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March 8th, 2017

Honourable Minister Joe Ceci
President of Treasury Board, Minister of Finance
Office of the Minister
Treasury Board and Finance
323 Legislature Building
10800 - 97 Avenue
Edmonton, AB T5K 2B6

Re: Target Benefit Legislation for Collectively Bargained Multi-Employer Pension Plans (CBMEPPS)

Dear Honourable Minister Ceci,

The *Employment Pension Plans Act (EPPA)* requires that persons who terminate employment be offered a lump sum payment in lieu of a pension. As you know the current rules for calculating the lump sum payment create an imbalance between what the terminating person could be paid and the assets the applicable pension plan has in reserve for that person. The application of the *EPPA* rewards the terminating person for taking his/her pension away from the Alberta-registered plan and financially punishes the pension plan. Simply put the terminating person takes almost twice the reserves the pension plan holds for that person's benefit; the remaining members of the plan bear the burden of this cost. This puts the remaining members in the pension plan at risk of significant benefit reductions.

Your government and previous governments have been asked to correct this inequity. So far, no action has been taken, beyond our meeting with your officials who are alive to the issue but who are seemingly powerless to carry what is a minor and almost inconsequential 'fix'.

This unresolved matter is now creating a crisis for CBMEPPs registered in Alberta and negatively impacting over 175,000 pension plan members. Based on the information we have it is possible that inaction on this matter will put most of Alberta's 22 CBMEPPs in a cash crisis in the next year. This will be headline news as these plans will be forced to reduce benefits, including benefits to retired persons, in order to preserve cash.

Some CBMEPPs already report having to change their long-term asset mix to allow for payment of lump sums to terminating persons. This impacts the long-term viability of these plans. Without adequate action these knock-on effects will resonate for a long time to come.

We stress that the terminating persons have the right to keep their pension in the applicable plan. They should also be allowed to take a lump sum payment from the plan representing the appropriate value of their benefit. Unfortunately, a whole financial industry has been built around encouraging terminating persons to take the lump sum commuted value calculated under the *EPPA* because it is a windfall for the terminating person (and his/her financial advisor).

We are urging you in the strongest possible terms to take action now to correct the *EPPA* so that CBMEPPs can be preserved. Staff in your Ministry have advised us that the amendment to the *EPPA* is to **only two lines**. We are willing to work with your government quickly to resolve this crisis and preserve the 22 Alberta-registered CBMEPPs.

Requesting your most urgent action,

A handwritten signature in black ink, appearing to read 'R. Blakely', written in a cursive style.

Robert R. Blakely QC
President