right from here to the streets is who we have to include, and they have to be at the table. They have to have their voices heard. Yeah, proper, open communication is what's required.

Mr. Farbrother: Certainly, you know, there are probably three elements to this. The consultation process presumably is around giving people an opportunity to be heard and for the province to understand what the challenges or opportunities are. There's always going to be a parallel communication process – that's just sort of a DNA thing – but at the end of the day I think it's about putting the province in a position where you can actually make a decision with clarity of purpose. You know, in some respects it isn't just about hearing from us. It's actually creating an environment where you can make an informed decision. And sometimes those things are actually slightly different.

9:40

Mr. Whaley: Yeah. Many of the same comments. Essentially, why are we doing the reforms? What are we looking for here? Basically, that's what people are asking. What are you after? Show us the evidence that it's unsustainable going forward. We need to see that. Show us the evidence for that. That hasn't been shown yet.

Certainly, with defined benefit plans, I'll say that there's some low-hanging fruit that could be easily done, but this is very personal to the people that are paying into the plans. You have to not forget that. This is huge to them. You're taking something away, potentially, that they see as coming down, you know, when they retire. That gets them pretty upset pretty quick. They need to be informed, they need to be educated as to why we're doing what we're doing.

When you reform, the assumption is that you're going to lose something. "What am I going to lose?" That's the question on everybody's mind. "Is it something I can live with? Does it make sense to me? Is it for the good of the whole going forward? I can live with that. But are you taking it away just because?" So it's education, education. It needs time. It's nearly a one-on-one situation in many cases, unfortunately. We can put our point forward here, but you've got the man on the street trying to educate them and tell them why we're doing what we're doing. It's not easy.

I give credit to Doug Horner for raising this. I mean, the governance structure of the boards needed to be looked at going forward. He's the first minister to do this for quite some time, so I give him credit for dong that. But you're into the thorns, and you've got to work through it and come out with the best thing. Give it time, I would suggest.

Thank you.

The Chair: You have a supplemental question?

Mr. Fox: I do. I wanted to thank you very much for those answers. Something that my colleagues and I have been striving for since we arrived in the Legislature two years ago is to make sure that these conversations are happening with the local level, with the people that are actually out there doing the work, rather than just a cerebral conversation underneath the dome at the Legislature.

In the panelists' opinion, do you think there was an understanding in Bill 9 of what is needed in securing the pension promise, in providing the framework to get the plan governance right, and in setting an appropriate funding policy? Do you think there was a demonstrated understanding in Bill 9 of the key risks and who bears them in these pension plans, and would this piece of legislation provide effective regulatory oversight? Or is it, in your opinion, in the panelists' opinion, that the government should go back to the beginning and work more closely with you, the stakeholders, and with those that are invested in these pension plans to get this legislation right?

Mr. Stevens: Thank you very much. I took a couple of notes there. I don't know if starting right at the very beginning is required. I think that there's some information out there. Your first set of questions, I think, was around understanding: understanding risk tolerance, different levels of risk between employer, employee, citizens. I don't think that's understood at all.

I've had the good fortune of going out and speaking with many employees personally in my department, probably over 20 per cent, in forums, and they do not understand it. They don't understand the basics of the core benefit as it's been discussed in this debate under the dome of the Legislature: well, this early retirement incentive is actually an add-on. They don't get that. They get that what they had was a full 1.4 or 2 per cent pension that was eligible if you had 55 and 85. That's as simple as some of the discussion has been.

To say, "Well, we're protecting a core benefit, but the ancillary benefits we're going to reduce," that's not ringing true to anyone who has 20, 25 years of work under their belt in the public sector, who are now saying: "That is going to be touched, and no one has asked me about it. No one has asked me how that would have impacted my personal investment decisions."

Do I think these issues are not capable of being overcome? I don't. I think that if there is an engagement process with clear information where people are engaged, not just informed or not just spoken to and told what's going to happen but where there's a good two-way dialogue – I think we've got some ways to go, but that takes time.

I don't believe that there has been a good understanding of risk. Why the rush? Many jurisdictions have done this over 10, 12, 15 years. These things have been phased in, not over a quarter of a year and with implementation in less than two. I don't think that's well understood at all.

Mr. Christie: I agree with that. Is Bill 9 right in its current state? No. Is it all wrong? No. Can we work through this? Absolutely, and I think throughout all our presentations it was evident that more time is needed. That's where we stand on that.

The Chair: Thank you, Mayor Christie.

Mr. Whaley: Yes. The same comments, basically. I mean, Bill 9 is an enabling piece of legislation but through regulations as opposed to legislating each individual change. I mean, I guess that's the gist of it. So what else is going to come down? Is everything on the table, as we see today? I don't know that.

We need to have some time to have the conversation with the stakeholders – certainly, on the LAPP board I think that's what they're asking for – and the stakeholders need to be more engaged here. What are the impacts going forward? Give us more time, I guess, and get all the facts on the table. Some things are maybe not clear yet out there. We need to clarify everything.

This is personal. I will reiterate that. Again, it comes down to everybody's piece of pie. They're paying into it every year. It is personal. This is their money, and I think we can't forget that.

Thank you.

Mr. Farbrother: You would have to provide an opportunity to approach LAPP and the special forces in a similar fashion as opposed to two different processes – we think that would be very positive – because both groups work for the same employer.

Mr. Fox: Thank you very much.

The Chair: Thank you, sir. Thank you.

And now the ever-patient Mr. Eggen.

Mr. Eggen: My patience is definitely becoming frayed; there are no two ways about it. I mean, it's great that we talk about how great it is that we're having this talk, but let's get down to some of the brass tacks of how to deal with this situation, right? I heard it loud and clear from each of you, some of the largest, if not the largest, public employers in the province, that there is not a pension crisis. In fact, what this imposition of Bill 9 did was to initiate a crisis, at least in the confidence, in the minds of the people that actually have these pensions. I find that to be both astounding and very upsetting as well.

So I would like to resolve this, and the first question I have is about the interference, as Bill 9 stands, with the collective bargaining process and the integrity of the collective bargaining process. By the government's putting in regulations and controlling caps and so forth, how does that interfere with the integrity of your capacity to negotiate a collective bargain with pensions? Each of you answer, please.

Mr. Stevens: We have 10 bargaining units. Three of them have supplementary pension plans, so it will have an impact, particularly, as I mentioned during my presentation, if you get into a grandfathering situation or end up treating members of certain unions differently than others. It will have an impact.

On the other seven I will say that it will have an impact because we don't currently bargain these benefits at the table. Because it's taken out of benefits, it's not something we currently bargain. Our anticipation would be that if it's impacted, it will come to the bargaining table. I think we've been consistent in every one of our submissions that we've made, both political and otherwise, that that is one of the issues that we will face. Any unilateral change ultimately sees its way to the bargaining table in subsequent discussions.

Mr. Farbrother: I certainly agree with those observations. Maybe this speaks to why we're advocating for the charter conversation because the relationship is a very paternal relationship at the moment. Cities today are very, very complex entities. Very, very complex. As mentioned, we do have supplementary pensions. There is a knock-on effect, and we always have issues of equity conversations in every single round of labour negotiations that we have because we have some unionized, some non-unionized, some arbitrated results. This just adds to the complexity of a complex conversation.

Mr. Whaley: I reiterate both points from the two cities here, basically. There's nothing much more to add to that. I mean, at the end of the day, yeah, the government is a trustee of the LAPP plan. We've got to understand how that comes about and comes down.

Mr. Eggen: Absolutely.

9:50

Mr. Christie: You've just heard from our two largest members.

Mr. Eggen: Yeah, of course. I think this is the key, to retain the integrity of the contract that you negotiated between each individual and your management and not have the provincial government stick their nose in there and just complicate matters, quite frankly.

My supplementary question is in regard to the retention of employees. Further to that, how does that affect the integrity and the health of the pension if people are less likely to be employed there? Of course, you have people on the front end that essentially pay for the people that are closer to retirement. Have you done much to sort of calculate how, you know, with an attack on the pension, the people currently contributing or the integrity of people contributing might compromise the money that's needed to pay for the pensions when people retire?

Mr. Stevens: Simon mentioned some very important points about intergenerational equity and the newer employees paying. We have a general idea. I don't want to say that we've got it specifically nailed, the numbers about what the impact of that would be, but this issue, the issue, respectfully, that you've suggested, is absolutely paramount and in the forefront and probably the most important that we've got, the recruitment and retention problem.

Because we are not able to actually quantify the impact of these changes, we're not certain yet that any potential benefit that might be received by the taxpayers as a result of these changes isn't going to be totally subsumed by another round of recruitment, retention, certification, and training. That may be the case, but we don't know. For the taxpayer, we don't know whether or not this is going to be a wash or a near wash because we haven't seen the details yet. Service to the taxpayer is absolutely paramount. That's what this is all about, making sure that they get value for their money.

Each time you go through a turnover and each time you go through a new recruitment and retraining and recertification – these are not situations that can be measured in days or weeks. You've seen this in the private sector. Turnover has a substantial cost to it, not just in the recruitment process, and it's significant. That is a major issue that you've raised.

Mr. Eggen: Well, that's right. I mean, nothing can erode a pension faster than the absence of new people participating in the pension. It'll just disappear like a puff of smoke, quite frankly, right?

Thank you.

Mr. Farbrother: Attraction and retention are tremendously important. It's more cost-effective to retain and increase the capacity of an employee than to bring someone in and train them. Obviously, when the economy is good, there is the crowding-out effect with the oil and gas industry, so that comes into play.

As a municipal government, you know, we have to actually think about: what is our tool kit to attract somebody? It is salaries, it is pensions, it is work environment, and it is also how they get involved in decision-making: do they get to play in the game? There are a whole range of things, but at the end of the day it's about: how do we have productive employees? The higher the productivity of employees, measured on a pretty broad spectrum, not just units per hour – at the end of the day, that's the best value for the taxpayer because we get a better product that comes out of it.

As a city we could double our budget tomorrow, and we would still be in a priorization exercise because the expectations would more than double. It's that mix of labour cost to the other costs that we have in providing services. We have to be diligent and appropriate around that allocation.

Mr. Eggen: Thank you.

Mr. Christie: I think you hit the nail on the head when you said that if there are no new people within the plan, it's not going anywhere, because as people travel around the province in the same positions, just different places, it doesn't change the plan. In 2012, I believe, we had a fairly healthy valuation with regard to special forces, and one of the contributing factors was all the new members within that plan. Now, once they're there, that balance with regard to the intergenerational fairness has to be played out, but attracting them from outside is a huge, huge thing.

Mr. Eggen: Thank you. That's great.

Mr. Whaley: I'm just speaking the same comments, basically. I mean, LAPP is quite fortunate. It has a lot of new, younger members coming in all the time. We are quite fortunate in that, and that's why we're saying that LAPP is not in crisis mode. Tell us what we're missing, I guess.

Mr. Eggen: Yeah. Absolutely. Thank you so much.

The Chair: Thank you.

Before we go to Mr. Rowe, I would like to inform members that are participating via teleconferencing that we only have about four minutes left before we conclude this segment of our presentations. If you have any questions, please let me know ASAP.

Mr. Rowe, please.

Mr. Rowe: Thank you, Mr. Chairman. As an ex municipal politician I very much appreciate your comments and congratulate you on four good presentations that I think hit the nail right on the head. I'm well aware of the importance of your employees. They deliver services to virtually every Albertan, and that's critical in maintaining the lifestyle that we all enjoy today. Thank you again.

My question is to each and every one of you. I haven't heard this yet answered specifically. Do you see the plans for Bill 9 specifically as an extreme – and I would use the word "extreme" – detriment in maintaining your police and fire services? There are not many jobs that a 60-year-old or 65-year-old can do in those positions. If they don't see their job maintaining them until a good retirement age, is that going to be a significant detriment to attracting people to these jobs?

Mr. Stevens: I think you used the word "extreme." I'm going to be honest with you; I haven't had a chance to speak with them directly. That's not one of the areas. I will say, without categorizing the nature of the concern, that this change, late in the day, about police and fire is one that requires a lot more examination. We don't disagree that there are differences between the jobs. We're not so sure that that's the limitation of the discussion. We're not sure that that's as far as it ought to go. We are concerned about internal equity issues. So I think that those are good questions. I think that those are valid concerns, what the new 90-60 rule means for them, what it means to their 25 and out. There are some complications there that need a lot more work.

Mr. Rowe: Thank you.

Mr. Farbrother: We certainly see the movement from 65 to 60 plus 90 as very positive because we were very concerned, you know, in the 62, 63, 64 range about our short-term disability costs and long-term liability costs rising as people literally hung on to get to a number. At the end of the day, that's not in the interest of anybody.

Now, we're also not sure why, you know, 60 plus 90 makes sense. We think that if you're going to go with a factor, it should be a factor and not add an arbitrary age piece to it. But, certainly, at the end of the day, there are certain jobs where people physically reach an age where they just physically can't do that work. To force them to do it probably is not strategically wise.

Mr. Christie: Once again you just heard from our two largest members. But there's another thing there, too. They're in two different plans. I know that in our communities it's the LAPP and then the special forces. The special forces is such a different beast in itself. It's got the 25 and out factor there. There are some other factors within that plan that are different than the LAPP and the other plans. I don't think we at AUMA see it as a huge detriment, but I think we have to look into it a little more so that we understand better what the effects might be, Bruce.

Mr. Whaley: I've really got no position on that, Bruce. I mean, you've heard from the people who are directly involved, so please take that.

Mr. Rowe: Okay. Well, thank you very much, gentlemen. There are jobs that 60-year-olds can do. Look around the room.

The Chair: Well, thank you. Great timing, Mr. Rowe.

It is 10 o'clock, and we have concluded our first segment of today's panelists meeting. I'd like to thank each and every one of you. The *Hansard* transcript of the full day's proceedings will be available later this week via the Legislative Assembly of Alberta website. The audio of the meeting is also available via the Assembly site. If you wish to provide additional information for the committee, please forward it through the committee clerk. Thank you very much. It's a pleasure having all of you here.

We will be recessing for a 15-minute break. We will be back here at 10:15 sharp.

[The committee adjourned from 10 a.m. to 10:16 a.m.]

The Chair: Well, good morning, ladies and gentlemen. We are back on the record, and we will be moving on to our next panel.

I would ask that we go around the table and introduce ourselves for the record, and then I will call on the members teleconferencing to introduce themselves, and don't forget, please.

I'm Moe Amery, MLA for Calgary-East and chair of this committee.

Mr. Fox: Good morning. I'm Rod Fox. I'm the MLA for Lacombe-Ponoka and the deputy chair of this committee.

Ms Kubinec: Good morning. I'm Maureen Kubinec, the MLA for Barrhead-Morinville-Westlock.

Mr. McDonald: Good morning. Everett McDonald, Grande Prairie-Smoky.

Ms Kennedy-Glans: Donna Kennedy-Glans, Calgary-Varsity.

Ms Pastoor: Bridget Pastoor, MLA, Lethbridge-East.

Ms Ballermann: Good morning. Elisabeth Ballermann, president, Health Sciences Association of Alberta.

Mr. McGowan: Gil McGowan, president of the Alberta Federation of Labour.

Ms Smith: Heather Smith, president, United Nurses of Alberta.

Mr. Smith: Good morning. Guy Smith, president of the Alberta Union of Provincial Employees.

Ms Roberts: Good morning. Marle Roberts. I'm president of the Canadian Union of Public Employees in Alberta.

Mrs. Sarich: Good morning and welcome. Janice Sarich, MLA, Edmonton-Decore.

Mr. Rowe: Good morning. Bruce Rowe, MLA, Olds-Didsbury-Three Hills.

Mr. Eggen: Hi. I'm David Eggen. I'm the MLA for Edmonton-Calder.

Ms Sorensen: Good morning. Rhonda Sorensen, manager of corporate communications and broadcast services.

Ms Robert: Good morning. Nancy Robert, research officer.

Dr. Massolin: Good morning. Philip Massolin, manager of research services.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Members on the phone, please.

Mr. Lemke: Good morning. Ken Lemke, MLA, Stony Plain.

The Chair: Thank you, Mr. Lemke.

Mr. Bikman: Gary Bikman, Cardston-Taber-Warner.

The Chair: Thank you, Mr. Bikman.
Anybody else?

Mr. Luan: Good morning. Jason Luan, MLA, Calgary-Hawkwood.

The Chair: Thank you.

Mr. Hehr: And good morning. Kent Hehr, MLA, Calgary-Buffalo.

The Chair: Great. Thank you.
Ladies and gentlemen, I'm pleased to welcome our guests participating in panel 5, who will be addressing Bill 9. I would also like to thank the participants on this panel for agreeing to shorten their presentations to allow Ms Roberts from CUPE to participate as well. You will each have 10 to 12 minutes to make your presentation, and I will open the floor to questions from the committee once we have heard from all presenters. We will go in the order listed on our agenda, starting with Mr. McGowan, from the Alberta Federation of Labour.
Welcome, sir, and you may begin your presentation.

Alberta Federation of Labour, Alberta Union of Provincial Employees, Health Sciences Association of Alberta, United Nurses of Alberta, Canadian Union of Public Employees, Alberta

Mr. McGowan: Well, thanks, Mr. Chairman, and thanks to the committee for this opportunity to address these important issues. I've been president of the Alberta Federation of Labour for nearly a decade now, and I was an activist in Alberta's labour movement for a decade before that.

In all of that time I can honestly say that many issues have come and gone, but I have never seen an issue that has inflamed, enraged, and motivated our members like the issue before this committee today. I want to make it really clear that this is not a flash-in-the-pan issue. This is not an issue that can be papered over with talking points or spin. These are not concerns that can be calmed with a slick communications campaign, and this is not an issue that will fade from memory six months or a year after legislation is passed.

Everyone in this room has a sense of what's been going on around the province. Literally tens of thousands of our members have attended town hall sessions on bills 9 and 10. They've participated in rallies, they've signed petitions, they've written letters, and, of course, they've shown up at your offices in numbers. They've also promised to make pensions their number one political issue in the next election campaign if bills 9 and 10 are not withdrawn or substantially amended. To put it simply, Albertans who work in the public sector, our members, are worried, and they're angry. Bills 9 and 10 have transformed them into a political force that needs to be reckoned with.

Our members are worried because they feel that their retirement security is under attack, and these fears are not misplaced, nor are they inappropriate. As several of the experts said yesterday, the whole point of a pension plan is to provide income in retirement that is adequate, predictable, and secure. That's why many public-sector workers opted for jobs in the public service in the first place even if they could have earned more in the private sector. It's also why they've been willing to make very significant contributions to their pension plans every pay period for years and years throughout their careers.

But bills 9 and 10 call everything into question. Our members worry that their pensions will no longer be adequate, predictable, or secure. Specifically, our members are alarmed by the proposal to eliminate regular cost-of-living adjustments to pension benefits because without these kinds of adjustments the value of their pension plans will get smaller and smaller the longer they live. They're also alarmed by the plan to scale back early retirement provisions because they've paid for those benefits through their contributions and have been planning and counting on those benefits to be there for them when they retire. They're also alarmed by the prospect of contribution caps because those caps will almost certainly pave the way for future benefit cuts and because they may actually undermine the sustainability of these plans rather than enhance them.

As I've said, our members are not just worried; they're angry. I ask you to put yourselves in the shoes of a public-sector worker who has been contributing regularly throughout their career to plans like LAPP and PSPP. Their pension plans are their life savings. It's the cornerstone of their retirement security. It is the thing around which they have built their retirement dreams and plans. It is a promise that has been made and which they have been counting on.

If the government is going to cut these benefits that are provided by these plans or otherwise break the pension promise that has been made to these thousands and thousands of workers, then they had better have – and pardon my language – a damn good reason. I and we as members of the labour coalition on pensions submit that the government has failed to make the case for the changes it has proposed.

In the time remaining to me I'd like to do three things. First, I want to talk about the government's case and why we think it's flawed. Second, I want to describe what we think is a better way forward. Third, I want to finish off with a number of very specific recommendations for this committee.

What about the government's case? Well, let's walk through the arguments that were laid out yesterday by Mr. Prefontaine on behalf of the government. First, he said that defined benefit pension plans are in crisis around the world. Now, I could point to dozens of experts who would disagree with this assessment, but even if it were true – and I don't mean to sound flippant here – so what? Decisions about Alberta pension plans should be based on the Alberta context, not the context of New Brunswick or Ontario or the Netherlands.

Second, Mr. Prefontaine said that action is necessary because of the $7.4 billion unfunded liability that has accrued in plans like LAPP and PSPP, but he ignored the fact that the unfunded liability in LAPP and PSPP has actually shrunk by more than a billion dollars over the last year alone. This is not a surprise. It is a result of the plans that have been put in place by pension plan boards to address the unfunded liability, and they're working.

As Brendan George demonstrated in his actuarial report and as he explained to this room yesterday, both LAPP and PSPP are on track to eliminate all of their unfunded liabilities in 10 years. Mr. Prefontaine admitted that this is the case, but he warned that the current unfunded liabilities might be replaced by new unfunded liabilities. I want to stress this point. He provided no proof that this is going to be the case, not even estimates. My question for people in this room is: should we make our decisions about the retirement security of literally hundreds of thousands of Albertans based on Mr. Prefontaine's intuition? Needless to say, we don't think that that is either prudent or fair.

Third, Mr. Prefontaine talked about longevity. Now, it's true that people are living longer. Everyone agrees. But the question shouldn't be: where do we cut? Instead, the question should be: can we still afford to keep the pension promise? The answer to that question, from our perspective and also from the perspective of people like Mr. George, is yes. Mr. George basically came to the conclusion that we can keep the pension promise and get rid of the unfunded liabilities and have reasonable contribution rates.

10:25

Fourth, Mr. Prefontaine talks about intergenerational fairness. He says that it's not fair for younger workers to pay higher contribution rates to finance benefits for older workers, but as the Auditor General pointed out in his testimony yesterday, that's how we ensure that our pension plans are made healthy. That's simply the way we make sure that the plans can exist for future generations. You know what? Our younger workers, the people whom we represent, understand this system, and they're okay with it. They want to make sure that their pension plan is there for them when they retire, so they're willing to pay a little more today in order to make sure that the plan is there for them tomorrow.

Fifth, Mr. Prefontaine says that the changes that he advocates are necessary because contribution rates are too high and because stakeholders, both employers and employees, have reached what he described as the threshold of tolerance and are not willing to pay more. Now, there are two big problems with these arguments. First, they ignore the very important fact that contribution rates are set to fall, not increase, in coming years. As Brendan George demonstrated yesterday, contribution rates for both LAPP and PSPP are currently equivalent to about 25 per cent of payroll right now, split evenly between employers and employees, but fully a third of those contributions are targeted to paying off the unfunded liability. As Mr. George pointed out, these contributions will fall away in 10 years, when the plans return to fully funded status. That's why he was able to conclude that contribution rates will fall to about 20 per cent of payroll in 10 years and stay there. In other words, there is no crisis of rising contributions.

We also take issue with the notion that we have reached the threshold of tolerance for contribution rates. It's true that many employers have expressed concern about contribution rates, but the same cannot be said for employees. They understand that in a low interest environment like we are currently living through, you have to pay a little more to build your retirement nest egg, and that's true whether you're working within a pension plan or trying to save on your own outside of a pension plan. The bottom line is that our members are willing to do that, to pay a little bit more.

We submit that the only way that you can truly determine the threshold for tolerance on contribution rates is through negotiation between the affected parties, and as Mr. Murray Gold, the pension law expert, said yesterday, wages and pensions should be viewed as part of a single compensation package made up of current and deferred wages. If employers and employees decide . . .

The Chair: Mr. McGowan, sorry to interrupt you. Two minutes left.

Mr. McGowan: Two minutes.

If employers and employees decide that through higher contribution rates they want to put more of that pie in deferred wages and less into current wages, whose business is it other than theirs?

I'm just going to wrap up with the better way and my recommendations. In terms of the better way forward it's simple. We heard yesterday that Canada is leading the way in terms of pension governance based on the joint sponsorship model. The idea behind joint sponsorship is that the people who are best able to make decisions about the future health of plans are the ones who have a stake in those plans, who have skin in the game. Those are employers and employees. No one has a better interest in making sure that the plans remain healthy. So we need to move in that direction. Unfortunately, Bill 9 stops us from moving in that direction because, as Mr. Gold pointed out yesterday, despite saying that that's the direction that they want to go, Bill 9 actually inserts the government, in perpetuity, into the equation and gives it power to override decisions made by duly constituted independent boards.

Finally, in terms of recommendations I would like to suggest that based on the poor case forwarded by the government and the obvious concern of thousands and thousands of Albertans, this committee should recommend that the government scrap bills 9 and 10. Go back to the drawing board.

We also think that you should recommend that the government establish a process for negotiating true joint governance, not as imagined by Bill 9 but more closely associated with what we see in other provinces, and as the AUMA said today, governance reform needs to come before changes.

Third, we think, as the Auditor General said yesterday, that if we're going to even consider these changes, we have to study the effects of the proposed changes on the ability of public-sector employers to attract and retain workers but also see how these changes would affect the adequacy of pensions and also the health of the plans.

Finally – and this is the final word – I want to suggest that this may be a little bit beyond the scope of your committee, but from our perspective we submit that the real problem when it comes to retirement security in this province is not with our public-sector pension plans, which we think are healthy. The real problem is the fact that 70 per cent of Albertans don't have access to any kind of workplace pension, and we'd like to see a recommendation made in that regard.

The Chair: Thank you, Mr. McGowan.

We will now hear from Mr. Smith, from the Alberta Union of Provincial Employees.

Mr. Smith: Thank you very much. Good morning. I'd like to thank the committee for this opportunity to present. The matters before you are serious and complex. For the approximately 70,000 AUPE members in the local authorities pension plan and the public service pension plan these pensions represent their life savings. For most of their working lives these members have contributed out of their own paycheques. They have saved a significant part of their wages in order to provide an income when it's time for them to retire. They've made career and life-changing decisions to work and stay working for the government and other public-sector employers, often passing up opportunities to earn higher wages in the private sector. Their investment in the plan spans decades. Now Bill 9 threatens to change the rules of the game with the stroke of a pen.

Bill 9 is supposedly meant to provide for a transition of the pension plans to joint sponsorship and trusteeship. This is the gold standard for pension governance in Canada, and this is something that AUPE and other Alberta public-sector unions have been seeking for over two decades. It is AUPE's view, however, that this legislation actually puts roadblocks in the way of this transition by imposing a stunted and deformed version of joint governance on the plans. For example, section 13(1) of the act imposes a contribution cap in respect of service in the plans after December 31, 2015, and section 19(6) appears to say that this cap shall remain in place even after the plans have become independent of government.

Now, in addressing the funding of a pension plan, the sponsors have access to only two tools, contribution rates and benefit costs. If because of a market crash or other financial disturbance the plan develops an unfunded liability, contributions must increase, or benefits have to be cut. There just aren't any other options. By imposing an arbitrary ceiling on contributions, Bill 9 ties the hands of plan sponsors. Faced with a funding shortfall and contribution rates already close to the cap, they would have no choice but to reduce benefits.

So this is what we get after more than 20 years of pursuing joint governance. We and the employers get control of the plans just in time to turn to our members and say: sorry, but we have to cut your benefits again. Thanks, but no thanks.

Unfortunately, this is not the end of the flaws in Bill 9's model of joint governance. Section 18(1) and section 19(3) give the government the authority to decide who is a sponsor of the plan both during negotiations to make the plans independent and afterward. Cabinet will decide who will sit on the sponsorship body, and cabinet has a veto over the sponsorship and trust agreements. True joint sponsorship, which requires equal representation from employers and unions, will exist only if the government decides that it should. We believe that the government should not be acting like a nanny state and imposing its will on the governance and operation of the pension plans as this is a serious impediment to real joint sponsorship and trusteeship between plan stakeholders.

Another part of section 19 is even more disturbing. Bear in mind that throughout the whole so-called sustainability review of last year the government has stated over and over that benefits accrued before December 31, 2015, will not be affected by any of the proposed changes. Part 2, section 15(2)(a) says with reference to the LAPP – and part 3, section 26 contains similar language covering the PSPP – that the government can change plan rules without the approval of the pension board if "the change deals with vesting or the treatment of remuneration as salary for the purposes of calculating benefits."

What does this language mean? To understand it, we have to look at how pension benefits are calculated at present. When someone retires in the LAPP or PSPP, their pension is based on their highest five years of average salary and the number of years that they have contributed to the plan. In calculating the retiree's pension, every year of service is of equal value, multiplied by the highest five-year average earnings. The language in part 2, section 15, however, gives the government the ability to declare that for pension benefits accrued before 2016, the five-year highest average earnings before 2016 are to be used in calculating the final pension.

10:35

For someone retiring 15 years after the end of 2015, for example, this would mean losing 15 years of wage gains when calculating the pre-2016 pension benefit. That could easily amount to between a third and a half of their pension benefit for the affected years. Depending on how much service a retiree has before 2016 and when his or her final retirement date is, the impact on the value of their final pension could be huge. So despite all the government's loud and repeated assurances that pre-2016 benefits would not be affected, Bill 9 includes new language with exactly the opposite intent.

I've raised this issue and gone into it in some detail for two reasons, (a) to show you how simple pension issues can get complicated very quickly and how minor pieces of wording in the legislation can have huge consequences and (b) to illustrate the problem we have had when trusting the government. The government of Alberta wants us to engage with them in a process that will move the plans to joint governance. This process requires co-operation and trust. But when they proclaim one thing in public while doing exactly the opposite when they draft these laws, they destroy the basis for trust and co-operation.

Bill 9 also threatens another kind of trust, the trust of public-sector workers that their pensions will be there when these workers retire. Pension plans are a bit like banks. They rely on confidence and stability. If these are called into question, the viability of the institution is threatened. By loudly and persistently questioning the, quote, sustainability of the pension plans and then using its legislative power to force through benefit cuts, the government of Alberta has succeeded in persuading thousands of public-sector workers that staying in the pension plans may not be in their best interests.

We at AUPE are hearing from many of our members who are considering leaving the pension plans before December 31, 2015, taking their commuted value, and either looking for work elsewhere or cutting back to part-time employment to avoid being compelled to participate in the plans. This is not something we're encouraging, obviously. On the contrary, we think it's very risky both for these members and for the plans themselves. Remember that one of the reasons cited by the government for undertaking the sustainability review was the increasing maturity of the plans, the declining ratio between the number of people paying into the plans and the number of retirees drawing pensions out. If thousands of public-sector workers decide to withdraw from these plans, the plans would get much more mature overnight. This could have a serious negative impact on plan finances.

Ironically, the measures the government undertook to make the plans more sustainable may in practice contribute to making them much less sustainable. At the same time the value of the pensions as recruitment and retention devices would effectively disappear. On the contrary, the plans would be in danger of providing incentives for public-sector workers to resign and seek work with private employers.

In the end, the lessons we hope you'll draw from these hearings are (a) that you can't have sustainable pension plans until the methods by which these plans make decisions, i.e. their governance structures, are reformed and (b) that you can't put into place proper governance by legislative decree.

AUPE members across the province are keenly watching these proceedings as it relates to their modest but essential retirement security, that they have contributed to out of their own pockets over years of dedicated public service. Since last November they have been contacting their MLAs and letting them know how concerned they are about the proposed changes to their pension plans. They have let their MLAs know that this issue is a political issue that will be reflected at the ballot box in the next Alberta election.

Over the 25 years of my extensive involvement in AUPE, including the past five years as president, I have never seen a single issue generate so much membership concern and active engagement. This level of activity will only increase if the government continues down the destructive path it has laid out for itself through Bill 9.

Finally, AUPE is committed to negotiating real joint governance for the PSPP and LAPP. We believe that the Minister of Finance has the same goals. This process must be based on trust, respect, and a common goal for employee and employer stakeholders to be able to govern and administer the plans without the threat of government-legislated interference and obstruction. Bill 9 is the embodiment of this obstruction. How can you have meaningful, honest, and solution-focused discussions while a legislative hammer hangs over your head? As an organization the AUPE has been subject to these tactics in the recent past. Our response to that has been forceful and effective.

With the ongoing efforts to rebuild a broken relationship between the AUPE and government, I want to recognize the positive efforts made by senior government officials, including the Premier and the Minister of Finance. This rebuilding for the benefit of all can only continue if issues around joint governance of the pension plans are resolved. I urge you to remove the barrier that prevents us from reaching that goal. That barrier is Bill 9.

I thank the committee for the opportunity to speak on behalf of our members of the AUPE.

The Chair: Thank you very much.

Our next presenter is Ms Ballermann, from the Health Sciences Association of Alberta. You may begin your presentation, please.

Ms Ballermann: Thank you, Mr. Chairman, and thank you to the committee for the opportunity. I had the opportunity to listen to this morning's panel in large part. I noted a significant level of consensus with the positions that the unions have been taking. I note also with some interest that Alberta Health Services, representing about 50 per cent of the employees in the local authorities pension plan, is not part of those panels.

HSAA represents about 25,000 health care professionals in over 200 occupations in our health care system. Ninety per cent of these are employees of a local authority such as Alberta Health Services, Covenant Health, Bethany care, and Lamont health care centre. A small number are members of the public service pension plan through their employment with the Workers' Compensation Board. Of the 90 per cent, about 65 per cent are full-time employees and therefore mandatory members of the plan, about 15,000, but we estimate that in total we represent about 20,000 members in the two plans. My comments will refer primarily to the local authorities pension plan.

The nature of the HSAA bargaining units is such that the vast majority of our members enter their professions with between two and seven years, in some cases more, of postsecondary education. Consequently, even to reach the current 85 factor of the plans, many will have to work well beyond the minimum age of 55. Furthermore, many will retire with an unreduced, although not full, pension. To say that the pension plan is important to our members would be an understatement, and it would also be an understatement that members are upset about the proposed benefit cuts. In the almost 20 years that I've been the president, I can't recall an issue that has evoked such anger, anxiety, and sense of betrayal as the government's unilateral proposals to change members' pensions, probably, I would argue, not even the 5 per cent cuts of the Klein era.

Some members are contemplating earlier – yes, earlier – retirement because they feel betrayed. Some are contemplating earlier retirement because they don't have the confidence that the pension promise will be kept. You've heard, from experts, differing views on the sustainability of the public-sector pension plans. As has been said by numerous presenters, we have an obligation to meet the pension promise that has been made to employees and on which many have based their choice of career and employment.

I'd like to quote from Charting A New Course, the briefing document published by the Ministry of Finance in September and the minister himself. "It is not a crisis, but it could become one unless action is taken to set our pension plans on the right course." We actually agree with this statement, but we fundamentally disagree with the proposed action.

I submit that the government's proposal and Bill 9 are putting the cart before the horse. HSAA has participated in discussions for decades and has been an active supporter of a fully jointly trusteed pension plan since the early 1990s. I was a member of our board of directors but not yet in my current position when our board supported the move to a jointly trusteed LAPP, with the full understanding that with the right to participate in governance comes the responsibility for all decisions relating to the plan.

I submit that a precursor to any change to the benefit formula must be to finally create a governance structure that puts the responsibility for the plan squarely where it belongs, with the sponsors: the employees through their unions, and employers. The unions representing the members of the plans have never claimed that absolutely no changes should be made to plan design. We have consistently taken the position that governance must come first to ensure that any changes are properly the subject of negotiation, not imposition.

I'd like to speak to some of the specifics. The contribution cap: the government has asserted in a number of places that 25 per cent is probably the upper tolerance limit of employees and employers. We don't dispute that when contribution levels rise, members do express some concern. However, as I've said, our WCB members are part of the public service pension plan, where total contributions already exceed 25 per cent, and I cannot recall in the past number of years hearing a single complaint about contribution levels from those members. In fact, I have been hearing from members that they are prepared to pay more to secure their pensions. Therefore, I submit that the 25 per cent that has been flown is an artificial construct as an upper tolerance limit.

10:45

Pension contributions are a part of the total compensation package. The practice of the boards of the public-sector pension plans to project contribution rates a number of years forward assists both employers and employees in avoiding unexpected contribution rate increases. I submit it is within the capacities of employers and unions to turn their minds to contributions within the context of collective bargaining. Because of this, notwithstanding the characterization of the employer's share and the employee's share, I would argue that employees pay for their pension, their whole pension, because it forms part of that total compensation package.

At some point in a properly governed plan the parties may well come to the conclusion that there is an upper limit that they will not cross, and again I submit that that must be left to the parties. Bill 9 not only takes that control from the parties, but by leaving a vague statement that contributions may not exceed a prescribed maximum even if some form of joint trusteeship is created – and I say "some form" because the proposal in Bill 9 would simply keep too many constraints to create a true joint trusteeship – the parties would be subject to the continued uncertainty that the government could at any time through regulation, that would not even be subject to debate in the House, change the maximum. That leaves us with the possibility of a cap that would require a reduction of benefit in the future, and we simply could not guarantee that anyone, including retirees, would be shielded from benefit cuts. In other words, the plan would not be in the control of the parties. The current board of trustees has put in place plans to deal with the unfunded liability, as has already been said, and those additional premiums are scheduled to come off.

Another aspect that I'd like to address is the proposal to treat newer workers and longer serving workers, or younger and older workers, differently. This can create significant disharmony in a very complex work environment. Specifically for my membership, the public safety occupations have been singled out. Health care has a higher occupational injury rate and disability rate than even heavy industry. EMS workers may very well be among the highest, and maybe that's the motivation for the exception. But I submit that that demonstrates a limited understanding of the physical demands and the emotional demands in the health care system. If the physical and psychological demands that are often leading to an inability to continue to work past a certain age are the motivation for the exception in the section on the public safety occupations, then I submit that those are faced by many health care workers, and to single out a particular occupational group is a disservice to others, with the potential of creating disharmony amongst workers in that complex workforce.

I also submit that a number of public policy decisions over the years have contributed to the current state of the plan; in particular, the privatization of significant segments of the public service. Within my membership we are currently facing the prospect of the privatization of Edmonton medical labs, which will result in perhaps a thousand or more plan members being unceremoniously pushed from the LAPP because the private entities are not local authorities. Many of these workers are already dealing with a 10-year gap in their LAPP service that resulted from the privatization in 1996 and the reversion to the public sector in 2006. I submit that such large-scale privatizations are harmful to the plan as they take contributing members from the plan, thereby adding to the imbalance of active to retirees, as has been stated, and, as one of the witnesses stated yesterday, if these members withdraw their commuted value, an additional drain on the assets of the plan and, thus, the funding status.

Other speakers have already spoken to the societal benefits of secure pensions. Our pensioners spend their income in their communities, and when those pensions are inadequate, they are more likely to require assistance from other government programs, which are, of course, paid for by citizens. At a time when Albertans and Canadians are constantly told that we are not saving enough for our retirement, that household debt is out of control, on behalf of HSAA I submit that we, Alberta, should be working to extend good, sustainable pensions to all citizens rather than cutting them from those who have them.

In summary, the plan is not in crisis. Governance reform must precede changes to plan design. Decisions on all aspects of the plan design, including contribution rates and benefits, should be made by the parties, the employees and the employers; in other words, negotiated, not dictated. Contributions are part of a total compensation package. These changes are unnecessary and have the potential of simply shifting cost and negatively affecting morale and productivity. We need to ensure good pensions for all.

Thank you very much.

The Chair: Thank you very much.

Now we will move to our next presenter, Ms Smith from the United Nurses of Alberta.

Ms Smith: Good morning, Mr. Chairman and members of the committee. I thank you for this opportunity to speak on this important topic this morning on behalf of the 30,000 members of United Nurses of Alberta.

My remarks are going to be quite brief. You've heard very much the sentiments of our labour coalition, but I'm not going to beat around the bush in my remarks. UNA members are hurt, angry, and deeply concerned about what the government of Alberta plans to do to their pensions, which are their life savings and which are threatened by Bill 9. Put in context of what's happened over the past year, it's hard for them not to believe Bill 9 is part of a pattern, attacking their rights in their workplace, their economic well-being, and now their retirement security.

The first thing that has to be noted is that this attack is extremely – extremely – unfair to the people on whom our health care system depends to run. The members the UNA represents are nursing professionals who have invested many years and dollars in their education. These nurses are the backbone of the health care system, and they are mostly women. Now they're being told the government is proposing a significant rollback in promised future compensation.

We have a saying as nurses, and it certainly comes from our experience at the bargaining table, but it applies here, too. As nurses we say: we go forward; we don't go back. The decision to do so – and that's the way it's been presented to us, as a decision, a decision to go back, a done deal, with no negotiations, no consultation; just like it or lump it – has been made on the basis of a misleading analysis about the state of our pension plan. What's more, this appears to have been done for entirely political reasons. What's wrong with this picture? It's the wrong diagnosis of the public-sector pension plan, the local authorities pension plan, and Bill 9 is absolutely the wrong prescription.

Our members know their pension is affordable. They know the payments it will deliver them in retirement, and they are most modest. They know that independent actuaries say that the plan will be balanced by 2021, and that means the cost of sustaining them, our plan, will be quickly reduced, in fact starting this year. They know that the unfunded liability of their pension plan has already been reduced by $1 billion.

So to say that front-line nurses are angry when they see the drastic changes that have been proposed for their pension probably underestimates the situation. This is especially true when they see concessions made to protect the pensions of male-dominated groups within their pension plan and of managers in the system who do not serve the sick, their families, and the province on the front lines of health care, as nurses, who are mostly women, do. Remember that this has been done without meaningful consultation and without paying any heed to the sound and sensible suggestions made to improve these plans that have been put forward by United Nurses of Alberta and the other unions representing front-line health care workers.

For all its talk about ensuring sustainability, the changes planned by the government include provisions that will make the plans less sustainable, the most outrageous being the cap on contributions that guarantees there is no way to respond to a financial crisis without impacting benefits. What's more, with its noisy and repeated claims that the plans are not sustainable even though these claims are not true, the government has persuaded many of our members that staying in their pension plan is not in their best interest. This irresponsible behaviour has done nothing to ensure the sustainability of the plan and, in fact, has done the opposite.

In addition, while we are aware that the government has always insisted that benefits accrued before the end of 2015 will not be affected, our members distrust this pronouncement, too, and with good reason. This is because they know the government wants to give itself the power in Bill 9 to change the rules of the pension plans without consulting their pension boards or their members. This would give the government tremendous power to make harmful changes to wage calculations after 2015 that could dramatically lower the income expected by plan members who work most of their career after that year.

10:55

The government's assurances aren't very persuasive, and the language of Bill 9 reveals that it has very different intentions. I say to you that the only right thing for government to do and the only practical thing from a policy perspective is to set this legislation aside, go back to the start, and put a genuine, jointly trusteed plan in place. It's certainly not acceptable to include provisions that undercut true joint governance of the plans, which is supposed to be one of the key reasons for this whole exercise, with a pretense of joint control, and it would be nothing more than a sham. I echo the comments and the submissions of Murray Gold yesterday in terms of explaining just why the proposals, in fact, are a sham.

So really talk to us. We're the representatives of those front-line workers, and we know what needs to be done to make the pensions secure. We've been proposing solutions for more than two decades. We were promised a jointly trusteed plan more than two decades ago. This is what the government should have done in the first place. If you do not make this effort to either scrap this legislation or rewrite the sections that will cause the most serious problems, the impact on the plan and our members will be dire.

The proposals will make the plan such a bad deal for young workers that they will want to avoid participating, and who can blame them? Quite simply, this is what will make it unsustainable. And you know what? This government won't be able to pass off the blame for what happens onto front-line workers. This government is going to wear it themselves.

Hundreds of our members have been visiting their MLAs and telling them this message. We hope you are listening. Fortunately, there is a sensible way forward that will satisfy the concerns of all parties. You can do that, as I have said, by holding an honest, open renegotiation about how to keep the pension promise you have made to these workers and how to ensure that their secure retirement income remains sustainable. The answer to that, of course, is a genuine, jointly trusteed plan.

I urge this committee to set aside these poorly thought out, unfair bills, the unintended consequences of which have the potential to do enormous harm to the sustainability of the pension plan. I urge you to listen to the voices of nurses and other front-line workers. Doing this offers a win-win scenario in which everyone, including the public, will come out ahead.

I thank you. I'll be happy to answer any of your questions. I have provided as part of my submission the document Labour Coalition on Pensions' Response, Government of Alberta "Charting a New Course: A Vision for Public Sector Pension Plans." This was our submission in December of 2013. While I recognize that some modifications were made to initial proposals, well, not proposals, to initial changes intended by the minister – they were never proposals; you apparently don't negotiate them – while I accept and acknowledge that certain changes were made, it does not in any way take away from the nature of this submission and the concerns. In fact, in some ways the actual content of Bill 9 enhances, even makes our concerns greater. So I attach that as part of our formal submission to you today.

Just as a further last statement, I do think it is interesting that in the submissions that have come before this committee, Alberta Health Services, which is 50 per cent of the local authorities pension plan, is not one of those making submissions. I do also point out to you, in terms of concerns about what happens when the total compensation of employees is affected in the way Bill 9 will affect our total compensation, that we have already tabled proposals at our bargaining table that would require the employer to put in place a supplementary plan to deal with any reductions undertaken with Bill 9 legislation.

Thank you.

The Chair: Thank you, Ms Smith. So you presented something before this? You said a while ago.

Ms Smith: As part of my submission, I included – I believe you have received this. This was the labour coalition submission.

The Chair: Oh, okay. All right. That's fine. We thought you presented it a while ago.

Ms Smith: No, no.

The Chair: Good. Thank you very much for your presentation.

Our final presenter on this panel is Ms Roberts, representing CUPE Alberta. Please go ahead.

Ms Roberts: Thank you, Mr. Chairman, and thank you for this opportunity to be here to present to this very important committee. I'm not lost that I'm here to present today on these hearings that were called as a replacement for imposed changes on the pension plans, and these pension plans will affect close to 300,000 Albertans.

I'm here to represent the concerns expressed to me by the members of the Canadian Union of Public Employees. There are approximately 35,000 members in Alberta, and you'll find these members working in municipalities, libraries, postsecondary institutions, health care facilities, and as support staff in the education systems. Of the 35,000 members in CUPE approximately 27,000 members will be affected with these changes.

I also want to talk about the members in consultation with the members of my union, who have been and continue to call for pension plans to be fully negotiated between workers and employers. Imposing these changes that were brought forward, Bill 9, without the consent of workers, pension boards, and even a number of public-sector employers was a recipe for conflict, and to the degree that these hearings pushed the pause button on that ill-advised strategy, we are all grateful.

Since the changes to the pension plans were announced, front-line public-sector employees have been asking for good-faith negotiation on these changes, and we haven't had a real response. We went out of our way to produce a fully costed – and this was through the labour coalition – counterproposal. We still did not have a real response. We're glad that bills 9 and 10 have been forwarded to this committee for deliberation, and we remain willing and committed to have a real table for discussions with the government. If this committee makes no other recommendation, a real negotiated solution would be one suggestion in everybody's best interests.

Local authorities pension plans, which CUPE members are under, are modest, and they are not gold plated. Any discussion – and we've heard many discussions – about front-line public employees and their gold-plated pension plans are rhetoric. This rhetoric is simply not true and is designed to confuse the discussion regarding public employees' pension plans.

I want to bring forward an example of what an average CUPE member who earns $40,000 per year would get with their pension:

$17,000 a year, and that will only keep up with 60 per cent of the increases in cost-of-living adjustments, meaning that this modest pension will decline in real value over their retirement. But not all CUPE members and not all public-sector members actually work the years to get their full points in, and the average local authorities pension is currently about $15,000 per year. So even with CPP and old age security most members will struggle in retirement to stay out of poverty, and that's before the proposed changes take effect.

I'd like to speak to sustainability. We've also heard a lot of talk about sustainability but not so much about benefit adequacy. Of course, we all want sustainable pensions, but we also want pensions that are adequate and secure. The local authorities pension plan is not in crisis, admitted by the Minister of Treasury Board and Finance as well. It's facing a temporary funding challenge, and we're a willing partner in getting the plan back into the black. Our own actuarial study confirms what the government numbers say. We have a modest deficit now and an affordable plan to ensure we will be back to surplus. This is not a bad place considering we're just five years out from one of the biggest financial crashes in 80 years.

11:05

Bill 9, the contribution cap and target benefits. What the government has proposed and what we've heard earlier today in the presentations is that the government's proposed a hard cap on contributions to the public-sector pension plans. This is a very, very significant change that will actually convert this pension plan from a defined benefit plan into a target benefit plan. A defined benefit plan is a plan where promises are made backed up by actuarial reports and funding law, allowing for surpluses and deficits to be smoothed and amortized over time. Therefore, risks are managed over time. A target benefit plan takes long-term planning and switches it to short term. If the plan has a good year, benefits are paid. If the plan has a bad year, grandma can't afford new dentures. Pensioners never know beyond a short period how much they will have to live on. Their security is minimal.

Imagine that you're an 82-year-old pensioner; you're living on $20,000 per year, which is enough to secure a warm place to live and a few groceries. In a target plan if the market has a bad year, your pension could be cut. You don't have any options. I say that at 82 picking up a job at Tim Hortons is not an option. That's why defined benefit plans are so important to retirees, because once you get to a certain age, once your health deteriorates, you better have a secure income because there really is no plan B.

Despite proposing a target benefit plan, the government continued to call their proposal a defined benefit plan. It is not. What has been proposed in the legislation is a target benefit plan. The benefits are not guaranteed, and the funding is not managed over long periods of time to smooth out the good and the bad times.

Most troubling, though – and I'm going to speak briefly to Bill 10 – it proposes to allow retroactive conversions of past defined benefit promises into target benefits that may or may not be delivered. This is the government allowing deal breaking, plain and simple. It's virtually unprecedented in Canadian pension law and should offend our moral sensibilities and our respect for contract law. CUPE strongly opposes this element.

Also, in regard to the government proposal on jointly sponsored pension plans I offer the following comments. The government's proposal runs roughshod over Canada's long and proud history of truly independent jointly sponsored pension plans. Jointly sponsored pension plans have been recognized around the world as strong pension models. Those are the pension plans here in Canada. Even through financial crises many of these plans are now fully funded and continue to deliver on their defined benefit promises. Jointly sponsored pension plans must work at arm's length from the government to make their own decisions. That does not happen under the legislation of Bill 9.

What the government's proposal is is not a jointly sponsored pension plan. They propose, one, maintaining full governmental control over contribution levels, open-ended control over the board structure and design as well as putting crucial plan design elements like contributions in the hands of government, which can result in a rollercoaster of rates and benefit levels that could quickly make pensions less secure and hurt their valuable role in retirement and rich pensions. This goes beyond the principle of independent joint-sponsored pension plans, and CUPE could not participate in governance of a plan under these circumstances.

There have also been studies in regard to proven economic benefits of defined benefit plans. When it comes to the economic benefit of our plans, the government analysis, I feel, has only looked at one side of the ledger, the cost and the risk associated with pension plans, without looking at the benefits of the plans. This is simplistic and narrow.

Pensioners with steady, reliable income spend money in their communities. They live at home, they're able to get their roof repaired, they shop at local grocery stores, go out for occasional coffee or lunch with friends, and buy gas to drive to their granddaughter's music recital. In other words, their income puts money into communities, helps create wealth, business, and jobs. The Conference Board of Canada study Economic Impact of British Columbia's Public Sector Pension Plans reinforces this. Take away that pension or cut it back, as target benefits would do, and watch seniors cut back. Soon they can't keep up on housing maintenance. They need to look for cheaper housing. Fresh food and produce is reduced in favour of cheaper, mass-produced food. This all leads to poorer health, and that means more seniors in hospitals, costing billions to the taxpayers. Pension plans allow seniors to live self-sufficiently off social programs.

The Chair: Sorry to interrupt you. You have two minutes left.

Ms Roberts: Okay. I want to speak about Bill 9 and essentially how it's a contract being broken. Front-line workers carry a lot of risk in this plan. We pay for half the unfunded liability. Plan members are doing that now off every paycheque. Arguably, we pay for all of the unfunded liability. Employer contributions are after all a form of deferred wages. When employees are paying too much into the plan, it becomes a lot harder for us to negotiate cost-of-living salary increases. No one knows that more than the front-line public employees. Our pensions as they exist now will not fully increase with the cost of living, meaning that we bear inflation risk in the plan. We recognize the current funding challenge the plan is under, and we've produced with the labour coalition a fully costed package of alternative plan changes that would be more palatable to plan members but still meet the concerns of the government. We're trying to bargain in a reasonable and fair way, but there hasn't been anyone on the other side of the table.

In summary, it comes down to this. Part of the wages paid to front-line workers is a pension benefit. Our workers agree to put their own money into the plan, and they put aside some wage demands so even more can go into the plan in exchange for retirement security because there really is no plan B. Pensions are a contract over time, and the government is attempting to break this contract through Bill 9 and Bill 10. We're asking that you don't break this contract.

Thank you so much.

The Chair: Thank you all very much.

Now I have long list of questioners here, so I would ask that you proceed with one question and one supplemental so that all members have an opportunity to pose their questions to the panel.

I will start with Mr. Eggen.

Mr. Eggen: Thank you, Mr. Chair, and thank you so much for your presentations. I was struck by your insightful comment, Ms Ballermann, in regard to an illustration of the complexity of pensions, that you make a small change, and it can have a very profound effect. I had a constituent talk to me yesterday about how he bought two years' worth of his pension back for about $6,000, and, you know, a small change with a contribution cap and so forth with Bill 9 would completely eliminate that, right? This bill, as benign as it's presented, can actually have that kind of significant effect on people. I guess my first question is: how can a contribution cap imposed by the government somehow undermine the integrity of a pension plan and make it cost more for workers? Anybody.

Ms Ballermann: Thank you. Given that it relates to my comments, I think a hard cap and particularly an unknown cap that could be changed with no notice or consultation or that could be gradually dropped to impoverish the plan creates all sorts of uncertainty. If we do not fund the plan sufficiently, then ultimately we will not be able to draw the benefits that our members will be expecting, and legitimately so. The story that you've just related, Mr. Eggen, is absolutely apt. You will be hearing from one of my members who actually purchased back 10 years of service based on the calculation of what the pension promise is. I would argue that she is distraught at these terms. I don't want to take her thunder when you hear from her individually, but a cap that is legislated, that is not in control of the parties that should be running this plan, simply cannot guarantee the pension promise that our members expect and deserve.

Mr. Eggen: Thank you.

Mr. McGowan: If I may, I think that the question of a contribution cap is incredibly important to us because we think that if one is implemented, it will actually undermine rather than enhance the health of our pension plans, which seems counterintuitive. If you listen to people like Mr. Prefontaine, the cap is necessary in order to bring costs under control. Once costs are under control, the plans will be more healthy.

But there are two reasons why we think that a pension cap will actually make the plans less sustainable. The first has to do with confidence. As we've said, many of us, if a pension plan cap is imposed, then pension boards will essentially have one hand tied behind their back in the face of low investment returns. Instead of contemplating a contribution rate increase to keep the plan whole during periods of low investment return, they'll have no choice but to cut benefits.

11:15

The plan members will know that, and the impact will fall heaviest on younger workers. Those who have the option to opt out – and there are many who do; part-time workers often have the option to opt out of the plans – if they see this impoverished plan, they'll ask the question: is it worth putting my life savings into this plan? Many of them will choose not to, and that will undermine the long-term sustainability of the plan.

The second point about a contribution cap is that it makes it almost impossible for the people who are running the plan to make good decisions about how to keep the plan healthy because they'll have no control over the revenue, the income coming into the plan. They may say that the contribution rate cap today is 20 per cent, but because it's in the control of cabinet and council as opposed to the board of the pension plans, maybe the cabinet will decide a year from now that the contribution cap is 17 per cent or 12 per cent. How on earth can our boards plan for the future sustainability of these huge and incredibly important plans if they have no idea of what the contribution caps are going to be a year from now or five years from now?

Mr. Eggen: Thank you. That's an interesting similarity to the presentations we had from the cities of Calgary and Edmonton just about an hour ago.

The second part of my question – again, it's just something that struck me from all of your presentations talking about a pension crisis, and we heard that a lot yesterday. Being a student of psychology, I suddenly realized what this PC government is trying unconsciously to say here. Yes, of course there is a pension crisis, and that is that 70 per cent of Albertans don't have a pension. Maybe it's a bait-and-switch thing. You attack the people that do have pensions to make the people who don't have pensions feel better in some twisted sort of way. But no; there really is a pension crisis in this province, and we need to include the rest of Alberta in a reasonable, fair, and secure pension of some kind. I'm just curious to know if anybody has any ideas of how we can do that? Short version. Anybody is fine.

Mr. McGowan: Okay. I'll give you the short version. We agree that the real problem for working people here in Alberta is the lack of pension coverage, not problems with the people who have coverage. We think that for policy-makers like yourselves the goal should be to pull people up who don't have adequate retirement income rather than to drag those down who do, especially when we've heard over and over again that for those who do have adequate coverage provided through pensions like LAPP and PSPP, those pensions are in good health, and in fact the health of those plans is getting better. They provide modest benefits. There's no reason for pulling them down.

The labour movement has put forward a very clear proposal for addressing the pension shortfall, and that is to make use of an existing vehicle for providing security that has been proven to be sustainable and to provide decent benefits, and that's the CPP. As recently as a year ago we had virtual consensus across the provinces that one of the best ways forward to ensure that more people had adequate income in retirement was to expand CPP so that it replaced a larger percentage of preretirement income. Alberta was the only province that stood in the way. It was the only province. In fact, the federal government used Alberta's opposition as an excuse to scuttle the move toward expanding CPP, which was supported by other provinces, by pension experts.

For this committee and for this Legislature one of the clear ways forward, I think, is to rethink that opposition to CPP expansion. That's why I said in my remarks that one of the recommendations coming from this committee, I humbly submit to you, is that you should recommend that this Legislature conduct a study on the real problem, which is lack of pension coverage, and specifically look at expanding CPP as a possible solution.

Mr. Eggen: Thank you.

Mr. Smith: Can I make a comment on that quickly?

The Chair: Sure. Go ahead.

Mr. Smith: The whole thing about the crisis – the sky is falling – is a big issue here, and I'm sure that the members of this committee would want to do anything they could to avoid a crisis. I think that's best for everybody involved. There is no crisis currently, and I think even the Minister of Finance has stated that. But these changes, what is proposed in Bill 9, could create a serious crisis, a serious run on the pension plans and the sustainability of the plans. You need to keep that in mind, that the road Bill 9 is going down could actually create a crisis when one doesn't exist now. You really need to consider that carefully, please.

Mr. Eggen: Thanks.

The Chair: Anybody else on the panel?
Okay. Mr. Hehr.

Mr. Hehr: Good morning, everyone, and thank you very much for your presentations this morning. I don't know if you're all aware that I'm a struggling politician, a recovering lawyer, and I'm definitely not a pension expert. What I've learned today and throughout the last couple of days through this series of presentations is that pension plans are complex. Today we have heard from many employers and now members of organizations that represent employees that say unequivocally that Bill 9 is the wrong direction to go in, and I'm more convinced of that today than ever, and in my view that is one of the recommendations our committee should make strongly, to turn away from this legislation.

However, my question goes beyond that. As most of us who are on this committee are not pension experts, I'm wondering what the people who presented today see our role as. Is it more of just an evaluation of whether Bill 9 is the correct way to go or not, whether we give a straight yes or no to the proposal? I think us being here really says the answer to that. But how much should we actually be commenting on ways to fix our pension systems?

In my view, it's between the employer and the employee and, at best, it's between the government, its partners in labour, and its employers to work out a sustainable plan through communication, through some hard work and effort. Maybe our committee could recommend that that's what happens, that it comes back in around 2017 with a reasonable plan that actually ensures pension sustainability. I'm just concerned with the role of this committee given that the real experts in this are employers and employees, with their partnership in government. I'd like to hear your suggestions on how far this committee should go, where we're going. Sorry about that long-winded question.

The Chair: I thought that was a comment.

Mr. Smith: Okay. I'll start. Thank you for your point of view. I wouldn't claim to be a pension expert either. I mean, in my role I've learned a heck of a lot over the last little while. But we believe that a lot of these proposals and the changes and the attacks on the pension plans have been politically motivated. The response has been politically derived as well. We've had members, thousands of members, send letters and e-mails and petitions and hundreds have visited their MLAs. But you're absolutely right, Kent. I don't think this committee needs to dig down into the nuances and the complexities of pension plans. I think they need to understand how complex those issues are. But at the end of the day you need to clear the way for real joint governance to take place.

We have started discussions with the government of Alberta on the public service pension plan side of things. Bill 9 is a hindrance. It's an obstacle to actually sitting down at the level of trust and respect and honesty and openness that's required to be able to come to that agreement. When I say agreement, it's between AUPE and the government as the employer, not government as the legislative body. If we can manage to achieve that, then I think that's the way forward, and I think you're hearing it from all the representatives here and from the representatives from other organizations, that real joint governance, where the government removes itself from the role of interfering with these plans and lets the stakeholders deal with them. So that's a recommendation this committee can put forward. But, firstly, you've got to get rid of Bill 9 because it's an obstacle to that.

As I mentioned in my presentation, we've been through similar situations with the government over the last few months about a piece of legislation that was interfering with real work that needed to be done, and I think you've seen the results of that. When legislative authority gets in the way of discussion and openness and honesty and moving forward, it's a hindrance all around. Bill 9 is part of that hindrance.

I agree with you, Kent. You don't need to dig into the details of pensions. You just need to clear the way for the stakeholders to be able to reach the joint governance that we're seeking.

Thank you.

11:25

Mr. Hehr: Thank you very much. That answers my question.

The Chair: Thank you, Kent.

Mr. Luan: Mr. Chair, if there's a chance, I wouldn't mind having a comment.

The Chair: I'll put you on the list, Jason.

Mr. Luan: Thank you.

The Chair: Okay. Ms Kennedy-Glans.

Ms Kennedy-Glans: Thank you. All of you had recommended to your members that they show up at MLA doors, and I just want to tell you that your message was delivered. I've had hundreds of people show up at my door, which is why I took the position I did in the Legislature. So the advocacy is effective, and it's obviously gotten people's attention.

I also want to make sure that you're aware that all sorts of people also showed up at my door who don't have pensions and who don't want pensions, okay? So there are lots of people in Alberta who are quite happy with the fact that they don't have a pension. That's their choice. So I think we need to pay attention to those people, too, because they're also our constituents. There are also lots of young people who are concerned about what this is going to mean for them in terms of public-sector pensions. So all of those people show up at our door.

Many of you have mentioned, you know, hitting a reset button, and, Heather, you alluded to going forward, and you talked about this bill: it's a nuisance; it's in the way. It's got us talking, and that's actually quite profound. I think that's actually a really significant piece here, and if we truly can hit the reset button and actually have the dialogue that needs to happen, then I think this, as painful as it is, will actually be very, very productive.

What I want to ask all of you is as we go forward, the fearmongering – and some of it is ideologically based, and I understand it. I don't think it's patronizing. I think it's genuine. But everybody has a perception on this. Much of the language that you've used today is fear, and I think it's honest. But what we're feeding is a mistrust in the public about our ability, everybody at this table's ability, to manage this issue, and that is not a good thing for Albertans. I'm not talking about being Pollyanna. But if we continue to feed this polarized view of pensions versus no pensions and people that don't have pensions and people who do have pensions and people who are new in pensions and people who aren't, we're going to end up nowhere.

I guess what I'm appealing to all of us on – and we've got all sorts of ideological stripes at this table – is: how do we create a process that builds confidence in the public? Yes, people walked into my office who didn't believe the government website, but frankly they didn't believe your websites either. So somewhere we have to figure out a way for people to get access to information, and I think that's essential because we're not going to get through this otherwise.

My question to you is: how do we give people information that they can actually believe in, not just your union members but the public as well?

Ms Smith: Well, I have to make comments on this in terms of a couple of things. In terms of how to deal with this, the answer to how to deal with this is to make good on the promise of two decades ago and put in place a process for joint trusteeship to be fulfilled. You won't have the rhetoric, if that's what you consider it, out there.

In terms of fearmongering I have to point out that it's fact that this legislation proposes that a certain group of people currently in the local authorities pension plan – firefighters, paramedics, and corrections officers, although I think most of them would be under PSPP – will have a different and better pension than nurses who are currently in the plan. The male-dominated professions, if you like, will somehow have a better plan than the women-dominated professions in terms of nurses.

I ask about the logic of saying that, you know, the plans aren't sustainable, so let's create LAPP-plus and a PSPP-plus that some employees get to participate in. I'd like to know. Are there going to be two different caps, one for LAPP and one for LAPP-plus? Are there going to be different contribution rates? Or are the women, the nurses, who now have a 90 factor going to subsidize the men having an 85 factor? That is not fearmongering. That is the case. The legislation proposed would have, in fact, two different classes of LAPP. That's not fearmongering.

Mr. McGowan: If I may, you're not the first to suggest that we've been fearmongering. I would point out that the reason that we're in this situation is because the minister in September gathered the stakeholders together at Government House and delivered the mother of all fearmongering speeches, and that has been supported by the deputy minister, the assistant deputy minister, and everyone who has been rallied to support this so-called new vision for pensions in Alberta. The argument that they made at the time, which we characterized as fearmongering, was that our plans were facing a crisis of sustainability. The word "crisis" was not one that we chose. It was one that was bandied about by the government even though they were talking out of both sides of their mouth. On one side the minister said: we're not in a crisis; however, we're not on a sustainable path. That's what set this confrontation in motion.

We responded to what we thought was fearmongering with research. That's why we hired an independent actuary. Actually, amongst ourselves we said: "Is it true? Is it true that our plans are in crisis?" We didn't want to rush out and just blindly defend the status quo. We went out and hired an independent actuary, and the conclusion that he came back with – and you heard it yesterday – was that our plans are healthy considering that we've just come out of a global recession, that they're getting healthier, that there are plans in place to return them to fully funded status, that those plans are working, that the sky is not falling.

With due respect, if there is a crisis mentality out there, we didn't create it. We're only responding to it. Even though, you know, the position that we've taken and the arguments that we put out there have inflamed our members, every position that we've taken is based on an honest and thoughtful interpretation of the proposals that have been put in front of us. For example, they are talking about getting rid of guaranteed cost-of-living adjustments. That has a cost to our members; that will affect their security in retirement. They are talking about contribution caps, which will have an effect on future benefits and probably lead to benefit reductions in the future. This is not just rhetoric. This is analysis of the facts in front of us.

Ms Kennedy-Glans: Just to be clear, I want to go forward. I understand your defensiveness. Believe me, I would see it from the other side, too. I want to ask you what we do from here to move to there. We're going forward.

The Chair: Ms Ballermann.

Ms Ballermann: Thank you, Mr. Chair. I do want to respond to that. I think we have put forward progressive, decent, and carefully thought through plans about how to ensure that everyone in this province and this country can have a secure retirement. Ms Kennedy-Glans, I take at face value your statement that you have people coming to your office who say that they don't want a pension plan. Well, they've seen the private-sector plans that have collapsed. They've heard the rhetoric about unsustainable plans again and again and again. They know that bankruptcy protection does not extend to pension plan members. Why wouldn't they be saying, "I don't want to be part of that"?

What we've been proposing is that one of the most secure vehicles that is known in the world, our current Canada pension plan, which actuaries on all sides agree is well funded, should be expanded beyond the current limits so that everyone can retire with a secure pension.

On Mr. Hehr's question with regard to this committee's mandate, I haven't actually studied the mandate of the committee, but I see the title of this committee's name, which is the Standing Committee on Alberta's Economic Future. I suggest to you that you will be doing a disservice to Albertans if we look solely at these plans and do not look at the bigger picture, where the true crisis is, which is that other people do not have proper retirement security. I think that if we were to reframe the question, from "Do you want a pension plan?" to "Do you want a secure retirement that provides you a predictable and stable retirement income?" I suggest to you that a vast majority of Albertans would agree with that statement.

The Chair: Okay. Thank you.

Ms Roberts.

11:35

Ms Roberts: Yes. In regard to fearmongering I do want to comment on that, and then I'd like to talk about going forward. The members of all the unions or associations that are here came to us because there was fear. There was fear in regard to what they were hearing, and they came to us to ask: what can we do? Not that we directed them to speak to their MLAs, but we said: these are some of things that you can do to get your questions answered in regard to what's happening.

Let's talk about going forward. Going forward, what we need to do is negotiate, not just talk for 20 years but negotiate a jointly sponsored plan where the government is at arm's length and where the government does not dictate through legislation the work that that committee can do, that that joint trustee group can do. We need to actually let them do the work as it's seen all across Canada. As I stated, it's actually world renowned, and Canada is looked up to in regard to joint trusteeship. We've been talking for 20 years – 20 years – and there's been no resolve to it. We need to have a resolve. We need to negotiate, not legislate.

The Chair: Okay. Thank you.
We will move to the next question. Mr. Fox.

Mr. Fox: Thank you, Mr. Chair. I've been asking a very similar question of all the panelists that have come forward, which is: do you think there is an understanding in Bill 9 of what is needed in the securing of the pension promise, providing a framework to get plan governance right, setting up an appropriate funding policy? Is there a demonstrated understanding in Bill 9 of the key risks and who bears them? And would it provide effective regulatory oversight? Now, I think that you've answered a lot of those questions in your submissions already. I'm very thankful for that, and I actually probably don't need to ask you that question.

So I'm going to move on to the next question that I've been asking the panelists that come through. That has to do with outreach to stakeholders. How should we be reaching out to you? Is there a model of meaningful communication, consultation, and co-operation that exists that would bring us to better legislation on the topic of pensions?

Mr. McGowan: Let me take a crack at that. First, I want to say that the current model that has been pursued by the provincial government in terms of consultation on these issues is entirely inadequate. To date they haven't seemed to learn the lesson. For example, in the so-called consultation that preceded the minister's announcement in September on his new vision for pensions, there were no meetings, and there was no negotiation. Similarly, once he announced his plan, he gave us a few months to respond. He refused to actually sit down and meet with us. This may be shocking to you, but the Minister of Finance didn't actually physically sit down with any of the union leaders here present, who represent hundreds of thousands of people in these pension plans that are going to be affected by legislation. He didn't actually sit down with us face to face until after Bill 9 was introduced. Two days after it was introduced, he finally sat down with us for an hour and a half. That's obviously inadequate.

Also, the model that we've seen so far is that they throw out an idea, and then they say: well, send us a paper, and we'll consider it. In our mind, that does not constitute adequate consultation because we have no idea whether they've actually read the document or tossed it in the garbage. It seems like all they're doing is checking off a box saying, "We consulted with the unions." That's not real consultation, and that's why we make a big distinction between consultation and negotiation.

Negotiation involves many meetings over long periods of time, sharing different points of view, and then agreeing on a course of action as opposed to just saying, "Yeah, I heard you" and then going your own way. To date nothing that has happened with this government comes anything close to what we have described as negotiation. If you want buy-in, if you want the employees to have confidence in the outcome, it has to be real negotiation, you know, like we've seen in other provinces.

Marle mentioned and I mentioned in my presentation that Canada has a well-deserved reputation as a leader in terms of pension governance, but Alberta is the outlier. We're the province that hasn't gotten with the Canadian model in terms of governance. We have a command-and-control model here, where the minister is the sole trustee. He calls all the shots. We have these pension boards. He meets with us on occasion, but at the end of the day the buck stops with him. What we're saying is that that has to stop.

The real model is a joint governance model like we see in other provinces, but in order to get there, we have to negotiate on that model. We've done that in other provinces with success, and that's the way forward. It's not more round-tables. It's not more, you know, submissions and papers. It's actually a commitment to set up a framework to negotiate a truly independent, joint-sponsored model where all the stakeholders, people who have skin in the game, employers and employees, are at the table, have an equal say, and are basically forced to bargain on the future and the sustainability of the plans. That's what works.

Ms Smith: From my perspective, Bill 9 is not salvageable. Consultation per se on Bill 9 is not going to make Bill 9 better because Bill 9, as I tried to say, is the wrong prescription to begin with, right? I'm not sure exactly what ailment the minister intended with Bill 9, but the plan is not ill. The plan is healthy. It's getting better. What is at issue in terms of public-sector pension plans goes back two decades. The treatment prescribed then was to turn these plans over to jointly trusteed boards, duly constituted employees and employers, and that was never followed through on. You know, this is a wrong diagnosis of an ailment, and Bill 9 is the wrong prescription. Just tinkering or trying to suggest – you've got to go back. You've got to get rid of this entirely.

The Chair: Thank you.
We only have four minutes left, and we have three more people to ask questions. Can you make it fast, please?

Ms Ballermann: Sure. Just one point. The Minister of Finance, as the sole trustee of the pension plan and also as the Treasurer for this province, finds himself in an irreconcilable conflict of interest. He cannot possibly be a true trustee for the benefit of the members of the plan and also be a true trustee for all Albertans who are not part of that plan. So that is one of the very inherently problematic issues. We do need that joint governance structure.

The Chair: Thank you.
Mrs. Sarich.

Mrs. Sarich: Thank you very much, Mr. Chair, and thank you for your insight into your various perspectives. I'm reminded of a couple of things that the Auditor General had pointed out to our committee. One of them is a question that he had put out there, which is: are the plans sustainable? And this is about securing the promise of that pension. He suggested that there is evidence signalling that we are reaching that maximum acceptable level and that we have to start doing something. Okay? So the challenge is that if we don't do something about planning for the future, then there will be a whole variety of consequences.

What I've heard very clearly from your presentation and if I'm hearing it correctly – in all fairness, with the previous panel of presenters I touched upon the governance structure, and that has really come through. Dealing with that first and then the other parts, I was just wanting to ask if there is anything further that you would like to point out on that because I heard most of the perspectives. Is there anything further on that?

The second part would be that it seems from what you are saying that the consultation or the dialogue piece seems to have been quite tricky, inconsistent. There's an opinion about that. I'm not too sure if we should resurrect the past. All one could do is apologize for that. Here we are today. What do we need to do to make improvements on that, and what would your expectations be about that?

The Chair: Excuse me, ladies and gentlemen. Since we only have about two minutes left, can I ask the panelists to respond by writing to the committee clerk on these? We have two more gentlemen who would like to ask questions, and we don't have enough time to accommodate that. Can I ask you to respond in writing?

11:45

Mr. McGowan: As long as we can get the questions in written form. Can we?

The Chair: Yeah. We can do that. Yes. Thank you.
Mr. Luan.

Mr. Luan: Thank you very much, Mr. Chair. Thanks to all the panel members for your opinions and recommendations. I really appreciate that. I can let you know that prior to being an MLA, I was part of the public pension plan, and I'm still in it now despite that I don't have a pension anymore. So I have my best interests beyond that of all the constituents coming to my office to talk about this.

Here is my question to all the panel members. I think, from what I heard from the experts yesterday, from government, from ministries, and now today, that we have one common goal. Nobody disputes that we need to fix what we currently have in order to preserve the public pension, in order to give that security, that promise we made. The problems with life expectancy and the change in rate of return on investments really put us in almost a crisis state, in that if we do nothing, the problem is going to worsen. So here's my thinking. Instead of all of us being polarized into different ways of how to get there, if we can emphasize that we have one common goal – nobody is disputing that. It is how we get there that seems to be having various opinions. I want to leave our union leaders sort of a question that they can get back to us in writing on.

Also, I heard about shared sponsorship as part of the solution. If you can add that onto that list and provide, moving forward, a basis for how we can get this worked out for all of us, I'd appreciate that.

The Chair: Thank you, Mr. Luan. I'm sure they'll try their best to get your answers in writing.

Mr. Luan: Thank you.

The Chair: Now Mr. Rowe, please.

Mr. Rowe: Well, thank you, Mr. Chair. I'll make it very quick. This came to mind yesterday afternoon with one of the presentations as well. I've heard a term used several times this morning from several of the presenters, and that was "independence." I'd like to get a better description of what you mean by independence. I even heard the statement that the government should be at arm's length. Can you give me a description of that? I was hoping to get that answered today so that I could follow it up with a further question.

If it's total independence, and if the various unions and organizations – and I see 14 of them on this list today – are suggesting that the provincial government just operate as an employer and contribute to the plan on a negotiated contribution level or whatever that is, the follow-up to that is: if that's the case, would you be willing to accept all responsibility for the plan as well? By that I mean: don't come back to the government in 10 or 15 years and say, "Gosh. We've got this $10 billion unfunded liability. You're going to have to give us a few billion to help us with this." I'd like those answers defined and in writing if you would, please.
Thank you.

The Chair: Thank you, Mr. Rowe.

That's all the time we have for this segment. On behalf of the committee thank you again for your presentations today and for answering the committee's questions. The *Hansard* transcript of the full-day proceedings will be available later this week via the Legislative Assembly of Alberta website. The audio of the meeting will also be available via the Assembly site.

If you wish to provide additional information for the committee, please forward it through the committee clerk.

Thank you very much. It was a pleasure having you here.

Mr. Smith: Thank you very much.

The Chair: Thank you.

[The committee adjourned from 11:49 a.m. to 12:33 p.m.]

The Chair: Well, good afternoon, ladies and gentlemen. Welcome to each and every one of you. We're back on the record to receive presentations from stakeholders relating to the committee review of Bill 9, Public Sector Pension Plans Amendment Act, 2014, and Bill 10, Employment Pension (Private Sector) Plans Amendment Act, 2014. I would ask that we go around the table and introduce ourselves, and then I will call on the members teleconferencing to introduce themselves, too. Thank you.

I am Moe Amery, MLA for Calgary-East and chair of this committee.

Ms Kubinec: Good afternoon. I'm Maureen Kubinec, MLA for Barrhead-Morinville-Westlock.

Mr. McDonald: Good afternoon. Everett McDonald, Grande Prairie-Smoky MLA.

Ms Pastoor: Bridget Pastoor, MLA, Lethbridge-East.

Ms Noel-Bentley: Elaine Noel-Bentley, vice-chair, Public Service Pension Board.

Mr. Murray: Larry Murray, chair, Public Service Pension Board.

Mr. Rosychuk: Roger Rosychuk, chair, Special Forces Pension Board.

Mr. Kashuba: Scott Kashuba, chair, Management Employees Pension Board.

Mr. Walker: George Walker, vice-chair, local authorities pension plan board. Mike Mahar, our chair, was unable to be here today and extends his apologies.

Mrs. Sarich: Good afternoon and welcome. Janice Sarich, MLA, Edmonton-Decore.

Mr. Rowe: Good afternoon. Bruce Rowe, MLA for Olds-Didsbury-Three Hills.

Mr. Eggen: Good afternoon. I'm David Eggen, MLA for Edmonton-Calder.

Ms Sorensen: Good afternoon. Rhonda Sorensen, manager of corporate communications and broadcast services.

Ms Robert: Good afternoon. Nancy Robert, research officer.

Dr. Massolin: Good afternoon. Philip Massolin, manager of research services.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Thank you.
Anybody on the phone?

Mr. Luan: Good afternoon. Jason Luan, MLA, Calgary-Hawkwood.

The Chair: Thank you, Mr. Luan.
Anybody else? Okay. We'll wait for the rest.
I'm pleased to welcome our guests participating in panel 6, who will be addressing Bill 9. You will have 15 minutes to make your presentations, and I will open the floor to questions from the committee once we have heard from all presenters.
We will go in the order listed on our agenda, starting with Mr. Murray from the Public Service Pension Board. Welcome, sir, and you may begin your presentation.

Public Service Pension Board, Management Employees Pension Board, Local Authorities Pension Plan Board, Special Forces Pension Board

Mr. Murray: Thank you very much. It's a pleasure to be here. I am, as I already said, the current chair of the Public Service Pension Board. I am also the previous chair of the local authorities pension plan board. I bring 35 years of pension industry experience with me. The public service pension plan represents about 80,000 total membership, 41,000 active contributors. The others are pensioners or deferreds. We have in excess of $8.5 billion in assets under our plan at the moment.
Today we're going to be speaking about governance. We will not make comment on plan design. The Public Service Pension Board had discussed the issues, and their comment was that this was a sponsor issue – the design of the plan, that is – and that we would look to the sponsors to give us direction on that topic. We will talk about governance. We live the governance, so we feel comfortable with those issues.
First, I'd like to talk about the mandate of our board. The Public Service Pension Board's key provision is to set contribution rates. We set investment policy, and we set general administrative policy guidelines. We also recommend plan design changes, but Bill 9 has moved that away from us, under the jurisdiction of the government itself.
When we're talking on the governance of the plan, one of the main responsibilities is the investment policy that we provide to AIMCo. Under the legislation we are the owners of the assets of the fund, but we do not have substantial authority over those funds. So while we provide Alberta Investment Management Corporation, the legislated fund manager, with investment policy direction, AIMCo is not accountable to the public service board. We have no oversight, so our ability to go beyond the policy is constrained.
In setting the administrative policy guidelines, we face the same kind of hurdles in that we rely on Alberta Pension Services Corporation for the day-to-day management of the plan for our members. We also rely on Alberta Pension Services to provide the very support that the board needs to operate as a board itself, so our staff are actually staff of Alberta Pension Services. While we set the administrative policy guidelines, we have no oversight over Alberta Pension Services either. They are accountable solely to the minister on both accounts, AIMCo and Alberta Pension Services.
The board – well, yes, I will use the word "strongly" – supports evolution in the governance of our plan. We have deferred to a document that was created I believe back in 1999 by Cortex Applied Research, Watson Wyatt Company, and Andrew Bucknall, and it's set out in their principles of good governance under the public-sector plan. It was actually focused more on LAPP, but it was more of a universal document, so we've looked at it as well. The two key principles that we've agreed upon – and I will read so I do it properly – are:

> Parties exposed to significant risk through the pension plan must have the authority and capacity to manage their risk exposure.

The second one would be:

> From the outset, parties exposed to significant risk must have direct and active involvement in establishing the pension deal [itself].

This was what we've looked at as a bicameral structure, the board's preference, if you will, where you will have a sponsor board made up of – I use the term "cheque writers," but the parties that contribute, that are liable for the payment of the costs of these plans, have a say in the plan, that they own the design.

12:40

The sponsor group would be made up of representatives from the sponsors of the plan. In the case of the public service plan we have 31 participating employers. Some of them have no active members, and then we go all the way up to the government of Alberta, which has about 50, 51 per cent of the membership. The sponsor group would establish a trust board, a board of trustees, and this board of trustees would be responsible for the actual day-to-day management of the plan and the active management . . .

Mr. Lemke: Ken Lemke.

The Chair: Okay. Mr. Lemke.

Mr. Murray: So the trust board would be responsible for the actual day-to-day management of the plan and the investments of the assets of the plan to complete the deal and be able to fulfill the promise.
The last item that we had – and this is unique to the public service pension plan itself – is the term "combined pensionable service." What that entails is that if a public service plan member – and this affects employees within the government of Alberta and the universities – gets promoted into a classification that is outside the membership for the public service plan, they in effect join the management employees plan or they go into the university's academic pension plan, but while their benefit under the public service plan stays, we start recognizing their earnings. They're in a much higher income bracket from that point forward, and their benefit is based on their best five years. This has a substantial effect on their overall benefit under the public service plan. However, they're no longer contributory members, so it's up to

the active members and the employers to make up the shortfalls that occur because of this arrangement. It's unique. In my years I've not seen this before, where the cost of this added value is transferred only to a third party, if you will, almost.

The total liability at this point: we've asked our actuary to do numbers for us, and we're looking at a conservative amount of an outstanding liability of about $138 million for this combined pensionable service benefit. We approached the minister back in, I believe, June of 2013 to express our concerns about the funding of these benefits, and the minister has commented that this will be part of the sustainability review.

Those are my comments.

The Chair: Thank you very much, Mr. Murray.

We'll hear from Mr. Kashuba from the Management Employees Pension Board.

Mr. Kashuba: Thank you. As you've said, I'm the chair of the Management Employees Pension Board. Our members are basically the non-union employees, workers, at the government of Alberta's departments and public agencies. The Management Employees Pension Board has the legislated responsibilities for the MEP plan and some legislated responsibilities for the public service management closed plan.

The mandate of the board is established under the Public Sector Pension Plans Act, schedule 5, section 3, and schedule 6. Our role is to advise the minister on any pension matter that is in the interest of persons receiving or entitled in the future to receive benefits under MEPP; to consult with the minister with respect to amending or repealing and replacing the MEPP regulation plan rules, conducting an actuarial evaluation with respect to the MEPP and the closed plan, monitoring funding needs; to set general policy guidelines, including establishing the investment policy such as with the other boards, administrative policies, and any other policies it considers should be followed. We also are responsible for reviewing the administrative decisions for the MEP and the closed MEP plans.

We're a little different from the other boards. We don't set contribution rates. We only advise the minister on what our funded status is and what our consultants see as the recommended contribution rates, and the minister, through consultation with the department and Treasury Board, sets those.

The board is comprised of three members nominated by the employer, three members nominated by employees, and one nonvoting member appointed by the Public Service Commissioner. The board members are highly skilled and experienced professionals and consist of chartered financial accountants, chartered accountants, masters of business administration, who are all experts in risk, HR, governance, and pension policy. The board also retains the services of external consultants for investment and actuarial services.

The MEP board completed a review of the governance of MEP in 2001 and 2003, so going back about 10 years. The board hired an actuary and pension governance expert, Malcolm Hamilton, who you heard from yesterday, to facilitate and present to the board on sustainability of the MEP in 2010. So we've been looking at sustainability for quite a long time. The board cosponsored along with the other plan boards a conference on pension sustainability in June of 2012 and launched a major review of the sustainability of MEP before the minister announced sustainability changes.

With all this work the Management Employees Pension Board is concerned with the sustainability of the plan because of a number of items, and these include the increasing mortality rate of pensioners, where sometimes pensioners can collect benefits for longer periods of time than they've worked and contributed to the plan and other plans; increasing and unsustainable cost, which is currently 34.65 per cent of payroll, and this includes both the member and employer contributions, and those have more than doubled in the last 20 years; the decreasing ratio of active to retired and deferred members, which will continue as the plan matures and as more members retire, and this ratio will decrease exponentially if the plan is closed because under the proposal there will be no new members after 2016, so there won't be new members that will be coming into the plan – that's one unique thing with our plan versus the other three plans; the government has proposed closing it to new entrants – the uncertainty, as we all have, on investment returns in the future and the vulnerability of the plan to future market shocks, as we saw in 2008; as well as the intergenerational transfer of plan costs from retirees to active and future members and their employers.

The board's sustainability review included extensive consultation with stakeholders and changes recommended to the MEP design. Unlike the other plans, as I mentioned, the members of our plan are managers in departments in public agencies, so we don't have a union that would hold these things, necessarily, with the employers or other groups that would consult with the members, so as a board we took it upon ourselves to take that role, and it was quite successful. We had 14 sessions across the province with quite a large percentage of our membership attending.

After these consultations with stakeholders we recommended changes to the minister on the MEP design. These changes focused on retaining the core benefit, the 2 per cent times the average salary times the pensionable years of service, and reductions to ancillary benefits such as early retirement subsidies, cost-of-living guarantees, and the normal form of pension, which are some of the options that the pensioners can choose when they retire. This was supported by our members as well. They all saw that the core benefit promise, the core benefit total that they've been paying for over the years, was retained and for us to look at sustainability around the edges, as some of the experts call it.

Well, the board didn't endorse the closing of the MEP plan to new members because a closed plan will face invariable challenges, including the rising plan costs and liquidity needs, shrinking assets, and the reduced ability to generate investment returns with those assets.

The other changes proposed by the government are similar to those recommended by the board in July 2013. Although the government's proposed reductions in ancillary benefits are greater than the board's recommendations, the board notes the commitment to continue funding on the cost-of-living adjustments and appreciates the need for the consistency across the Alberta public-sector pension plans. The board believes that the changes recommended in 2013 basically strike a balance between affordability and sustainability. We still have some issues around things like closing the plan.

The board provided its recommendation on governance of the MEP to the committee. You have a lot of materials, and I appreciate that there's lots to go through. In the recommendation we identified the risks of plan governance, as many of the other plans have, and recommended a bicameral governance structure. The board notes that our high-level view of pension governance is that sustainability shouldn't be a special project that occurs in a time of crisis or a market downturn but an ongoing challenge and permanent agenda of the governors and agents of a properly functioning pension system.

The board also recommended that MEP be structured legally as a corporation. Unlike the local authorities plan our board doesn't exist legally, which would allow us to engage directly resources and staff and consultants. Right now we work through Alberta Pensions Services Corporation. The board believes that diligent monitoring and good governance mitigates risk and therefore recommended that a board versus committee remain and the board members are comprised as currently structured and separate from the Department of Treasury Board and Finance.

12:50

With the closed plan, we recommended that there still be a certain governance structure put in place to protect the members of the closed plan as the new members after 2016 would be moving into the public service pension plan.

The board also recommended a longer implementation period, similar to other jurisdictions who have gone through this, such as, perhaps, July 2017. Now, these dates have of course changed with the tabling of the bill. We had a little concern over the amount of time for the implementation and thinking through all the implications and second and third ripples of changes to our plan at least and to the other plans as well. We've attached all of the information that we've collected and provided to the minister over the years.

Understanding the cost of pension plans is confusing, and the answer depends on the question asked. For example, this information that we've used is based on our 2012 actuarial valuation. The contribution rate for MEP benefits, based on the most recent actuarial valuation, is 34.65 per cent of payroll, as I mentioned; however, 12.3 per cent of this is for past unfunded liabilities. There are plans in place, as you've heard from other people, to pay these plans off over the years. At least in our case these start dropping off in the next few years, going down each year as the plans are put into place or were put into place years ago. As I mentioned, these are to decline in 2015.

Decreasing or increasing in the rate of return, or the discount rate, estimation for valuations can make a huge difference. Over the last few years we've been reducing our discount rate as well, which also can push the unfunded liabilities up in the actuarial calculations. But we feel as a prudent governance body that we need to follow the trend in pensions across the country and around the world and also follow certain standards of accounting to make sure that we're not overestimating what we're projecting that we can get as a return on our investments, which will change the actual numbers of what the plan actually has in assets and how those match up with the liabilities into the future.

The funded ratio in our case as well as in the other public service plans will differ for valuation financial statement purposes. So you might see financial statements that come out of Treasury Board and Finance that give a certain percentage or a certain funding ratio, and then our actuarial valuations will be slightly less. Quite often there's confusion there, too.

As I've mentioned, we've used a conservative rate of return for 2012. It was 6.25, and we're reducing that as well in the coming year. We've started to move towards the new mortality rates as well, which will mathematically push the liabilities around. As a result the valuation can show a deficit with our liabilities being greater than the assets for funding purposes while the financial statements may show a surplus. The numbers provided to the committee are from the 2012 valuation, and we're currently completing the 2013 valuation, which is anticipated for completion this summer. That, again, will give us a better picture of where our plan is.

I thank you for your attention, and I look forward to your questions.

The Chair: Thank you, and you're right on time.

Before I go to Mr. Walker, I would like to welcome Kent Hehr. He's just joining us. Kent, are you on the line?

Mr. Hehr: Yes, I am. It's wonderful to be here. Thanks for your presentation.

The Chair: Thank you. Great.

Thank you, Mr. Kashuba.

Our next presenter is Mr. Walker from the local authorities pension plan board. Please go ahead, sir.

Mr. Walker: Thank you, Mr. Chair, and members of the committee. The local authorities pension plan board would like me to express its appreciation for the invitation to come today and present to you. With me today also is our chief executive officer, Meryl Whittaker, who will probably be of immeasurable help in answering questions that you might have.

Our presentation today will be focused on three principal areas: firstly, the background of the local authorities pension plan; secondly, the board's activities related to risk management; and thirdly, our views on LAPP governance.

Let me say first that LAPP is, in our view, unique. All four plans are unique, but I'll speak to LAPP. It's the seventh largest plan in Canada, and the next closest plan in Alberta to that is the Alberta teachers' retirement fund – they're at number 25 country-wide – and then the Alberta public service pension plan, at number 26. We have over 400 employers throughout the province with over 50 unions and associations representing them, 150,000 active members, 52,000 retirees, and 29,000 inactive members. We also cover a variety of sectors. The health care sector accounts for half the plan, municipalities cover 30 per cent of the plan members, and colleges and school boards represent 20 per cent. Our most recent financial statements, which are prepared by the government, show that the plan is 85 per cent funded. The plan has assets of $26.5 billion, liabilities of $31.4 billion, and a shortfall of $4.9 billion.

Since 2008 total contribution rates have increased from a total of 15.88 per cent of pay to 24.16 per cent of pay. This is an increase of 52 per cent in six years. Although our rates are lower than other public-sector plans, the board is concerned about this trajectory. This is why we initiated conversations with our stakeholders in 2011, and we'll discuss this with you in more detail a little later.

Looking forward, you can see that the portion of our contribution rates that is going towards our deficit, noted in the red bars, begins decreasing in 2019 and is expected to be paid off by the end of 2026. That's providing, of course, that there are no demographic or investment experiences that negatively affect the plan. Of course, we know that the future doesn't always unfold as we would like, and this is why risk management is a key focus of the board.

I should also mention that another unique feature of LAPP is our level of maturity. LAPP is not a very mature plan when you look at it in terms of active members to retirees. We have about three active members currently for each retiree, and that's a pretty healthy ratio.

Now let's talk about our risk management activities. The board is the expert on managing LAPP, and we take a risk management focus in doing this. We take an enterprise approach, meaning that we manage the board's own risk but also review the risks that are managed separately by AIMCo and the pension administrator, APS. We use these processes within our strategic and business planning and report annually to the minister.

We have three main policies that form the foundation of our risk management approach. These include our investment policy and our actuarial valuation policy. As an example of our approach, we are required by law to do an actuarial valuation every three years, but we in fact do one every year. This has allowed us to make timely incremental adjustments to contribution rates rather than face large adjustments on a more infrequent basis. We've also been able to provide some preplanning for our stakeholders by providing for multi-year adjustments in rates. In addition, we have a funding strategy that outlines our key objectives. These include secure plan benefits, stabilizing contribution rates, and investment policy aligned to funding risk. Lastly, to the extent possible we ensure each generation funds only the benefits accruing for that generation. It also outlines certain trigger points for the board to engage in conversation with our stakeholders, so if the surplus is too large or the deficit is becoming a problem, that would trigger a start of consultation with stakeholders.

1:00

Given our increasing contribution rates we took the opportunity of our 50th anniversary to begin conversations with our stakeholders. The results of the surveys and submissions we received led the board to recognize that the tolerance levels for contribution rate increases were being reached. We saw that we needed to initiate a review of the plan and its sustainability. This review included the board doing a study that looked at both our assets and our liabilities, and we ran a number of scenarios to determine contribution rate increase probabilities. We also did stress testing of potential risks such as longevity improvements, changes in retirement trends, inflation, wage adjustments, increases in terminations, and lower membership growth.

Out of that work we were able to draw the following conclusions: firstly, LAPP is not in a crisis, and secondly, there is no need to take any drastic or immediate measures. But we also identified and articulated the three main risks facing LAPP, and those are volatile markets and low interest rates; plan maturity or increasing plan maturity and the ability to manage adverse experience; and longevity, meaning people living longer than we assume. For many members increasing life expectancy has meant that they have or will collect a LAPP pension for more years than they paid into the plan.

Based on all of this work, we knew we needed to take further steps in order to maintain the sustainability of the plan. We started by developing the board's sustainability statement of intention, which is to "achieve a sustainable defined benefit LAPP that meets present needs without compromising the ability of future generations to meet their needs," and we defined what sustainability for LAPP means to us.

Our balanced approach to sustainability planning is represented by this stool. Engineers say that a three-legged stool is the best type of stool on uneven ground. The uneven ground is our changing environment and any possible future risks to the plan. The three legs of the stool represent those elements that need to be addressed together: investments, funding, and plan design. The board had previously been focused on investment and funding strategies, but we knew that we needed to engage in discussions with our stakeholders on possible changes to plan design as well. You will notice the stool is braced by leadership, a strategic plan, and a broken brace of governance, and we'll discuss governance a little later on. But we do ask that you recognize this as a key component to ensuring the strength of the stool.

The board recognized that we need to look at all three strategies and focus on balancing these to ensure sustainability. By focusing on fewer than all three, we had strong concerns with the possibility of unintended consequences. We worried these could lead to even more unstable ground for LAPP in the future. Our intention was to develop a LAPP-specific solution integrating all three legs of the stool.

As you can see in the three LAPP annual reports we provided to you, the board has been focused on risk management and the need to consult with our stakeholders in developing a path forward. Our plan was to develop an integrated, LAPP-specific solution that took into account the diversity in our stakeholders and our unique membership demographics. Because of the gaps in our governance structure, we needed to develop a formal way of consulting with the plan's sponsors, so we formed a subcommittee of our large stakeholder consultation group and began consulting with these 12 representatives on a variety of options and strategies. You can see the 12 on the board in front of you.

As we were going through the consultation process with our stakeholders, the minister stepped in and directed the board to consult with stakeholders on sustainability and plan governance and provide a report with recommendations by March 2013. Because of this deadline it became difficult to provide stakeholders with the level of understanding and expertise needed to make these complex decisions in the short time frame provided, but we continued consulting with stakeholders on these very complex matters. Ultimately, the ad hoc committee did not reach a consensus on what the solution would be.

Employers were generally open to the plan design options that had been reviewed while the employee representatives wanted government to address LAPP's governance first. Similar to the committee, the board did not reach consensus on plan rule changes. The board agreed that sponsors should come to consensus on the future of the plan because they pay for the benefits. In addition, the board's governance structure is such that a two-thirds majority vote is required to change or to recommend changes to plan benefits, and the board did not have that level of agreement. The board, however, did recommend that the government create a task force to review LAPP's governance. The details of our process and of the review were outlined in great detail in the substantial report we provided to the minister.

Since then the minister has taken over the process and told the board to stand down. To be clear, the LAPP board did not make any recommendations to change plan benefits within the minister's timelines, nor has it concluded that immediate change is needed. Further, the board has not voted to accept or reject the government's approach. As required by the minister, the board remains focused on the day-to-day operation of the plan. We have not taken a position on Bill 9. In the meantime we continue to focus on management of risk to the plan. We issued a discussion paper on funding strategy, developed a proposal for self-governance, and have done a fulsome review of the plan's demographic experience, including mortality improvements. Our annual actuarial valuation process is under way, and we continue to meet and communicate with our stakeholders.

Now we move to discussing the broken brace of our sustainability stool and our journey towards self-governance. There is much history on this, but given our time constraints I will focus on the key points for you today. Over the past 20 years there have been a number of projects initiated by government and the board to address government's promise of self-governance for LAPP. Each time government did not complete the process. For example, in 1998 and again in 2001 we had documentation and agreements in place to move LAPP out of statute, including a memorandum of understanding agreed to by employee representatives and employers. These efforts were halted by government, and in 2012 in response to the minister's request we provided a recommendation that a task force be established to address our governance needs. This recommendation was again not accepted by government. As a result, LAPP continues to exist in an inefficient governance system that does not provide for the ability to properly manage this plan for its nearly 230,000 beneficiaries.

On a positive note, the LAPP Corporation was created in 2005 as a step in moving closer towards self-governance, and as a result we have a corporate structure with professional staff already in place to ensure a successful transition out of statute and continued risk management of LAPP.

Briefly, I would like to now outline the problems with the current governance structure. At the core of this we believe there are too many parties involved in the governance of LAPP. This leads to a disjointed ability to properly manage risks to the plan as there are gaps between players and roles are not clear. The minister himself wears many potentially conflicting hats as he tries to balance the interests of plan beneficiaries, taxpayers, and government. The board of trustees at times operates as sponsors and at times as fiduciaries, and although we are tasked with the strategic management of the plan and are the face of the plan to our members, we have no oversight of investment management or benefit administration, but we bear all the risk of their outcomes. In addition, while stakeholders nominate individuals to the board, board members are ultimately appointed by government, and sponsors, who are the ones making contributions to the plan, are not defined and have no defined role in decision-making.

The current governance system simply cannot continue if we want LAPP to be efficiently managed. The board has adopted a set of principles for governance of LAPP that serve as the foundation for our governance proposal. In fact, a lot of work has been done over the past 20 years on governance.

1:10

Self-governance for LAPP was promised and has been talked about for years. Other public-sector plans in Canada and elsewhere have developed independent governance systems. LAPP continues to lag behind. In fact, self-governing plans have developed in Alberta as well.

In summary, Mr. Chair – and I'll move very quickly – LAPP is a very different plan from the other plans, and a cookie-cutter approach will not work, in our submission. Going forward, the board is continuing to manage risk to the plan to the extent we can. We believe LAPP is sustainable today, and with proper risk management and proper governance we will be sustainable well into the future. LAPP is not in crisis, and the best decisions are not those made in haste when haste is not indicated.

I would just mention that we have provided you with copies of our last three annual reports, as I'd mentioned, and I think they will provide you a lot more detail.

The Chair: Yes, you did, and thank you very much for that.

Mr. Walker: Thank you.

The Chair: Thank you for your presentation.

Our final presenter on this panel is Mr. Rosychuk. The floor is yours, sir.

Mr. Rosychuk: Thank you, Mr. Chairman and members of the committee, for the opportunity of providing input from the perspective of the Special Forces Pension Board. I'd also like to introduce Liz Doughty, our plan board manager, who is here to assist with any questions the committee may have.

Designed nearly 35 years ago, the special forces pension plan is a unique public-sector plan available exclusively to municipal police officers in Alberta. The plan is and always has been funded by the participating municipalities and the respective police officers. The province of Alberta does not fund the pension plan except for a small contribution towards a portion of pre-1992 unfunded liabilities, and that is scheduled to continue until the liabilities are fully funded. The plan has over 6,700 active members and pensioners, with over $2 billion of assets. Based on the preliminary 2013 funding valuation results, it is estimated to be 87 per cent funded for post-1991 service.

It is important for the committee to understand that the plan is a critical element of police officers' compensation from an employee and an employer perspective. To remain competitive from an attraction and retention point of view, the pension plan must provide comparable benefits to other police forces in the country, and it must be affordable for both employees and municipalities.

There are three key messages I'd like to convey to the committee on behalf of the special forces board. They are, firstly, that the board supports the governance change to a bicameral structure that gives full governance authority and accountability to the seven municipalities and corresponding police officer representatives participating in the plan. Until such time as a jointly trusteed model is in place, the board should retain its current powers in providing its recommendation for any plan changes.

Secondly and in keeping with the first recommendation, the board requests that the province recognize the new governance model and allow plan sponsors to make all necessary governance and plan design decisions for the plan.

Thirdly, the board supports the sponsors developing comprehensive funding policy.

I'd like to spend a few moments providing some background with respect to each of these points. Firstly, with governance, governance changes need to take place. A proper governance structure will give the plan sponsors the legal framework to make decisions with a formal voting mechanism. The plan sponsors and the board have already made strides in defining the governance structure that best fits our needs. Detailed recommendations are currently being ratified by sponsors for submission to the province.

Our proposed new governance structure places control and accountability squarely on those that are in the best position to make required decisions on the plan's sustainability. In yesterday's presentations to the committee it was suggested that the proposed legislation may give the province continued control over plan design and other plan considerations. From our perspective, the new governance structure must give authority to the plan sponsors for these decisions.

Secondly, with benefit design, the plan was designed almost 35 years ago, and the world in which it operates has changed. Evolving issues are impacting the plan. Members are living longer, the plan is a mature plan, the ratio of retired members to active members is increasing, and interest rates are low, resulting in higher liabilities.

In 2011, prior to the province's sustainability review, the board and plan sponsors had initiated a thorough review of the plan. Although options on plan design were reviewed by the sponsors, there was an inability to reach agreement in large part because the proper framework or governance structure for making decisions and voting was not formally in place. Stakeholders are limited by current legislation, which supports a convoluted and confusing governance model.

Finally, with the funding policy the board endorses a funding policy approach. A funding policy was already approved by our board in 2012, consistent with the concepts proposed in legislation. Work still needs to be done to finalize the contribution cap and plan design consequences if the contribution cap is contravened. With the proposed governance structure in place plan sponsors will be able to make the required decisions that they believe will achieve long-term sustainability, support recruitment and retention, and so on.

In conclusion, we ask the committee to recommend that legislative changes for a bicameral governance structure for special forces proceed. Plan sponsors need to have the authority to make decisions that best meet the needs and preferences of their plan stakeholders. All other decisions, including funding policy and plan design considerations, should be left to the plan sponsors, the seven municipalities and respective police officer representatives of the plan. They bear the risks. They are the cheque-writers for the plan. They're in the best position to determine how the plan should be designed to achieve their long-term needs.

Now, there are some other specific points on the legislation that we will provide comments on via written submission to the committee. Those comments pertain to the collapse of the indexing fund, which is a unique feature of our plan and is required to ensure the board has a more effective risk management mechanism, and further comments with respect to concerns we have regarding the pre-1992 unfunded liability.

That, Mr. Chairman, concludes my presentation.

The Chair: Thank you very much, Mr. Rosychuk. I would like to thank all the other presenters.

Now, I have a list of members who have questions. I would ask that we proceed with one question and one supplemental.

We'll go to Mrs. Sarich.

Mrs. Sarich: Thank you very much, Mr. Chair. Thank you for your presentations and unique insights into some of the challenges and some of the things that we're working for. I would like to ask you about one of the themes that seemed to be emerging in the presentations, governance structure. That's obviously coming through in the presentations, and I wanted to know if there were any other nuances or anything that you would like to add about that because it has been suggested through other presentations to the standing committee thus far that perhaps we should be looking at the governance structure first and then all the other things thereafter. I wanted to know if you had an opinion about that and if that would be helpful.

The second thing is that the Report of the Auditor General of Alberta, February 2014, has raised a number of issues. I'm looking on pages 26 and 27 of that report, and you can take a look. On those pages he's referring to the risk management challenge and issue because of your particular entities, how they're structured, and their relationship to the government at this point in time. You have an opportunity to highlight any other challenges because some of them have come through about that relationship about the risk management issue and the challenge with that because of the current structure.

Thank you.

Mr. Murray: Those are very good questions. I'd like to start on the governance question to begin with. In the case of the public service plan we've been in existence for over 50 years, and there's been no clear ownership on the overall design on the plan. These are living plans, and they need to be managed on an active basis. What we have now is a plan that was designed to fit the needs of people of my parents' generation, the pre-boomers if you will. With governance the ownership of that design goes to the parties that the plan is supposed to serve, the employers and the members, and that's lacking.

Now we're finding ourselves in the position today of: which comes first? Do we deal with the design of the plan or the governance? My opinion is that the governance is where the source of the problem originates and that by fixing the governance, the entities that are created as a result then become the owners of the plan, and they are the ones that are writing the cheques, so their motivation to actively manage their risk and their design is self-evident. Right now the governance is so convoluted that I'd be hard-pressed to determine who actually owns the design of the plan in a clear direction.

1:20

The issue of risk management. Other than LAPP, which has its own professional corporation and has benefited from that structure, in my case – I'll speak only on my behalf – we rely on staff of Alberta Pension Services Corporation. That's their employer. So it puts it in a very odd relationship, if you will, for our members to work on our behalf and be employed within one of the very corporations that we should have oversight over. We're not able to develop the structure or the professional level that LAPP has benefited from since they became more independent in that function.

The Chair: Okay. Any other questions? Are you done? Are you okay?

Mrs. Sarich: Those are my questions. I'm just waiting to hear the answer.

The Chair: Okay. Good.

Mr. Rosychuk: With respect to your first question it's almost a chicken-and-egg situation. To some extent one has to follow the other. We've been attempting to deal with both governance and plan design together with the work that we've done, and the plan design is difficult to do without having a proper governance structure in place. So from our own experience I think it's important that governance is in fact put in place. Having said that, I think that from our perspective we still need to continue with the plan design considerations at the same time so that, in fact, we can reach a point where the proper decisions are being made by the right individuals. I think we'd certainly suggest to the committee that the governance piece should go ahead and should happen in a timely manner.

When it comes to risk management, certainly each of the boards is managing the risks for their individual plans. To some extent risk management also is a function of the governance structure that you have in place. You want to have clear accountability, and that comes from having a clear governance structure in place.

Mr. Kashuba: The MEPP plan: the governance is a little different. Again, our members are all department and public agency staff, so we don't have unions; we don't have other employers. It's not necessarily the typical multi-employer plan. In my seven-plus years on the board we've had three individuals that are appointed by government, so four external people as well as three employees. I'm a government employee. I'm the director of corporate enterprise, risk management for the government. It's always worked very well. Our governance has worked well. We do have quite a bit of loss of control with our investments, so our board has focused in my years on, really, the investment mix and those things with recommendations on contribution rates but not so much on plan design. That's only come lately, which is part of the governance that other boards have that we wouldn't necessarily have done in the past.

I think my board's biggest concern on the governance side is that if the plan is closed, as is being proposed, who will represent the members at that point? Because at that point the government is basically taking over the risk of the plan. The current contribution rates will have to be fixed at some level because as the plan closes and people retire and/or leave the plan, the rates will keep going up. The asset mix has to be different, and that has to be looked at very closely. It will be different than an open plan.

The Chair: Mr. Kashuba, can you speak into the microphone, please?

Mr. Kashuba: Oh, I'm sorry.

I think, in going forward if the proposal goes, we have concerns over how that governance plan is structured, and we're working with the minister on that aspect. But the government is the sponsor, so we don't have the municipalities, we don't have different unions and those things in ours, so, again, unique.

On the risk management framework, again, I think, as you've heard from other people, there are so many players in there. There's AIMCo. They report to the minister. There's APS, and on that note Roger and I and representatives from the other boards do sit on the APS board, so we do have a little bit of, I guess, insight on how the administration side works. The investment side is an independent board as well. I think that the Auditor General's comments were that individually we all have enterprise risk or risk management frameworks and policies, but there's no co-ordinated or umbrella system that sees how the different pieces are working. So if one group does one thing, how does that affect the others? That discussion doesn't take place, and I think that's where he's going with that.

Mr. Walker: Yeah. Thank you. Well, I don't think I have anything particularly new to add to what I had said. I would refer you to page 27, where we've outlined five principles that we believe are required for good governance. Numbers 2 and 3 clearly talk about a role in developing the pension deal or the plan design and a role in risk management for the sponsors. You know, you can draw your own conclusions, but if they're going to have that big a role, then they should be perhaps incorporated into the governance at an early stage.

In terms of risk management I don't think I have anything to add, but perhaps, Meryl, do you have anything?

Ms Whittaker: No.

Mr. Walker: No. Okay.

Other than, as I say, the role for the sponsors in risk management directly.

The Chair: Do you have another question? Okay. Good.

Mr. Eggen: Well, thank you so much for your presentations. I guess the consensus that I'm hearing is that it would be more relevant for us to provide legislation or regulation that would allow you a more robust self-governance structure. Is there anything, really, that you would, in your mind, salvage from Bill 9, or should we just start again?

Mr. Murray: Salvage from the existing governance structure?

Mr. Eggen: No. From Bill 9, you know?

Mr. Murray: On the plan design questions, again, the Public Service Pension Board by its nature is three appointees from the government of Alberta and three appointees from AUPE, and we have opposing views.

Mr. Eggen: Really?

Mr. Murray: The issue is that plan design is a sponsor issue, but there is no table yet for the sponsors to have that discussion. So governance becomes the primary issue that needs to be established.

Mr. Eggen: It seems more relevant. Yeah. Thanks.

Mr. Rosychuk: I can't write legislation, so I can't give you specifics, but what I can say is that anything within the legislation that allows governance to proceed with the sponsors given the responsibility for the plan should go ahead. I think that if it goes back for a massive rewrite, it simply takes time. For us to make progress with the plans, I think that the accountability must be in the right place and given quickly to the right people, and then I think you can see some progress with the other aspects like plan design or contribution policy, whatever the sponsors believe is important to them.

Mr. Eggen: Thank you, sir.

Mr. Kashuba: Yeah. I would echo Roger's thoughts on perhaps not rewriting it again. I'm not a legislation person, but splitting the two – there's a governance issue, and then there's the plan design issue. Even though they're directly related, I think by mixing both of them together at once, it causes issues where some people have an issue with one part of the bill and some people with the other, and nothing gets done. I think they're two distinct issues but totally integrated if that makes sense.

Mr. Eggen: Absolutely. Yeah.

Mr. Kashuba: The governance issue should – it's kind of a chicken and egg, but probably more chicken than egg with the governance because that's where a lot of the foundation is set.

Mr. Eggen: Thank you.

Mr. Walker: I'll certainly echo what's been said. One of the principles that we've always held dear to is that we continue to have a defined benefit plan, so I would certainly salvage that. I think with our board, similar to Larry's, there are divisions, but one thing we all agree on is that we do need a more robust governance structure. That part of the bill talking about governance should be moved ahead at least. I'm not saying that the others ought not to, but those are the only two I can really comment on.

Mr. Eggen: Thanks so much.

The Chair: Thank you, gentlemen.

Are you okay?

Mr. Eggen: Yeah. Thank you.

The Chair: Okay.

Ms Kubinec.

Ms Kubinec: Thank you. I found the presentations very helpful and very interesting. In your organization's opinion, are the Alberta public-sector pension plans sustainable 10, 20, and 30 years out without any changes? If we were to just scrap Bill 9, status quo, are they sustainable?

1:30

Mr. Murray: I get to be first all the time now.

If the governance isn't fixed, then I'd have to question it, but the board actually hasn't had that discussion as to: will the plans be sustainable if nothing is done? We got to this point because nothing has been done. We're at the point where people are expressing discomfort or whatever words you choose to use. The governance structure is stopping us from evolving to where we should go. Without proper leadership where do you turn?

We wear multiple hats at the board. We're called trustees, but we're not. We're called sponsors, but we're not. We're called fiduciaries when the other two don't apply. You can't move forward with that type of structure.

Mr. Rosychuk: I guess we'll continue with the order.

That's a difficult question to answer from a board perspective. To some extent it's a question that needs to be answered by the sponsors. It comes down to their willingness and ability to pay because it really comes down to the contribution rates that are charged.

What I can tell you from our own perspective is that our last contribution rate increase in 2010 was significant. It was something that was of great concern to employers as well as employees. Our current rates are high. A good part of that is because of the special payments we're making for unfunded liabilities. We are a mature plan, so that means that we're very susceptible to shocks if, in fact, investments or other issues arise. From that perspective, you know, we're very sensitive to the potential for contribution rates.

Regardless, I think that our plan certainly needs to look at what sponsors believe is the most they're willing to pay because that's a very important question that they need to answer. Secondly, they need to think in advance of what actions would be taken if, in fact, contribution rates were going to rise beyond what they think is a sustainable level. It's better to do that in advance of it happening rather than waiting until you reach that moment and then have a flurry of activity to come up with an answer.

Mr. Kashuba: Our plan, again, is small. Like the special forces, we have just over 5,000 active members, a little over 4,000 retired members, and about 1,000 deferred members. Our demographics: being a non-union, management plan, our members tend to start into the plan later. Some will come up from PSPP; some will come in from outside. I think the average age of our plan is about 51. We do have different sustainability issues than some of the other plans.

Our board did recognize this before the changes were proposed, and we looked at recommendations to some of the plan design and, as I talked about, the ancillary parts. There are lots of different, complicated choices that members can make when they retire, and those add cost to the things. Some of the differences are between if you are single versus married when you retire. There are different benefit disparities there, and that adds cost to the plans. Our board did decide that there were some things that we need to do about sustainability, and we started looking at those things ahead of this process, but we still focused on retaining that core benefit that was promised and that people have paid for over the years. We think that it can be sustainable.

My presentation also said: it depends. We hear about the market shocks and this and that. You can work towards sustainability. If you have a good risk management process in place, you can account for changes and know what to do when changes happen rather than saying, "What should we do now?" after the things have already happened. In my opinion, they are sustainable with some tweaks – at least, our plan is; again, we're so different from the other ones – but that sustainability might change a bit if the plan is closed.

Mr. Walker: Well, if we weren't aware of 1929 and hadn't lived through 2007, I would say, "Sure," but I still think it would be sustainable. It would be more difficult without some changes and would require a really excellent risk management system in place and really good guardians.

The Chair: Thank you very much.

Anybody on the phone who would like to ask any questions?

Hearing none, Mr. Rowe.

Mr. Rowe: Yes. Thank you very much for your presentations. I'm going to ask the same question that I asked the last panel this morning. I was urged to do this by my conscience, I think, more than anything because in the special forces pension plan presentation one of your conclusions is number 2. I read that as wanting a government's hands off. So I asked all of the presenters of the later panel this morning, all being union representatives, if they would prefer that the government just take a completely hands-off approach to this and let the pension management boards run it. If so, would you be prepared to accept the consequences of that? I wouldn't want someone sitting in this chair or in the Legislature 10 or 15 years from now to be responding to a need for a serious underfunded liability and expecting the people of Alberta to pick up that tab if you're willing to assume that today.

I'll start with Mr. Rosychuk.

Mr. Rosychuk: You're mixing things up, are you? Well, I'm not suggesting that the Special Forces Pension Board as it exists today continue to manage the plan. What I am suggesting, however, is that governance should be changed, with the proper bicameral structure being put in place, and that they be given the responsibility and accountability for managing the plans. Then it makes sense, I believe, for that to be transferred to the new structure being put in place. So that's what I meant by . . .

Mr. Rowe: So, then, I'm assuming that there would still be a role for the government to play in that management process.

Mr. Rosychuk: Certainly, a structure to make sure proper governance is in place to begin with. But after that, it's really up to the plan sponsors to make the relevant decisions, and that includes plan design, funding policy, and so on. It's governance that really needs to be put in place first, which in our case, I believe, requires a legislative change to make it happen, and that's where government's role is.

Mr. Rowe: Exactly, yeah. I'd be interested in hearing from the other panel members as well.

Mr. Kashuba: Sure. Again, MEPP is unique in that the government is basically the employer, either through the departments or, again, through the different agencies that are covered under APEGA and the member employers of MEPP. So I and, I think, the board think that the government does have a role in the governance of that plan. Again, the board sees a risk in the proposal where the government is proposing to close the plan. It's also proposing to change the governance structure that we currently have. We're considered an advisory committee now, but in actuality we perform the same roles as all the other pension boards, and the minister has asked us to do that.

Going forward, they are talking about a more advisory committee. That hasn't been really fleshed out yet, and we don't know if that's just going to entail government employees without the independent, outside people or what the advisory committee would look like. So I think that is where the board sees the risk in the governance going forward. Who is going to look after the members' concerns in the closed plan? The government will be there to take care of their concerns and the liabilities and those kinds of things, but again: who's going to do the valuations? Who's going to do the asset mix? Who's going to do those kinds of things? That would be our concern.

Mr. Rowe: Okay.

Mr. Walker: Okay. I'm reluctant to speak for the board when they haven't taken a decision on a matter and even more reluctant to speak for the major employers in LAPP, who have their own strong opinions on the question you put. But I think our principles – again, I don't want to harp on them – on page 27 imply a significant responsibility on the part of sponsors if they're going to be independent. That's the other side of that equation. Certainly, at a minimum, there would be a role for the government in setting the stage for a new governance system. A big challenge that we have is 400 employers. How do you get them together and represented? There's probably a role there for government to play as well.

1:40

Mr. Murray: Well, thank you for letting me go last.

Given that the public service plan is basically a government pension plan, the government would have a role, but is it a role as a government or a role as employer? That's where the difference would occur, as I would see it.

I first submit that the board has not discussed this, but we are asking for joint trusteeship at a sponsor level, not at a governmental level. That would give me, I think, a certain amount of leeway to say that we see the employer as the participating sponsor, not the government. As a board member I would certainly welcome joint trusteeship if the government wants to still stay on the hook for the liability, but I don't think that would be a very appropriate or reasonable request, to say the least. My argument has always been that the cheque writers must own the obligation, own the design, and have the tools to manage it. That's what it comes down to.

Mr. Rowe: Thank you.

The Chair: Thank you, sir. Thank you, Mr. Rowe.
Ms Pastoor.

Ms Pastoor: Thank you, Mr. Chair. I just would like to follow up on that last question because I think the message that we've been hearing is pretty loud and clear from every group that's been sitting here. They're talking about joint trusteeship, which, in fact, would then give them the responsibility both for running it and making sure that they don't run into problems. Looking after the assets and the liabilities would be the joint responsibility.

I guess my question would be on where you might see – who actually would be the regulator of all of this? I would include Bill 10 in there because that, of course, is about pension plans. Should there be a regulator that would, I guess, be the go-to regulator for all pension plans, to make sure that we don't have a Nortel or to make sure that when it's clear that there is going to be some kind of an unfunded liability, you get on it right away and not talk about it for years? Some of them have been talked about and not responded to because of the constraints of their governance. I guess I'm just really sort of asking for comments about: where does the buck stop when someone is not happy with what's gone on with the board? Even if it is a joint board, someone is going to be unhappy somewhere.

I'm sorry. Let me just finish with that one, too, because you mentioned that the government is the sponsor. Well, with the government being the sponsor, of course, then it's directly taxpayers that are part of that because that's where the money comes from.

Mr. Murray: If we achieve joint trusteeship, we would go to what I call out-of-scope, and the plan would have to be registered under the Employment Pension Plans Act. Under that act you have your standards for filing valuation reports, the prudent person. All the governance expectations of a plan should be addressed under that, the EPPA. So the boards on behalf of the plans would have to submit their reports on an annual basis.

Ms Pastoor: Okay. That's to the government, right?

Mr. Murray: The government as a regulator.

Ms Pastoor: Yes. Okay.

Mr. Rosychuk: I don't have anything to add. Larry has done an excellent job outlining how the process, I would expect, would look, the government being the regulator.

Ms Pastoor: Okay.

Mr. Kashuba: Yeah. I think that the government has that role as regulator. For our plan the minister is the shareholder, the trustee, the sponsor, the regulator, the legislator, and the employer.

Ms Pastoor: You're different. I think "unique" was the word.

Mr. Kashuba: Yes. We're unique. Of course, there's a role there to do all the things that you've asked for. I think that the risk – again, I'm using the word "risk" too many times – is that the different hats start getting in the way. The regulations start to take on different tones or change to meet different circumstances when they're supposed to be set there. Everybody knows the rules and how they work, and they're fairly consistent.

Ms Pastoor: Okay. If the government is the regulator and they make the regulations, does that not take the power away from the joint governance? No? Okay.

Mr. Murray: As regulator, when they change the regulation, it applies to all plans uniformly. It wouldn't be just these specific plans, generally.

Ms Pastoor: So the joint governance would then work within that. That would be their rules to set up within their own – you'd be constrained.

Mr. Murray: By any law. I mean, the Income Tax Act also affects the overall management of the plan because it limits how much we can set aside for retirement purposes. So we have a multitude of legislation that we'd have to comply with, that changes, and that would always be our job, our responsibility, to ensure that the plan is in compliance with the regulations.

Ms Pastoor: Okay. Thank you. Clearly, this is pension 101 for me.

Mr. Walker: Okay. Just very quickly, I agree. I think that there is some room to debate things like, "Do you use solvency funding?" and whether, exactly, every rule in the EPPA ought to apply to a plan like LAPP. Generally speaking, yeah, the superintendent of pensions would be the regulator we would see.

Ms Pastoor: Thank you.

The Chair: Great. Any other questions? Going once.

Okay. Well, gentlemen, thank you very, very much for being here and for making your presentations and for answering our questions. The *Hansard* transcript of the full-day proceedings will be available later this week via the Legislative Assembly of Alberta website. The audio of the meeting is also available via the Assembly site. If you wish to provide additional information for the committee, please forward it through the committee clerk. Thank you very much. It's a pleasure having you here.

Members, we will be back here at 2:15.

[The committee adjourned from 1:46 p.m. to 2:16 p.m.]

The Chair: Well, good afternoon, ladies and gentlemen. We are back on the record, and we will be moving on to our final panel of the day. I would ask that we go around the table and introduce ourselves for the record, and then I will call on the members teleconferencing to introduce themselves. We also have one panellist joining us via video conference, Mr. Linton.

Welcome, Mr. Linton.

Mr. Linton: Thank you.

The Chair: I am Moe Amery, MLA for Calgary-East and chair of this committee.

Mr. Fox: I'm Rod Fox, MLA for Lacombe-Ponoka and deputy chair of this committee.

Ms Kubinec: I'm Maureen Kubinec, MLA for Barrhead-Morinville-Westlock.

Mr. McDonald: Everett McDonald, Grande Prairie-Smoky.

Mr. Rogers: George Rogers, MLA for Leduc-Beaumont.

Ms Kennedy-Glans: Donna Kennedy-Glans, MLA for Calgary-Varsity.

Ms Pastoor: Bridget Pastoor, MLA, Lethbridge-East.

Mr. Matthews: Sid Matthews, chair of the Laborers' Pension Fund of Western Canada Board.

Mrs. Sarich: Good afternoon and welcome. Janice Sarich, MLA, Edmonton-Decore.

Mr. Rowe: Good afternoon. Bruce Rowe, Olds-Didsbury-Three Hills.

Ms Robert: Good afternoon. Nancy Robert, research officer.

Ms Sorensen: Good afternoon. Rhonda Sorensen, manager of corporate communications and broadcast services.

Dr. Massolin: Good afternoon. Philip Massolin, manager of research services.

Mr. Tyrell: Good afternoon. Chris Tyrell, committee clerk.

The Chair: Thank you.

Mr. Leder, would you please introduce yourself for the record.

Mr. Leder: John Leder.

Mr. Linton: Bob Linton, UFCW Canada.

The Chair: Yes. Thank you.

Members on the phone?

Mr. Lemke: Ken Lemke, MLA, Stony-Plain.

The Chair: Thank you, Mr. Lemke.

Mr. Luan: Jason Luan, MLA, Calgary-Hawkwood.

The Chair: Thanks, Mr. Luan.

Anybody else?

Mr. Lemke: Did you get me, Chair?

The Chair: Yeah. I heard Mr. Lemke and Mr. Luan. Thank you very much.

Ladies and gentlemen, I am pleased to welcome our guests participating in panel 7, who will be addressing Bill 10. For the record I wish to advise that the universities academic pension plan withdrew from the panel yesterday evening due to unforeseen circumstances.

Gentlemen, you will each have 15 minutes to make your presentations, and I will open the floor to questions from the committee once we have heard from all presenters. We will go in the order listed on our agenda, now starting with Mr. Matthews from the laborers' pension fund of western Canada.

Welcome, sir. You may begin your presentation.

Laborers' Pension Fund of Western Canada, Alberta Ironworkers Pension Fund, United Food and Commercial Workers Canada

Mr. Matthews: Thank you, Mr. Chair, and thank you, members of the committee, for allowing us the time to come and speak our piece, if you wish, regarding Bill 10. I had a chance to sit in on their presentations on Bill 9, and I hope there's no connection between Bill 9 and Bill 10. They're completely separate bills.

What I'd like to do today is talk a little bit about the background of the labourers' pension fund, a little bit about change within Alberta, and also the primary issue addressed by Bill 10. I'll say for myself that I've been chair of the labourers' pension fund for about 22 years and a trustee on the fund for approximately 25. Change is always there but not the change that we've seen, certainly, recently since 2008.

The labourers' pension plan of western Canada is a specified multi-employer pension plan registered in Alberta. Its genesis was the creation of the Saskatoon labourers' pension plan in 1968, the first multi-employer pension plan for construction labourers in Canada, which subsequently merged with other plans in Saskatchewan and Alberta in 1972 to form the LPF fund. The fund is administered by a labour management joint and equal board of trustees consisting of 10 individuals. Currently the fund has approximately 16,000 members and pensioners from Alberta, Saskatchewan, and British Columbia.

The issue of needing to modernize the Employment Pension Plans Act has been ongoing since 2002, when Alberta pensions initiated a process involving industry towards recommending changes to the legislation and regulations, in particular in respect of specified multi-employer pension plans. Current legislation that was drafted in the mid-80s, which is focused on single-employer plans, is significantly out of step with today's economic environment and the current needs of multi-employer pension plans.

I have a little chronology of the significant undertakings since 2002. In November 2003 Alberta Finance released discussion papers, the first one titled Strengthening Risk Management, Disclosure and Accountability, which was proposing amendments to the Employment Pension Plans Act and regulations, and the second document, Access to Locked-in Accounts. On December 21, 2005, Alberta Finance employment pensions published a discussion paper, Amendments to the Employment Pension Plans and Regulations. October 17, 2007: the appointment of the Alberta-British Columbia pension standards review Joint Expert Panel on Pensions Standards, which we refer to as the JEPPS committee, with a view to harmonizing pension legislation between the two provinces. December 14, 2007: the JEPPS committee issued a discussion paper entitled A Better Pension System for the Future: Finding a Balance. January 27, 2009: JEPPS provided its final report. Getting Our Acts Together is the title. It was notable that on April 30, 2012, British Columbia introduced its new pension legislation based on the JEPPS report. That was Bill 38.

We talk about the current legislation. The primary issue with the current act is the legislative requirement for solvency deficiency payments to ensure that there will be sufficient funds to meet a defined benefit provision, pension plan obligations in the event of a failure or bankruptcy of a single employer. Solvency funding is certainly appropriate for single-employer plans but inappropriate for specified multi-employer pension plans, which have many employers contributing to a plan. For example, our fund has approximately 170 contributing employers. The failure of a few employers has little effect on the fund.

The application of solvency deficiency funding under the defined benefit single-employer scenario to protect benefits can have the opposite effect when applied to SMEPPs and may trigger the need for benefit reductions in order to provide the inappropriate solvency deficiency funding requirements even though that plan may be one hundred per cent funded on a going-concern basis.

SMEPPs are unique in that the contributions to the plans are fixed in contracts or collective bargaining agreements, usually on a cents per hour basis as part of a negotiated total wage package. As such, they're not subject to change except upon renewal of the agreements. Without the ability to increase contributions, the only other option to fund solvency deficiency would be to reduce benefits. Additionally, the monies that are set aside from a fund's assets for a solvency deficiency cannot be used for benefit improvements. The application of solvency deficiency funding to SMEPPs runs counter to the goal of providing maximum pension benefits and instead pushes benefits in the opposite direction.

Alberta pensions had recognized the deficiency of pension legislation relating to multi-employer pension plans such as ours and, most importantly, the inappropriate solvency deficiency funding requirements and their effects, and it offered a three-year moratorium on solvency deficiency funding requirements for SMEPPs in August of 2006. That was in their policy bulletin 17. The moratorium has been extended twice and now must end on or before December 31, 2014. I suggest that that was anticipating the coming into force of Bill 10.

2:25

Bill 10 addresses the solvency deficiency funding issue for SMEPPs, providing for an option to register as a target benefit plan funded through collective bargaining agreements. Solvency will no longer be a criteria for target benefit plan funding as the sufficiency of a plan's funding will be determined solely on the going-concern basis. The result is that the plan's assets will be used for pension benefits without having to set aside monies to ensure a defined benefit.

The target benefit plan is a shared risk model, where the benefits payable will be subject to the availability of assets after meeting the going-concern funding requirements. It is very important to understand that the amount of contributions into a SMEPP are in most cases determined by the employees once the total wage package amount has been negotiated through collective bargaining. The same would apply for a target benefit plan. Contributions may have to be increased or benefits reduced in poor economic conditions. SMEPPs will have the option to continue with the solvency deficiency funding model as it currently exists or elect the option to register as a target benefit plan. Bill 10 does not force one option one way or the other. Failure to bring Bill 10 into effect will cause many SMEPPs to reduce pension benefits.

Over the last few years there have been significant discussions at both the federal and provincial levels on various strategies to promote pension coverage for individuals employed in the private sector. Target benefit plans are now being considered in most provincial jurisdictions as well as by the federal government. It was interesting, when I opened up the Regina *Leader Post* this morning, which is where I'm from, that RPS, the Regina Police Service, announced a new pension plan, which is a targeted benefit plan, and I have some quotes here that I might refer to later in questions.

We believe amendments contained in Bill 10 are an important piece of the solution and further delays will only jeopardize the commitment of current plan sponsors towards existing arrangements. We share Minister Horner's concern that it's important to find the best solution for plan members, employers, and taxpayers. We believe Bill 10 provides the best solution for SMEPPs. Given the extensive time, effort, and consultation which has gone into this process thus far going back to 2002 – so we're now 12, 13 years down the road – it's unlikely that this legislation could be considered controversial. The work that's been put in by David Mulyk, Shauna Holmes, Paul Owens, Mark Prefontaine, and even going back to the days of Ellen Nygaard – you know, certainly, we have not underestimated the amount of work that they've put in and the end result of their efforts.

In conclusion, activities to modernize the act commenced in 2002. Bill 10 was tabled in the Legislature on October 25, 2012. It is now June 4, 2014, and the committee has been asked to provide their feedback once the Legislature resumes sitting in the fall. We ask for the committee's understanding and support to move Bill 10 forward as quickly as possible, and please don't confuse it with Bill 9 in any sense.

Thank you for allowing me to make my comments.

The Chair: Thank you very much, Mr. Matthews.

Mr. Leder: My name again is John Leder. I'm the chairman of the Alberta Ironworkers Pension Fund board. It also is a multi-employer fund, and I'm not going to bore you with all the same details that my colleague just read out, because our plans are very similar. We have the same issues, and the biggest issue we have, of course, is the solvency calculation. Our fund at present is fully funded on an ongoing basis, but on a solvency basis we're still underfunded.

I don't know if we still can do this, but I would like to recommend that we look at the so-called deleting of the solvency calculation for multi-employer plans where there are at minimum 50 contributing employers. As my colleague has mentioned earlier, these rules, I believe, are still written for a single-employer plan, not really the multi-employer industry. When you have 50, 60, 100 – my colleague has got 180, I believe – contributing employers, a few may go bankrupt, pull out, but that does not change the plan. I think what we've done, especially in the last number of years, is that we've penalized pensioners by not allowing fully funded plans on an ongoing basis to make benefit improvements, and I think that's somewhat of a travesty. So my recommendation, if I can make one, would be that the solvency calculations and corresponding regulations do not apply to multi-employer plans with a minimum of 50 actively contributing employers in the current evaluation period.

Grounds. As opposed to single-employer plans every employer would either need to go bankrupt or stop contributing in the same period for solvency calculations to apply. Mandated solvency calculations bear no resemblance to actuarial rates used on an ongoing basis. As I mentioned, we penalize current pensioners and active members by not allowing benefit improvements while the plan may be fully funded on an ongoing basis. Putting the level at 50 active employers ensures a large safety factor. If the level drops below 50 employers at any time during the evaluation period, the solvency calculations and corresponding regulations do apply. Chances of 50 employers going bankrupt and the plan winding up within one period are very remote and not realistic. In any event, plans are still required to abide by the ongoing actuarial evaluations.

That's my presentation. Thank you.

The Chair: Thank you very much, Mr. Leder.

Our final presenter for this afternoon is joining us from Toronto: Mr. Linton, representing CFCW. Yeah. UFCW, isn't it?

Mr. Linton: Yeah. UFCW.

The Chair: Sorry. UFCW. Thank you, sir. Please go ahead.

Mr. Linton: Thank you, Mr. Amery, for allowing me this opportunity to speak to you today. I've listened with great interest to Mr. Matthews and Mr. Leder with respect to the concerns that you have with your pension plans and the valuation and being treated differently than a single-employer plan. UFCW, too, is part of a joint trustee multi-employer plan, and we share the same concerns with you on the issues that you've discussed. But I guess I'm looking at taking a different tack this afternoon, so I will say that before I begin my presentation.

On behalf of the membership of UFCW Canada and, in particular, our members in our Alberta local unions, local 401 and local 1118, I'm pleased to have this opportunity to appear before you today to discuss Bill 10, the Employment Pension (Private Sector) Plans Amendment Act, 2014. Before I actually begin, however, I would like to bring greetings and regrets from our national president, Paul Meinema. Unfortunately, due to a scheduling conflict Paul is unable to appear before you today. I would also like to apologize that I'm unable to appear before you in person today, but I do appreciate the arrangements and the length of arrangements you've gone to to make sure that I would have this opportunity to share our concerns with respect to Bill 10.

With more than 250,000 members throughout Canada UFCW Canada is Canada's leading and most progressive private-sector union. In Alberta with local 401, Alberta's largest local private-sector union, and local 1118 we have approximately 35,000 members who live and work throughout the province. The majority of our members work in the retail food sector, but our members also work in food processing, retail, health care, and increasingly in the field of hotel and hospitality services. Because of the sectors of the economy in which our members work, my focus will be on Bill 10, which deals with the private-sector pension plans as opposed to Bill 9, which deals with the public-sector plans.

It is our understanding that the government originally introduced and passed the Employment Pension Plans Act, or EPPA, in 2012 as a result of the recommendations from the Alberta-British Columbia Joint Expert Panel on Pension Standards reform to harmonize pension legislation between Alberta and British Columbia, who passed Bill 38, the Pension Benefits Standards Act, also in 2012. I know that you've already heard this from Mr. Matthews. Although the EPPA was passed two years ago, it has not been proclaimed, so it is not yet law. As a result of that, it is hard to interpret or evaluate the effectiveness of the EPPA as it relates to pension regulations in Alberta. Because of this, it seems rather unusual to introduce a bill two years later to amend another bill that has not been proclaimed into law and therefore has not been tested.

2:35

While I appreciate the opportunity to speak to you today, it is disconcerting to us also that Bill 10 was introduced without prior consultation with those who will be most affected by the bill. Upon introducing the bill into the Legislature, Minister Horner said, "By allowing these proposed changes, we will be helping private employers address some of the challenges they are facing." But did Minister Horner actually consult with employers? He certainly didn't consult with the employers that we have collective agreements with, nor did he consult with unions, particularly those with joint trustee plans for their members and that have a direct interest in any legislation that could impact their members' pension plans. What would even be more disturbing to us is if, in fact, the minister did actually consult with some employers but failed to consult with other stakeholders such as unions or the hard-working men and women of Alberta who rely or will rely on defined benefit pension plans for income security in their retirement.

Having stated that, however, I would like to address a part of Bill 10 which is a major concern to not only our union but to those in the labour movement in general; that is, the provision that allows the conversion of defined benefit plans to target benefit plans. This would be a radical change for participants or contributors of defined pension plans who could see their pension plans converted into a target benefit plan.

Another concern with respect to this is that the conditions with regard to conversion of a plan would be set out in regulations, so those conditions are not known. What we do know, however, is that pension plan participants who would see their plans converted would face economic uncertainty in preparing for retirement as well as in retirement as they would not have the ability of knowing what their retirement benefits would be, as they would with a defined benefit plan.

Given that the bill expressly states that conversion of a defined plan to a target plan will apply to already accrued benefits, this will also be distressing for pension members. Bill 10, if passed, will also be, in our opinion, a major shift away from the original intent of the EPPA, which was to harmonize pension legislation between Alberta and British Columbia, as has been recommended by the Joint Expert Panel on Pension Standards.

Under B.C.'s Bill 38 a collectively bargained multi-employer pension plan must specify what the consequences to funding of benefits will be if a participating employer withdraws from the plan. Under Alberta's Bill 10 there is no such obligation for an employer to specify what the consequences will be if they withdraw from a collectively bargained multi-employer plan. In Bill 10 if the plan text document contains a defined benefit provision, the plan administrator may amend the plan text document to convert the DB provision to a target benefit provision, and the conversion may apply to accrued benefits. In B.C. Bill 38 does not give the power to plan administrators to amend plan text documents to change DB plans to TB plans and have the change apply to accrued benefits. These are just two differences between Alberta's Bill 10 and B.C.'s Bill 38, but they are significant differences and undermine what the original intent of the EPPA was intended to do, to harmonize the Alberta and B.C. pension regimes.

You may have noticed that I have not mentioned that the majority of UFCW Canada members are members of the Canadian commercial workers industry pension plan, otherwise known as CCWIPP. CCWIPP is a joint trustee multi-employer pension plan administered by UFCW Canada appointed trustees and employers who participate in the plan. The reason I have not elaborated more on the CCWIPP is that I wanted to ensure that there was no confusion that I appear before you today as a representative of UFCW Canada to express the concerns of our union and our members in Alberta. Should you have any questions with respect to the pension plan, I would encourage you to invite representatives of the CCWIPP to appear before the committee to answer any questions you may have and give them an opportunity to express their concerns about Bill 10.

The final point I would like to make is not about Bill 10 but the need to enhance Canada's defined benefit public pension plan, the Canada pension plan. The great recession of 2008 was a wake-up for many in this country and this province. We were witness to the negative impacts that the recession had on public- and private-sector pension plans, on registered retirement savings pension plans, and the inadequacies and need for enhancements to government plans.

The Canada pension plan covers 90 per cent of Canadians who are working, is fully portable, is a defined benefit plan, and benefits can be doubled through a modest, gradual increase to employee and employer contributions. The majority of provincial jurisdictions recognize the need for enhancements to the CPP, and Canadians are also in favour of enhancements to the CPP. UFCW Canada, in the labour movement through the Canadian Labour Congress, has been lobbying governments for several years now to bring change to our pension systems to ensure that Canadians will be able to retire with dignity and financial security. The easiest, most efficient, and cost-effective way to do that is through increasing benefits paid out by the CPP. As provincial legislators I would encourage you to join with us and the majority of Canadians to support enhancements to the CPP and lobby the federal government to ensure changes to the CPP will happen.

Now, I know that was a bit off topic, but to summarize our concerns with regard to Bill 10, we believe it would undermine the security provided with defined benefit plans in both the private and public sector and, as also previously mentioned, will do the opposite of what was intended with the EPPA and will deharmonize the pension legislation between Alberta and British Columbia. We would encourage the committee to recommend to the government to proceed no further with Bill 10.

Once again, thank you for allowing me to appear before you today. Thank you.

The Chair: Thank you very much, Mr. Linton, and thank you all, gentlemen, for your presentations.

Now I'll open the floor for questions. Any questions for our panelists? Mrs. Sarich.

Mrs. Sarich: Thank you very much. To the last presenter, Mr. Linton. You had ended by saying that Bill 10 should not go any further, and at the top end of your presentation you had mentioned some difficulties with consultation or lack thereof. I'm just wondering. If, you know, everybody had to roll up their sleeves and sharpen their pencils and come into a dialogue, are you suggesting that perhaps you would be interested or not interested in that? We're here to hear the perspectives, even proposals of what would be some steps to move things forward. Do you have any comments?

Mr. Linton: Well, I think that, certainly, if there is further consultation and further dialogue, we would be interested as would be our pension plan experts. I'm not here to profess that I'm the expert from CCWIPP, but I certainly believe that that would be of interest. As a matter of fact, I do believe that they may be in the process of drafting a proposal to the committee or to the Alberta government with respect to pension legislation. I know they're certainly aware of Bill 10. I don't know if they were invited to participate or not, but if there are further consultations being considered, I would encourage you to consider them as part of that consultation process.

Mrs. Sarich: There's always an opportunity for other stakeholder groups to write in to the committee. Also, in the September window we have another opportunity should there be a stakeholder group that would like to present to the Standing Committee on Alberta's Economic Future regarding bills 9 and 10. There is that opportunity to do so. They just simply have to contact the clerk, and the details are on the website. So I'd offer, at the very least, that.

2:45

If there are some activities that are going on that the standing committee needs to be made aware of, then I would just encourage those stakeholder groups to supply the information or make arrangements to provide a presentation, because this is an extension of having the extra conversations to learn about what the diversity of perspectives are and to garner and gather the information and to promote a greater level of understanding around these particular issues and nuances, in particular for Bill 10. So we would welcome that.

Mr. Linton: I would be more than happy to pass that along to the pension plan, and I will give them the information with respect to how to contact the clerk as well. I know that what you're dealing with is not an easy task. I, in Ontario here, was part of the process with the Expert Commission on Pensions under Professor Harry Arthurs, and it was a long, drawn-out process. I understand and I appreciate what you're trying to do here. I think that welcoming more people and getting more input from the various groups is a good idea.

Thank you.

Mrs. Sarich: Thank you.

The Chair: Thank you, Mrs. Sarich.

Ms Donna Kennedy-Glans.

Ms Kennedy-Glans: Thanks. This was actually very unusual. I think that we had two diametrically opposite recommendations – I'm just trying to make sense of it – which is not the end of the world. I think it's just that we're on a trajectory of change and consultation, and maybe we're all at different points.

Just to recap. My understanding is that we started the JEPPS process in 2002. We've been talking about these kinds of changes. Mr. Leder, you talked about wanting to make sure that we consider this approach for multi-employer plans rather than just singular, which is a change from the JEPPS process, but otherwise there was a sense that there was lots of consultation, and that's my understanding as well.

Your comment, Mr. Linton, about, you know, changing a law that hasn't yet been promulgated: yeah, yeah, I agree with that. That's a bit interesting, but it's a way that legislation sometimes goes through.

I find it a little bit odd – maybe it's because we're comparing this to Bill 9, public-sector pensions, with which it's not to be confused – because I sense that there's been a great amount of consultation on this particular approach. So is it that we haven't picked up stuff post 2008-2009 economic recession, that the world is changing and we haven't caught up? We can do too little consultation, and we can also consult ourselves to death. I thought that with this bill we were headed in the latter direction, so I'm just a little bit confused. If somebody can help me out here, I would be grateful.

Mr. Matthews: The consultation, I assume, takes various forms. This is consultation, in a way. Consultation with the ministry is another form. Our fund has been very active with the ministry going back to 2002. We really don't have any surprises here. Whether, in fact, it meets the Legislature's needs in terms of consultation or not, you know, I don't know. I believe that the ministry has consulted extensively with the stakeholders. The public would be a different story.

I would comment regarding a couple of things, if I may, regarding Mr. Linton. We see Bill 10 as trying to provide a balance. The single-employer model does not work for multi-employer pension plans. We represent multi-employer pension plans. As such, we probably won't see everything that we would ever like, but we do know one thing. As John has mentioned before, solvency has to disappear for multi-employer pension plans. The alternative is to reduce pension benefits to try and meet a standard that should not apply to multi-employer plans. It's as simple as that.

When we talk about harmonizing with B.C., for two governments, Alberta and B.C., to agree a hundred per cent in terms of language and so forth on pension legislation would be a miracle, in my view. I was at a meeting in Toronto with CAPSA – Ellen Nygaard actually was a subcommittee chair – looking at funding. Is there a funding model that could be accepted by the 10 provinces? I left that meeting saying, "Not in my lifetime," and I expect to live for a long time yet. It's just not practical. Harmonization doesn't mean a hundred per cent, but I think both provinces have done an excellent job of working towards a common goal, if you wish.

I hope that's helpful.

Mr. Linton: With respect to what you're trying to achieve, I understand that. Actually, that's one of the things that we have done in Ontario. You know, we have SOMEPs, specified Ontario multi-employer plans, because there seems to be a growing realization that with a multi-employer plan, if one employer leaves, the plan is not going to collapse. There's a slow realization that yes, they do need to be treated differently than a single-employer pension plan. That's something that certainly needs to be addressed and looked at. But I think the major concern for us – and we understand the financial difficulties and pressures that pension plans and governments are under – is moving the already existing defined benefit plans into target plans. That would be a major concern for us.

The Chair: Thank you.

Ms Pastoor.

Ms Pastoor: Thank you very much, Mr. Chair. I'm really reaching here with what I'm going to say. It's the solvency thing, and I'm not sure that I totally understand it. I'll say what I'm going to say, and then you'll realize that this is pension 101 for me and that I'm a bit of a deer in the headlights at this point. The solvency side of it, even that conversation around solvency and having those funds there: would that be due to the Nortel debacle? Is that a protection because of the Nortel debacle? If so, then why do you want to get rid of the solvency?

Mr. Leder: Well, Nortel is one employer. You had Nortel; you had Eaton's; I think you had Gainers; you had Air Canada. You had a number of them, but all of those were single employers. We're subjected to a bar that I think is too high for multi-employer plans. I think that it's appropriate for single-employer plans because the Legislatures need to ensure that the beneficiaries are looked after. It's the same with the trustees of pension plans. That's one of our main things that we need to do, to make sure that the pension plans are protected.

But when you go from, say, one employer to 50 employers or 200 employers, it doesn't make any sense to do a solvency calculation. In our plan we as employers have been increasing our contributions. The employees see that, but they don't see an increase in benefits because the legislation forbids any increase until we pass the so-called solvency test. If you don't apply the solvency test, then those benefits could accrue and help the pensioners.

Ms Pastoor: I understand that, but back to why the solvency is there in the first place: if you've got 50 companies, and two out of 50 go down, how are those people protected? Because they belong to the bigger plan and the bigger plan can actually suck up and would have that money to meet the funded liability from the two companies that would actually go down? You've got that much money?

Mr. Leder: The way you look at it is that it's a fund – right? – and all that money is in one pot, so called. It's not segregated by employers, so each employer just pays, usually, per hour. It could be $6; it could be $5. Whatever it is, they pay that, and they remit those contributions monthly.

As the fund grows, the fund has a responsibility to all those people that contributions have been received for. If two employers go belly up, those contributions in the past are still there. There will be no future contributions from those employers, but those people aren't working for them either, so there should be no accrual, if you follow.

2:55

Ms Pastoor: Okay. Yes. I've got it.

Mr. Leder: The pot of money is there. The actuarial valuation is done either yearly or triannually or whatever the legislation dictates because that also changes. The actuary says that we have enough money to pay out all the beneficiaries that are a part of this fund.

Ms Pastoor: Right. Would they have to be paid out, or could they hang onto it if they went and worked somewhere else within that 50-company pot?

Mr. Leder: The pension is vested to the employee.

Ms Pastoor: Okay. Thank you very much.

The Chair: Thank you.

Mr. Leder: I'm not sure if I confused people or not.

Ms Pastoor: You explained it for me.

The Chair: On the phone, any questions? Mr. Linton.

Mr. Linton: Yeah. Just if I may, to add to that, one of the biggest differences and easiest ways to explain it in my head is that when you have the single-employer pension plan, if that employer goes bankrupt, those people could potentially lose their pensions, and that's very high risk. With the multi-employer plan you have 50 employers, so when one or two go belly up, as you said, the people in that plan aren't going to lose their pensions. It's a very low risk compared to a single-employer plan. I think that's what has to be looked at and what should be addressed with respect to the way multi-employer plans are treated as low risk as opposed to single plans, which are high risk if that employer goes bankrupt.

The Chair: Okay. Thank you.

Mr. Matthews: I would make a comment in terms of what union members want. Our fund, as I said before, is jointly and equally trusteed, with a board of 10. I'm the management trustee. We have five trustees that are union leaders, primarily business managers, of locals here in Alberta and Saskatchewan.

The topic of solvency and its effect on multi-employer plans and the difference, as Mr. Linton said, between the risk of a single-employer plan versus a multi-employer plan such as ours has been discussed extensively. I probably can't recall a meeting in the last eight years – and we have quarterly meetings – where this was not front and centre. What we get from the union people is: "When are we going to get rid of solvency? It doesn't apply to us." That's not management or somebody theorizing. This is coming, we understand, from the union halls.

Within our community, which is the construction industry, they're very much aware of the impact. I would say, too, in all fairness, that when all the rules are finally established, I guess there might be some things in there that we might not be so happy about, but fundamentally it's extremely important that the solvency disappear and disappear quickly. There will be funds now that are going to have to fund the solvency, and the only way that they'll be able to do that is to reduce benefits. I don't think anyone wants to have on their shoulders: we caused the benefits to be reduced.

The Chair: Thank you, sir.

Any other questions? On the phones?

Well, thank you, all, very much, Mr. Linton, Mr. Matthews, and Mr. Leder, for being here today and for presenting and answering our questions.

The *Hansard* transcript of the full day's proceedings will be available later this week via the Legislative Assembly of Alberta website. The audio of the meeting is also available via the Assembly site.

If you wish to provide additional information for the committee, please forward it through the committee clerk.

Thank you, all. It was a pleasure having you here.

Mr. Leder: Thank you, Chairman.

The Chair: Now, other business. Do we have any other business? You've got one?

Mrs. Sarich: Just one question, Mr. Chair.

The Chair: A question?

Mrs. Sarich: Yes. You had indicated in panel 7 that the universities academic pension plan withdrew. Was there any indication that they would be making a submission, written or otherwise, or coming back at another time? I'm just curious.

The Chair: The clerk will answer that.

Have you been in contact with them?

Mrs. Sawchuk: Yes. Thank you, Mr. Chair. The e-mail was sent very late last night, and it just said that it was unforeseen circumstances, that they would not be able to participate in today's panel. That doesn't exclude them from making a submission in writing.

The Chair: Anything else?

Mrs. Sarich: One other question. Sorry. That's two questions. I just was wondering if we had received any indication from Alberta Health Services. It was suggested today through another presentation that that's a large employer. We had the nurses today. They had mentioned Alberta Health Services. I don't know who has signalled to the clerk for presentation purposes, you know, along the timeline here.

Mrs. Sawchuk: We're keeping track of the extra groups that have been brought forward during these meetings for the committee to consider if they decide to revisit additional expert and stakeholder presentations early in the fall, in September. I think that was the discussion. So we've got a list.

Mrs. Sarich: I'm just simply asking if you have any awareness that they have indicated or signalled that they're going to be providing, written or otherwise . . .

Mrs. Sawchuk: We've not received anything.

Mrs. Sarich: Okay. Yeah. It's just a basic question. Thank you.

The Chair: Thank you.

Ms Kennedy-Glans: I'd just suggest, so that we can actually think about their ideas as we're sorting through this this summer, that it might be useful to request over the course of the summer a written submission. Then we're evaluating the same information at the same time and can then decide if we want a physical presentation. We may get other groups who want to present, and I just think it's easier to get all the information in front of us to think about over the summer and then figure out what holes we still have to fill and can be clear about what we're seeking with these groups.

Mrs. Sawchuk: Mr. Chair, the advertisement went out, and there have been a lot of groups, not just members of the public but organizations, that have, you know, contacted us to ask when the deadline is because they haven't noticed the advertisement yet. They are aware that written submissions can be made until August 15. That's basically the extent of that part of the communication.

The Chair: Good. Any other questions?

The date of the next meeting is tomorrow, 8:30 a.m. till 3:30 p.m.

I need a motion to adjourn. Everybody moves. Any objections? All in favour? Thank you very much. It's been a long day.

[The committee adjourned at 3:04 p.m.]

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