Alberta FINANCE

Fact Sheet

Roles and Responsibilities of Operating Pension Plans

January 21, 2004

Plan Sponsor:

- For most pension plans, the sponsor is the employer. But in the case of union negotiated pension plans the sponsor is the union.

- The sponsor establishes the plan and determines who is eligible to join, how much their contributions will be, who is eligible to receive benefits and what those benefits will be.

- The terms of the plan result from collective bargaining between the union and employers. Typically, the contributions are set through this process, and the Board of Trustees then decides what benefit levels can be afforded.

Plan Administrator:

- In most cases, the administrator is the employer of plan members. In the case of a union sponsored pension plan, it's the Board of Trustees.

- The administrator's role is to set investment strategy, monitor investment performance to ensure assets will adequately cover benefits and also ensure that:
    - contributions are adequate and being remitted on time,
    - benefits are being paid properly, and members receive information about their entitlements
    - the plan has regular actuarial valuations to estimate liabilities and costs
    - the plan complies with all laws including the *Employment Pension Plans Act* and the *Income Tax Act*.

Plan Members and Their Rights:

- The Board of Trustees has to provide members with basic financial information upon request by the member. These members are entitled to:
    - the plan which indicates what it's contractually required to provide,
    - trust and funding agreements which indicate who's responsible for holding the funds,
    - the Statement of Investment Policies and Procedures
    - the three most recent Annual Information Returns (indicating membership, assets, contributions) that the plan filed with the Superintendent,
    - the three most recent cost certificates (assets and liabilities, funded status of plan, required contributions for the next 3 years);
    - the three most recent Audited Financial Statements (assets and administrative expenses).

- Plan members should take an active role in getting the information they need to ensure their pension plan is managed effectively and efficiently in order to provide promised benefits.

Actuary:

- An actuary is a trained member of a self-regulated profession, similar to an accountant.

- They use such information as demographics, statistics, economics and accounting practices to estimate liabilities of benefits that have been earned up to the valuation date.

Regulator and Regulations:

- The Regulator, is the Superintendent of Pensions with Alberta Finance and is responsible for ensuring all plans are registered under and comply with the *Employment Pension Plans Act.* This Act sets the minimum standards for benefits, funding and disclosure to plan members.

- The Act requires actuarial valuations of plans be filed:
  - when the plan is formed,
  - when it terminates,
  - when significant events such as plan mergers occur, and
  - every three years.

- The Act demands that if a funding deficiency develops, the deficiency be amortized
  - if the plan does not have enough assets to cover the liabilities if the plan were to terminate, over no more than five years.
  - if the plan does not have enough assets to cover liabilities assuming that the plan continues to operate indefinitely, over no more than 15 years.

- If a plan doesn't comply with the Act, the Superintendent of Pensions can
  - issue a directive to make them comply,
  - go to court for an order making them comply,
  - go to court and charge them with an offence punishable by a fine of up to $100,000.