

May 18, 2017

Report to the LAPP Stakeholder Consultation Group (SCG)

1. Background

At the last meeting of the LAPP SCG, held March 23, 2017, stakeholders heard a presentation from CEO Chris Brown on the LAPP strategy to improve Plan governance. In the presentation called, Paths to Good Governance, the CEO talked about the Board's two-pronged approach which is set out in the strategic plan for 2017-2019

1. Engage stakeholders in the current governance framework of the Plan
2. Achieve joint sponsorship and self-governance of the Plan

While Strategic Goal 2 remains the Board's priority focus, history has shown that progress on self-governance is slow. In the meantime, the Board will proceed with Goal 1 and get sponsor input when needed on upcoming decisions facing the Plan, like:

- 1) LAPP's response to CPP enhancement
- 2) An update to LAPP's Long-term Funding Strategy

In order to best engage stakeholders in the current governance framework, it was felt the Board needs to form an advisory body to get input on issues requiring a "sponsor perspective". While there is no formal role for sponsors within the current governance framework, and though the Board cannot delegate its decision-making authority to anyone else, it can ask for sponsor input and use the feedback provided to help make decisions that represent sponsor viewpoints.

SCG members discussed in a break-out session whether an advisory committee should be appointed and whether it would be best to make it a standing committee or an ad hoc committee. There was strong support for forming a committee and there was good discussion about whether the committee should be permanent or ad hoc.

2. LAPP Board Decision

At its April 28 meeting, the LAPP Board reviewed the input of the SCG and decided to form a standing committee it will call the Advisory Stakeholder Committee. The committee will be known by its acronym ASC, which when pronounced with a hard C sounds like "ask," which perfectly reflects the Board's need for the committee – to ask for sponsor input.

The Board also approved a draft Terms of Reference (TOR) for ASC (attached), which will be reviewed by the committee, once established, and then sent back to the Board for final approval. ASC will be made up of voluntary members who will be chosen based

on their ability to represent the “perspective” of members and employers who pay into the Plan, and to be inclusive of all sectors covered by LAPP pensions. Although there is no easy formula to achieve perfect representation or inclusion at this time, the intent is the 12 committee members will bring a viewpoint to the table that represents both sides of the sponsor table (employers and unions) and is inclusive of all three sectors - health, municipalities, and school boards/colleges.

3. Formation of ASC

The next step will be to recruit the volunteers willing to take on the job of providing input as committee members. Although the committee will be a “standing committee,” it will meet to discuss issues only when asked and the amount of time each issue takes will depend entirely on the complexity of the issue and the amount of consideration needed. The Board recognizes the difficulty of recruiting volunteers to a committee when there is no way to identify in advance precisely what kind of a time commitment is needed. It is anticipated the first discussion will be CPP enhancement and its impact on the Plan. This will likely require at least three meetings to: explain the proposed changes, review the impact for LAPP and discuss the possible options. It will be up to the committee to discuss the time commitment required for each ask of the Board, at the time the request is made.

4. ASC Composition

ASC will be composed of 12 volunteers representing a cross section of sponsor viewpoints with six members representing employers and/or employer associations and six members representing unions and/or employee associations. As the Plan currently has 418 employer sponsors and dozens of unions and associations acting as members’ sponsors, the Board recognizes that not everyone can be represented at the table. What the Board hopes to achieve is recognition of the **viewpoints** of all sectors, somewhat in proportion to the current distribution in the Plan. Given that sector representation is roughly health (50%), municipal (30%) and education (20%); and recognizing that municipal is both metro and non-metro, and education is both school board and post-secondary, and that health is mostly homogenous, each group will be represented as follows:

Employers

Health – 2 members from AHS

Metro Municipalities – 1 member from Edmonton or Calgary

Non-metro municipalities – 1 member from AUMA or AAMD&C

Education – 1 member for 61 school boards (ASBA)

Post-secondary – 1 member for Colleges/Universities

Members

AUPE – 1 member

AFL – 1 member

UNA – 1 member

HSAA – 1 member

CUPE – 1 member

ACIFA – 1 member

Recognizing that ASC members are volunteers and that it might be difficult for all members to be available for all meetings, each committee member is entitled to name an official alternate (1 person only) who would be able to attend in the member's absence and represent that viewpoint on the committee.

5. Call for volunteers

Any SCG members who are interested in serving on ASC, please email the [VP Stakeholder Relations and Communications](#) at ALAPP Corp. by June 9 and indicate the member or employer perspective you would like to represent on the committee, from the list of 12 positions above. If this timeline is a problem for you, please send an email to the link above. If the link doesn't work, the email address is sheri.wright@lapp.ca.

ALAPP will also write to the nominating sponsors of the Board to advise of the formation of ASC and to see if the nominating sponsors would like to nominate a volunteer.

6. Follow-up Questions from SCG Meeting

At every meeting SCG members are asked to fill out an evaluation form, which offers the opportunity for any member to ask the Board a question. At the March 23 meeting, six questions were asked. The first three relate directly to the information provided on ASC above, and the other three relate to other issues of governance.

- 1) *Is it the intent of the Board's ad hoc or standing advisory committee to be a decision making body or a conduit for information feedback and input?*

The Board's Advisory Stakeholder Committee (ASC) is being established to provide a sponsor perspective to the Board on specific areas where it feels it needs sponsor feedback in order to make a decision. The committee will have no decision making power; it is to advise only. The Board has no ability to delegate decisions to any other body.

- 2) *What are the procedures and terms of reference of the advisory group?*

The mandate and composition of the committee are explained in this document above. As indicated, the committee will be a standing committee that meets only when it is called together by the LAPP Board to provide feedback and input on any specific issue or question put to it by the Board. The Board makes decisions as a fiduciary, but recognizes there are times when decisions need to be made about plan design issues, which require sponsor input. A draft terms of reference have been prepared for comment by the committee prior to formal approval of the Board.

3) *How will decisions on CPP integration changes and contributions be made?*

These decisions will be made by the Board, but the Board would like to hear input from stakeholders on this and other Plan design issues and will ask the members of ASC to study the options and provide some feedback from a sponsor perspective to inform the process.

4) *When will joint sponsorship proceed? (A very unfair question since this is entirely in the government's power.)*

As indicated by the stakeholder's comment after his/her question, this is a question that will have to be answered by government at some point. From the Board's perspective, the answer is that joint-sponsorship needs to proceed as soon as possible in order to ensure that those who bear the risk of funding the Plan (employer and members sponsors) have a direct say in the governance of the Plan. Moreover, there has to be an ability to make decisions in a timely fashion, without political interference. Changes to the Plan's governance should be based on best practice and accomplished with the expertise necessary for running a pension plan. This will require a real commitment by government that sponsors be allowed to come together in good faith and establish an independent LAPP outside of provincial statute, with an ability to jointly manage risk and ensure the Plan is sustainable over the long term. It will need to be done within one election mandate to ensure it is not derailed by elections cycles, as has happened in the past.

5) *How do we force employer groups to participate – send decision makers – make commitments?*

From the Board's perspective, there is no need to force employer groups to participate or make commitments. In the past, when employers and employer associations were given permission to come together to set a deal for joint sponsorship with unions and union associations, they have voluntarily come to the table, participated and made commitments. Employers are just as constrained from making decisions on joint governance as the unions; the constraints needs to be lifted by government so all players can come to the table and achieve this 25-year goal for improved governance.

6) *Provide an update on why the ADM or Minister is not engaging?*

Again the best explanation on why the Assistant Deputy Minister or Minister is not engaging should be directed to government rather than the Board. LAPP has met with the Minister a few times since this government was elected two years ago and have made the Board's position clear on items that need attention and action from government. The Board will continue to do its part to engage with government and the rest is up to government.