

mebco NEWS

THE VOICE OF MULTI-EMPLOYER PLAN INTERESTS IN CANADA

inside

Solvency concerns still not addressed

MEBCO continues to be concerned about the requirement of many regulators that multi-employer pension plans be funded on a solvency basis.

Full story on page 2

2

Watch out for privacy issues

January 1, 2004 is fast approaching – and on that date all organizations, including multi-employer benefit plans, must comply with federal privacy legislation.

Full story on page 2

MEBCO presents at Building Trades and NCCMP Annual Conferences

In September, 2003, MEBCO was invited to make a presentation at the Building and Construction Trades Annual Legislative Fall conference.

Full story on page 3

3

MEBCO makes annual pre-budget submissions

Each year, MEBCO makes written submissions to the House of Commons Standing Committee on Finance on budget issues.

Full story on page 4

4

MEBCO Annual General Meeting to be held February 20, 2004

The Annual General Meeting of members of MEBCO will be held on Friday February 20, 2004 at the Airport Hilton in Toronto. All members are encouraged to attend.

The Annual General Meeting is an excellent opportunity for members to provide their views on issues facing our organization and for the Board of Directors to respond to members' concerns. Your feedback helps ensure that we continue working on the issues that most concern you, and allows us to better represent the needs of multi-employer benefit plans throughout Canada.

At the Annual General Meeting, members will elect the Board of Directors for the next year, appoint MEBCO's auditor and review its financial statements, and consider any other relevant business.

Board of Directors

MEBCO's Board of Directors is made up of equal representation from union trustees, employer trustees, and professionals (third party administrators, actuaries, benefits consultants, lawyers and chartered accountants). The Board meets periodically, and at least quarterly (either in person, by conference call, or a combination) to manage MEBCO's affairs. All directors serve voluntarily, without pay. If you're interested in running for election to the MEBCO Board of Directors, contact **Brian Foote** at foote@netrover.com or **Alex McKinnon** at alextooth@mobile.rogers.com by February 13, 2004. ☺

Happy holidays

The Board of Directors of MEBCO wishes you and your family a safe and peaceful holiday season and a happy new year.



Solvency concerns still not addressed

MEBCO continues to be concerned about the requirement of many regulators that multi-employer pension plans (“MEPPs”) be funded on a solvency basis. This means that a MEPP will only be found to be adequately funded if it has enough assets to meet all liabilities if the plan were wound-up on the valuation date, including provision for benefits (usually related to early retirement) that would not be payable in an ongoing plan. MEBCO supports the position of the ‘Multi-Employer Pension Plan Task Force’ of the Canadian Institute of Actuaries (“CIA”), which rejected the use of a solvency test for determining funding adequacy. This Report can be found at the CIA’s website at www.actuaries.ca/publications/2001/20145e.pdf.

MEBCO fully supports the Canadian Institute of Actuaries Task Force’s recommendations on valuing multi-employer pension plans.

The Task Force cited three main problems with the solvency test:

- Liabilities may be overstated, as prescribed valuation rates of interest are lower than the actuaries’ conservative expected long-term rates of return. In addition, liabilities are subject to volatile interest and annuity purchase rates, which can vary significantly from month-to-month, while negotiated contribution rates are fixed in collective agreements;
- The solvency test includes the value of benefits that will probably never be paid, especially maximum early retirement benefits, which will not be paid to every member;
- Solvency deficiencies may require funding over a five-year period, after which the required funding may decrease significantly, whereas negotiated contribution rates are usually level.

CIA proposal

Although MEPPs are far less likely to be wound up than single employer plans, wind-ups do occur. Members of a MEPP must be informed if the MEPP will be unable to pay the benefits that they are relying on in certain situations, like a wind-up. The CIA Task Force therefore proposed that the following rules apply to MEPP valuations:

- The plan valuation be based on whether the negotiated contributions, until the later of the next contract date and the next valuation date, will meet the current service costs and the amortization costs of any unfunded liability over not more than 15 years, on a going concern basis;
- If the above test can’t be met, then the contribution increase and the percentage reduction in benefits required to meet that test must be set out;
- The plan must report on its plan termination funded ratio by valuing all benefits payable on plan termination. The plan must also report on the reduced level of benefits if it was to have been wound up on the valuation date (‘reporting’ does not imply reduction to accrued benefits!);
- Trustees of a MEPP be required to have a formal funding policy statement that sets out a contingency reserve objective, the intended approach to benefit enhancements and how trustees will handle a situation of inadequate funds.

MEBCO fully supports the CIA Task Force’s recommendations on valuing MEPPs. ∞

Watch out for privacy issues

January 1, 2004 is fast approaching – and on that date all organizations, including multi-employer benefit plans, must comply with federal privacy legislation if they make commercial use of personal information. “Personal information” includes any information that identifies or could identify an individual.

Organizations in Quebec, Alberta and British Columbia do not have to comply with the federal privacy legislation because those provinces expect to have their own legislation in place before the end of the year (Quebec has actually had privacy laws since 1994) which will apply instead. Ontario’s proposed legislation

was abandoned last year so Ontario organizations must comply with the federal law.

The new legislation means that organizations must:

- have the informed consent of the individual to the collection, use or disclosure of his or her personal information;
- have written policies addressing the collection, use and disclosure of personal information and establishing a complaints procedure;
- appoint a person responsible for compliance with the legislation. ∞

MEBCO presents at Building Trades and NCCMP Annual Conferences

In September, 2003, MEBCO was invited to make a presentation at the Building and Construction Trades Annual Legislative Fall conference in Ottawa on the solvency crisis facing many multi-employer pension plans. In the same month, MEBCO was also invited to make a presentation at the annual conference of its American counterpart, the National Coordinating Committee for Multiemployer Plans (“NCCMP”), on “A View from the North”.

In this interview, MEBCO committee member J. M. (“Mel”) Norton, Senior Vice President at AON Consulting Inc., discusses the two conferences.

Q: Which MEBCO directors attended the Building and Construction Trades Conference?

A: Seven MEBCO directors attended: Union Trustees Bob Blakely, Edgar Doull, Fern Tardif and Greg Zaba, who is also MEBCO’s vice president, Management Trustee Brian Foote, who is also MEBCO’s treasurer, Professional Bill Anderson, who is also MEBCO’s president, and me. In addition to sponsoring a booth to introduce and familiarize delegates with MEBCO, we gave presentations at two workshops at the Conference.



Mel Norton
AON Consulting Inc.

Q: What was the main message you wanted to deliver?

A: Our main message was that provincial regulators need to give our pension plans time to recover from the depression in the financial markets over the last three years. Although our plans have survived this depression, they have been affected by it.

If the regulators react inappropriately, there may be harmful consequences for our members. For example, current retired members and spouses of deceased retired members could have their pensions reduced unnecessarily. Naturally,

no Board of Directors would ever take this action except as a last resort. And no Board of Trustees would want provincial regulators to impose such an action when other, less draconian, options are available.

Q: Why did MEBCO attend the NCCMP conference?

A: Randy Dufresne, Executive Director of the NCCMP, and some other NCCMP staff attended the Building and Construction Trades conference. Randy Dufresne invited MEBCO to lead a workshop at the NCCMP conference in Florida, so I attended that conference on behalf of MEBCO. MEBCO Advisor Tom Levy of Segal Company also was part of the NCCMP program.

American multi-employer pension plans and health/welfare plans are facing problems similar to those faced by Canadian plans, including major cost increases for health/welfare plans and funding deficiencies in pension plans. Our goals in attending the NCCMP conference were both to inform their members about the Canadian situation and to build stronger ties with the NCCMP.

We presented a workshop that showed that although regulatory aspects of pension and benefit plans are country-specific, Canadian and U.S. pension and benefit plans face similar issues. Pension plans in both countries are concerned with solvency issues, while benefits plans in both countries are coping with increased costs. The presentation was well-received by the NCCMP members who attended.

Q: What’s the advantage of MEBCO strengthening ties with the NCCMP?

A: We need to continue to build our relationship with the NCCMP and other similar organizations. The bilateral exchange of speakers is a useful first step in developing a longer-term relationship with the NCCMP in which we can share information and expertise to respond to similar issues. As well, we may be able to work together on specific issues to increase the likelihood of achieving our goals. Naturally, the solutions we develop may be somewhat different, since the governing legislation may also be different. ∞

Redesigned website coming soon!

In the spring of 2004, MEBCO will be launching a totally redesigned website. The site will have an attractive new look and accessing information will be easier

than ever. Look for details about the new website in the next newsletter – and watch for the launch of the site in 2004. ∞

MEBCO makes annual pre-budget submissions

By William D. Anderson
BPA Consulting Group Ltd.

Each year MEBCO makes written submissions to the House of Commons Standing Committee on Finance on budget issues affecting multi-employer benefit and pension plans. Our goal in making these submissions is to make the Ministry of Finance aware of important policy issues affecting MEBCO's members, and ensure our concerns are considered in their decision-making process.

This fall, our submissions focused on a number of important issues:

- **No new taxation of health and dental benefit plans.** MEBCO opposed any action to treat employer contributions to private health and dental benefits plans as a taxable benefit from employment. MEBCO also supported the continuing exemption of health and dental benefits paid to members of these plans from taxation.
- **No new taxation of registered pension plans.** We also opposed any taxation of employer or member contributions to registered pension plans or investment earnings of such plans. MEBCO is also opposed to the introduction of any new registration fees on registered pension plans, which operate as a disguised tax.

- **Support for government health care programs.** MEBCO affirmed our support for adequate government funding of current health care programs. Our submissions opposed any downloading of health care costs to private plans and described the financial consequences multi-employer benefit plans have suffered from absorbing the costs of government cutbacks in health care.

We continue our efforts to obtain a rebate for the GST paid on administrative expenses of multi-employer benefit plans.

- **Support for GST rebate.** We continued our efforts to obtain a rebate for the GST paid on administrative expenses of multi-employer benefit plans.
- **Concerns about solvency deficits.** MEBCO's submissions expressed concern about the solvency deficits facing many negotiated contribution/defined benefit plans. We suggested that the federal government could help pension plans address these deficiencies by treating contributions to remedy solvency deficiencies as "special payments" that wouldn't generate a pension adjustment for individual plan members. The article on page 2 of this newsletter provides a detailed discussion of the Canadian Institute of Actuaries' views on solvency concerns, which are endorsed by MEBCO.

A copy of our submissions will be posted on MEBCO's redesigned website at www.mebco.org. ∞

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