



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

April 11, 2012

The Honourable Ron Liepert
Minister of Finance
#323 Legislature Building
10800 - 97 Avenue
Edmonton, Alberta T5K 2B6

Dear Minister:

Re: Solvency Funding for Private Pension Plans

We are writing this letter to urge the Alberta government to act quickly to address an issue of significant concern to our association as well as many other small and medium size pension plans in Canada, including many Alberta regulated plans. Private pension plans regulated in Alberta are in urgent need of temporary solvency relief measures, similar to those recently passed or proposed by governments in other provinces (in particular, Québec, Ontario and Manitoba).

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

Solvency funded ratios for defined pension plans in Alberta are dropping at an alarming rate, largely due to the combined impact of declining long-term interest rates and poor equity market returns. We believe that the current solvency funding required for many of these plans may not be sustainable in this low interest rate environment. As a result, solvency funding relief is needed urgently for many defined benefit plan sponsors, particularly single employer pension plans (SEPP's). SEPP's are particularly vulnerable as they are not able to avail themselves of the exceptions to solvency funding rules available to certain types of plans.

Since previous funding relief measures were last offered by the Alberta Government in 2009, Alberta regulated plan sponsors have been anticipating an increase in solvency interest rates.

Unfortunately, the economic conditions that drove the need for solvency relief measures in 2008 have persisted, which has caused solvency deficiencies to soar, and many plan sponsors to question the ongoing viability of their pension plans.

PIAC supports the recently announced extension of the solvency relief measures for Québec and Ontario pension plans. In particular, allowing flexibility to sponsors in setting deficit amortization periods is a prudent step in a challenging environment for plan sponsors, which in the long run may allow for the recovery of pension plan funded ratios without putting unnecessary financial strain on the plan sponsor.

PIAC recommends that the Alberta government extend the temporary solvency relief measures introduced in 2009, and offer additional solvency relief to Alberta regulated plans which is similar to that introduced in Ontario and Québec, including any or all of the following:

1. consolidation of solvency payment schedules,
2. extending new solvency deficiency amortization to a maximum of 10 years, and
3. permitting solvency and going-concern special payments to be amortized beginning one year after a plan valuation date.

These funding relief measures, like those proposed by Québec and Ontario will help private plan sponsors deal with the impact the current economic environment has had on their registered pension plans. Consistent with the measures in Québec, we recommend that plan sponsors be able to adopt these provisions without member consent. Member notification of solvency relief measures should be sufficient to ensure transparency of funding decisions.

We draw your attention to the fact that other provinces such as New Brunswick, Newfoundland and Labrador and Manitoba have also taken action to implement solvency funding relief measures under their pension legislation in 2012.

PIAC strongly urges the Minister of Finance to take prompt action to offer one or more of these temporary solvency relief measures for Alberta regulated plan sponsors, which would take effect in 2012.

We would be pleased to engage in discussions with the Minister of Finance on any of the issues raised in this letter.

Yours sincerely,



Julie Cays
Chair