



SEP 21 2020

2020 NHQ 002866

UNCLASSIFIED  
IRBV

## MEMORANDUM TO THE MINISTER OF SENIORS

### Update on the Government of Alberta's Actions Regarding a Potential Alberta Pension Plan

### Mise à jour sur les actions du gouvernement de l'Alberta concernant un potentiel Régime de pension de l'Alberta

#### FOR INFORMATION

#### SUMMARY

- The purpose of this note is to update you on the latest developments concerning Alberta's consideration to create an Alberta-only pension plan and withdraw from the Canada Pension Plan (CPP). This note is a follow-up to the June 2020 briefing note you received (Annex A) regarding the release of the Alberta Fair Deal Panel Final Report on June 17, 2020.
- In its report, the Fair Deal Panel suggested that the Alberta government consider creating its own pension plan. At the time, Premier Jason Kenney tasked the department of finance to study the matter.
- On September 10, 2020, the Alberta government put forward a request for proposals seeking an external analysis of the potential risks and benefits of establishing a provincial pension plan.
- The request for proposals seeks an analysis that includes actuarial, economic, legal, and technical information regarding the establishment and ongoing operation of an Alberta Pension Plan. The purpose of the analysis is to provide a clearer picture on what a future provincial pension plan may look like and help answer key questions that Albertans are asking about the costs and benefits of such a move.
- The final report from the contractor must be submitted to the Alberta government in early 2021. The report would include identification and analysis of key decision points and options. As of September 14, 2020, 28 companies had expressed interest in submitting a proposal.

.../2

## NEXT STEPS

- We will continue to monitor the situation and keep you informed of any developments.



Associate Deputy Minister

Executive Head: Kathryn McDade  
613-240-8561

I would like an oral briefing.

I would like \_\_\_\_\_ of my staff to be briefed.

No briefing required.

Attachment: 1



Employment and  
Social Development Canada  
Deputy Minister

Emploi et  
Développement social Canada  
Sous-ministre

2020 NHQ 001952

UNCLASSIFIED  
IRBV

**MEMORANDUM TO THE MINISTER OF SENIORS**

**Alberta Fair Deal Panel Final Report and the Alberta Government  
Response to the Recommendation to Withdraw from the  
Canada Pension Plan**

**Le rapport final de l'Alberta Fair Deal Panel et la réponse du gouvernement  
de l'Alberta à la recommandation de se retirer du  
Régime de pensions du Canada**

**FOR INFORMATION**

**SUMMARY**

- The purpose of this note is to inform you that the Government of Alberta has released the final report of its Fair Deal Panel (Annex A) as well as its response to the Panel's recommendations (Annex B) on June 17, 2020.
- One of the questions the Panel was directed to study was whether Alberta should withdraw from the Canada Pension Plan (CPP) in favour of a comparable provincial pension plan. In its final report, the Panel recommended that Alberta should "develop a comprehensive plan to create an Alberta Pension Plan" and to provide Albertans with the opportunity to vote on the issue via a referendum.
- Reflecting shared federal and provincial jurisdiction for pensions, the CPP allows for provinces to opt-out of the CPP, as long as they establish a comparable plan to operate within their province.
- In its response, the Government of Alberta grouped the Panel's recommendations into four categories: (1) those for which work is underway; (2) those that will be implemented; (3) those for which there is support to conduct further analysis; and, (4) those that do not yet completely align with government direction. The recommendation to create a potential Alberta Pension Plan was placed into the third category, suggesting that it is unlikely that a referendum would take place in 2020 or 2021.
- Finance Canada has shared speaking points prepared for Minister Morneau regarding the report. These are attached for your information (Annex C).

**BACKGROUND**



- The Fair Deal Panel was established by Premier Jason Kenney with a mandate that focused on providing ideas to give the province a bigger voice within the federation. The Panel was tasked to examine a number of potential measures that could benefit Alberta, such as establishing a provincial revenue agency to collect taxes.
- One of the questions put before the Panel was examining whether Alberta should withdraw from the CPP in order to set up its own comprehensive comparable plan.
- The idea to withdraw from the CPP in order to establish an Alberta-only plan had previously been a part of the platform of Alberta's Wildrose Party, although it was abandoned after additional study.
- The idea returned to public discussion in April of 2019, when the Fraser Institute put forward a study entitled "Albertans Make Disproportionate Contributions to the National Programs: The Canada Pension Plan as a Case Study". The study argued that as a result of Alberta's relatively young workforce, the province contributes more to the CPP than it receives in benefits, and that an Alberta-only plan would require a much lower contribution rate.
- The Fair Deal Panel's recommendation regarding withdrawal from the CPP is heavily based on that initial study, including the claims of a contribution rate of 5.85% (compared to the current CPP contribution rate of 9.9%).
- The report suggests that Alberta would receive between \$40 and \$70 billion from the CPP Fund as part of its withdrawal, and that these funds would partially offset the liabilities that the provincial plan would take on. That figure is taken from a policy brief prepared by Keith Ambachtsheer for the C.D. Howe Institute, titled "The Alberta Pension Plan Proposal: What's in it for the People of Alberta?"
- While the Panel used Mr. Ambachtsheer's estimate of the amount of the Fund Alberta would receive, they did not include the rest of his analysis, in which he suggested both the contribution rate and the administration costs of an Alberta-only plan would be higher than those projected by the Fraser Institute. Ambachtsheer also warned that the departure from the CPP's asset management governance would result in Alberta's pension fund being exposed to higher levels of risk.
- In making the recommendation, the Panel stated that the feedback it received on the question was mixed – with a number of Albertans expressing concern that the Province was making disproportionate contributions to the CPP which

.../3



could justify the creation of a new plan, while others expressed concerns about infrastructure, fund management and potential costs, and potential issues around labour mobility.

- The Panel provided survey data in its final report which shows that the majority of Albertans (58%) do not believe that withdrawal from the CPP would help improve Alberta's place in the federation. CBC polling in March of 2020 suggested only 36% of Albertans support such a withdrawal. It should be noted that this polling was completed prior to the COVID-19 pandemic and the reporting on Alberta Investment Management Corporation's (AIMCo) losses of up to \$3 billion dollars due to their market volatility strategy. AIMCo is a provincial Crown Corporation that operates at arm's length from the Alberta Government and is responsible for providing investment management services to Alberta pension and government funds.
- On the issue of portability, the Panel suggested that Alberta should consider duplicating the processes and procedures that allow the portability of benefits between the CPP and the Québec Pension Plan. However, the degree to which this could be accomplished would depend on the final structure of the Alberta-only plan, and would ultimately require tripartite negotiations between the three plans.
- In general, the Panel's report presents a positive case for withdrawing from the CPP, downplaying the potential risks of such a move. For example, the report suggests that some or all of the Alberta plan's funds could remain under the management of the Canada Pension Plan Investment Board (CPIB), despite the fact that this would run counter to CPIB's mandate – and changing the mandate to allow it would require the consent of two thirds of provinces. Similarly, the report does not address the need to create the infrastructure to collect and pay benefits – in fact, a later recommendation advises against the creation of an Alberta-only provincial revenue agency.

#### CURRENT STATUS

- In its response, the Government of Alberta has grouped the panel's 25 recommendations into four categories. They include: (1) those recommendations for which work is underway and will continue; (2) those the government accepts-in-principle and will now work to implement; (3) those where there is support to conduct further analysis; and, (4) those that do not completely align with government direction and require further analysis and/or modifications.
- The Alberta government response to the Panel's reports underlines that none of the Panel's recommendations was rejected outright. However, the


.../4

Government indicated that the recommendation to withdraw from the CPP was placed into the third category, i.e. it requires further analysis.

- Based on this categorization, the lack of public support for the option, and the current uncertain economic situation, it is unlikely that the Alberta government will be moving forward with a referendum on withdrawal from the CPP in 2020 or 2021.

**NEXT STEPS**

- We will continue to monitor the situation and keep you informed of any developments.



Associate Deputy Minister

Executive Head: Kathryn McDade  
613-240-8561

- I would like an oral briefing
- I would like \_\_\_\_\_ of my staff to be briefed
- No briefing required

Attachments: 3