

Pensions

[1970, revised 1972, 1976, 1979, 1990, 2009, 2020]

The major objective of a pension plan is the provision of a secure income to maintain one's standard of living during retirement. The achievement of this objective requires a stable source of revenue from a fund to which employees and employers are required to contribute. Additionally, tax measures should encourage individuals to supplement retirement savings, thus reducing overall societal obligations.

Pensions for Alberta teachers were first achieved in 1939 under the *Teachers' Retirement Fund Act*. A new act came into effect on 1948 04 01, under which pensions were calculated as a percentage of average salary earned during the highest five consecutive years. In 1939, teachers offered to defer a portion of their salaries to provide for their retirement income. This deferred salary is what government contributes to teachers' pensions. In addition to this government contribution and teachers' contributions, investment returns provide the majority of funds for teachers' pensions. Since that time, many improvements have been made, but the Alberta Teachers' Pension Plan has remained basically the same. Both the Government of Alberta, cast in the role of employer, and teachers, as employees, originally made contributions to a fund.

In 1956, the Government of Alberta ceased to make annual contributions to the Plan and, in place of this, guaranteed the pension plan and made its contribution only in support of a pension after one had been granted to a teacher. Subsequently, after the government's former contributions had been used up in payment of pensions, teachers' contributions remained as the Plan, which is invested in accordance with the *Canadian and British Insurance Companies Act*. The 2007 Memorandum of Agreement between the Government of Alberta and the Alberta Teachers' Association states the government is responsible for the liabilities associated with the pensions for the period of service before September 1992. No assets are in the plan for that period of service. The Government of Alberta guarantees the payment of pensions related to the pre-1992 period, and the Alberta Teachers' Retirement Fund (ATRF) receives sufficient funds from the government each month to pay these pensions as they become due. In 2018/19, the government provided \$483 million to meet this obligation.

The Teachers' Pension Plan has been administered by a board appointed by the Lieutenant Governor in Council and made up of equal representation from nominees of the Alberta Teachers' Association and the Government of Alberta. Teachers believe that this is the most appropriate way of administering the Plan. They also believe that actuarial stability of the Plan should be guaranteed through legislation and by contributions from teachers and the provincial government. Teachers deserve a fully funded, compulsory, defined benefit plan that is invested by the ATRF Board in a manner that matches the funds investment strategy and risk to the requirements to fund the liabilities of the plan without interference by government.

High on the list of desirable features of the pension plan are automatically adjusted benefits, which would allow teachers to maintain throughout retirement the standard of living enjoyed in their teaching careers. Furthermore, pension benefits calculated on the basis of the average of the highest three years of salary would be appropriate. Pension without actuarial reduction at or after age 55 or after 30 years of contributory service or with an age-plus-service index of 80 would provide optimum flexibility to teachers and should be sought. Teachers should receive a pension based on 2.5 per cent of salary per year of service.

Pensionable service should include all teaching experience, be it within or outside Canada. Teachers should be allowed to purchase as teaching service maternity, parental or adoption leaves, vocational trade experience recognized for salary purposes, strike or lockout time, military service, service with the Canadian International Development Agency or other such educational agencies, and Department of Education employment during nonteaching periods. The Association also maintains that contributions should be waived during periods of disability and that a disabled teacher's pension should be calculated on a salary indexed to that paid to active teachers. Additionally, legislation should be amended to allow teachers who received disability benefits under the Canada Pension Plan to accrue pensionable service for the period of disability.

Reciprocal agreements without time limits and without requirements of return to employment should be negotiated for teaching service with other approved plans. Refund of contributions should be available on application, as should reinstatement into the plan. The Government of Alberta should negotiate with the Association for the purpose of amending the Alberta Teachers' Pension Plan to give teachers on leave of absence the option of (1) contributing to the plan during the leave as if they were still teaching and (2) having their contributions matched by the government according to the sharing arrangement in the plan.

Some other features that teachers expect in their plan include vesting after two years of pensionable service, locking in of contributions and decking of the Canada Pension Plan with the teachers' plan. A variety of pension options should continue to be available, along with payment of pension earned to a surviving spouse or other dependent. Additionally, as a number of retired teachers return to teaching service, they have an interest in the Association negotiating with the Government of Alberta to remove the 0.6 FTE limit on work when the pensioner holds a teaching contract and is in receipt of an Alberta Teachers' Retirement Fund pension.

Although teachers expect to continue to participate in a defined benefit pension plan, they also recognize that maintaining and improving their pension rights may require increased contributions. The Association is prepared to defend teachers' pension rights and to negotiate improvements to their plan. Managing such a large, diversified investment portfolio well requires a solid foundation of people, processes and systems, along with a forward-thinking view of financial markets. Alberta teachers have a keen interest in the management of their plan: these teachers expect to access a list of funds that are held in trust for the benefit of teachers by the Alberta Teachers' Retirement Fund.