



Alberta Labour Coalition on Pensions

c/o #300, 10408 – 124 Street, Edmonton, AB T5N 1R5

Ph: 780-483-3021

Fax: 780-484-5928

March 6, 2014

Open Letter to LAPP Members:

On February 24, the Alberta Government announced that it intends to make sweeping changes to your pension plan.

And they plan to make these changes without negotiating with the people who pay for the plan.

The Labour Coalition on Pensions has reviewed the government's proposals, and we're worried that these changes will have drastic consequences to the plans, to workers paying into the plans, and to retirees.

These changes include making early retirement impossible for the vast majority of workers, capping contribution rates, and eliminating guaranteed cost-of-living adjustments.

The results of these changes will be pension plans that are more vulnerable to shifts in the markets, more seniors living in poverty, and more workers being injured on the job because they're still working in jobs that they're no longer physically capable of doing.

In December, our coalition submitted a detailed, fully costed proposal to government. This proposal was designed to strengthen public-sector pensions like the Local Authorities Pension Plan (LAPP). The report was reviewed by an independent actuary who found that our proposals would have reinforced LAPP without undermining benefits for current or future pensioners.

The government ignored this proposal.

We offered a proposal to increase retirement security for all Albertans by expanding the Canada Pension Plan. A proposal that has the backing of pension experts from coast to coast.

But again, the government ignored these sensible ideas.

Does the government have the best interests of everyday Albertans at heart? Let's look a bit more closely at the changes the government is proposing, starting with their changes to early retirement.

Currently, early retirement is available to workers whose age is at least 55, and whose age and years of service add up to at least 85. Workers choosing to retire early have their pensions reduced by three per cent for each year they retire before age 65.

With the exception of a few select occupations, the government is proposing to make early retirement available only to workers whose age is at least 60, and whose age and years of service add up to at least 90. Additionally, these workers would have their pensions reduced by up to 7.2 per cent for each year they retire before the age of 65.

This puts early retirement out of reach, and makes it impractical for almost all workers – even the ones who need it the most.

The second major change the Labour Coalition on Pensions would like to bring to your attention is that the government intends to make cost-of-living adjustments conditional to fluctuations in the stock market.

At present, your pension is indexed to 60 per cent of the Alberta Consumer Price Index. So as rent, food, transportation all become more expensive, your pension cheque doesn't fall too far behind too quickly.

If the government's plans are enacted, financial risks will increase for plan members like you. And you'll face these risks after you've retired, when you most need your income to be secure.

Another very troubling aspect of the government's plans is their intention to phase in a cap on contribution rates. Contribution rates are a tool to keep pension plans healthy when there are fluctuations in the value of their assets.

This means that if there is another financial crisis like there was in 2008, your pension plan could be forced to claw back pension benefits in order to stay afloat.

The Labour Coalition on Pensions believes that is not in the interests of any plan members.

Whether they're earned before the start of 2016 or after, all benefits are paid from the same pension plans fund. So all benefits are potentially at risk if there are not enough funds to sustain the pension plan. As the Auditor General's Report says (on page 43):

Practically speaking, current and future employees will not likely pay for benefits accruing to past employees if current employees' contribution rates are significantly more than the value of their own expected pension benefits. If current and future employees will not support the plan, then the options are limited to: the employer is left to assume more of the past liability, retired employees will receive benefits that are less than promised, or the plan risks insolvency.

In other words, if actions taken by the government reduce the value of the plan too much, everyone's benefits are at risk.

Actuarial analysis, the auditor general, and pension experts have all confirmed: The government's plan would make your pension less financially secure.

But you've probably heard conflicting claims from the government. That's why we hired independent experts, and we've made their research public. And that's why we're being open and transparent about all of our analysis.

Meanwhile, the government has not offered substantive evidence that their changes are needed.

Regardless of the debate over these changes, the key point is undeniable: These pension plans have been paid for by the plan members, and they have a right to be represented at the negotiating table if there are to be changes to the plans.

The government's 'my-way-or-the-highway' approach on pension changes is more than just problematic – we believe it's illegal.

For all these reasons, we encourage you to continue raising objections to the government's plans for your pension. Call your MLA. Call the Finance Minister. Call the Premier. Tell them that they need to make their decision based on evidence, not politics. Tell them they need to negotiate. Most importantly, tell them to stop undermining the pension you paid for.

Sincerely,

**The Steering Committee
on behalf of the
Labour Coalition on Pensions**