

The National Payroll Institute cautions about the potential impacts of a standalone Alberta Pension Plan

On September 21, Alberta's provincial government released a long-awaited report arguing for a standalone Alberta Pension Plan (APP) – one which would include mandatory employee and employer contributions – completely removing the province from the Canada Pension Plan (CPP) all together.

Premier Danielle Smith has contended that an APP will save Albertans money by lessening contributions. But, financial advisors, economists and the majority of working Albertans are not so convinced. In fact, a recent survey of the National Payroll Institute's Alberta members showed that the majority of respondents who process payroll on behalf of Alberta employees were not in favor of an APP. Approximately 74 per cent do not support the initiative, and an additional 21 per cent are still undecided or unsure.

For this reason and more, the National Payroll Institute urges Premier Smith and the Albertan government to carefully consider the implications that would come with exiting the Canadian Pension Plan.

An APP would come at a great cost for employers, payroll services and software developers.

Canadian payroll is incredibly complex, and research has shown that complexity comes at a significant cost to employers and the greater economy (Source: PwC Canada - [The Cost of Employer Compliance and Public Policy Implications](#), November 2020).

A separate pension plan disproportionately impacts small businesses where owner-operators are often managing payroll themselves since they don't have the financial capacity to implement new systems or hire a payroll professional.

In the event of a realized APP, payroll software and service providers would be required to reprogram systems and train staff at a significant investment to properly administer new requirements. For software providers, these changes cannot be made quickly.

An APP would cause a dis-harmonization of policies jurisdictionally, creating more complexity for employers and payroll professionals who are managing payrolls across multiple jurisdictions.

An APP could stifle economic growth opportunities for both Alberta and the rest of Canada.

Higher costs associated with an APP could easily discourage companies from expanding or investing into Alberta. PwC Canada estimates the cost of compliance activities borne by Canadian employers is approximately \$12.5 billion per year.

For Canadian businesses, the high costs and complexity of compliance are diminishing their ability to innovate and expand into new Canadian markets, reducing Canada's business competitiveness and making Canada less attractive for investment.

An APP could considerably limit Albertan's work opportunities, out-of-province career growth and retirement options.

For any Albertans that wish to move and work elsewhere in Canada or retire out of province, an APP would pose significant financial complications, especially if the intention is to have an APP contribution rate that differs from that of the CPP.

This would burden taxpayers if their employment were outside of Alberta (i.e. an Alberta resident working remotely for an out-of-province employer). All employers would have to manage reconciliations for employees transferring in and out of Alberta. Similar unintended consequences have been seen in Quebec for both workers and retirees.

An APP could negatively affect ALL pension recipients, including those in Alberta

The province of Alberta is claiming a right to withdraw over \$345 billion from the CPP fund. This would negatively impact all CPP pension recipients. In addition, there is a risk that pension recipients from a newly formed APP could earn less than they would from the CPP.

Legislators need to exercise caution when considering *any* changes that will add payroll complexity – and an APP would add significant complexity. It is vital that the government consider these impacts.

CPP was created in 1965 and today is recognized as one of the most well-governed, reliable and secure pension plans in the world. It is well-funded and has always securely paid benefits to Canadians.

A recent report by the chief actuary of Canada indicates the CPP is sustainable over a 75-year projection period, which provides some financial security for seniors in retirement, as well as their children and grandchildren.

The National Payroll Institute is always ready to work with the government to explore common sense approaches that can eliminate red tape and support a robust economy in Alberta. Establishing an APP is costly and risky for everyone concerned.