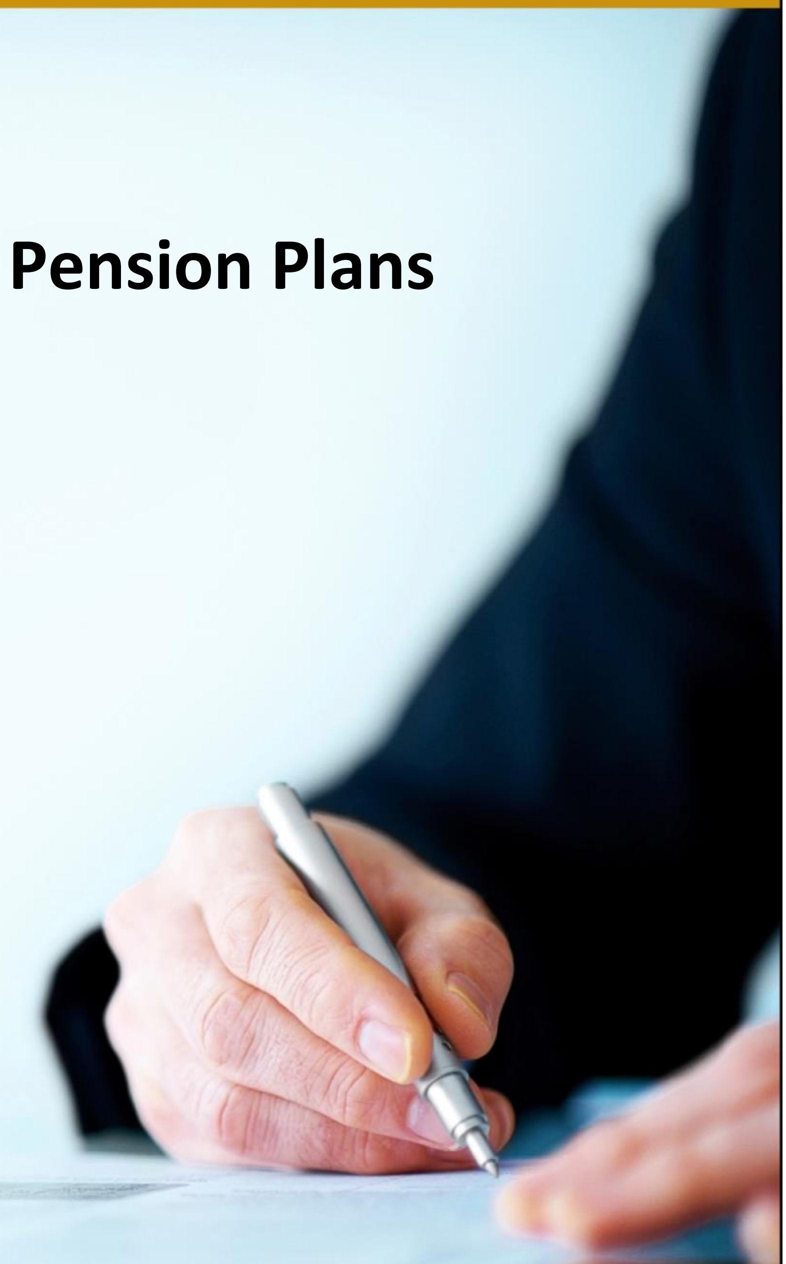
ACPM | ACARR

The Association of Canadian Pension Management
L'Association canadienne des administrateurs de régimes de retraite

December 15, 2016

Proposed Regime for Negotiated Cost Pension Plans (SK)



ACPM CONTACT INFORMATION

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FOREWORD

ACPM (THE ASSOCIATION OF CANADIAN PENSION MANAGEMENT)

ACPM (The Association of Canadian Pension Management) is a national, non-profit organization acting as the informed voice of plan sponsors, administrators and their service providers in advocating for improvement to the Canadian retirement income system. Our membership represents over 400 companies and retirement income plans that cover more than 3 million plan members.

ACPM believes in the following principles as the basis for its policy development in support of an effective and sustainable Canadian retirement income system:

Diversification through Voluntary / Mandatory and Public / Private Options
Canada's retirement income system should be comprised of an appropriate mix of voluntary Third Pillar and mandatory First and Second Pillar components.

Third Pillar Coverage
Third Pillar retirement income plan coverage should be encouraged and play a meaningful ongoing role in Canada's retirement income system.

Adequacy and Security
The components of Canada's retirement income system should collectively enable Canadians to receive adequate and secure retirement incomes.

Affordability
The components of Canada's retirement income system should be affordable for both employers and employees.

Innovation in Plan Design
Canada's retirement income system should encourage and permit innovation in Third Pillar plan design.

Adaptability
Canada's retirement income system should be able to adapt to changing circumstances without the need for comprehensive legislative change.

Harmonization
Canada's pension legislation should be harmonized.

INTRODUCTION

We would like to thank the Saskatchewan, Financial and Consumer Affairs Authority ("FCAA") for taking the time to consider the issues and concerns of all the organizations that submitted responses to the original consultation paper, Proposed Regime for Negotiated Cost Pension Plans.

Before we provide our comments to the specific questions asked as per 9.1 of the Revised Consultation Paper we would like to identify one item regarding the calculation of the Going Concern Commuted Value ("GC CV").

The primary purpose of an NCPP is to pay monthly pension benefits to retired members of the plan. To enhance the likelihood of the plan being able to meet these monthly obligation over the long periods of time that pension plans operate in it is reasonable for plans to build-up/accumulate a margin (of assets in excess of liabilities) on the plan balance sheet. We agree with the position of the proposed regime that the build-up/accumulation of margin on the plan's balance sheet should come from positive plan experience and should not be "funded" by way of specific additional contributions to the plan.

Once margin has been accumulated, we would view this as a desirable result that provides some protection to plan members in ensuring pension payments are less affected from ongoing fluctuations in plan experience. However, it may be unclear whether such margins should form part of the amount that is paid out of an NCPP to members who terminate their membership in the plan and elect a lump sum settlement. We would expect some NCPPs would take the position that margin (or a portion of the margin) should be part of the lump sum settlement benefit while others may take the opposite view.

In our response below, we have tried to present an actuarial analysis for both sides of this discussion. Accordingly, we would recommend the FCAA consider including a minimum standard for NCPP lump sum settlements where the basis used to determine the Funded Ratio and the member's GC CV entitlement are in sync with each other.

In addition to the above, we can show that, where a plan has an unfunded liability and has adopted a PfAD to be added to its liabilities on its balance sheet, a member could receive less than the best estimate going concern commuted value multiplied by the best estimate going concern funded ratio.

The following example will illustrate the situation:

- Assume an NCPP has the following best estimate valuation results:

    a. Market value of assets: $90,000,000
    b. Best estimate liabilities: $100,000,000
    c. Funded Ratio: 90.00%

- Assume that the plan includes a PfAD of $20,000,000 in the liabilities on the balance sheet, so the actual funding valuation will show:

    d. Market value of assets: $90,000,000
    e. Liabilities (with margin): $120,000,000 ($100,000,000 as above with PfAD)
    f. Funded Ratio: 75.00%

- Now assume we have a plan member who is terminating membership and desires to receive a lump sum settlement (in lieu of an immediate or deferred pension)
- The best estimate GC Commuted Value for the member is assumed to be $100,000
- Since the plan has an unfunded liability, we apply the plan's funded ratio to the commuted value to determine the actual amount to pay to the terminating member.
- If we apply the 90.0% funded ratio to the best estimate GC CV:
    - **$90,000** lump sum settlement ($100,000 x 90.00%)
- If we apply the 75.0% funded ratio to the best estimate GC CV:
    - **$75,000** lump sum settlement ($100,000 x 75.00%)

We are suggesting that the best estimate going concern commuted value be multiplied by the best estimate funded ratio as the minimum payment to a terminating member that elects to settle their benefit entitlement with a lump sum payment. Use the funded ratio without any PfAD in the liability. In our example above, use the 90.0%. Note that if the PfAD is applied to any GC CV before payout then the payout of $90,000 will also be achieved ($100,000 * 1.2 * 0.75).

Here is another way to look at this issue:

In the sample plan below, the only difference is the actuarial assumptions used in determining the Going Concern Actuarial Liabilities. As an example assume the assumptions are:

- Best Estimate (BE): 6% discount rate
- Best Estimate plus Margin (BE+Margin): 5% discount rate

All other assumptions are the same, the underlying data is the same. All that varies is the degree of conservatism in the discount rate. The actual future experience of the plan, although unknowable at this time, will be the same under both scenarios.

If the member's commuted value (lump sum for benefit settlement) is determined on the same going concern actuarial assumptions used to determine the funded ratio, then using the funded ratio, not capped at 1.0, adjusts for difference in the discount rate in the actuarial assumptions and produces a fair value to the member. See the table below for a simplified example of how the cap of 1.0 would impact a plan member's lump sum entitlement.

	Funded Ratio – Not Capped at 1.0	**Best Estimate**	**Best Estimate + Margin**
1.	Market Value Assets	$90,000,000	$90,000,000
2.	GC Actuarial Liabilities	$80,000,000	$100,000,000
3.	Funded Ratio (FR)	1.125	0.900
4.	Member CV $ – before FR adjustment	$80,000	$100,000
5.	**Amount Paid to Member to Settle Benefit**	**$90,000**	**$90,000**

For comparison purposes, the following table illustrates the effect on the plan member if the funded ratio is capped at 1.0 when determining the member's entitlement.

	Funded Ratio – Capped at 1.0	**Best Estimate**	**Best Estimate + Margin**
1.	Market Value Assets	$90,000,000	$90,000,000
2.	GC Actuarial Liabilities	$80,000,000	$100,000,000
3.	Funded Ratio (FR)	1.000	0.900
4.	Member CV $ – before FR adjustment	$80,000	$100,000
5.	**Amount Paid to Member to Settle Benefit**	**$80,000**	**$90,000**

Thus use of the actual funded ratio (ie. 1.125 in our example), not capped at 1.0, adjusts/normalizes for the actuarial assumptions used. If the Funded Ratio is capped at 1.0, it may encourage a shift to more aggressive assumptions (and not just in the discount rate).

Section 9.1: Consultation Questions

Please find below the responses to the consultation questions found in the revised regime for NCPP.

1. **All of the NCPP respondents to the original paper wanted the ability to calculate CVs using the GC CV methodology retrospectively. More than half of those respondents wanted the GC CV methodology to be mandatory for NCPPs and the CIA CV to be removed all together. We are interested in better understanding the reasons why those respondents would prefer that GC CV's be mandatory and not an optional plan design feature for NCPPs.**

   We believe that the request to have the GC CV methodology as mandatory would allow for an easier implementation of the going concern commuted value for certain plans (since they can point to a change in legislation as being a mandatory change to their plans). This may also be a very difficult decision for Trustees to implement if it is optional. A retroactive change will decrease the payment for many older, long service members and thus, there may be pressure on the Trustees (from a very vocal portion of the membership population) to retain this feature. Retaining the old CIA basis will be harmful to newer, younger members for whom a portion of their contributions will be used to subsidize the past benefits paid out on a CIA basis. The younger plan members are typically less vocal and would put less pressure on Trustees making the decision. In short, a mandatory legislative change would remove any pressure on the Trustees from a potentially upset and vocal membership group.

2. **Are you aware of any stakeholders who are opposed to the retrospective application of the GC CVs?**

   We are not aware of any stakeholders who are opposed to the retrospective application of the GC CVs.

3. **In addition, we are interested in knowing how the NCPP Administrators intend to address the implementation of the retrospective application of the GC CV. What would be your transition plan? We note that members and former members not yet in receipt of a pension may be interested in commuting their accrued benefits using the CIA CV methodology prior to the implementation of GC CV. Do you have concerns with this and/or plans to manage this?**

   To be clear, this response is from ACPM and ACPM is not an Administrator.

Nevertheless, we will provide some comments for your consideration.

We agree that this has the potential to be a challenging issue. Our proposed transition plan would allow plans to choose a future date to implement the retrospective going concern commuted value. This would allow plans to provide appropriate communication to plan members and would give plan members an appropriate period of time to adjust to the new (likely lower) amount that they may receive upon termination of membership. Such a change may be a major concern to certain members who are planning on terminating membership. As such, each plan will need to carefully determine the appropriate period of time to give plan members to adjust to the change in the termination values. It is also understandable, that some members may take advantage of commuting their accrued benefits based on the current CIA CV standard prior to the implementation of the new GC CV. However, over the long term, this short-term experience should not overly burden the long term financial health of these plans.

In addition, it might also be helpful for plan members if they were provided with the implications to plan members of an immediate/deferred monthly pension from the plan and implications of settling their benefit entitlement via lump sum transfer. Many plan members do not have a working understanding of the risk management aspects of this decision. The point here is to re-focus the plan member on a pension from the plan versus lump sum transfer. In contrast to focusing on two different basis for determining lump sum values.

Thank you for the opportunity to respond to this consultation. Please contact us if we can be of any further assistance.

Bricklayers & Allied Craftworkers Pension Fund of Alberta and Saskatchewan

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December 15, 2016 Sent via email to:tami.dove@gov.sk.ca

Pensions Division
Financial and Consumer Affairs Authority of Saskatchewan

RE: Consultation Paper on Negotiated Cost Pension Plans (NCPPs)

This letter is being provided in response to your Revised Proposed Regime for NCPPs on behalf of the Bricklayers and Allied Craftworkers Pension Fund of Alberta and Saskatchewan. Since our Plan is registered in Alberta, we have restricted our comments to the CV calculation components of the proposed regime.

Our Board has been troubled by the current legislative requirements that are resulting in excessive CV payouts, both on termination and in cases of small benefit commutations at retirement. It is our belief that some of our members are intentionally manipulating their participation levels such that they can receive windfall payments from our Plan. When members can participate over a single year (or shorter period) and generate a CV payout of two or more times the size of the contributions remitted on their behalf, it is not surprising that some members will take advantage of the opportunity. Our Plan was recently amended to reduce the accrual rate in the first few years of participation in an attempt to address this behavior. We are very pleased that the proposed regime will allow us to adopt appropriate CV rules for terminating members and level the playing field for the remaining participants who are entitled to the same level of benefit security.

Due to the on-going nature of the current windfall payments, our preference would be to adopt new CV rules as quickly as possible. Accordingly, we believe it would be preferable to permit the adoption of the new approach earlier than January 1, 2018.

We are encouraged by the proposal and look forward to its enactment into legislation.

Sincerely,

Board of Trustees

**CARPENTERS' PENSION
FUND OF SASKATCHEWAN**

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T5J 1L3**

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December 15, 2016

Sent via email to: tami.dove@gov.sk.ca

Pensions Division
Financial and Consumer Affairs Authority of Saskatchewan

RE: Proposed Regime for Negotiated Cost Pension Plans (NCPPs)

As you are aware, the Carpenters' Pension Fund of Saskatchewan is one of the six NCPPs currently registered in Saskatchewan. We are very supportive of the revised framework outlined in your new consultation paper as it will permit the Board to discharge its fiduciary responsibilities to all Plan members in a rational and evenhanded manner. We endorse all of the changes introduced following the release of your first consultation paper and we were gratified to see that our concerns were heard and acted upon.

You can observe from our benefit structure that our Plan has a long and consistent history of providing benefit enhancements to all Plan participants if and when they can be delivered with a high degree of benefit security. It is our intent to continue along this path and the newly proposed regime will now permit us to carry forward in this direction. In our view the elimination of solvency funding will make our Plan more sustainable and will actually reduce the likelihood of benefit reductions for our members. The changes to the CV rules will permit us to pay appropriate commuted values to those participants who elect to transfer their entitlement from our Plan. These enhancements to the legislative framework will assist in maintaining support for the Plan amongst the members and the participating employers, which will support the attainment of the retirement income objectives of current and future Saskatchewan workers in our industry.

We look forward to the enactment of the legislation necessary to bring about these change and would encourage the government to proceed as quickly as possible such that the current concerns with the CV rules be addressed prior to 2018.

We thank you for this opportunity to share our views.

Sincerely,

Board of Trustees

December 19, 2016

Tami Dove, Senior Policy Analyst
Pensions Division
Financial and Consumer Affairs Authority
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2

tami.dove@gov.sk.ca

Subject: Pensions – Consultation: Revised Proposed Regime for Negotiated Cost Pension Plans

The Canadian Institute of Actuaries (CIA) is the national organization and voice of the actuarial profession. The Institute is dedicated to serving the public through the provision, by the profession's 4,900+ members, of actuarial services and advice of the highest quality. In fact, the Institute holds the duty of the profession to the public above the needs of the profession and its members.

We are pleased to provide the following comments on the consultation paper entitled Revised Proposed Regime for Negotiated Cost Pension Plans (NCPPs). Negotiated cost pension plans have a structure where the contributions to the pension plan are defined and fixed, usually through a negotiation process between the plan settlors or plan sponsors. Contribution rates can be changed through the established governance process. Benefits are then designed with the fixed contributions and the investment policy in mind. This results in plan experience being spread out over the group of plan members and over a number of years. Since contributions are essentially fixed, the plan operates under a structure where fluctuations in plan benefits are a reality.

We would like to offer comments on the following sections:

Part 2: Funding

2.1 Proposed Funding Regime

The CIA is generally in support of the minimum funding requirements set out in the proposed regime, and we observe the following:

- Not requiring the provision for adverse deviation (PfAD) on the current service cost (CSC) to be funded in the first actuarial valuation report following the adoption of the proposed regime is a reasonable compromise to give time to existing plans to adjust contribution or benefit levels;
- Making a distinction between a benefit improvement to pensions in pay (BIP) and any other benefit improvement (OBI) with respect to minimum funding is one way of acknowledging funding risks posed to the current and future contributors under each type of benefit improvement; and

- Stress testing can be a useful risk management tool and should focus on factors that can materially impact the funded status/benefit levels of the plan and such factors may vary by plan. We agree that stress testing is a best practice for all defined benefit plans, but it should not be mandated by legislation.

2.2 Solvency Valuations and Funding

The CIA supports the requirements for solvency valuations and funding set out in the proposed regime. Further, we agree that the disclosure of solvency valuations in actuarial valuation reports may provide valuable information to pension plan stakeholders.

2.3 Going Concern Valuations and Funding

The CIA supports the requirements for going concern valuations and funding set out in the proposed regime. However, with respect to increases in special payments, we observe that in the absence of a deferral mechanism (e.g., one year or option to phase in contributions over a period where special payments are still required to be made over 15 years from the valuation date), administrative difficulties may arise; in particular, where employee or employer contributions can vary based on the results of a new funding valuation.

2.4 Provisions for Adverse Deviation

The purpose of PfADs in an NCPP is to provide a buffer against varying plan experience and as such, PfADs may provide a measure of stability to the benefits that are paid from an NCPP. As the level of PfAD is increased, the plan has a larger capacity to absorb adverse plan experience, but this may come at the cost of lower plan benefits. If the PfADs are lowered, larger benefits or lower contributions may be possible, at the cost of larger fluctuations in those benefits or contributions.

The provisions for adverse deviation set out in the proposed regime are based on the level of equity allocation in the plan's asset mix. While this approach has the merit of being simple, it does not reflect another significant risk to which a plan is subject: the duration mismatch between the fixed-income portion of the assets and the plan liabilities (also known as the interest risk). The interest risk can exist even for a fully funded plan with 100 percent assets invested in fixed income when the duration of the fixed-income portfolio differs from the duration of the liabilities. The interest risk is amplified when a portion of the assets are allocated to equities or when the plan is not fully funded. In those circumstances, the interest risk can be fully hedged by using overlay (derivatives) strategies.

The Québec government recently adopted new funding rules for single employer defined benefit (DB) plans under which solvency funding was replaced by an enhanced going concern funding approach with a required PfAD. The calculation of the PfAD under the Québec rules is based on both the target allocation in variable yield investments (i.e., not fixed-income investments) and the extent of asset/liability duration matching. (Under the Québec approach, up to 50 percent of real estate and infrastructure investments can be considered as fixed-income.)

The CIA is of the view that the PfAD should be developed with consideration for the interest risk described above, and the framework adopted by the Québec government is one example. Doing so may encourage plan administrators to manage both the return risk from variable yield investments and the interest risk in their plans.

We would support the concept that regulations prescribe a minimum level of PfAD in the funding of an NCPP (i.e., as is currently proposed for the current service cost of the plan). It would also seem reasonable that any additional PfADs that are included in the contributions or the balance sheet of each particular NCPP be part of the ongoing negotiations and operations of each plan. As such, PfADs should form an integral part of each plan's funding policy.

Subject to the above requirement, it should be up to the plan sponsor or plan negotiators of each NCPP to determine the appropriate PfAD to be included in the actual contributions and balance sheet of each plan. In a negotiated cost pension plan, the actuary would take the role of an advisor who assists the plan sponsors in understanding the risks inherent in the plan and then assists the plan sponsors to determine the appropriate level of PfAD that each plan should have. The actuary would then be able to opine on the ability of the contributions and investment income to support the benefits of the plan and on the longer-term sustainability of the plan. These opinions would be based on the combination of the contributions, benefits, investments, and PfAD of each plan.

We note that there is currently research being conducted by the CIA on the appropriate determination of PfADs, and we encourage you to consult the findings once they are completed.

2.5 Actuarial Gains

The CIA supports the permitted use of actuarial gains set out in the proposed regime.

2.6 Funding/Benefit Policy

While we believe that NCPPs should have formal funding/benefit policies, the CIA does not object to the contemplated approach of refraining from making this a requirement, as set out in the proposed regime.

Part 4: Benefit Types

As acknowledged in section 8.2 of the consultation paper, the Actuarial Standards Board (ASB) is currently conducting a review of the practice-specific standards governing the calculation of pension commuted values. Regardless, we support the ability for an NCPP to continue to provide benefits that are calculated using the current CIA commuted value (CV) methodology or for an NCPP to be amended to provide for the calculation of commuted values based on the going concern CV methodology.

Because these are negotiated plans, the going concern commuted value and the plan's funded ratio for the purpose of determining the proportion of the commuted value to be paid to terminating plan members should both be allowed to be determined using the best estimate going concern assumptions of each plan (i.e., the going concern commuted value and funded ratio should not include any PfAD that may be included in the funding valuation of each plan). However, parties should be free to negotiate termination benefits that would reflect the PfAD if so desired.

We support the going concern (GC) CV methodology being implemented retrospectively, as well as going forward. In addition, if an NCPP is amended to use a GC CV methodology and the GC funded ratio is

- Less than one, then we do not object to the GC CV being reduced to the GC-funded ratio of the NCPP; or

- At least one, then we do not object to the NCPP design addressing whether and how the GC funding excess would be included in the GC CV.

We do not oppose the conditions outlined in the proposed regime in the event an NCPP is amended to provide for the calculation of commuted values based on the going concern CV methodology.

Part 5: Communications

On the topic of member communications, we support the simplified disclosure requirements as proposed. There should be a robust governance structure for such plans.

Part 9: Consultation Questions & Process

Response to question 1: The funding of an NCPP is usually viewed through the lens of long-term investing and risk sharing. The CIA CV methodology (current standard) reflects a guarantee in its pricing and thus a former member who receives their CV is then without risk. Further, since the former member is removed from the contributing and future beneficiary pool, there is the potential to create shortfalls that increase the risk that remaining members will not receive the target benefit. Given the possible misalignment of CV pricing and the GC pricing, these shortfalls can be significant.

Response to question 2: We expect that the stakeholders who may oppose retrospective application would be members who have the intention of transferring their entitlement out of the plan.

Response to question 3: There is one concern we wish to raise with regards to implementation; namely, if a plan is amended to adopt the going concern CV methodology retrospectively, consideration should be given as to how outstanding solvency deficiency payments would be affected.

Conclusion

The Canadian Institute of Actuaries hopes its comments provided herein will be of value. Please feel free to contact me if you have any questions, or require any clarifications.

Yours truly,

David R. Dickson, FCIA
CIA President

Dove, Tami FCAA

From: John Melinte <jmelinte@globalben.com>
Sent: Friday, November 18, 2016 2:51 PM
To: Dove, Tami FCAA
Cc: Andy Baartman; Tom Suffield
Subject: RE: Consultation Open for Comment - Revised Propose Regime for Negotiated Cost Pension Plans

Hi Tami,

Thank you again for the opportunity to provide feedback on the proposed regime.

Subsequent to our initial comments on the first draft of the proposed regime, we are very pleased to see that stakeholder feedback has been well considered and included in the revised proposed regime. We believe that the revised proposed regime will address the needs of all NCPP stakeholders as best as possible, and we do not have any further comments or feedback at this time.

Regards,

John Melinte | Associate Actuary
Global Benefits
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jmelinte@globalben.com

From: Dove, Tami FCAA <tami.dove@gov.sk.ca>

Sent: Friday, November 4, 2016 4:03 PM

To: Tom Suffield

Subject: Consultation Open for Comment - Revised Propose Regime for Negotiated Cost Pension Plans

Dear pension plan administrator or actuary,

You are receiving this email because you are the key contact for the administrator or actuary of a negotiated cost pension plan (NCPP).

You will recall that between May and July of this year, we conducted a consultation titled "*Proposed Regime for Negotiated Cost Pension Plans*". We received 21 (twenty-one) responses to that consultation paper. The feedback was well thought out and we appreciate the time that each respondent took in preparing a reply. We took the feedback into consideration, and have made revisions to our proposed regime. The purpose of this email is to seek your feedback regarding the revised proposed NCPP regime. Please visit this link - http://www.fcaa.gov.sk.ca/ncpp2regime - to find a copy of the consultation paper "*Revised Proposed Regime for Negotiated Cost Pension Plans*" (the Document).

Please feel free to forward this email and the Document to any party that you believe will be interested. Please ensure that all appropriate parties receive this email and the aforementioned document so that they may review and provide comments.

We look forward to receiving your comments by **December 15, 2016**. Please email your response to myself, Tami Dove, Senior Policy Analyst, Pensions Division (tami.dove@gov.sk.ca). Alternatively, comments may be mailed or faxed to the contact information provided at the end of the Document.

We would like to thank you for your contribution to this consultation process.

Thank you,

Tami H. Dove, BComm, CFP, PPAC | Senior Policy Analyst | Pensions Division | Financial and Consumer Affairs Authority of Saskatchewan |
601 - 1919 Saskatchewan Drive | Regina, SK S4P 4H2 | office: 306.787.7571 | fax: 306.798.4425 | tami.dove@gov.sk.ca

December 13, 2016

PRIVATE & CONFIDENTIAL

Ms. Leah Fichter
Director
Pensions Division
Financial and Consumer Affairs Authority of Saskatchewan
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2

RE: INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 870 PENSION PLAN (PLAN)
REGISTRATION NO. 0989061

Dear Leah:

On behalf of the board of trustees (Trustees) of the above Plan, please find attached the Trustees' response to the Consultation Paper on the Revised Proposed Funding Regime for Negotiated Cost Pension Plans.

Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Paul Hebert

Paul Hebert, FSA, FCIA
Senior Consultant
(306) 934-8685

cc: R. Williams, International Union of Operating Engineers Local 870
D. Larsen, Aon Hewitt

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REVISED PROPOSED REGIME FOR NEGOTIATED COST PENSION PLANS

Response due by: December 15, 2016

Part 9: Consultation Questions & Process

Response Provided by: Board of Trustees for the International Union of Operating Engineers, Local 870 Pension Plan, December 15, 2016

In general we are very satisfied with the revised proposed regime for NCPP and we would like to thank the FCAA for taking the time to consider the issues and concerns that we had previously raised. Other than one small concern (outlined below), we don't see the need to make any further changes or updates.

As part of the final proposal, the Trustees believe that the regime should include a minimum standard for determining amounts to be paid out of a plan upon termination of membership from an NCPP where margins are not included in the GC CV calculation or GC funded ratio, either prospectively or retrospectively. Doing this will ensure that a plan cannot pay out less than the best estimate GC CV multiplied by the best estimate GC funded ratio. Note that it is possible that, where a plan has an unfunded liability and has a margin in its balance sheet, a member could receive less than the best estimate GC CV multiplied by the best estimate GC funded ratio (i.e. the minimum standard proposed above) depending on how margins are included in the GC CV and/or the GC funded ratio. In addition, by making this a minimum standard, it gives plans the option to pay more to a terminating member if they choose to do so. In our particular view, margins should not be paid out to terminating members as we believe margins should be retained in the plan for the purpose of protecting pension payments from ongoing fluctuations in experience.

Section 9.1: Consultation Questions

Please find below the responses to the consultation questions found in the revised regime for NCPP.

1. ***All of the NCPP respondents to the original paper wanted the ability to calculate CV's using the GC CV methodology retrospectively. More than half of those respondents wanted the GC CV methodology to be mandatory and not an optional plan design feature for NCPPs.***

   The Trustees believe that the retrospective methodology should be an optional plan design. We do recognize, however, that the request to have the GC CV methodology as mandatory would allow for an easier implementation for certain plans, since they would be able to point to the change in legislation as being a mandatory change to their plans.

2. ***Are you aware of any stakeholders who are opposed to the retrospective application of the GC CVs?***

We are not aware of any stakeholders who are opposed to the retrospective application of the GC CVs.

3. ***In addition, we are interested in knowing how the NCPP Administrators intend to address the implementation of the retrospective application of the GC CV. What would be your transition plan? We note that members and former members not yet in receipt of a pension may be interested in commuting their accrued benefits using the CIA CV methodology prior to the implementation of GC CV. Do you have concerns with this and/or plans to manage this?***

We agree that this has the potential to be a challenging issue. Our transition plan would entail choosing a future date of implementation that would allow for appropriate member education and communication regarding this change. However, we do believe that, in general, our membership views our plan's primary purpose as providing a retirement benefit and not one that should be subsidizing termination benefits. As a result, we do not expect this change to be of major concern to our members. We do recognize and fully expect that some members may be interested in commuting their accrued benefits based on the CIA CV prior to the implementation of the GC CV. Having said that, we expect any impact of this to have a minimal effect on the overall financial health of the plan.

LABORERS' PENSION FUND
OF WESTERN CANADA

December 15, 2016

Tami Dove
Senior Policy Analyst
Pensions Division
Financial and Consumer Affairs Authority
Suite 601, 1919 Saskatchewan Drive
Regina SK S4P 4H2

Sent via email to: tami.dove@gov.sk.ca

RE: REVISED PROPOSED REGIME FOR NEGOTIATED COST PENSION PLANS

Dear Ms. Dove:

Thank you for the opportunity to comment on the Revised Proposed Regime for Negotiated Cost Pension Plans. The revised document demonstrates a high level of understanding regarding the regulatory, administrative and operational needs of multi-employer pension plans.

We provide the following comment regarding your commentary on page 18.

4.2 GC CV:
"We are interested in better understanding the reasons why those respondents would prefer that GC CV's be mandatory and not an optional plan design feature for NCPPs."

By making the GC CV's mandatory the regime will support good governance and the viability of multi-employer pension plans by restricting plans from offering a cash payout at retirement based on the solvency ratio. Cash payouts as described not only provide a windfall to those that exercise that option at the expense of other members but deplete the assets of the fund at an unsustainable rate.

We look forward to legislation and regulations that reflect the understanding demonstrated by the Revised Proposed Regime.

Yours truly
Laborers' Pension Fund of Western Canada

S.D. (Sid) Matthews
Chairman
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LABORERS' PENSION FUND
OF WESTERN CANADA

December 15, 2016

Sent via email to: tami.dove@gov.sk.ca

Pensions Division
Financial and Consumer Affairs Authority

RE: REVISED PROPOSED REGIME FOR NEGOTIATED COST PENSION PLANS

We are pleased to provide this follow-up response to your Revised Proposed Regime for Negotiated Cost Pension Plans. In general terms, we are supportive of all of the proposed changes to your legislative framework for Negotiated Cost Pension Plans and believe the framework provides a reasonable, pragmatic and appropriate means of addressing all of the stakeholder needs.

The Laborers' Pension Fund of Western Canada is a multi-jurisdictional multi-employer pension plan registered in Alberta, which provides pension benefits for labourers employed in Alberta, British Columbia and Saskatchewan. Since our Plan is registered in Alberta, many of the issues addressed by your consultation paper do not have application to our Plan. One of the challenges currently facing our Plan is the payment of inflated commuted values to terminating participants. Your proposed approach provides our Board with the necessary tools to address the current inequities and it is our hope we will be in a position to adopt the same solution across Alberta, British Columbia and Saskatchewan once the necessary legislative changes are promulgated in Alberta and Saskatchewan.

The one item where we would suggest a further change relates to the effective date of any new legislation. While the consultation paper references a January 1, 2018 effective date for any retrospective change to the commuted value approach, we suggest a December 31, 2017 date be permissible. The earlier date would permit the application of the new commuted value rules to all members who incur a break in service at the end of the 2017 calendar year. In the current economic environment, covered employment and contributions for 2016 to date are about 20% lower than for 2015 and further declines are expected in 2017. These reduced hours will result in an increased number of terminations at the end of 2017, which in turn will trigger millions of dollars "over payments" to terminating members at the expense of the participants and beneficiaries remaining in the Plan. To the extent the proposed framework can be adopted sooner, the Board will be better equipped to manage the Plan on an evenhanded basis.

We thank you for the opportunity to provide our input in this important matter.

Yours truly

Board of Trustees

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December 15, 2016

MS TAMI DOVE
SENIOR POLICY ANALYST
PENSIONS DIVISION
FINANCIAL AND CONSUMER AFFAIRS AUTHORITY
SUITE 601, 1919 SASKATCHEWAN DRIVE
REGINA SK S4P 4H2

Dear Ms Dove:

Re: Consultation Paper – Revised Proposed Regime for Negotiated Cost Pension Plans (NCPP)

The Saskatchewan Teachers' Federation, once again, welcomes the opportunity to provide further comments in response to the Revised Proposed Regime for Negotiated Cost Pension Plans. As you know, the Federation administers two defined benefit pension plans, the Saskatchewan Teachers' Retirement Plan on behalf of its' 13,000 teacher members and the Employees' Pension Plan which provides pension benefits to approximately 100 employees of the Federation.

We appreciate your consideration of the issues and concerns that we raised in our submission to you of July 29, 2016. We are pleased to provide our perspective with respect to the revised proposal and more specifically to the consultation questions in Part 9.1 Consultation Questions and Process as it may relate to the Employees' Pension Plan.

Generally speaking, the Federation is satisfied with the revised proposal and appreciate the clarification provided in Part 8 Additional Considerations; however, there is one matter we would like to bring to your attention for consideration. As part of the final proposal, the Federation believes that the regime should include a minimum standard for determining amounts to be paid out of a plan upon termination of membership from an NCPP where margins are not included in the GC CV calculation or GC funded ratio, either prospectively or retrospectively. This will ensure that a plan cannot pay out less than the best estimate GC CV multiplied by the best estimate GC funded ratio. Please note that it is possible that, where a plan has an unfunded liability and has a margin in its balance sheet, a member could receive less than the best estimate GC CV multiplied by the best estimate GC funded ratio (i.e. the minimum standard proposed above) depending on how margins are included in the GC CV and/or the GC funded ratio. In addition, by making this a minimum standard, plans are provided with the option to pay more to a terminating member if they choose to do so. In our particular view, margins should not be paid out to terminating members as we believe margins should be retained in the plan for the purpose of protecting pension payments from ongoing fluctuations in experience.

Part 9.1 Consultation Questions and Process

1. **All of the NCPP respondents to the original paper wanted the ability to calculate CVs using the GC CV methodology retrospectively. More than half of those respondents wanted the GC CV methodology to be mandatory for NCPPs and for the CIA CV to be removed altogether. We are interested in better understanding the reasons why those respondents would prefer that BC CVs be mandatory and not an optional plan design feature for NCPPs.**

   The Federation believes that the retrospective methodology should be an optional plan design. We do recognize, however, that the request to have the GC CV methodology as mandatory would allow for an easier implementation for certain plans, since they would be able to point to the change in legislation as being a mandatory change to their plans.

2. **Are you aware of any stakeholders who are opposed to the retrospective application of the GC CVs?**

   We are not aware of any stakeholders who are opposed to the retrospective application of the GC CVs.

3. **In addition, we are interested in knowing how the NCPP Administrators intend to address the implementation of the retrospective application of the GC CV. What would be your transition plan? We note that members and former members not yet in receipt of a pension may be interested in commuting their accrued benefits using the CIA CV methodology prior to the implementation of GC CV. Do you have concerns with this and/or plans to manage this?**

   The Federation agrees that this has the potential to be a challenging issue. A possible transition plan would entail choosing a future date of implementation that would allow for appropriate member education and communication regarding this change. However, we believe that plan members view the primary purpose of their plan as providing retirement benefits – not subsidizing termination benefits. As such, we do not expect this change to be of major concern to plan members. We do recognize and fully expect that some plan members may be interested in commuting their accrued benefits based on the CIA CV prior to the implementation of the GC CV; however, it is expected that there would be minimal impact on the overall financial health of the plan.

In closing, we thank you for the continued opportunity to provide input into this consultation process. As previously communicated, we do recognize that many of the issues raised in the Consultation Paper do not apply to the Federation's plans specifically; however, offer our comments in the spirit of sharing our perspective of what we consider to be best practice. We trust that you will receive them in the same way. In addition, we would encourage the FCAA to continue to be a national leader on pension reform and take the appropriate steps to review the minimum solvency requirements for private sector plans in Saskatchewan, with the aim of replacing the current minimum solvency funding requirements with something similar to what has been adopted for Specified Plans or NCPPs. The Federation would welcome any opportunity to be involved in these discussions in the future.

If you require further information or wish to discuss our response further please do not hesitate to contact the Federation.

Sincerely,

Gwen Dueck

Gwen Dueck, Executive Director
Saskatchewan Teachers' Federation

cc: Tracy Young-McLean
Manager, Employees' Pension Plan

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December 14, 2016

MS TAMI DOVE
SENIOR POLICY ANALYST
PENSIONS DIVISION
FINANCIAL AND CONSUMER AFFAIRS AUTHORITY
SUITE 601, 1919 SASKATCHEWAN DRIVE
REGINA SK S4P 4H2

Dear Ms. Dove:

RE: Consultation Paper – Revised Proposed Regime for Negotiated Cost Pension Plans (NCPP)

We are pleased to provide the Saskatchewan Teachers' Federation's response to the aforementioned revised consultation paper (Revised Paper).

While the STF sponsors the Saskatchewan Teachers' Federation Employees' Pension Plan, the STF is also the Trustee and administrator of the Saskatchewan Teachers' Retirement Plan pursuant to authority granted via *The Teachers' Federation Act, 2006.* As you are aware, the STRP is a "Specified Plan"; it is also our understanding that the STRP could be categorized as a NCPP. Our comments provided herein relate to the STRP.

Part 2: Funding

We support removal of solvency funding requirements. While we don't fully endorse the restrictions on benefit improvements for pensioners (see below), the revised proposed regime provides more flexibility towards the balancing of cost and benefit security. This, in turn, allows plans to manage intergenerational equity in a manner that is suitable to the needs of the plan.

We would suggest that the Financial and Consumers Affairs Authority (FCAA) clarify that the determination of unfunded liabilities would be on a "fresh start" approach for both the Transition Report and future actuarial valuation reports.

Benefit Improvements

The Revised Paper requires that an unfunded liability attributable to a benefit improvement to pensioners (BIP) would have to be amortized over a period not greater than five years. We believe that the five year funding of the BIP could result in intergenerational inequity.

Furthermore, for plan sponsors that want to hold additional margin beyond the minimum PfAD provisions, additional consideration should be given to the time period over which the BIP must be amortized. For example, we suggest that any PfAD/margin in excess of the minimum be available to offset the unfunded liability attributable to the BIP for purposes of determining the minimum special payment requirement.

Stress Testing

From a governance perspective, the STF believes it is prudent to perform stress testing from time to time to ensure the material risks to the STRP are well understood. Stress testing is an important risk management tool to assist the STRP Board of Directors, the STF Executive, and the actuary related to implications of experience diverging from expectations.

2.3 Going Concern Valuations and Funding

Regarding the timing of contributions, we do recommend the delayed commencement of contributions and special payments as is permitted for Specified Plans. It is not possible to have retroactive member contributions, nor is it feasible for member contributions to be adjusted immediately following the filing of an updated actuarial valuation. The earlier required implementation of contribution rate changes, as set out in the proposed regime, would introduce operational risks to a plan such as the STRP.

2.4 Provisions for Adverse Deviation

We believe the PfAD should reflect both the asset and liability characteristics of the Plan, not just the asset characteristics.

Part 4: Benefit Types

We support the retrospective application of the GC CV methodology for NCPP's as reflected in the Revised Paper.

Part 5: Communications

We support the removal of the communication of the more technical requirements.

Part 8: Additional Considerations

8.1 Other Types of Pension Plans

We thank you for further consideration related to permitting Specified Plans to follow the NCPP funding rules. STF and the STRP Board of Directors have not yet formed a recommendation on this issue, but plan to assess the alternate regime once the new NCPP funding rules are in place. As such, could you please confirm that the STRP could be categorized as a NCPP?

Part 9: Consultation Questions & Process

Please advise if you are contemplating changes to the funding regime applicable to Specified Plans. Please refer to our letter to your office dated July 29, 2016, for our commentary on the Specified Plans funding regime.

We look forward to hearing from the FCAA related to the recommendations set out herein. In the meantime, please do not hesitate to contact us if you have any questions regarding our submission.

Sincerely,

Gwen Dueck

Gwen Dueck
Executive Director

cc: Ryan Glass, Plan Manager STRP

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December 15, 2016

Private and Confidential

Ms. Tami Dove, Senior Policy Analyst
Pensions Division
Financial and Consumer Affairs Authority of Saskatchewan
Suite 601, 1919 Saskatchewan Drive
Regina, SK S4P 4H2

Re: Revised Proposed Regime For Negotiated Cost Pension Plans

Dear Ms. Dove,

In general we are very satisfied with the revised proposed regime for NCPP and we would like to thank the FCAA for taking the time to consider the issues and concerns that we had previously raised. Other than one small concern (outlined in the appendix), we don't see the need to make any further changes or updates.

As part of the final proposal, the Trustees believe that the regime should include a minimum standard for determining amounts to be paid out of a plan upon termination of membership from an NCPP where margins are not included in the GC CV calculation or GC funded ratio, either prospectively or retrospectively. Doing this will ensure that a plan cannot pay out less than the best estimate GC CV multiplied by the best estimate GC funded ratio. Note that it is possible that, where a plan has an unfunded liability and has a margin in its balance sheet, a member could receive less than the best estimate GC CV multiplied by the best estimate GC funded ratio (i.e. the minimum standard proposed above) depending on how margins are included in the GC CV and/or the GC funded ratio. In addition, by making this a minimum standard, it gives plans the option to pay more to a terminating member if they choose to do so. In our particular view, margins should not be paid out to terminating members as we believe margins should be retained in the plan for the purpose of protecting pension payments from ongoing fluctuations in experience.

Regards,

Garry Burkart
Chair
Teamsters/R.W.D.S.U. General Workers Union Pension Plan

cc: Wayne Morrison, Prairie Teamsters Administration Services Ltd.
Colleen Blanchette, Aon Hewitt

Appendix
Section 9.1: Consultation Questions

Please find below the responses to the consultation questions found in the revised regime for NCPP.

1. ***All of the NCPP respondents to the original paper wanted the ability to calculate CV's using the GC CV methodology retrospectively. More than half of those respondents wanted the GC CV methodology to be mandatory and not an optional plan design feature for NCPPs.***

   The Trustees believe that the retrospective methodology should be an optional plan design. We do recognize, however, that the request to have the GC CV methodology as mandatory would allow for an easier implementation for certain plans, since they would be able to point to the change in legislation as being a mandatory change to their plans.

2. ***Are you aware of any stakeholders who are opposed to the retrospective application of the GC CVs?***

   We are not aware of any stakeholders who are opposed to the retrospective application of the GC CVs.

3. ***In addition, we are interested in knowing how the NCPP Administrators intend to address the implementation of the retrospective application of the GC CV. What would be your transition plan? We note that members and former members not yet in receipt of a pension may be interested in commuting their accrued benefits using the CIA CV methodology prior to the implementation of GC CV. Do you have concerns with this and/or plans to manage this?***

   We agree that this has the potential to be a challenging issue. Our transition plan would entail choosing a future date of implementation that would allow for appropriate member education and communication regarding this change. However, we do believe that, in general, our membership views our plan's primary purpose as providing a retirement benefit and not one that should be subsidizing termination benefits. As a result, we do not expect this change to be of major concern to our members. We do recognize and fully expect that some members may be interested in commuting their accrued benefits based on the CIA CV prior to the implementation of the GC CV. Having said that, we expect any impact of this to have a minimal effect on the overall financial health of the plan.

mobius
BENEFIT ADMINISTRATORS INC.

Leadership ▪ Integrity ▪ Stewardship

Ms. Tami Dove
Senior Policy Analyst
Financial & Consumer Affairs Authority
6th Floor, 1919 Saskatchewan Drive
Regina, SK S4P 3V7

December 15, 2016

Dear Ms. Dove:

RE: Revised Proposed Regime for Negotiated Cost Pension Plans

Thank you for providing us with the opportunity to provide input into the Revised Proposed Regime for Negotiated Cost Pension Plans (NCPPs).

The Financial and Consumer Affairs Authority (FCAA) efforts to develop a regulatory regime that addresses the issues faced by NCPPs are to be applauded. We are comforted by the high degree of collaboration and openness to input. The revised proposal is a huge step forward from the original and addresses many of the concerns we previously expressed. While we do not find the changes objectionable in aggregate we are not prepared to offer an outright endorsement. There are several areas where we believe the regime requires further refinement.

We look forward to further discussions in regard to this matter. Attached you will find specific answers to each of the questions posed in the consultation paper.

Sincerely,

Colyn R. Lowenberger
Secretary
TRIP

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Revised Proposed Regime for Negotiated Cost Pension Plans

Solvency Valuations and Funding

We are generally supportive of the proposed changes to solvency funding. We note that establishing a solvency position with each AVR offers little value to administrators if plans adopt the GC CV methodology.

Going Concern Valuations and Funding

We are supportive of the proposed change though given past emphasis on enhanced going concern we find the shift to this methodology puzzling. The proposed regime permits lower funding levels (no requirement to fund PfAD) while continuing to provide fifteen (15) year amortization periods for unfunded liabilities and eliminating solvency funding. This is a significant philosophical change from the recent past.

PfAD

As per our previous correspondence, we believe that PfAD serves two purposes. It is a tool for managing contribution volatility as well as a tool to assist in protecting accrued benefits. In effect, PfAD is not one but two interrelated concepts. Through that lens we offer the following comments on the proposed revisions:

1. Current Service Cost PfAD
    - We are supportive of the requirement to fund CSC PfAD.
    - We have concerns in regard to determining the minimum level of CSC PfAD based solely on equity allocations. As previously communicated our analysis suggests that such an approach is not sufficiently robust to both manage contribution volatility and protect accrued benefits.
        - There are several variables that should be considered prior to establishing PfAD for any plan. These include, but not limited to: funding levels, contribution rates, benefit policies, risk tolerance and asset mix.
        - Our analysis suggests that the proposed minimums may be overly restrictive during periods of financial pressure.

2. Going Concern PfAD
    - We do not support the lack of required funding on GC PfAD.
    - Our analysis indicates that GC PfAD forms a vital component of the administrator's tool kit and is best employed in conjunction with an independently determined CSC PfAD after taking various other factors into consideration.
        - We recognize that the proposed regime does not prevent any group from adopting a minimum GC PfAD. However, we prefer a regime that requires both CSC PfAD and GC PfAD, albeit at minimum levels lower than the minimum outlined in the Consultation Paper.
            - Such an approach provides additional ability to manage contribution volatility while ensuring that existing benefits are adequately protected.

Benefit Improvements

Benefit improvements are a fundamental component of NCPP's and target designs in general and as such are encouraged by the dialogue regarding this topic. We do have some difficulty with funding benefit improvements via UL special payments but recognize that the proposed regime does not require benefit improvements to be funded via special payments.

It is preferable to fund benefit improvements as they are earned in order to minimize the probability of future unfunded liabilities and/or benefit reductions. Where this is not possible, such as in the case of BIP, it is preferable to accumulate sufficient asset levels prior to allow improvements to be fully funded when implemented. Such practices are best accomplished by establishing and adopting well defined funding and/or benefit policies.

With that in mind, we observe that the proposed regime does not require such policies to be adopted and would be enhanced by requiring such policies to be adopted. Funding Policies are a vital component of a well governed pension plan. It is our belief that the members of all plans containing defined benefit provisions are best served if the plan has a funding policy. In order for such a policy to be effective there are key elements that must be present. It is therefore our belief that a funding policy should be a requirement and that minimum contents be developed in consultation with those affected.

Going Concern Commuted Value

We are pleased that you have recognized the disparate relationship between pension funding and the Canadian Institute of Actuaries (CIA) commuted value (CV) basis. Going Concern Commuted Value (GC CV) recognizes the inequity between those who remain in a plan funded on a going concern basis and those who elect to leave. Members who choose to leave their employer should only receive their pro rata share of the assets available when they leave. The going concern CV (GC CV) basis better accomplishes this than the CIA's CV basis.

Communications

We have no objections to the communication framework. In general, additional communication with members is desirable.

Additional Considerations

We continue to be supportive of a single funding regime and remain open to discussions in regard to such a regime. The revised regime addresses many of our previously communicated concerns. However, as discussed above, there are a number of areas that we have reservations in regards to and will undertake further analysis prior to considering a request to have the NCPP rules applied.