

What is wrong with Solvency Legislation?

Pension legislation requires pension plans to value plan liabilities on two different basis; 1. Going-concern basis which looks at the long-term funding of the plan assuming the plan continues indefinitely and 2. Solvency basis which assumes the plan is terminated on the valuation date.

If the Pension Plan is terminated, the Trustees must buy annuities from an insurance company to pay the monthly pensions to members. A solvency valuation approximates the cost of buying these annuities. This cost or premium is not determined by the Pension Plan's investments; instead it is determined by the insurance company based on low guaranteed interest rates (currently around 4.5%). These low interest rates or low future investment returns result in high insurance company premiums and thus high solvency liabilities.

The problem with solvency legislation is that even though the Pension Plan is well funded on the going-concern basis, the Trustees are forced to keep money aside for this hypothetical inflated insurance company premium instead of using the money for Pension Benefits. This is further unwarranted given the Trustees have no intention to terminate the Pension Plan. Finally, why should the Trustees have to set aside money that assumes only a 4.5% rate of return when in reality, the Pension Fund's investments are expected to earn 7.5%?

Such unfair legislation has prevented the Trustees from bestowing further Pension Benefits in the past ten years! During this time, the Trustees have actively lobbied the government to have this legislation changed for multi-employer pension plans. The Trustees hope that this will happen soon in Alberta. Other provinces, such as Ontario, have already recognized this fault and have initiated changes to their legislation.

ELECTRICAL INDUSTRY PENSION TRUST FUND OF ALBERTA

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ELECTRICAL INDUSTRY PENSION TRUST FUND OF ALBERTA



UNION YES 

ECAA's Group of
Unionized Electrical
Contractors

**ELECTRICAL INDUSTRY PENSION
TRUST FUND OF ALBERTA**

**STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS**

For the Year Ending December 31, 2010

ADDITIONS	
Contributions	\$ 58,854,252
Investment Loss	(4,043,973)
Current Period Change In Market Value of Value of Investments	76,290,541
Other Additions	<u>5,775</u>
TOTAL ADDITIONS	\$ <u>131,106,595</u>
DEDUCTIONS	
Pension Benefits	\$23,248,066
Reciprocated Contributions	3,428,002
Commutated Value Payments	2,880,678
Investment Expenses	3,162,772
Administration Expenses	532,735
All Other Expenses	<u>679,959</u>
TOTAL DEDUCTIONS	\$ <u>33,932,212</u>
INCREASE IN NET ASSETS	\$ 97,174,383
NET ASSETS AVAILABLE FOR PLAN BENEFITS AT BEGINNING OF YEAR	\$ <u>502,397,841</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS AT END OF YEAR	\$ <u>599,572,224</u>

To: All Plan Members, Pensioners and
Contributing Employers

We are pleased to present to you the Annual Report highlighting the activities and progress of the Pension Fund to December 31, 2010.

During 2010, 167 new Pensioners and 23 new Beneficiaries were awarded monthly pensions. This makes a total of 2,105 Pensioners and Beneficiaries who received pension benefits in 2010. In addition, 73 commuted values were paid to terminated vested members and former spouses.

This Plan results from continued Collective Bargaining Agreements between Local Union 424 of the International Brotherhood of Electrical Workers and the Electrical Contractors Association of Alberta. The Pension Plan is for the benefit of those Employees working for unionized contractors and is supported solely by Employer Contributions.

Audits have been performed on the records of the Fund. The complete Financial Statements are kept on file at the Fund office.

Yours very truly,

BOARD OF TRUSTEES

**STATEMENT OF NET ASSETS
AVAILABLE FOR PLAN BENEFITS**

As at December 31, 2010

ASSETS	
Cash in Bank	\$ 2,263,757
Contributions Receivable	3,813,221
Harmonized Sales Tax Rebate	30,270
Accrued Investment Income	2,667,182
Investments	591,636,959
Prepaid Expenses	17,342
Due from Employee Benefit Funds Administration Ltd.	<u>51,955</u>
TOTAL ASSETS	\$ 600,480,686
CURRENT LIABILITIES	
Accounts Payable	<u>908,462</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$ <u>599,572,224</u>
PROJECTED ACTUARIAL VALUES	
As at December 31, 2010	
ACTUARIAL VALUE OF ASSETS	\$ <u>640,370,000</u>
ACTUARIAL LIABILITIES FOR FUTURE PENSIONS	
Going-Concern Basis	<u>\$ 566,876,000</u>
SOLVENCY LIABILITY*	\$ <u>697,111,000</u>

*Solvency Liability is a legislated calculation of plan liabilities assuming a plan termination. The Trustees have no intention to terminate this Plan. (See comment on opposite page.)