President's Report

25 October 2013

1. Changes to the Local Authorities Pension Plan

- Defined benefit pension plans are threatened because they are not fully funded
- Unfunded liability caused by poor investment returns, early retirement and increased longevity
- The LAPP is sounder financially than the other Alberta public service plans, but, nevertheless, 30% of current contributions are going to the unfunded liability
- Planned to pay off in 15 years, but this depends on the accuracy of the actuarial assumptions

Increase in Contribution Rates

	2012	2013	2014
Members' Rate up to YMPE	8.91%	9.43%	10.39%
Members' Rate over YMPE	12.74%	13.47%	14.84%
Employers' Rate up to YMPE	9.91%	10.43%	11.39%
Employers' Rate over YMPE	13.74%	14.47%	15.84%

YMPE is the Year's Maximum Pensionable Earnings, determined annually by the Canada Pension Plan. It is $51,100 for 2013.

LAPP Subsidies

- Commuted value on leaving the plan before age 55 (cost $700 million last year)
- Early retirement (pension reduced by only 3% a year, whereas CPP is 6% based on actuarial models)
- Unreduced 85 factor pension
- The Minister of Finance requested that a report on proposed changes be submitted in June, 2013

The Minister’s Response

- The Minister of Finance determined that the suggested changes did not go far enough and proposes to make changes to the Public Sector Pension Plans Act in Spring 2014
- The changes would be effective January 1, 2016
- They would reduce benefits and contribution rates somewhat
- The changes would not be retroactive

Proposed Changes

- Unreduced 85 factor pension eliminated, making 65 the standard retirement age (but does not apply to years of service before 2016)
- Actuarial reduction in pensions for retirement before age 65
- COLA changed from a guarantee of 60% of the Alberta inflation to a target of 50% paid if the plan’s finances permit it (however, the 50% would be budgeted for in the actuarial assumptions)

Proposed Changes

- Could contribute for more than 35 years
- The legislation would include a cap on total employer/employee contribution rates
- Want to change administration from government sponsored to jointly sponsored by employers and employees, which may be difficult to achieve because there are so many employee groups in LAPP

Analysis

- Contribution cap could result in pension benefits being reduced (and the government could potentially lower the cap in future)
- Targeted COLA and contribution cap shift some of the financial risk from employers and employees to pensioners
- Contribution rates should decrease by at least 3% if actuarial assumptions remain the same
- Did not deal with subsidy when leaving the plan before age 55 and so did not shift any of the risk to people leaving the plan

2. Child Care

- Motion to redo the survey at the October GM last year
- Committee established and developed a survey to assess future demand and support for initiatives that the MRFA could take
- Delayed by budget cuts
- Chantelle now working with staff and students' association to develop a version of the survey for their members

3. Dues and Services Comparison Chart