

**Presentation to the Legislative Committee on Bill 45
The Teachers' Pension Amendment Act**

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My name is Brian Ardern and I want to thank you for the opportunity to be here today. I have been involved in questions regarding our pension plan for a good portion of the last decade and my time as president of the MTS, which ran from 2003 until 2007, was dominated by pension issues. As someone who has spent the last five years striving for solutions to the lack of an adequate COLA for retired teachers, I see this legislation as a solid *step* in the right direction.

In just over three years, I will become eligible to receive my pension. This legislation will directly affect me. My desire, like that of every retired teacher, is to receive full indexing of that pension. Barring full indexing, I would like at least a significant guarantee – something that would assure a high percentage of the annual CPI. Unfortunately, the time when such arrangements could have been made has long passed.

Regrettably, the right time to deal with the issue of COLA was in the 1980s and 1990s when the actuary was warning annually of future problems. During that period, time and demographics provided an opportunity to deal with the COLA question relatively painlessly. During these years, minimal contribution increases or limiting the annual payouts would have combined to create a pool of money that would have grown and been available today. Instead, the PAA paid out full, or nearly full, COLAs for many years – draining the account of funds it would need for the future.

And you know it's interesting. I was a delegate to the 1993 MTS AGM and I went back to review what our organization was saying about inflation protection at that time. 1993 was a significant year. Aubrey Asper, who is making a presentation at these hearings, was the MTS General Secretary. Terry Clifford, who is also making a presentation and currently sits on the TRAF Board, was the MTS President. Anne Monk had been sitting on the TRAF Board for years, and as she told us yesterday, the actuarial warnings that had started in 1984 had been passed on to government and MTS every year. And Tom Ulrich was not only sitting on the TRAF Board, he was the MTS staff expert on pensions, and would have paid a key role in writing the report that went to our AGM.

So here is what the 1993 AGM report on pensions says about COLA:

“The committee concluded that the provision for inflation protection is adequately addressed in the present arrangement at the current level of inflation.”

How on earth, after nine years of actuarial warnings that the COLA provisions were *not* adequate could the MTS pension experts have reported to AGM and teachers that they were? It's defies logic.

Today we are working against time and swimming against overwhelming demographics. The time for simple and painless solutions is long past. No matter how much we talk. Having ignored the issue for more than two decades, we face difficult choices and the realization that anything approaching full COLA, or even a specific guarantee, is financially beyond reach.

It is important however, that we move now. Waiting for a solution that is perfect, which will satisfy everyone, merely puts retired teachers into a bigger and bigger COLA hole. The sooner we begin to address this issue the sooner we can begin to make improvements. These improvements will not provide retired teachers with all they would like. It will not provide me with all I would like. But although we cannot provide a guarantee, we must make a start.

By now the mistakes of two decades ago have been acknowledged by everyone. Less attention has been paid to the mistakes that were made just five years ago.

I'm well acquainted with the proposal that was put forth by The Manitoba Teachers' Society in 2003. Parts of that proposal were very similar to recommendations contained in the Sale Report.

In March of 2003, the current President of MTS, Pat Isaak and I attended a meeting with representatives of RTAM, government and TRAF. A number of ideas were explored at that meeting – including the Society's proposal that we move to a total fund return for the PAA and that future COLAs be capped at 2/3rds.

In the end, RTAM would not accept a cap of 2/3rds and refused to support the Society's position. MTS put forward these proposals in the fall 2003 Brief to the Minister of Education, but without the support of RTAM, government refused to move.

Clearly, the refusal of government and RTAM to support the position of the Society in 2003 did not have a positive outcome. If the Society's 2003 proposal had been implemented, retired teachers would have received significantly higher COLAs. Instead, retired teachers received next to nothing over that period.

It is ironic that while the rejection of the 2003 MTS proposal was a victory for RTAM, it had a negative impact on retired teachers.

RTAM views the 2/3rds cap as a benefit reduction, because the current legislation allows for COLAs of up to 100% of whatever the PAA can afford. Of course when the PAA can afford little or nothing this distinction is meaningless - and no one believes that under the current circumstances anything is going to change soon. But unless something is altered, retired teachers will continue to get up to the 100% of what the PAA can afford – which means they will continue to get next to nothing.

My own view is that 2/3rds of something beats 100% of nothing every time.

No one can reasonably expect that active teachers or government will be able to step forward with the hundreds of millions of dollars that would be required to provide for even a 2/3rds guaranteed COLA. But the current provisions are clearly inadequate and we cannot stand still. The only possible solution is to take a gradual approach and find incremental steps that will allow us to improve the situation over time.

One such step, the 2005 contribution increase, has already been taken. It resulted in active teachers putting approximately 18% more money into the Pension Adjustment Account every year. And we still need an additional contribution increase – which will mean still more money for the PAA. But we need to do more.

We need to implement the recommendations of the Sale Report, as contained in Bill 45, now. We need to recognize that we cannot fill a twenty-five year hole all at once, but we can start to make realistic changes that will provide retired teachers with improved COLAs and also act to protect the health of the basic benefit for both retired and active teachers.

Our failure to act in the past means that we have wasted years and decades. We should have dealt with the issue of contributions over twenty years ago. We didn't. We ignored the clear warnings we were given and retired teachers are now facing the cost of that inaction.

Five years ago we had another opportunity. The Society's proposal did not provide a perfect solution, but it would have meant significantly greater COLAs over the last five years. Our inaction means over that period retired teachers have received significantly less than they might have.

We could, of course, reject the Sale Report, and Bill 45. We could insist that it isn't good enough and send everyone back to the table to talk some more. We talked about this for more than five years. What's another year? Or three? Or five? It's always easier to talk than act. In the end however, commonsense tells us that the hundreds of millions of dollars required to provide the guarantee everyone would like is not, and will not be available.

Retired teachers are not going to get a full COLA. We cannot even guarantee them a 2/3rds COLA. No government of any political stripe can. What we can do is make reasonable and fiscally sound improvements. We can, and should, improve the COLAs. Holding out for more and demanding a solution that is simply unattainable can only hurt retired teachers. It's a lesson we should have learned five years ago.

I want to thank you again for the opportunity to be here today. I will retire soon and the COLA question is of vital concern to me. I applaud the recommendations of the Sale Report, the willingness of government to introduce Bill 45, and the courage of the MTS Provincial Executive to finally face this situation.

I believe that Bill 45 represents a practical and balanced approach to a difficult situation and I hope to see it passed and implemented soon.

Thank you.

Respectfully submitted.
Brian Ardern