

mebco NEWS

THE VOICE OF MULTI-EMPLOYER PLAN INTERESTS IN CANADA

inside

MEBCO directors attend NCCMP Conference

The NCCMP Conference provided a valuable overview of issues facing American multi-employer plans.

2

Full story on page 2

Downloading of government benefits threatens MEBCO members

The federal and provincial governments are continuing to offload health benefits to private plans, which has eliminated benefits that were once widely available.

3

Full story on page 3

MEPPs face solvency funding problems

The combined effect of market declines in 2001, declining interest rates and the changed actuarial commuted value standard have caused solvency funding problems for many MEPPs.

4

Full story on page 4

MEBCO continues efforts to obtain GST rebate for health and welfare plans

MEBCO is continuing its efforts to obtain a GST rebate on multi-employer health and welfare plans ("MEBPs") similar to the GST rebate MEBCO successfully obtained for Multi-Employer Pension Plans ("MEPPs"). That credit has resulted in annual GST refunds of thousands of dollars each year for MEPPs.

MEBCO's efforts to obtain a GST rebate for health and welfare plans have been hampered by bureaucratic changes within the Department of Revenue. MEBCO has to re-start the educational process about the role of multi-employer plans each time new Department of Revenue staff members are involved with this issue.

Meetings proceeding slowly

In May, 2005, Ray Koskie and MEBCO directors Bill Anderson and Alex McKinnon met with Department of Revenue staff members to address the issue of GST rebates for MEBPs. Government officials were still having difficulty distinguishing between single-employer and multi-employer plans and understanding why MEBPs are requesting GST rebates. They expressed concern that insurance companies and other financial institutions will demand the same treatment as MEBPs, even though there is no similarity between those organizations and MEBPs.

Political uncertainty at the federal level could also impact lobbying on this issue. Had Parliament been dissolved in the spring and an election called, MEBCO's lobbying efforts would have been put on hold for another six months. Fortunately from MEBCO's standpoint, this did not occur and another meeting is scheduled for June, 2005. That meeting will also be attended by political staff, which may help speed up the process.

We will keep you advised of all further developments. ∞

MEBCO directors attend NCCMP Conference

In November 2004, MEBCO's American counterpart, the National Coordinating Committee for Multiemployer Plans, held its 30th annual conference in Orlando, Florida. MEBCO directors Andrew Hatnavy and Fern Tardif attended the two-day conference, which provided a valuable overview of the current issues facing American multi-employer plans ("MEPs"), many of which are similar to the issues being addressed in Canada.

Issues facing American multi-employer plans

The conference attracted speakers from all over the United States, and was attended by hundreds of delegates. The current political situation in the U.S. is not worker-friendly. The U.S. administration sees MEPs as equivalent to union plans, and MEPs have needed to convince politicians that they represent both employers and employees. The misperception of the true nature of MEPs has hampered their lobbying efforts in the U.S.

Some of the issues faced by MEPs in the U.S. are very similar to those facing MEPs in Canada.

In addition, both the Administration and Congressional leaders have indicated that they want to adopt a single set of rules governing both single and multi-employer plans. MEPs have had to spend a considerable amount of time and effort educating members of Congress and the Senate about what multi-employer plans are, who they cover and how they benefit both employers and employees.

Some of the issues addressed by MEPs in the U.S. are very similar to those facing MEPs in Canada, including:

- Increased health care and pharmaceutical costs, which are being assumed by private plans. Although the U.S. and Canadian health-care systems are very different, the increased privatization of the Canadian system has also shifted greater costs to private benefit plans;
- Taxation of benefits and other income tax issues. Although the U.S. Congress has passed pension-funding legislation that benefits single-employer plans, it has not done the same for MEPs;
- An increasing move away from employers providing comprehensive health and retirement benefits for employees to a model in which those benefits are seen as imposing unnecessary costs on shareholders.

The conference was extremely useful for the MEBCO directors who attended. It allowed MEBCO to keep abreast of the U.S. trends, which are often a precursor of Canadian trends, and reinforced MEBCO's strong ties with the NCCMP.

A MEBCO conference?

The NCCMP's conference was professionally run, had excellent speakers and was very well-attended. The NCCMP has offered to help MEBCO host its own conference focusing on issues affecting multi-employer plans in Canada. They are willing to help organize the conference and present a session at the conference. MEBCO will be considering such a conference in the future and invites your suggestions for possible topics. ☺

Increased membership can expand lobbying capabilities

MEBCO has launched a summer membership drive to expand its membership. The drive is focusing on professional organizations that provide services to multi-employer plans (MEPs), including actuaries, investment managers, investment dealers and money managers. MEBCO is sending a mailing to hundreds of service providers, encouraging them to join and highlighting the benefits they will receive for their membership fee. MEBCO members are being encouraged to ask professionals who provide services to their plans to consider joining.

Power in numbers

MEBCO also wants MEPS who are not currently members of MEBCO to consider joining. MEBCO's activities benefit all MEPs, whether or not they are members, and those benefits are substantial. For example, every MEP receives an annual GST rebate worth thousands of dollars because of MEBCO's lobbying efforts. The cost of an annual membership in MEBCO is only a small portion of the amount of the rebate — and it will allow MEBCO to continue its lobbying efforts for MEPs.

Downloading of government benefits threatens MEBCO members

By William D. Anderson
BPA Consulting Group Ltd.

The federal and provincial governments are continuing to offload health benefits to private plans, which has eliminated benefits that were once widely available. For example, at one time most provinces provided high-quality dental care to children and families on government assistance. Today, provincial dental care to children has virtually disappeared and the provision of dental services to families on government assistance has been greatly reduced in all provinces.

In Ontario and other provinces, regular vision testing is being eliminated for most adults. Chiropractor, physiotherapy and other paramedical services are being cut back or eliminated. And the increased financial burden on private benefit plans has forced those plans to cut back some of the benefits they offer. For example, there are increased restrictions on out-of-country emergency medical insurance coverage, which creates lifestyle problems for many retirees who regularly spend part of each year in the southern U.S.

Government benefits no longer universal

As Canadians, we used to believe in the universality of government benefits. Family allowance is now based on income and many families don't receive any benefit at all. Does this mean that the families that require more assistance get more? No!

The Old Age Security benefit is now clawed back if your annual income is over a certain amount. This reduction in benefit will affect some, but not all, of our members. It would

have affected more members if MEBCO hadn't lobbied hard at the time to maintain the claw-back being applied on an individual basis, rather than on a couple's joint income.

MEBCO opposes cutbacks to health care benefits and will fight hard on behalf of our members against any further downloading of benefits.

The United States has passed legislation phasing in the full payment of their Social Security at an increased age of 67. Our federal civil servants are now considering this for the Canada Pension Plan. This would provide tremendous savings for the government but put onerous demands on our private benefit and pension plans to take up the slack.

Keep us informed

When you hear of any suggestions that your provincial government may eliminate health care benefits, please let us know. MEBCO opposes any such cutbacks and will fight hard on behalf of our members against any further downloading of benefits. We will also continue to work to maintain the tax-free status of our trust funds so that our members can protect themselves and their families. ∞

The recent NCCMP conference in the U.S. highlighted the difference in funding between MEBCO and its U.S. counterpart. The NCCMP has far more members than MEBCO, and is able to use those funds to benefit its members. For example, they can retain counsel to intervene in court cases that affect MEPs, and can use that budget to meet with politicians and educate them about the role of MEPs.

Although lobbying activities are equally important in Canada, and although Canadian politicians often share their American

counterparts' lack of understanding of the role of MEPs, MEBCO does not have the budget to lobby for all issues of importance to MEPs. The only way for MEBCO to expand its activities on behalf of MEPs and increase the benefits it provides to all MEPs is to increase its membership.

If you know people who are involved with an MEP that is not a member of MEBCO, please urge them to join. ∞

MEPPs face solvency funding problems

By Tom Levy, Senior Vice President and Chief Actuary
The Segal Company, Ltd.



The combined effect of market declines in 2001 and 2002, declining interest rates, and the changed actuarial commuted value standard have caused many multi-employer pension plans, even those that are well funded on a going-concern basis, to have serious solvency funding problems. MEBCO is strongly opposed to solvency funding being required for Specified Multi-Employer Pension Plans (“SMEPPs”), but all jurisdictions currently have such funding provisions. The regulators do not have “official” positions as to what Trustees must do if their actuarial report shows that going-concern funding is fine but contributions are insufficient for solvency funding. Here is a brief, unofficial summary of what appears to be happening in the larger provinces.

- **Alberta.** Until recently, it was sufficient to take action designed to improve the solvency funding position, but benefit reductions to bring a plan into immediate compliance were not required. That appears to be changing and immediate compliance is being sought, even if it requires reductions in accrued benefits. There is a proposal to change the regulations to eliminate solvency funding requirements provided certain conditions are met, but the future of this proposal remains uncertain. In the short term, there continues to be a possibility that a formal but temporary moratorium on solvency funding requirements will be provided to SMEPPs. The temporary moratorium

would apply until the government determined its long-term public policy position on funding for these types of plans.

- **British Columbia.** Reductions in accrued benefits are being required in order to bring plans into immediate compliance with solvency funding requirements.
- **Ontario.** Reductions in accrued benefits are generally not being required where going-concern funding is adequate. Amendments improving benefits are not being permitted unless the remaining solvency funding period is less than the average future working lifetime of active participants – usually 10 – 15 years. The recently tabled Ontario budget indicates that amendments to the Pension Benefits Act with respect to MEPP funding may be in place by the end of 2005.
- **Québec.** Reductions in accrued benefits are generally not being required where going-concern funding is adequate, but benefit improvements are not being permitted. The government has introduced Bill 102 that, if enacted, would relax solvency funding requirements under certain circumstances.

The situation in Alberta and British Columbia is particularly troublesome. Benefits that are promised, that retirees depend on, and that the plan can apparently afford (based on the going-concern valuation) are being taken away for everyone because there is a small risk that the plan might terminate and benefits might have to be reduced. Further, for a multi-jurisdictional plan, workers in Province X may lose benefits because the plan is registered in Province Y, whereas those benefits would not have been lost if the plan were registered in Province X. ∞

MEBCO Board of Directors

EXECUTIVE COMMITTEE

President

William D. Anderson
BPA Consulting Group Ltd.
Professional
Ontario

Vice President

Alex McKinnon
Steelworkers Trusteed
Benefit Plan
Union Trustee
Ontario

Secretary

Joan S. Tanaka
Prudent Benefits
Administration Services Inc.
Professional
Ontario

Treasurer

Brian Foote
Toronto Construction Assoc.
General Contractors Section
Employer Trustee
Ontario

COMMITTEE MEMBERS

Andrew Hatnay

Koskie Minsky
Professional
Ontario

Harvey Mason

D.A. Townley & Associates
Professional
British Columbia

Mel Norton

AON Consulting Inc.
Professional
Ontario

Dr. Peter Martini LLD

Ontario Masonry Council
Employer Trustee
Ontario

Patrick D. Darrah

Saint John Construction
Associate Inc.
Employer Trustee
New Brunswick

Fern Tardif

Chairman, IBEW Local 625
Union Trustee
Nova Scotia

Bob Blakely

Building & Construction
Trades Department AFL-CIO
Union Trustee
Alberta

Fred Reeve

Graphic Industries
Employer Trustee
Ontario

Edgar Doull

International Union of
Operating Engineers
Union Trustee
Nova Scotia

Cameron Hunter

c/o Eckler Partners Ltd.
Professional
Ontario

Sid Matthews

Construction Industry
Employer Trustee
Saskatchewan

Gary Dean

Construction Industry
Employer Trustee
Nova Scotia

Steven Morrison

Business Manager/
Financial Secretary-Treasurer
U.A. Local 527
Union Trustee
Ontario

Deb Petryk

F.A.S. Group of Companies
Professional
Alberta

Romeo Bellai

Bellai Brothers Ltd.
Employer Trustee
Ontario

ADVISORS

Tom Levy

Senior VP and Chief Actuary,
The Segal Company, Ltd.
Advisor
Ontario

mebco

MULTI-EMPLOYER BENEFIT PLAN COUNCIL OF CANADA

135 Queen's Plate Drive, Suite 200, Toronto, ON M9W 6V1 | T 416 745 6466 | F 416 745 5163 | mail@mebco.org | www.mebco.org