

1-11

JAN 10 2007



1610 Kebet Way, Port Coquitlam,
British Columbia V3C 5W9
Tel: 604 552 2650
Fax: 604 552 2653
Toll Free: 1 888 478 8111

COPY

January 8, 2007

Mr. Marcus Gill
Acting Policy Advisor
Finance and Corporate Sector Policy Branch
Suite 109 – 617 Government Street
Victoria, B.C. V8V 1X4

Subject:
Solvency Funding for Multi-Employer Pension Plans

Dear Mr. Gill:

I am writing to you as the Chairman of the Teamsters National Pension Plan, a specified multi-employer pension plan registered under the B. C. Pension Benefits Standards Act. We have about 2,900 active plan members, 1,300 pensioners and assets of approximately \$142 million dollars. Contributions to the plan are negotiated through the collective bargaining process, and benefits are defined by the terms of the pension plan.

The past several years have been extremely challenging for defined benefit pension plans, through a combination of negative returns in the equity markets during 2001 and 2002, and the continued decline in long term interest rates. We are currently experiencing interest rates that are at their lowest level in 25 years.

These economic factors are important because they are the basis upon which solvency valuations are performed. These solvency valuations, which measure the funded position of a pension plan if it were to be wound up on the valuation date, have been generating deficiencies in recent years for most of the defined benefit pension plans in the country. A solvency deficiency must be amortized over 5 years, a very short time frame given the extent to which the decline in long term interest rates have negatively affected solvency deficiencies.

In fact, a strong argument can be made that solvency valuations have no relevance in establishing the minimum funding requirements for multi-employer pension plans. Solvency valuations were developed to protect plan members in the event their employer became insolvent and their pension plan had to be wound up. This is a possibility with corporate pension plans, and in fact has happened in previous years.

However, the probability of winding up a multi- employer pension plan is negligible, because these pension plans provide benefits for workers in an industry sector, and receive contributions from a number of different participating employers. The Teamsters National Pension Plan, for example, provides benefits for members of 50 different employers.

Other key jurisdictions in Canada have recognized the special characteristics of multi-employer pension plans and the unique set of economic factors that we have recently been experiencing. Ontario has exempted negotiated multi-employer pension plans from solvency funding requirements for several years, and requires only disclosure of the solvency deficiency. In August of this year Alberta introduced funding relief measures for a temporary period of time. These measures **eliminate the need, on a one-time basis, for a multi-employer plan to fund solvency deficiencies** provided the negotiated contributions meet certain other tests. The federal government introduced in November temporary solvency funding relief regulations for all defined benefit plans, and Quebec has also introduced similar regulations.

British Columbia has been conspicuously silent on the issue of addressing the problem of solvency funding, despite its responsibility for regulating a significant number of pension plans. It is our belief that these other jurisdictions, and Alberta in particular, are on the right track in dealing with the extraordinary funding challenges presented by the current set of economic circumstances. Alberta has shown strong leadership by creating a few years ago an advisory committee for multi-employer pension plans to address the special issues that these plans face. This committee is now in the process of developing terms of reference for its members.

I strongly urge the British Columbia government to take action on addressing the challenges that solvency funding has created for multi-employer pension plans. Solvency funding is inappropriate for these plans, and needs to be re-visited. In particular, I recommend that the British Columbia government:

- Adopt solvency funding relief measures along the lines that the Alberta government has adopted, and
- Create an advisory committee consisting of representatives from multi-employer pension plans to develop longer term funding requirements for multi-employer pension plans and to address other issues that are unique to these plans.

The future of multi-employer pension plans is too important an issue to remain silent on. The financial security of our members during their retirement years is at stake, and we need to ensure that they can retire with confidence in their retirement income.

I would be pleased to discuss these issues with you at your convenience.

Yours sincerely,



Stan Hennessy
Chairman, Board of Trustees

Copy:

The Honourable Carole Taylor, Minister of Finance, British Columbia
Mr. Michael J. Peters, Executive Director, Pensions Department, FICOM
Mr. Richard J. Humphries, Mercer Human Resource Consulting
Ms. Gail Johnson, Teamsters National Pension Plan
Trustees, Teamsters National Pension Plan