

Labour Coalition on Pensions

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February 20, 2014

The Hon. Doug Horner
President of the Treasury Board
Minister of Finance
423 Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister Horner:

Re: New Vision for Public Pensions in Alberta

We write to follow-up on our letter of February 3, 2014, in which we asked for a table to discuss and negotiate the future of public pensions in the Province. As major stakeholders with a vital interest in the retirement incomes and security of the Plans' Members, we asked for a negotiation venue that would bring together the interests of all stakeholders.

In this regard, we draw to your attention that the report of the Auditor General of Alberta (February 2014) also emphasizes the importance of stakeholder consultation, and noted that the government's current plans do not include an appropriate framework for stakeholder engagement:

“The department's plan for reviewing governance, funding and benefit design reform proposals includes obtaining feedback employee and employer stakeholders. However, the purpose, content and necessary resources for the planned consultations were not specified at the time of the audit.” (p.31)

In the same view, the Auditor General commented on the significant human resources risks to pension reform – risks to employee recruitment and retention – that affect the possibility of delivering high quality public services in Alberta. The Auditor General said as follows about the department (i.e. the Department of Treasury Board and Finance):

“Human resource risks

The department has not assessed the impact of the proposed plan changes on employee recruitment and retention. A difficulty for the department is that responsibility for assessing compensation strategies of public sector employees is spreads across public sector employers. This makes it difficult for the department to obtain the information needed to assess the potential unintended consequences of plan changes on employer's ability to achieve their human resource objectives. Some of the plan boards have gathered qualitative survey data about the value of the pension plans to employees and their relative competitiveness with other public sector employers. However, we did not identify a coordinated process amongst public sector employers that would enable the department to assess the impact of proposed changes to the pension plans on employee recruitment and retention.” (p.31)

We believe that, as representatives of the members of these plans, we are in a unique position to express member concerns about alternative pension reform proposals, and to help assess their impact on employee morale, recruitment and retention.

We also draw to your attention that similar views were expressed by the authors of the “Alberta Pension Governance Research Project Final Report” (October 31, 2013)¹. They referenced the broad understanding and acceptance of the key pension governance principles set out in the “Cortex Report”, 1999, including the following:

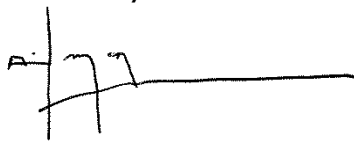
- “3. **From the outset**, parties exposed to significant risk must have direct and active involvement in establishing the pension deal.” (emphasis added) (see p.11)

The authors of the Alberta Pension Governance Research Project also noted the importance of consultation and collaboration on page 15 of their report:

First and foremost, it is important to build trust among stakeholders who will be most directly affected by the transition and stakeholders and observers who will be less directly affected but will have a strong interest in the process and outcomes for other reasons. There is a perception that pension governance reform in Alberta has been long promised and awaited (20 years is an oft-mentioned period). Clarifying the role (if any) of existing boards in the transition **and ensuring that stakeholders have opportunities for meaningful consultation will be critical success factors for the transition. Stakeholders will likely use this to evaluate the Government of Alberta’s commitment to a transparent and fair process and outcome.** (emphasis added)

We look forward to meeting with our employer as part of a proper process to move forward on the question of the future of Alberta’s public pension plans.

Yours truly,



Gil McGowan
President
Alberta Federation of Labour
On behalf of the Labour Coalition on Pensions

cc: The Hon. Alison Redford, Premier
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