

December 18, 2006

VIA FACSIMILE (250) 387 – 5594

Honorable Carole Taylor
Minister of Finance
Room 153
Parliament Buildings
Victoria, B. C. V8V 1X4

Dear Ms. Taylor

Regarding: Solvency Regulations & Multi-Employer Pension Plans

My name is Ken Noga. I am a 30 year member of the International Brotherhood of Boilermakers Lodge 359. I currently work as a Business Representative of the Union and I also sit on the Board of Trustees for our Pension Plan. This letter is being sent to you as an appeal to change the B.C. Pension Benefits Standards Act (PBSA) regulations for Solvency testing by Multi-Employer Pension Plans.

The Boilermakers Pension Plan is a Defined Benefit, Specified Multi-Employer Pension Plan (SMEPP). In September of this year our 2005 Triennial Actuarial Valuation was filed with the Provincial Regulators Office (FICOM).

The Boilermakers Pension Plan presently has an approximate market value of \$150,000,000. On both a Going Concern and Solvency Basis the 2005 Valuation revealed an insufficiency of Contributions to fund the existing level of Benefits. The Going Concern Unfunded Liability at time of valuation was \$3,108,058 with a Solvency Deficiency of \$48,625,190.

The Board of Trustees undertook immediate action to correct the “Going Concern Unfunded Liability” to address long term funding by way of motion to change our Unreduced Early Retirement Benefit formula and to request an increase to the Pension Hourly Contribution Rate from the Union membership with their April 2007 negotiated wage increase.

The issue we have and that of many other Defined Benefit, Multi-Employer Pension Plans (SMEPP’S) is the Pension regulations as they pertain to Solvency requirements for a hypothetical wind-up situation. As I understand it, the PBSA prescribes that the Canadian Institute of Actuaries use an assumption rate of return directly linked to “Long Term Bonds” for solvency testing. As you may be well aware long bonds are currently at a historical low at this point in time, therein lays the problem.

Our assumption rate for our “Going Concern” is 7.0%, yet at the time of the 2005 Valuation we were only able to assume 4.5% for “Solvency”. The Boilermakers Pension

Plan has earned an average return of 10.2% over a 30 year time period by way of a sound, long-term investment strategy.

I understand the need for Solvency rules, but in my opinion they should only apply to Corporate sponsored single employer Pension Plans, not to Multi-Employer Pension Plans. I consider that the probability of a "SMEPP" actually "Winding Up" suddenly to be at a very low risk level.

No one knows for certain what the future may bring to Long Term Bond Rates but to currently fund our solvency deficiency based on an extremely low hypothetical assumption rate is unrealistic, especially when history shows an above average return with regards to our investment policy. When and if the Bond market turns around to a more positive interest rate that match's our "Going Concern" assumption rate we will have a huge surplus of funds. This is why I am now asking for you to consider a regulation change pertaining to Solvency requirements.

I strongly feel that it is in everyone's best interest that you, and our Government, take action to address this issue and amend the PBSA to make regulations more equitable and realistic with respect to Defined Benefit, Specified Multi-Employer Pension Plans. This will allow plans such as the Boilermakers to be able to continue to provide a meaningful retirement benefit for Canadians, which is of significant importance as our population ages.

I would like to thank you for your time and consideration on this matter and I look forward to your response.

Sincerely yours,

Ken Noga
Boilermaker Pension Plan Trustee
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