

Standing Committee on Alberta's Economic Future

Bill 9 Panel

PREPARED BY: Brendan George, FCIA, CFA

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400-601 West Broadway
Vancouver BC V5Z 4C2

Toll-free: (888) 800-1450
georgeandbell.com



Questions to Discuss Today

1. What are the current financial positions of Alberta public sector plans?
2. What are the long-term costs of Alberta public sector plans?
3. What are the risks in Alberta public sector plans and who bears them?

G&B Analysis

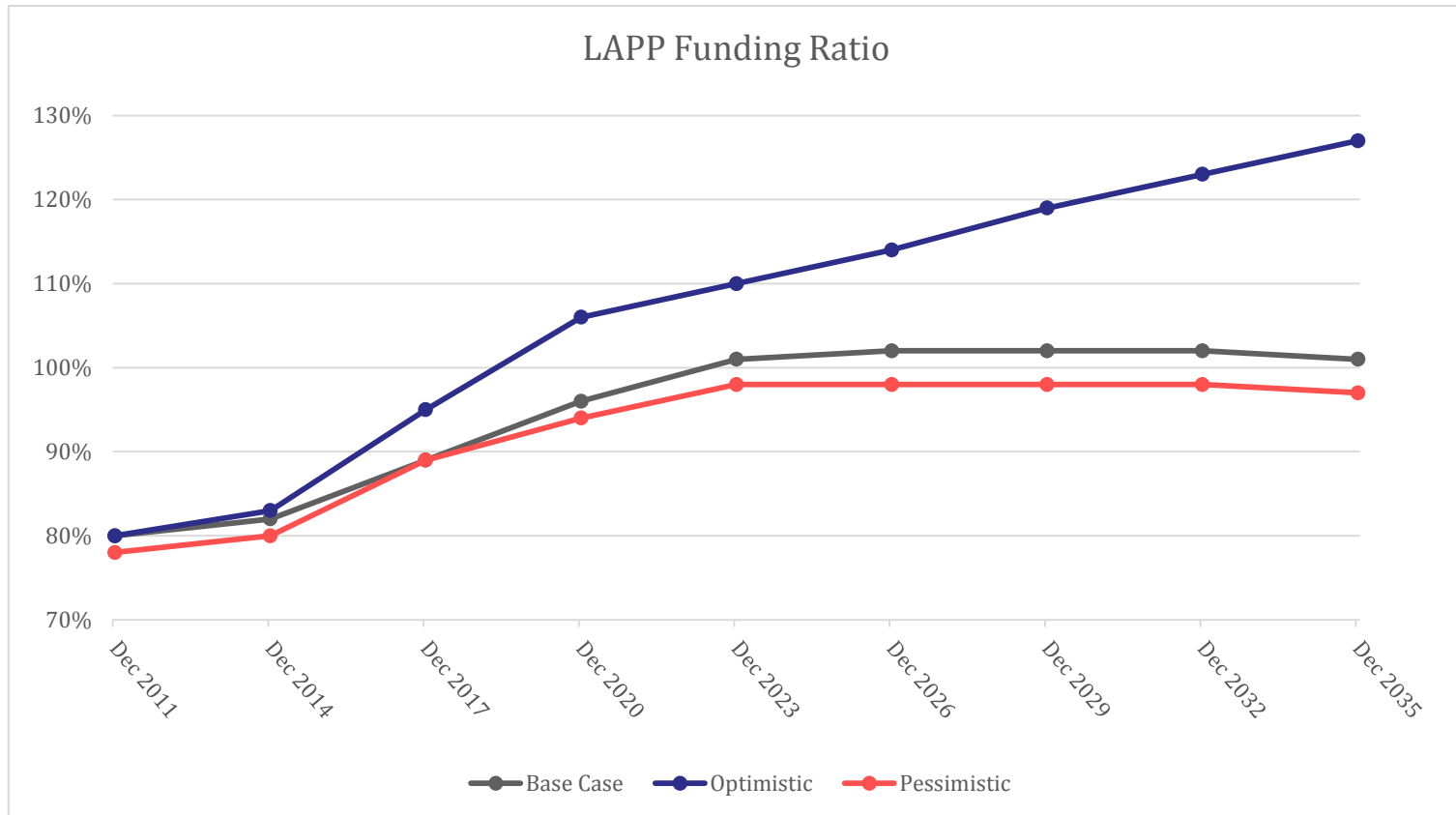
- 3 reports provided to Committee were prepared at request of Alberta Federation of Labour
- Reports cover LAPP and PSPP; did not review MEPP or Special Forces Plan
- Focus on:
 - Funding ratio (%)
 - = smoothed assets ÷ liabilities for past service
 - Total contribution rate (% of salary)
 - = cost of current benefits
 - + cost of past service unfunded

Current Financial Positions:

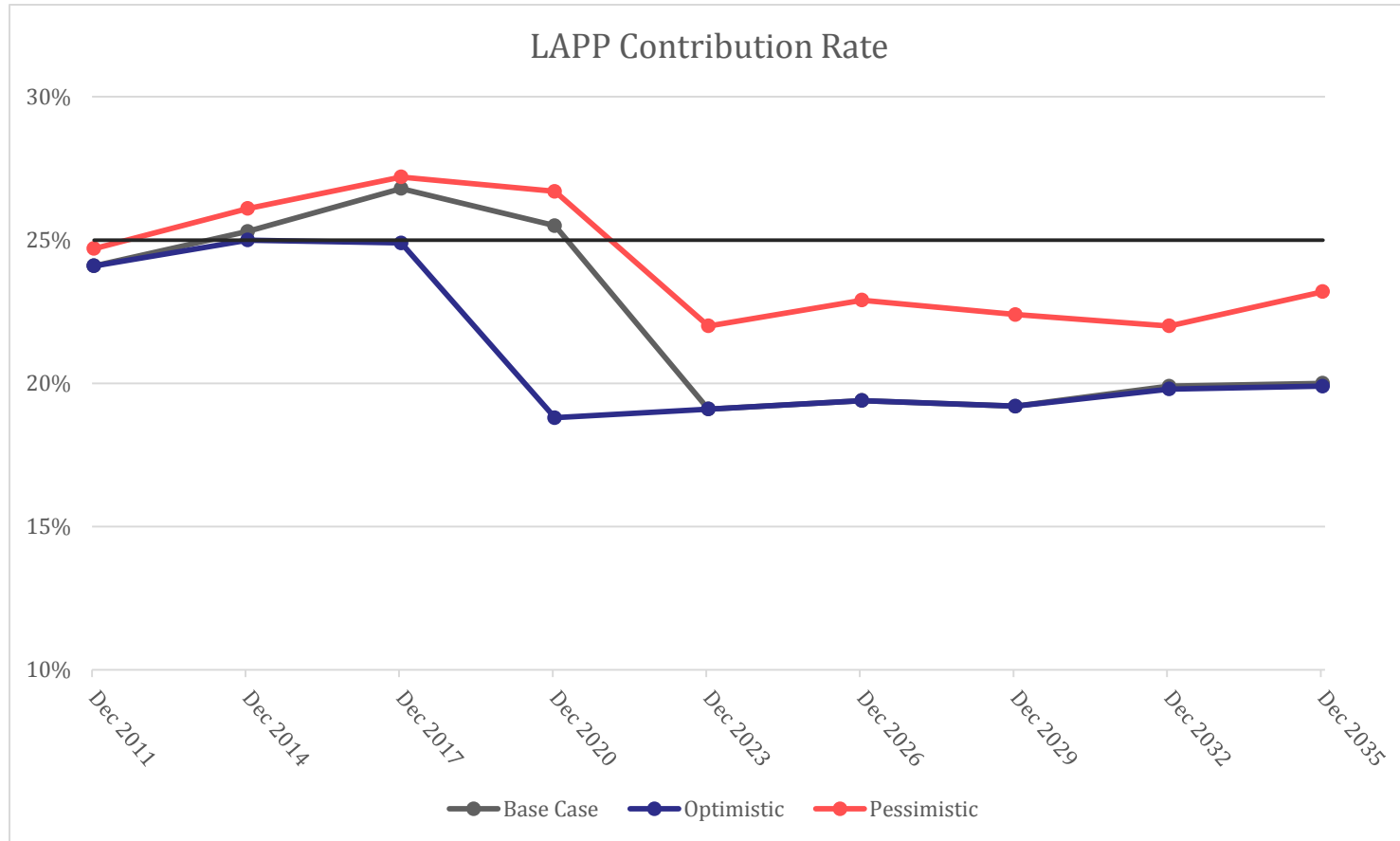
- Last official results reported at December 31, 2012:
 - Do not reflect new mortality tables;
 - Do not reflect strong investment performance in 2013.
- Estimated results to December 31, 2013 reflect both

	December 31, 2012:	December 31, 2013:
LAPP:		
Funding ratio	81%	82%
Total contribution rate	24.2%	24.9%
PSPP:		
Funding Ratio	76%	78%
Total contribution rate	26.4%	27.2%

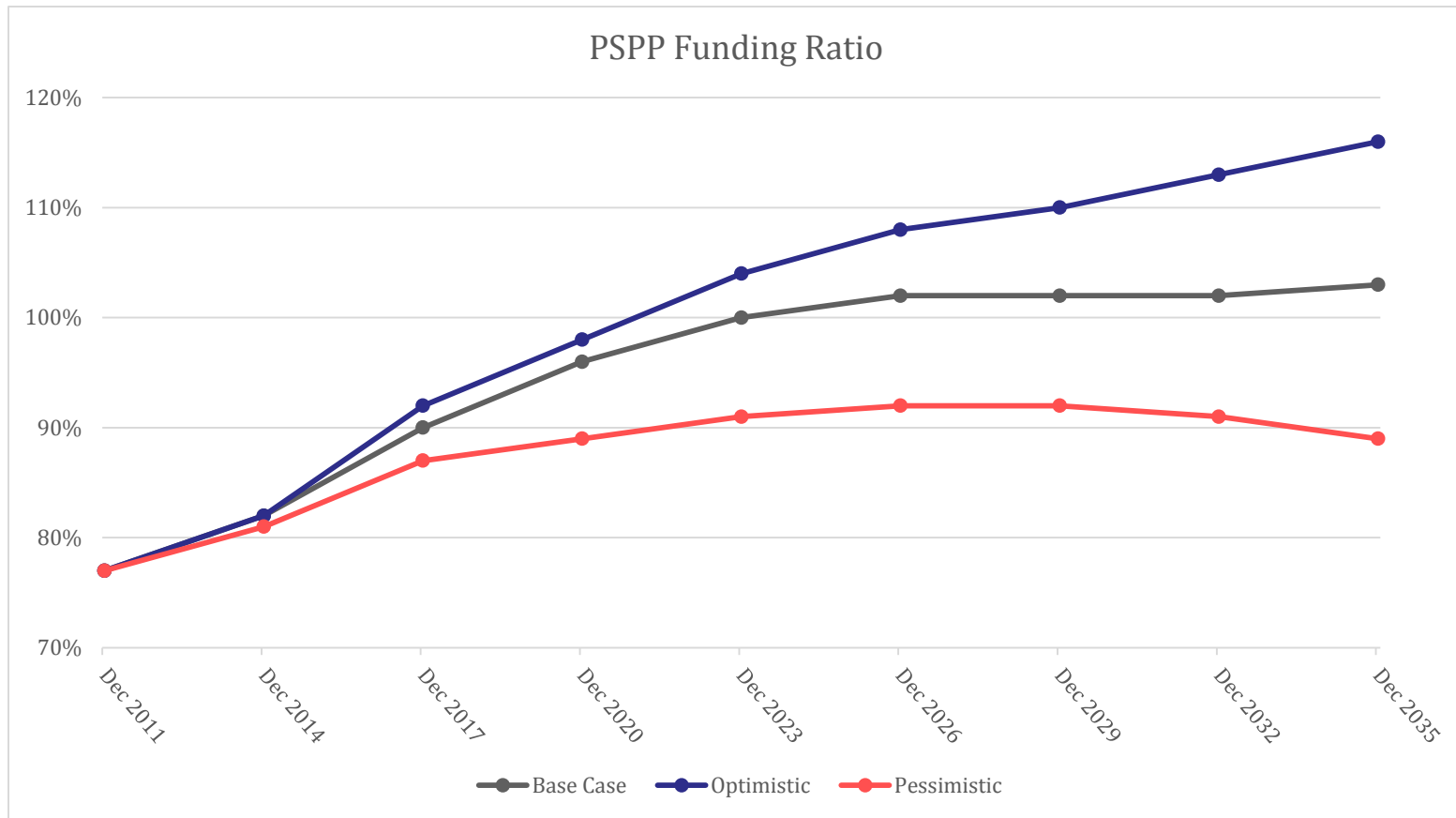
LAPP: 25-year Projection



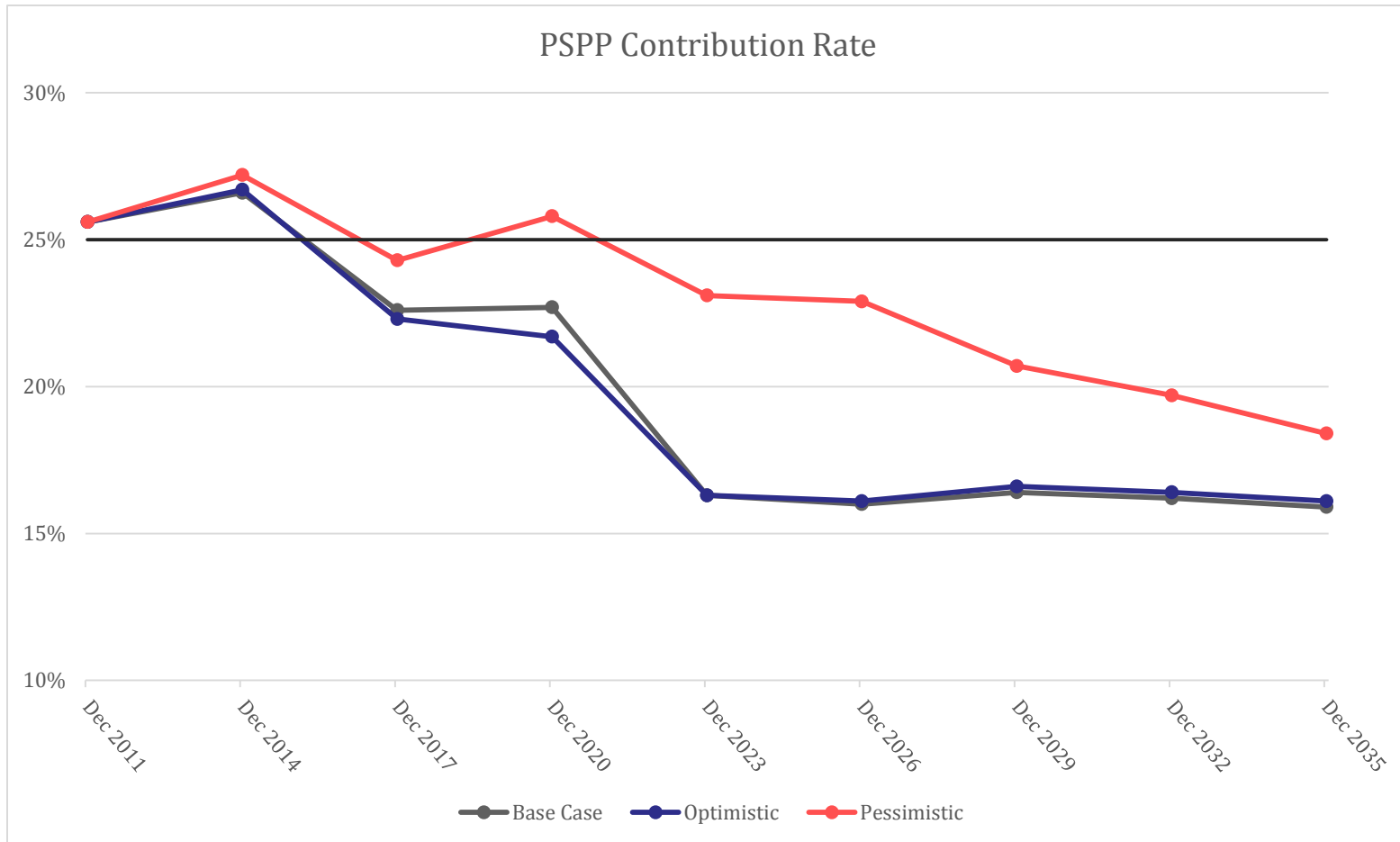
LAPP: 25-year Projection



PSPP: 25-year Projection



PSPP: 25-year Projection



Risks in AB Public Sector Plans:

- Key risk is investment return on Funds
- Current risk sharing is symmetric (defined benefit):
 - Employees and employers share risks equally
 - Contribution rates adjust to strong/weak performance
- Bill 9: Risk sharing is asymmetric (target benefit):
 - Contribution rate cap and targeted indexing;
 - Upside shared equally (contribution rates decrease);
 - Downside risk borne by employees
(lower indexing and benefit reductions)

Conclusions

- Alberta public sector plans are healthier now than they were 2 years ago;
- Future health is heavily dependent on future investment returns;
- Future contribution rates could increase **OR** decrease;
- Long-term cost of LAPP and PSPP approx. 17-20% of salary;
- Maximum acceptable level of contribution rates could be determined by Plan stakeholders;
- Bill 9 transfers risk from employers to employees

Questions



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