Stakeholders Consultation Group (SCG) – Action Items
Questions arising from the May 4, 2012 meeting

Please note: The items written in italics below are questions submitted by stakeholders at the close of the May 4, 2012 Stakeholder Consultation Group (SCG) meeting. The LAPP Board response, which follows each 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 Question: *Are the Board Trustees informed about trends of other jurisdictions which are impacting the pension picture and how it may impact LAPP. Can this be provided to SCG members?*

Board response: LAPP Board members are regularly updated with information about what Pension Plans are doing elsewhere and how it may impact LAPP. Trustees are provided with information on changes and trends from across Canada and around the globe with respect to pension plan benefits, funding, investments, liabilities, reforms, plan design innovations and others. They receive news items, educational materials, newsletters and many different items related to pensions, legislation, fiduciary responsibility, environmental risks and media highlights. In addition, Board Trustees do a lot of their own research on pensions and investments and keep abreast of what is going on globally. They are well versed on trends in the pension industry and hear often from other plans about what challenges and issues they face. Recently, the Board hosted the CEO of OMERS Sponsor Group and, the following day, attended a joint-board education conference on sustainability with other Alberta public-sector boards listening to speakers from across the country.

Not all of the information the Board receives from other plans is released for public consumption, but some of the information can certainly be shared with members of the SCG. Some of this information was provided to SCG members at the May 4, 2012 meetings in the presentations and more will be shared in future sessions. It is an important caveat, however, to remember that not all pension plans are the same and cannot always be easily compared, as explained when the information is provided. For those SCG members interested in keeping abreast of changes in other plans, automatic internet searches can be set up to capture news in a timely fashion. LAPP staff members monitor many information items through similar search alerts while preparing information for reports and Board packages.

Attached as an appendix to this document are copies of some of the slides presented at the SCG meeting, containing information about what other plans are doing. Plan websites also provide information on recent developments.

In addition, attached is a chart provided by Public Pension Policy, Alberta Treasury Board and Finance, which provides more information on what other plans are doing/proposing to address funding challenges.

Stakeholder Question: *How do we identify who is eligible to participate in the SCG and who is not participating? How can we improve participation? How do we identify union representation?*

Board response: Now that the SCG Ad Hoc Advisory Committee was able to present its recommendations to the SCG and the Board at the May 4 meeting, LAPP can consider how best to deliver on those suggestions, one of which was to review the membership of the SCG and consider expanding it to include other stakeholders: employer, union and association representatives included. Improved participation is a worthwhile goal and the committee had many good suggestions for improvements, which we will investigate and implement as soon as possible. Some of those recommendations were:

- All current members of the SCG should be officially advised of plans to develop the SCG as a more formal advisory body of LAPP; and that as needed in the future, advisory committees of the SCG will be appointed on an ad hoc basis to review, research and provide sponsor input to the Board on behalf of the SCG.
- Members of the SCG should be asked to identify a delegate and alternate to attend the meetings of the SCG and represent the sponsor organization at those meetings.
- The Board consider expanding the SCG membership list, especially for growing municipalities or educational districts/institutions
- Consider remote attendance options like video-conferencing to encourage participation from rural and south areas.

Stakeholder Question: *Of all the factors that are included/considered for long-term sustainability of LAPP such as funding strategy, contribution rates and so on, why is the richness of pensions and early withdrawals (such as the 85 factor) not included in the conversation?*

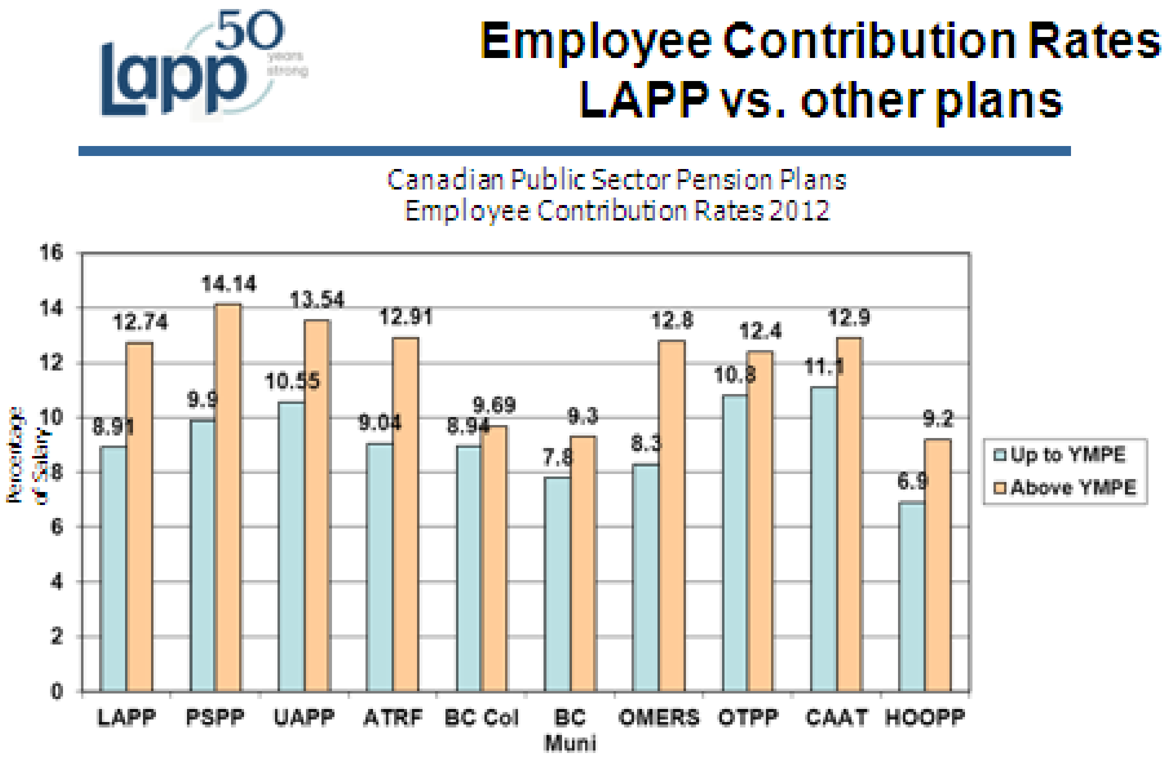
Board response: At the May 4 meeting, the LAPP Board advised that it was working on a sustainability strategy for LAPP that would address all elements of the Plan including, “funding; investments; demographics and benefit structure.” The opening presentation of the day informed stakeholders that: “Risks facing the plan will be reviewed, together with possible funding, investment and plan design strategies to address risks.” Later in the day, an open session was held asking participants what they would like the Board to look at later that month during its two day retreat on sustainability. The Board met for its retreat and has reviewed a lot of information relating to sustainability. LAPP takes the approach that sustainability cannot be addressed without accounting for all three legs of a well-balanced stool: investments, funding and plan benefits. The Board will be reporting to SCG members on the outcome of its sustainability retreat and will be providing more information on its strategy and next steps.

If you have any questions, please contact Sheri Wright, VP Stakeholder Relations,
LAPP at: sheri.wright@lapp.ca

APPENDIX 1 – SCG Slides May 4
APPENDIX 2 – Public Sector Pension Plan Changes

APPENDIX 1

Slides from SCG Meeting May 4, 2012, which show comparisons and update on plan benefit changes/reforms of other Canadian public sector pension plans.



Legend:
LAPP – Local Authorities Pension Plan
PSPP – Public Sector Pension Plan
UAPP – Universities of Alberta Pension Plan
ATRF – Alberta Teachers Retirement Fund
BC Col – British Columbia College Pension Plan
BC Muni – British Columbia Municipal Pension Plan
OMERS - Ontario Municipal Employees Retirement System
OTPP - Ontario Teachers' Pension Plan
CAAT – Colleges of Applied Arts and Technology
HOOPP- Healthcare of Ontario Pension Plan

Other Public Sector Plans' Changes

HOOPP	2005	COLA not guaranteed
CAAT Pension Plan	2007	COLA not guaranteed
NS PSPP	2010	COLA not guaranteed after 2015 80 factor increased to 85 Spousal survivor benefit reduced Deferred pensions: no indexing

Other Public Sector Plans' Changes

OTPP	2010	COLA not guaranteed. Maximum contribution rate 15%, then benefit reductions
Man CSSF	2012	Termination benefits reduced
OMERS	2013	Terminations benefits reduced

APPENDIX 2

Public Sector Pension Plans in Canada: Recent Benefit Changes or Other Initiatives

Pension Plan	Effective Date for Change or Initiative	Benefit Type	Change/Initiative
Healthcare of Ontario Pension Plan	2005	COLA	• Guaranteed COLA at 75% of CPI is paid on the portion of pensions attributed to service up to the end of 2005. • COLA on post-2005 service is not guaranteed. HOOPP's Board decides annually whether increase can be paid.

Nova Scotia – Public Service Pension Plan	April 6, 2010	• COLA
		• Survivor Benefits
		• Retirement Eligibility
		• Termination Benefits
			• Benefit reductions have been put in place, some of which apply retroactively on service already accrued and some to new hires only.
			• New system of indexing for active and retired members for all past and future service
			  ○ Indexing has been set at 1.25% per year for period Jan 1, 2011 to Dec 31, 2015
			  ○ Indexing for 5 year period from Jan 1, 2016 to Dec 31 2020 (and subsequent 5 year periods) will depend on plan's funded ratio. If funding ratio is less than 100%, indexing cannot be paid
			• Prior to 2011, permanent annual indexing to CPI, max 6%
			• Different pension benefits for new hires
			  ○ Rule of 85 instead of Rule of 80 for early retirement
			  ○ Add-on spousal survivor benefit reduced from 66 2/3% to 60%
			  ○ Surviving children's benefit when there is not surviving spouse reduced from 66 2/3% to 60%. Maximum surviving children's benefit where there is a spouse increased from 33 1/3% to 40%
			• For deferred pensions, indexing will no longer be earned in the deferral period, effective January 1, 2011. These changes will bring the plan back to a fully funded position.
			• Plan provisions have been made which will allow the plan, in future, to be jointly sponsored by plan members and the Province if the new sponsors can come to an agreement.

Quebec Government and Public Employees Retirement Plan (RREGOP)	2000	COLA	• Service prior to July 1, 1982 – 100% indexing • Service performed since July 1, 1982 to December 31, 1999 – inflation minus 3%; • Service performed since January 1, 2000 -- higher of 50% of inflation or inflation minus 3%.
Ontario Municipal Employees Retirement System -- OMERS	Jan 1, 2013	• COLA & Early Retirement Subsidies • Bridge benefit • Maximum contribution rate established with benefit reductions to be made if this limit is reached.	• Removal of pre-retirement indexing and early retirement subsidies for members who terminate employment and are not yet eligible for an early retirement pension. No bridge benefit will be paid. Will only impact service earned after 2012. Changes are intended to be temporary. • The current agreement between sponsors sets a maximum total annual contribution rate (employees and employers combined) of up to19.5% of salaries. If a higher rate is indicated, benefit reductions will be put into place on a temporary or permanent basis.
Ontario Colleges of Applied Arts and Technology -- CAAT	2007	COLA	• COLA on service after 2007 is not guaranteed and depends on the plan's funded status. • COLA for service to 1992 is ad hoc, and is funded until 2014. • COLA for service from 1992 to 2007 is indexed.

Ontario Teachers' Pension Plan	June 3, 2011	• COLA
		• Maximum contribution rate established with benefit reductions to be made if this limit is reached.
			• Conditional Inflation Protection
			  ○ For the next three years, pensioners who retired after 2009 will receive 60% COLA on the portion of their pension credit after 2009.
			  ○ On pension credit earned before 2010 pensioners will continue to receive 100% COLA
			
			OTF, government and the pension plan will continue to work together to examine the plan's long-term funding challenges.
			The current agreement limits teacher contributions on salary above the YMPE to 15%. Currently teachers contribute 10.4% up to the YMPE and 12% above. If the maximum contribution rate is reached, benefit reductions are triggered.

New Brunswick Public Sector Pension Plans	Task Force established September, 2011. No changes yet.	Plan Design and Funding	A three-person task force with a mandate to review the rules for private sector pensions in the province was also given a mandate to review public sector pension plans to ensure they are affordable, sustainable, and have secure benefits.

<table>
<tr><td></td><td></td><td></td><td>The issues to be considered during the review are:
The differences between pension provisions for public and private sector employees;
The needs of the provincial public service to recruit and retain qualified employees with consideration given to competing employers;
The need to ensure pension benefits are reasonable throughout the public service; and
How the risk should be shared between government and the employees.
The task force consists of actuary and former MP Paul McCrossan, lawyer Susan Rowland, and economics Prof. Pierre-Marcel Desjardins.</td></tr>
<tr><td>Manitoba Civil Service Superannuation Fund</td><td>2012</td><td>Termination Benefits</td><td>Transfer value may exclude ancillary benefits such as bridging, pre-retirement death, early retirement and cost of living.
An ancillary benefit is to be included in the transfer value of the pension when and only when the member has met all the eligibility requirements necessary to exercise the right to receive that benefit.
Pre-retirement death benefits for an eligible surviving child or children are no longer specified under the plan.</td></tr>
<tr><td>Federal PSSA, Canadian Forces Pension Plan, RCMP Plan

(2012 budget)</td><td>Proposal announced in 2012 budget. New age of normal retirement to become effective in 2013.</td><td>Cost-Sharing
Retirement Age</td><td>The Government proposes to adjust the Public Service Pension Plan so that public service employee contributions equal, over time, those of the employer (50/50). Comparable changes to the contribution rates will be made to the pension plans for the Canadian Forces and the Royal Canadian Mounted Police.

In addition, it is proposed that, for those employees who join the federal public service starting in 2013, the normal age of retirement will be raised from 60 to 65.</td></tr>
<tr><td>Ontario public sector pension Plans

(2012 Ontario budget)</td><td>Proposal announced in 2012 budget. Consultation underway May 2012</td><td>Benefit reductions
Cost-Sharing</td><td>For the large Jointly Sponsored Pension Plans (JSPPs), e.g. PSPP and OPSEU, TPP, HOOPP, and CAAT, the government will consult with its partners to develop a legislative framework involving:
In the case of a deficit, plans would be required to reduce future benefits or ancillary benefits before further increasing employer contributions.
Current retirees would not be affected.</td></tr>
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			- Move to 50/50 cost sharing. - Where plan sponsors cannot agree on benefit reductions through negotiations, a new third-party dispute process would be invoked. - The framework would be reviewed after the budget is balanced. For single employer public sector plans (mostly in the university and electricity sectors): - Will adjust temporary solvency relief measures to encourage these plans to implement 50/50 sharing within 5 years. Employers would continue to be responsible for plan deficits. - Will support efforts to convert these plans to JSPPs with equal cost-sharing. To encourage more efficient asset management, the government intends to introduce framework legislation in the fall of 2012 that would pool investment management functions of smaller public sector plans in Ontario.

May 8, 2012, Prepared by Pension Policy, Alberta Finance