

Stakeholders Consultation Group (SCG) – Action Items Questions arising from the March 11, 2013 meeting

Please note: The items written in italics below are questions submitted by stakeholders at the close of the March 11, 2013 SCG meeting. The LAPP Board response, which follows each question was developed and approved by the Board at its April 19 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: *Any changes that might be recommended in plan provisions would be implemented over what time frame?*

Board response: We are in the early stages of sustainability planning and the Board has not yet made any decisions on time frames to implement possible changes to Plan provisions. This is for a few reasons. The primary reason is that the Board has not yet decided to recommend any changes to Plan provisions and so has not moved to the stage of discussing implementation strategies and timelines. Secondly, if the Board were to make recommendation to change benefits, it would then look at each recommendation separately, with a view to the complexity of the change under consideration, the impact on the stakeholders (members and employers); the technical and legislative ability to make the change and the resources of those providers (government and pension administrator, Alberta Pension Services) to do so. Finally, the Board's recommendation on plan changes, if any are to be recommended, would still have to meet the approval of the Plan Trustee, (the Minister of Finance and Cabinet) before implementation could take place. The government's timeline, also unknown at this point, would then have to be factored into any decisions made on notice periods and grandfathering. More will be communicated on timelines when more is known.

Stakeholder Question: *It appears Government of Alberta representatives attached to the union-sponsor breakout group may have shared greater context with the Unions than the employer group was provided. Can you find out what it was and share?*

Board response: We followed up with the Assistant Deputy Minister about what he said to the union group and he reported his comments were as follows: The unions were advised that the sustainability planning process of LAPP and what might be recommended to the Minister by the Board as a result, would be viewed by government in the context of a larger goal of a sustainable pension system for Alberta public plans. He reported to us, that he advised that if the government does reopen the legislation for LAPP, as a result of any governance

review undertaken, that it would be reasonable for everyone to expect that all parts of the legislation and regulations might be revisited as well.

Stakeholder Question: *Clearly confirm what was presented in the report to Minister if you cannot provide the actual report.*

Board response: The report to the Minister, entitled “Sustainability Planning Update Report” contains a full reporting of everything that has taken place since the Board first started its sustainability planning initiative in May 2012, including the result of its consultation with the Ad Hoc Committee on Sustainability and its conversations with members of the Stakeholder Consultation Group (SCG). The report is a comprehensive progress report that makes no recommendations on any plan design changes and advises the Board continues with its sustainability planning. The only recommendation in the report is to ask the minister to set up a task force of employers, unions/associations and government representatives to review governance and address needed changes. The report includes the [Board’s vision of governance](#) and shares with the Minister the same principles shared with the SCG at the November 2012 SCG meeting. The Minister requested the Board’s input on governance in his letter to the plan boards sent in the Fall of 2012, he also asked the Board to consult with stakeholders on governance, a discussion we have begun with the ad hoc committee (on your behalf) and will continue. The committee’s stated positions on governance are included in the report, as they were reported to you by the ad hoc co-chairs at the March 11 SCG meeting. The report to the Minister includes all of the information presented to the Board and the ad hoc committee on the current financial position of LAPP, risks to the plan (market volatility, longevity, maturity, and balance-sheet risks) it includes the information on different design suites discussed, different funding policy strategies discussed, and different investment, de-risking strategies discussed. It shares the Board’s open-minded principles-based approach taken to reviewing options for sustainability.

On consultation, the report shares the full report of the ad hoc committee, including the positions of both side of the table (employers and unions representatives) on options for plan design and governance to address sustainability. The Minister received the same power point presentation the co-chairs shared with you at the March 11, 2013 SCG meeting and he also received the summary of the SCG breakout groups from that meeting, as presented by your group spokesperson.

Finally, the report offers the Minister the opportunity to meet with Board members to discuss the report and answer any questions. The Board has communicated to members about the report in a statement

posted to the LAPP website, [Sustainability Planning Update - Report to Minister](#)

Stakeholder Question: *Perhaps you could more fully enunciate the business case for governance (which has been outstanding for 20 years already).*

Board response: At this stage, we have presented the Minister with a set of governance principles as the basis for further discussion and analysis. We believe strongly that parties exposed to significant risk through the pension plan must have the authority and capacity to manage their risk exposure, but this is not currently the case within LAPP's complex governance structure. We will continue to develop a more detailed governance business case and we will discuss this further at a future SCG meeting. More education and history will also be shared with Plan members and sponsors in the coming months.

- **Stakeholder Question:** *Please explain the employee stakeholders involvement with governance and where they are positioned today*

Board response: The Union members of the ad hoc committee believe there should be no changes to Plan benefits before LAPP receives the independence promised by government when negotiating a deal on contribution rates 20 years ago. The employer representatives feel that certain governance issues need to be addressed at some point (primarily the need for LAPP to have oversight for investments and administration of the Plan). But they have stated they do not believe sustainability decisions should wait for governance issues to be addressed first. The employer representatives have said there is a lot of information about governance that would need to be researched and discussed, before they would offer an employer position on governance. Governance issue will continue to be discussed at the next meeting of the Ad Hoc Committee on sustainability.

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