



TO: All MRFA Members
From: MRFA Advocacy Committee
Date: Nov 3, 2023

Information about the Alberta Government's Pension Proposal

Yesterday the provincial government introduced legislation to hold a referendum on whether Alberta should withdraw from the Canada Pension Plan (CPP) to form its own independent Alberta Pension Plan (APP). The Association strongly believes all MRFA members must have a strong, stable government pension they can count on when they retire. This is particularly true for the 380 contract faculty who are not eligible for the University's Local Authority Pension Plan and depend on a solid established government pension plan. Given this belief, the Association has committed to provide members with information to help understand the issues around this proposal.

What is the Alberta Government's Pension Proposal?

The Alberta government has proposed that Alberta withdraw from the Canadian Pension Plan (CPP) and establish an Alberta provincial pension plan (APP). The Alberta government has a website with an [FAQ sheet](#) which provides more details.

Alberta Government Unreviewed Pension Proposal in Brief

The claims in this box are from the AB government and are not verified by anyone outside the government and others find the claims very risky and [misleading](#).

Starting the APP

The APP will start with \$334 billion dollars in assets, about 53 percent of the Canada Pension Plan current assets.

APP Contributions

Alberta would save over \$5 billion in the first year alone by moving from the CPP to an APP.

Contribution rates will be lower at 5.91%. (The actual contribution rate would still need to be set and could be slightly higher to give a funding buffer.)

Yearly contribution savings up to \$1,425 for every Alberta employee and employer, or \$2,850 for those self-employed will enable higher benefits than the CPP.

Portability

Alberta's government would develop agreements to coordinate benefits with the CPP, QPP (Quebec Pension Plan), and an APP when people move to Alberta, or Albertans leave Alberta to live, work, or retire. Agreements would ensure Albertans contribute to the correct pension plan, depending on your work and living experiences but still have one pension.

The full report *Understanding an Alberta Pension Plan* can be accessed [here](#)

THERE ARE MANY QUESTIONS AND CONCERNS

As media reports have shown, there are a number of concerns about the government's proposal as well as much outright opposition. The [Alberta Federation of Labour](#) and [senior associations](#) oppose the change. Experts, including our own faculty, suggest that the risks of a change outweigh any possible benefits. Dr. Anupam Das, a Professor in the Department of Economic, Justice, and Policy Studies, has provided the Association with the following points:

- 1) In a forthcoming article in *Canadian Public Policy* journal, Dr. Trevor Tombe (Economist, University of Calgary) analyzed the financial sustainability of a separate Alberta Pension Plan and argues "... the benefits of such a plan are arguably relatively modest, and the goals of the Alberta government to increase benefits and reduce contribution rates may be challenging to fulfill."
- 2) Tombe (2023) estimates an entitlement of between 20 to 25 percent of the CPP assets.
- 3) Tombe estimates a minimum contribution rate of 8.2 percent, or 8.6 percent with a 0.4 percentage point cushion. This is much higher than 5.9 percent as proposed by the Government of Alberta.
- 4) Dr. Das also notes the Lifeworks report itself identifies that the success of APP depends on inward migration of the younger population. However, there is no guarantee that Alberta's economy will continually attract young people in this province. This is particularly important because in many cases the performance of some of our sectors depends on the global economic conditions.

Dr. Allan Dwyer, Associate Professor in the Bissett School of Business adds the following thoughts

- There are no problems with the CPP. The returns that the CPP generates are excellent...why should Alberta fix something that isn't broken?
- The risk that the investments in the fund would be politicized, rather than prudently diversified, is very high. The provincial government might put money into the highly volatile and ethically questionable oil and gas industry, for example, at weightings that would add inordinate risk to the fund's long term performance.
- World-class asset management demands world-class expertise of a type that Alberta may lack. Neither Calgary nor Edmonton are global financial centres. The management of a sub-sovereign pension fund requires infrastructure and human capital that Alberta has never thought to develop before now.
- The Alberta economy is famously defined by a cluster of industrial sub-sectors focused on older modes of energy harvesting and distribution. This historically has led to extreme peaks and valleys in the province's employment and income levels. This risks a scenario where, in the next, inevitable downturn, the pension fund becomes under- or unfunded as contributions dry up.

In addition to these facts, members should know the following

- The Canadian government is opposed to the APP proposal.
- Ontario and British Columbia are also opposed to the APP.
- The federal government will need to create legislation to facilitate the withdrawal.
- The Alberta Premier has recently stated that the amount owed to an APP may need to be decided in court, which means that \$334 billion is not guaranteed and may be years before the actual starting funds are known.

HOW SOON COULD THIS HAPPEN?

The Alberta Government has introduced legislation that requires a referendum be held to ask if Albertans wish to withdraw from the CPP. As with other referendums, this referendum could be held in conjunction with the municipal elections in 2024. If the withdrawal is approved in the referendum, the Alberta government must give three years notice of its withdrawal from the CPP.