

**Stakeholders Consultation Group (SCG)  
Questions/suggestions arising from the Oct. 28, 2011 meeting**

**Please note:** The items written in italics below are questions submitted by stakeholders at the close of the Oct. 28, 2011 SCG meeting. The LAPP Board response, which follows each comment/question was developed and approved by the Board at a subsequent meeting. The questions may have been paraphrased for clarity and, if there were multiple questions submitted on the same topic, may have been combined for efficiency.

***Stakeholder Questions:*** *Could the Board provide a chart showing the history of contribution rates, both employer and employee? Could you also indicate if there were any government contributions too?*

**Board response:** Attached are charts showing LAPP contribution rates from 1984 to 2012. Prior to 1984, contribution rates were unchanged from the 1966 (inception of CPP) to the 1984 level. The employer contribution rate is 1% higher than the employee rate.

The government of Alberta also contributed to LAPP as follows:

August 1, 1992 - July 31, 1993:	0.087%
August 1, 1993 – December 31, 1997:	0.45%

The government contribution ceased effective January 1, 1998 when LAPP's pre-1992 liability was deemed fully funded.

***Stakeholder Questions:*** *What is the current service cost of the LAPP Disability Benefit?*

**Board response:** The cost is currently minimal. Most LAPP members are covered under an approved LTD plan, and therefore continue to accrue pensionable service while disabled. The number of disability pensions is currently so small that the plan actuary and the Board assume the current service cost of disability pensions is zero.

***Stakeholder Questions:*** *What is the current services cost of providing a LAPP pension based on a career-average salary compared to the highest consecutive five-year average we use now? The latter could be called the promotion subsidy.*

**Board response:** The Board asked for a quote on the cost of obtaining this information and has been advised by the plan actuary that this calculation, which would require changing to a different actuarial cost method, would be very expensive. The projected unit credit actuarial cost method (the cost

method currently used for LAPP actuarial valuations) would not provide a meaningful measure of how LAPP's costs would unfold in the future as a career-average salary plan, and the expense involved in changing the actuarial cost method in order to provide meaningful results would be substantial.

Moving LAPP from a final-average salary plan to a career-average plan would be a fundamental design change which is not currently being considered. The Board has therefore decided not to incur the significant expense involved in obtaining the requested information.

**Stakeholder Questions:** *What would the Board like to see as the future role of the SCG. Which option do board members prefer?*

**NOTE:** This response presupposes the Board will approve the option recommended in the SCG report (Item 3.2).

**Board response:** The Board has been careful not to steer the process too much by leading the discussion with an announcement of its own preferences, but like stakeholders, the Board has also been discussing the options. What is interesting to note is the Board, like stakeholders, have a few members who prefer Option 2 and a few who prefer Option 3, but all agree with the vast majority that it would be beneficial to formalize the SCG as a group that will be able to provide input and feedback that represents the view of plan sponsors. Currently there is no official role for plan sponsors in plan governance and by formalizing the SCG and working to define a process for input, the Board will be engaging its stakeholders and informing Board decisions to the best of its ability under the current governance structure.

Recognizing current challenges and the time and resource constraints of many SCG participants, the Board believes that it would be best to start out with a "modified" Option 2. Under this modified option, the SCG would have registered participants who formally represent their organizations and ad hoc sub-committees would be formed as needed. Option 3, which calls for a permanent sub-committee to represent the SCG to the Board, might still be a possibility down the road. For now, however, the Board believes that a formalized SCG with an ad hoc sub-committee approach is a good way to test how the concept might work, while allowing us time to refine the process of input at the same time we continue to collect your input.

Next steps, outlined in the letter accompanying this document, will include gathering together volunteers from the SCG to sit on the first ad hoc sub-committee. The committee's job will be to look at developing processes to:

- choose sub-committee participation going forward;
- formalize representation of members; and,
- structure reporting and communications

**Stakeholder Questions:** *Could the Board provide data on comparative benefits, administration and investment costs of peer plans?*

**Board response:** LAPP retains an independent cost effectiveness benchmarking firm to comparatively assess our administration and investment costs. We will endeavor to have them present LAPP's results to an upcoming SCG session. We are also compiling information on how LAPP compares with other plans related to benefits, investment returns, funding ratios etc. As there are many points of comparison, an indication of any specific aspects of the plan that would be of interest to you could help to narrow the scope of the evaluation process.

**Stakeholder Questions:** *What are other plans doing or have they done in regards to plan governance and implementing plan design changes?*

**Board response:** There are many public pension plans across Canada with many different models of plan governance and many different initiatives related to plan design and/or plan changes. Most plans are facing unfunded liabilities and some have strategies in place for making their pension plans sustainable while other, like us, are working on developing those strategies. The Board is looking at other plans and their approaches to governance and will share that information with stakeholders when available. It is useful to compare plans and look at what strategies they are using, but important to recognize that some strategies and solutions may fit some plans better than others. Some pension plans may be more mature, some may use very different funding strategies, some may face different demographic challenges, etc. It is important to note differences and similarities when looking at other plans, which we will do when we present information on this topic at a future SCG meeting.

**Stakeholder Questions:** *Could the Board bring in a speaker to talk about other Defined Benefit pension plans and what other plans are doing re: finances, governance and benefits and discuss what ideas are circulating external to LAPP?*

**Board response:** As indicated in the questions above, there appears to be a lot of stakeholder interest in comparing LAPP to other plans and discussing what others are doing compared to what LAPP is doing in a multitude of areas. The first step would be to collect this data, present it to the SCG (as indicated above) and then narrow the discussion down to what is applicable to our plan, our stakeholders and our members. The Board will consider bringing in a speaker to a future stakeholders meeting.

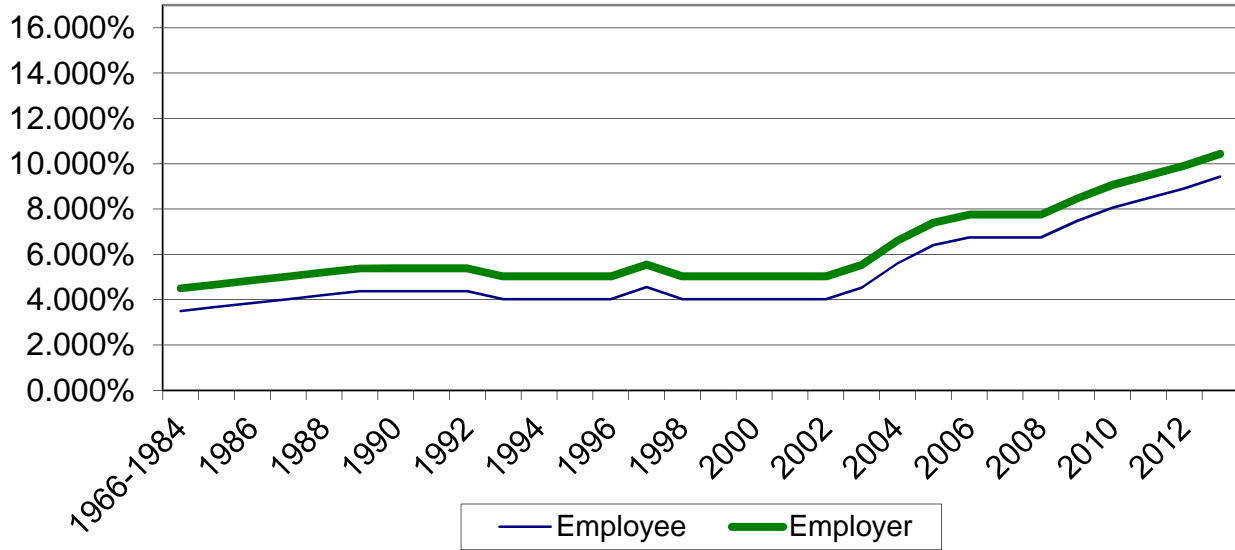
**Stakeholder Question/Comment:** *I think it would be a good idea to see the survey questions before going out.*

**Board response:** As explained during the meeting, the survey questions have been the result of a long, thoughtful process taken on by the Board beginning with the development of a 50<sup>th</sup> Anniversary Consultation Plan that outlines the scope of the project, objectives, intended outcomes and includes a number of different approaches to consulting with members, retirees, plan sponsors, unions and employee associations and employers and employer associations. Staff have worked with a research consultant to identify the key questions the Board is interested in having answered and have painstakingly reduced the list from 70+ questions down to about 24 in the hope that people will take the time to fill in the survey.

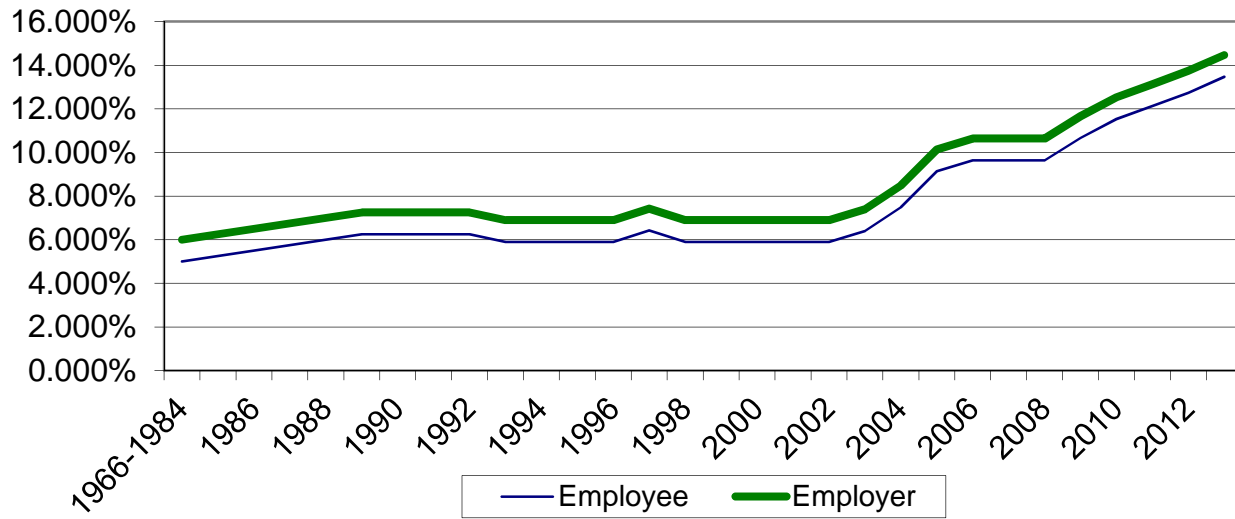
Much time was spent finding exactly the right wording to ensure clarity on complex issues and the questions were written with the interests of all stakeholders in mind. We hope the questions will be acceptable to all and that they will achieve the very divergent expectations a group as large as the SCG is likely to have. The Board prefers not to send it out for approval to dozens of stakeholders, in advance of surveying the members as it would likely not lead to consensus in time for the target date of our 50<sup>th</sup> Anniversary, April 1, 2012. However, we enclose a copy of the survey for your information in the interest of transparency.

Please be assured the survey is just one part of a multi-faceted consultation process that will allow everyone the opportunity for providing input to the board. There will be opportunities for meetings, discussion groups, presentations and written submissions. Anything that might not be addressed in the survey will undoubtedly be covered through these other consultation measures.

### LAPP Contribution Rates up to the YMPE



### LAPP Contributions over the YMPE



**Contributions remained unchanged from 1966 - 1984**

**LAPP Historical Contribution Rates**

	<b><u>Earnings up to YMPE</u></b>		<b><u>Earnings Over the YMPE</u></b>	
	<b>Employee</b>	<b>Employer</b>	<b>Employee</b>	<b>Employer</b>
1966-1984	3.500%	4.500%	5.000%	6.000%
1985	3.675%	4.675%	5.250%	6.250%
1986	3.850%	4.850%	5.500%	6.500%
1987	4.025%	5.025%	5.750%	6.750%
1988	4.200%	5.200%	6.000%	7.000%
1989	4.375%	5.375%	6.250%	7.250%
1990	4.375%	5.375%	6.250%	7.250%
1991	4.375%	5.375%	6.250%	7.250%
1992	4.375%	5.375%	6.250%	7.250%
1993*	4.025%	5.025%	5.900%	6.900%
1994	4.025%	5.025%	5.900%	6.900%
1995	4.025%	5.025%	5.900%	6.900%
1996	4.025%	5.025%	5.900%	6.900%
1997	4.550%	5.550%	6.425%	7.425%
1998	4.025%	5.025%	5.900%	6.900%
1999	4.025%	5.025%	5.900%	6.900%
2000	4.025%	5.025%	5.900%	6.900%
2001	4.025%	5.025%	5.900%	6.900%
2002	4.025%	5.025%	5.900%	6.900%
2003	4.525%	5.525%	6.400%	7.400%
2004	5.602%	6.602%	7.477%	8.477%
2005	6.400%	7.400%	9.140%	10.140%
2006	6.750%	7.750%	9.640%	10.640%
2007	6.750%	7.750%	9.640%	10.640%
2008	6.750%	7.750%	9.640%	10.640%
2009	7.460%	8.460%	10.660%	11.660%
2010	8.060%	9.060%	11.530%	12.530%
2011	8.490%	9.490%	12.130%	13.130%
2012	8.910%	9.910%	12.740%	13.740%
2013	9.430%	10.430%	13.470%	14.470%

\*Effective August 1, 1993