

**Stakeholders Consultation Group
Questions/ suggestions arising from the October 2010 meeting**

Please note: The items written in italics below are comments and questions made by stakeholders at the October meeting. In the interest of transparency, the comments are recorded as closely as possible to how they were delivered by the spokesperson(s). The LAPP Board response, which follows each comment/ question was developed and approved by the board at a subsequent meeting.

Stakeholder Comment: *If false retirements are permitted under the rules of the plan then everyone should be advised of the option. The Board should tell APS to amend their materials to include this as an option. APS takes an active role in outlining other options, and this one should be no different. There is too much inconsistency in what people are being told by APS and being told by employers.*

Board response: There are communication materials on the LAPP website relating to Working in Retirement. The Board will be working with APS to ensure that all communication to LAPP members and employers about the plan is clear and consistent. Where the Board becomes aware of specific examples of unclear or inconsistent communication, we will take steps to address it.

Stakeholder Comment: *Any communication from APS on false/early retirements should include information on what this practice is costing the plan. It should be made clear that false retirements are tolerated because the employer decides whether to allow them. The problem is, employers save 11 per cent by allowing false retirements so why wouldn't they encourage such a practice?*

Board response: As discussed at the last SCG meeting, false retirements are not outside the plan rules. The Board is interested in addressing all risks to the plan and is currently reviewing plan participation rules, both in relation to false retirements and more generally.

Stakeholder Comment: *There seems to be a problem with employer enforcement of the rules. If employers are left to self-audit, how can the Board be sure they are complying with the plan rules. No one compels compliance, should APS not take an active role with this?*

Board response: LAPP employers are subject to audits by external auditors regarding compliance with LAPP rules. We understand APS has initiated discussions with the Alberta Government with the goal of strengthening compliance with LAPP's rules, and the Board has written to the Minister indicating the Board's support for this goal.

Stakeholder Comment: *There is a lot of negative talk in the media about Defined Benefit plans. There are suggestions that DB plans are gold-plated plans costing taxpayers money and our plan is just a Chevy. The Board should be taking an advocacy role in support of DB plans because ACPM has a limited commitment to DB plans and the public should be educated and supportive.*

Board response: As reported at the last meeting of the SCG, the Board does not see itself as taking on an advocacy role on behalf of Defined Benefit Plans. The Board's primary role is to govern the pension plan and not defend it from critics of DB plans. There has been no attack on LAPP's plan, specifically, so response to "general" criticism will be left to those groups whose role it is to actively advocate for DB pensions.

Stakeholder Comment: *It is wrong not to consult with Retirees related to an Employer Withdrawal. It is not right that the employer has the ability to decide whether to take retirees out of the plan without the pensioners getting a vote. A risk premium is paid to LAPP if retirees stay in the plan, but if they go, no one pays them a risk premium.*

Board response: The Employer Withdrawal issue was a very difficult one for the Board since it is not only a complex technical issue, but also one which involves very different stakeholder perspectives. The Board's January 2010 support for the Amendment Regulation was made only after much deliberation and careful consideration of all interests. Please note that it is the Minister, not the employer, who makes the ultimate decision on whether or not retirees are transferred to the successor plan. It is the employer who is responsible for paying the risk premium to LAPP if the former employees (retirees) are left in LAPP.

The Board understands stakeholder concern for retirees who might be transferred to the withdrawing employer's new plan. The following information may address this concern:

- Before making a decision on whether or not to transfer retirees to the new plan, the Minister is required to consult with the Board. Affected retirees will also be able to make submissions to the Minister at that time.
- The new plan will be regulated under the *Employment Pension Plans Act* (EPPA);
- Under EPPA, for a single-employer plan, it is the *employer* who has ultimate responsibility to cover all liabilities in the event of plan wind-up;
- Under EPPA, additional contributions are normally required in case the plan winds up in a situation where liabilities are greater than assets. These additional "solvency" contributions strengthen the plan's funded status;
- If the employer is publicly funded, solvency contributions are not required, but the employer must provide a letter guaranteeing that the employer will cover all liabilities in the event of plan wind-up.

Stakeholder Comment: *The Board is consulting with AIMCo, APS, Alberta Finance and Enterprise and its own Board members on Mandate and Roles. It should be consulting with its stakeholders too.*

Board response: The Board is always very interested in consulting with stakeholders on issues. In fact, the Board intends to pursue stakeholder consultation on Mandate and Roles at the very next SCG meeting, March 17th. As well, there is a stakeholder consultation breakout session already planned for the March 17th. The agenda leaves room to gather feedback for the Board on two major issues: Mandate and Roles and Funding Policy. The Board is also mailing out, in advance of the meeting, a written question to be discussed at the meeting, to allow time for thoughtful preparation.

Stakeholder Comment: *AIMCo's performance has been poor for the last three years. What is the Board doing to analyze the AIMCo's performance and its investment decisions?*

Board response: The Board takes an active role in analyzing AIMCo's investment decisions and its performance. On an ongoing basis, we assess whether AIMCo's approach is meeting the needs of LAPP members. We have developed a balanced scorecard that assesses AIMCo's alignment in meeting LAPP's investment objectives, its organization, its portfolio construction and its overall performance. We conduct an extensive in-depth review, using this scorecard, every three months. There will be an update on performance at the March 17th meeting of the SCG and an AIMCo representative has been invited to the meeting to address any questions.