

**Submission to  
Standing Committee on Private Bills and Private  
Members' Public Bills**

**Regarding**

**Bill 203, *Pension Protection Act***



The Alberta Teachers' Association

2020 07 02

## **About Us**

The Alberta Teachers' Association, as the professional organization of teachers, promotes and advances public education, safeguards standards of professional practice and serves as the advocate for its 46,000 members.

The Association is a cosponsor of the Alberta Teachers' Retirement Fund (ATRF) along with the Government of Alberta.

As cosponsor and the representative of teachers in Alberta, pursuant to the *Teachers' Pension Plans Act*, the Association nominates the same number of persons to the ATRF Board as are nominated by the Minister.

As Alberta's teachers and our members pay more than half of the contributions to the plan, this arrangement ensures joint governance over a plan that is jointly funded. We act as the representative for our members when it comes to pension matters.

This relationship and the role of the Association in it have effectively been in place for over 80 years since the establishment of the plan.

## **Background**

On October 24, 2019, the President of Treasury Board and Minister of Finance tabled the *Fiscal Plan: A Plan for Jobs and the Economy, 2019–23*, as part of introducing Budget 2019. Page 120 of the fiscal plan read in part, "To maximize the funds under investment, government intends to reverse the option of public sector pension plans leaving AIMCo as a fund manager. Moreover, the Alberta Teachers Retirement Fund, Workers' Compensation Board and Alberta Health Services will be expected to transfer funds to AIMCo for management, reducing redundant administration."

This statement was the first and only notification provided to teachers and the Association of government's intent to transfer fund investment management from ATRF to the Alberta Investment Management Corporation (AIMCo).

On November 18, 2019, the President of Treasury Board and Minister of Finance tabled Bill 22, *Reform of Agencies, Boards and Commissions and Government Enterprises Act, 2019*. Among other things, Bill 22 requires the ATRF board to engage AIMCo as the exclusive provider of investment management services and to ensure that all investments of the pension funds are managed by AIMCo. Bill 22 requires the negotiation of an investment management agreement that would take effect no later than June 30, 2020, and would see the transfer of investment management completed by December 31, 2021.

Bill 22 passed third reading on November 21, 2019 and was given Royal Assent on November 22, 2019—just four days after it was first introduced.

On June 8, 2020, Christina Gray, MLA for Edmonton-Mill Woods, introduced Bill 203, *Pension Protection Act*. Among other things, Bill 203 calls for the repeal of Sections 17.1 to 17.3 of the *Teachers' Pension Plans Act*, thereby reversing the changes made by Bill 22 requiring the ATRF to use AIMCo as its exclusive provider of investment management services.

## **Teacher Concerns and Reactions**

After the tabling of Budget 2019, teachers quickly reacted to the inclusion of the statement on transferring investment management for their pension to AIMCo. Teachers were initially very concerned that they were not consulted on this change and that its announcement was a complete surprise to both teachers and the Association.

The Association, driven by intense pressure and scrutiny of members, established an online tool that would enable teachers and others to easily send an e-mail to their MLA identifying concerns with this unilateral decision. In the first weekend of its operation, Alberta teachers using that tool sent over 10,000 e-mails to MLAs expressing concern. By the time Bill 22 was introduced in the legislature, 15,000 e-mails had been sent.

One of the concerns most often expressed by teachers is that this decision was made with absolutely no consultation with plan members, who make more than half the contributions to the fund and therefore bear half the risk of any shortfalls or deficiencies. This is an important and often misunderstood fact: This plan is not backstopped by taxpayers—it is a risk-shared pension plan. Pension benefits for service after 1991 are not guaranteed by the Government and must be funded with contributions made by employers (through the Government) and participant teachers as per the negotiated cost sharing arrangement that is an integral part of teachers' total compensation.

Bill 22 was tabled on the afternoon of November 18, 2019. Despite the overwhelming and well-documented objections of teachers, retired teachers and others, the government pushed Bill 22 through the legislature at breakneck speed. Debate on second reading began at 8:00 PM on November 19, 2019, and the bill had passed third reading by 11:30 AM on November 21, 2019. Bill 22 passed through all stages of debate in just over a day and a half. By the time Bill 22 passed, the number of e-mails sent to MLAs grew to over 30,000.

Bill 22 is an 87-page bill covering a wide variety of issues, of which the teacher pension plan changes account for only two pages. Teachers are very concerned that the extremely limited debate allowed on Bill 22 could not appropriately and adequately consider the multitude of concerns that teachers had about the ATRF decision.

Since the passage of Bill 22, news stories about the failure of risky investment strategies and the underperformance of AIMCo relative to comparators, including the ATRF, have galvanized the resolve of teachers on this issue. To date, we know that over 25,000 teachers and retirees have sent more than 50,000 e-mails to MLAs expressing concern about this unilateral decision and the heavy-handed and undemocratic way that it was imposed on teachers.

As teachers have heard back from MLAs in response to their concerns, they have been left deeply disappointed. Government MLAs assert that the decision is a done deal and that there will be no further consideration given to teacher concerns. Replies suggest that teachers will save money directly as a result of this decision and that savings will be reinvested into classrooms--neither of these things are demonstrably true, as confirmed by the testimony of the Deputy Minister of Treasury Board and Finance, Athena Mentzelopoulos, at your committee's meeting on June 23, 2020.

When asked about the cost savings, Ms Mentzelopoulos replied, "Well, from the ATRF we haven't done a detailed calculation," and when asked about cost savings for education budgets, she did not confirm that the savings would be realized within education; instead, she replied, "ultimately, the relief that is found there can be used for other purposes in government."

Teachers have been left unsatisfied by government's inadequate response to their concerns and remain unconvinced that this change is in their best interests.

This submission from the Alberta Teachers' Association will not delve into the financial implications of this decision, as most of our information on that matter comes from the pension and investment experts at the Alberta Teachers' Retirement Fund and we encourage the committee (and government) to consult with the staff of the ATRF who are best positioned to provide the most accurate and complete analysis possible. However, teachers and the Association are very mindful that the board of directors of ATRF, which has a fiduciary duty to act in the best interests of the plan and its members and includes an equal number of teacher and government nominees, has recently declared that it does not believe this transfer to be in the best interests of the plan and members.

While we will leave material representations on these matters to those who possess expert knowledge, we will comment on the importance of ensuring that returns on investment are maximized at the appropriate level of risk. Ensuring the best returns on investment while managing risk is essential for maintaining the financial health of the plan and minimizing its costs to the sponsors, both teachers and government. Approximately 75 cents of each dollar paid out in benefits to pension recipients is generated from returns on investment. Should the rate of return be reduced, as would have been the case if AIMCo had been managing teacher pension assets previously, the difference would have had to have been made up by increasing the contribution rates charged individual teachers and the government. We note that the ATRF's effective management of the funds under its exclusive control have enabled it to hold constant or reduce contribution rates since 2013.

The claims that have been made that management of pension funds by AIMCo would have reduced administrative costs, even if true, must be contextualized in light of the inferior performance of AIMCo in generating revenue.

### **Teachers' View on Bill 203**

In light of the legitimate and unaddressed concerns of teachers, the decision to transfer investment management to AIMCo deserves to be fully debated and exposed to close scrutiny. Bill 203 provides an opportunity for that debate and for this matter to be given much deeper consideration without the interference of the wide array of other issues discussed in the limited debate over Bill 22.

The surprise announcement, the lack of consultation, the unsatisfactory responses from MLAs and the rapid passage of Bill 22 have led teachers to conclude that democracy was not served in a decision that is vitally important to our members, retirees and their families. The Standing Committee on Private Bills and Private Members' Public Bills now has an opportunity to correct this wrong by allowing Bill 203 to receive the fair consideration and thorough discussion that was not afforded to Bill 22.

On behalf of our 46,000 members, the Alberta Teachers' Association strongly urges the committee to approve Bill 203 for a full and unhindered debate in the assembly.

### **Conclusion**

The Association thanks the members of the Standing Committee on Private Bills and Private Members' Public Bills for their time and consideration of teachers' views on this important matter. We thank MLA Christina Gray for again bringing to light these important concerns of teachers. We look forward to watching the thoughtful discussion and hearing your well-reasoned decision. If further engagement with the Association is warranted or desired, we are prepared to offer our assistance and input at any time.