

Presentation on Bill 45 Amendments to The Teachers' Pension Plan Act

My name is Kyle McKinstry and I am a teacher in the Pine Creek School Division. I am also a member of Provincial Executive of The Manitoba Teachers' Society.

I welcome the opportunity to be here today. As a teacher who will pay into my pension plan for another two decades or more, and then depend on it for the remainder of my life, I am vitally concerned about both the cost of my pension and its viability over the very long term.

I am here to show my support for Bill 45, the amendments to our pension plan, which I believe take into account both the cost of funding our plan and its long term wellbeing.

For the last two years I have had the opportunity to sit as a member of the Pension Task Force. Those discussions have provided fascinating insights into not only our current situation but also into the factors that led to the issues we face. Over my time on the Task Force I have become absolutely convinced of one thing - that any decisions made regarding our pension plan must be made with a singular objective of ensuring our plan remains healthy in the decades to come.

We have teachers starting work this year. They will pay into the plan for next thirty years or more. They will collect pensions for another thirty years or more after that. We are talking about six and seven decades into the future! We are making decisions about a plan that will still be paying out benefits long after most people in this room are long deceased. It is an awesome and somewhat frightening responsibility.

The more I have heard and read about our pension plan the more concerned I am about the mistakes that were made over the last 25 years. During that time benefits were improved and high COLAs were paid out. There was not, however, an increase in contribution levels to balance the additional costs.

There were clear warnings that what was happening was not sustainable, but the long term health of our plan was sacrificed for short term considerations. Instead of reacting to the demographic challenges that were coming, the decision makers at the time took advantage of the ratio of six or seven active teachers for every retired teacher to improve benefits and keep contributions low. In fact it amazes me that even with the large increase in 2005, which was nearly 20%, teachers in Manitoba continue to have the lowest pension contributions in the country. How was all of this allowed to happen?

I always tell my students that it is OK to make mistakes as long as we learn from them. We cannot undo the mistakes of the past, but we certainly need to take a lesson from them.

What I appreciate about the Sale Report is that it demonstrates an understanding of not only the difficulties with regard to COLA but also of the history of our plan, our need to

consider long term viability and the issue of contributions, something Mr. Sale stressed repeatedly during the task force discussions. Mr. Sale also paid attention to the question of how legislative requirements make even minor changes to our plan difficult and time consuming.

Take for example what the Sale Report says about contribution levels. He notes that they need to be reconsidered following the 2009 valuation. Should contribution levels rise it would result in two things. It would provide additional money to boost the COLA, but at the same time it would help ensure the long term health of the plan. While this aspect of the Sale Report has received little attention it is insightful and noteworthy.

I also appreciated the recommendations of Mr. Sale to move aspects of our plan into regulation. While government should always consult and get agreement with teachers prior to making pension changes, the current system of having to introduce legislation for even the most minor issues is wasteful and inefficient.

It is not difficult to understand the position of retired teachers on the issue of COLA. Everyone appreciates the impact of inflation over time -- especially on teachers who retired in the last five years. I am truly sympathetic with the situation they face.

Many retired teachers have come to understand the situation our plan faces and are supportive of the Sale Report. While they would like more for COLA than this plan will provide, they also understand the realities of the situation.

Other retired teachers are not supportive. They insist that the money must be found from somewhere, to give them greater inflation protection.

The problem is that the amounts of money required are fundamentally beyond reach. Government simply cannot afford the hundreds of millions of dollars such a solution would require. Nor would it be fair to demand it of active teachers, who are already paying more than retired teachers paid in order to receive the same level of pension benefits.

Above all, government must ignore the request of RTAM to take money out of Account A, which pays the basic benefit, in order to fund a larger COLA. While such an idea is attractive in the short term, it places our plan in a precarious position over the long term. Our plan is already under funded, and the ramifications of draining the main account for near term gain should be obvious.

I want to thank Mr. Sale for his work with the Pension task Force and his recommendations. And I want to thank government for bringing forward legislation that makes an honest attempt to support retired teachers while at the same time being far sighted about protecting our plan.

This is not a perfect world and there are no perfect and easy solutions. The mistakes of the past are not easily corrected. This may be an emotional issue for some, but the numbers are what they are and no amount of irate rhetoric is going to change that. This legislation is fair, balanced and reasonable. It keeps an eye on today by making an immediate and significant improvement in COLA – and, even more importantly, it also keeps an eye out for the future.

Thank you again for the opportunity to be here today and I look forward to the passage of this legislation.