



Alberta Labour Coalition on Pensions

c/o #300, 10408 – 124 Street, Edmonton, AB T5N 1R5

Ph: 780-483-3021

Fax: 780-484-5928

April 25, 2014

The Hon. Doug Horner
Minister of Finance
Government of Alberta
423 Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister Horner:

On behalf of the Labour Coalition on Pensions, I want to thank you for meeting with us on April 17th to discuss Alberta's public-sector pension plans, and your government's proposed changes to those plans. We appreciate both the candour with which you discussed the issues and the conviction you brought to your arguments. We also take seriously your suggestion that we engage with LAPP employers and with Alberta Treasury Board and Finance on the questions of joint sponsorship of the Local Authorities Pension Plan and of the LAPP contribution cap proposed by your department.

That said, there are a number of obstacles in the way of such engagement. It's a cliché that in pension governance the devil is in the details. On the other hand, we would be doing a disservice to our members if we immersed ourselves in a long and complex discussion of governance structures, roles and accountabilities, while ignoring the fundamental point: the stakeholders, employees and employers, must share final authority over the content of the pension promise and, directly or indirectly, over the administration of the plan. For our members, this establishes some fundamental principles that cannot be undercut in any governance discussions:

1. Stakeholder control means an end, for once and for all, to government authority over and interference with the plan. This is a minimum requirement of any new system of plan governance, especially since the Government of Alberta, in *Bill 9*, is divesting itself of any responsibility for plan liabilities, while maintaining controls over most aspects of plan control.
2. Shared authority means equal sharing, with employers and unionized employees each having the ability to prevent important decisions being forced through over their objections. This equality is a basic requirement for any jointly sponsored plan. Yet, *Bill 9* does not address shared authority. It increases inequality by giving the government more decision-making powers in a supposedly jointly sponsored pension plan environment.

3. In any jointly sponsored defined benefit pension plan, changes to pension benefits can only occur through a decision of the sponsor board. In any defined-benefit pension plan worthy of the name, benefit changes cannot follow automatically when certain financial criteria are met – the sponsor board must have the authority and the responsibility to carefully consider the state of the plan and make decisions balancing the twin priorities of plan design integrity and contribution rate stability. *Bill 9* fails to give jointly sponsored pension boards this authority and responsibility.

For us the above are fundamental characteristics of joint sponsorship, and must form the starting point for any move toward a reform of LAPP governance. They are also normal and uncontroversial in most jurisdictions in Canada. We can't accept that Ontario, British Columbia and other provinces in Canada should have successful and stable public-sector pension plans based on these principles, while Alberta cannot.

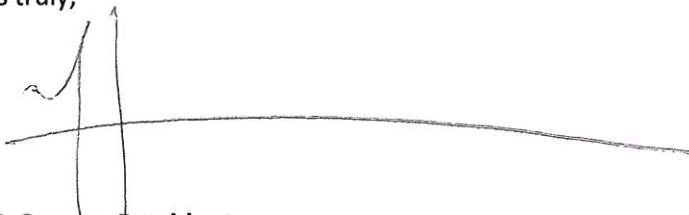
Unfortunately there are a number of elements of the *Public Sector Pension Plans Amendment Act* that violate these principles, such as:

- Government control over appointments to the sponsor board, both during and after transition to a jointly sponsored pension plan,
- Legislative provisions that remove authority over benefit levels from the sponsors, both during and after transition,
- A cap on contributions that removes the discretionary authority of plan sponsors to raise contributions when necessary, thus turning the plan into a target as opposed to defined benefit pension, and
- A legislated requirement for pre-authorized benefit reductions under certain conditions.

This list isn't exhaustive – there are a number of other problems with *Bill 9*. Rather it's an attempt to demonstrate the difficulties we face in responding to your call for discussions regarding joint sponsorship and the contribution cap. If this law is passed as it is presently written, we don't see how any process can occur that respects the minimum standards our members expect us to uphold.

We remain committed to working with the Government of Alberta and with LAPP employers to create a strong and fair pension plan for our members. If you or your department can suggest any way to move forward on these issues without abandoning our fundamental principles, we would be pleased to listen and respond to your suggestions.

Yours truly,



**Gil McGowan, President
Alberta Federation of Labour
Chairperson
Labour Coalition on Pensions**