

Responses to Questions Raised
Standing Committee on Public Accounts
Ministry of Treasury Board and Finance
May 31, 2016

Q. Question put forward by Mr. Hunter:

Thank you, Mr. Chair, and thank you for being here. I just have another question regarding the pre-92 liability that you talked about. What is that costing us? You said that it would be paid off by 2060. I know what the liability is, what was passed on to us, but what is that costing us per year? (Page PA-192)

According to Government of Alberta Financial Statements, as published in the Annual Report, government contributed the following amounts to the pre-1992 Teachers' Pension Plan unfunded liability over each of the last three fiscal years:

- \$454 Million (2014-15),
- \$445 Million (2013-14), and
- \$435 Million (2012-13)

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Q. Question put forward by Mr. Gotfried:

You mentioned earlier that there was a study done into some equivalency between the public sector and the private and other sectors – I'm assuming nonprofit and NGO sort of sectors as well – and that you did have some percentages. I know you referenced that and said that you'd bring it forward. I'd be very interested in seeing what the latest studies are in terms of equivalency between the public sector and the private sector or at least statistics that would illuminate what's actually happening between the two sectors. (Page PA-195)

The following chart details the total number of pension plans registered across the country as well as the number of pension plans registered in Alberta with Alberta members.

	Total Number of Plans with AB Members Registered across Canada	Total Number of Plans with AB Members Registered in Alberta
Number of Plans	2,962	680
Source: Statistics Canada, Pension Plans in Canada Survey As of January 1, 2014 (most recent data)		

The following chart details the number of Albertans who are actively participating in a registered pension plan, split between the public sector and the private sector.

	Private Sector	Public Sector	Total
Pension plan members employed in Alberta	376,229	291,232	667,461
Source: Statistics Canada, Pension Plans in Canada Survey As of January 1, 2014 (most recent data)			

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Q. Question put forward by Mr. Barnes:

I understand that in 1977 Saskatchewan went to a system where everybody that was working for the government was grand fathered and the defined benefit pensions continued. Everybody new went to a new pension system. You spoke earlier about problems with parallel systems and problems with this. Could you get back to me with what the benefits would be? What benefits did Saskatchewan receive from doing this? (Page PA-200)

The Saskatchewan Public Service Superannuation Plan (PSPP) was established on May 1, 1927. New hires were enrolled in PSPP until October 1, 1977 when it was closed to new entrants. All new employees since that date have been enrolled in the Public Employees' Pension Plan (PEPP).

Like most public sector pension plans established at that time, the PSPP was funded entirely on a pay-as-you-go basis and did not have assets set aside in advance for the payment of benefit obligation. Payments of benefits for the plan are made from the general revenue fund.

According to the 2014-15 Annual Report, the Saskatchewan PSPP has:

- 5,404 retired members
- 14 deferred / inactive members, and
- 159 active members

Based on information provided by officials with the Government of Saskatchewan, the most recent actuarial valuation extrapolation completed as of March 31, 2016, predicts that the Government of Saskatchewan will continue to be obligated to pay approximately \$2.2 Billion for plan liabilities, calculated on a financial accounting basis.

As there are no assets set aside for the payment of benefits, the government is responsible for the entire unfunded liability of \$2.2 Billion. A small amount of contributions, approximately \$142,000, was paid by active employees into the general revenue fund during 2014-15.

The annual expense to the Government of Saskatchewan, for the closed defined benefit plan, was approximately \$130 Million in 2014-15.

Due to full closure of the old defined benefit plan, and the establishment of a new and separate defined contribution plan, the parallel administrative systems are not required to interact with each other.

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Based on information provided by Saskatchewan, they have not encountered any problems running two systems for the defined benefit and defined contribution plans, although there would be separate expenses associated with running two pension plans concurrently.