

Presentation to the Legislative Committee on Bill 45

The Teachers Pension Plan Amendment Act

Pat Hamm

My name is Pat Hamm and I am from Carman. I have been a teacher for 15 years, the last two years at Carman Collegiate as a resource teacher I am also president of the Prairie Rose Teachers' Association which has 179 teachers. And I am a member of the Provincial Executive of The Manitoba Teachers' Society, an elected position I have held for three years.

Thank you for giving me the opportunity to speak with you today. First off, I'd like to say that I wholly support Bill 45. So far, you've heard mostly from retired teachers who are against the changes this Bill proposes. Unfortunately, much of what has been said has been based on misinformation.

Let me start by relaying my personal experience. Over the last school year there has been a lot of discussion in my association about the COLA issue and the recommendations contained in the Tim Sale report. We have several retired teachers who are regular substitutes at Carman Collegiate. They are members of the local retired teachers association. Although they received information from their association, they wanted to hear both sides of the issue in order to make up their own minds.

In February and March I offered to come to speak to the retired teachers' group or to arrange for MTS president Pat Isaak to come. My offer was flatly refused. However, to accommodate them I held a meeting during the lunch hour at my school. These retired teachers were happy to get the other side of the story to help them make an informed decision about their COLA. At that time, I realized that there was a lot of misinformation being disseminated to retired teachers. I hope to clear up some of that today.

Bill 45 is the culmination of many years of work by The Manitoba Teachers' Society on the COLA issue. The Provincial Executive of the Society has been working non-stop on this issue for five years. There have been discussions back and forth with government with the Pension Task Force and with the Retired Teachers Association during this time.

The teachers' pension plan in Manitoba is a defined benefit plan. Once a person retires, their benefit cannot be reduced, regardless of the financial status of the Plan. The issue we are talking about today is that the current annual cost of living adjustment being paid to retired teachers is inadequate.

In Manitoba, our pension plan is a statute of the Province. Changes to the Teachers' Pension Plan have traditionally taken place as a result of discussions of the Pension Task Force, which didn't meet for most of the 1990s. Unlike other unions, teachers in Manitoba don't deal with their pensions through the collective bargaining process. We must lobby the government of the day in order to make changes. Any changes require legislation. There were no significant changes made to our plan during the late 1980s and 1990s.

For the last several years the annual cost of living adjustment paid out to retired teachers has been low. Rightfully, both MTS and RTAM became concerned about this issue. Last year the provincial government asked Tim Sale to come up with recommendations to improve the COLA for retired teachers. He met with MTS, RTAM and government officials to develop a plan to improve the COLA. His recommendations are contained in Bill 45.

These changes to The Teachers' Pension Plan Act are a fair and balanced approach to improving the cost of living adjustment for retired teachers. Every pension plan is a balancing act. And Bill 45 balances the need to provide an improved COLA with the amount of money that active teachers and the government would be required to pay for it.

There has been a lot of finger pointing about whom or what is to blame for the problem with the COLA being paid to retired teachers. This does no one any good and doesn't get us any closer to solving the problem. In a nutshell, poor decisions were made in the 1980s and 1990s by both government and those who were then in charge at MTS. Actuarial warnings were ignored.

Today, there are nearly as many retired teachers as active teachers. Teachers are retiring earlier and living longer and they are getting a pension based on their best five years of earnings, instead of the best seven. The combination of all these circumstances caused a strain on the account set up to pay COLAs. Regrettably, it wasn't until tiny COLAs started being paid that anyone started to pay closer attention to this issue.

Unfortunately, a problem that was 25 years in the making cannot be fixed overnight. I'd like nothing better than to tell those retired teachers working at my school in Carman that they will get a cost of living adjustment equal to the consumer price index every year from now on. But I can't and I won't make any false promises to them.

It would cost \$1 billion dollars to give retired teachers a 3 per cent COLA. Two thirds of that amount would cost about \$700 million. Realistically, I can't ask the active teachers I represent to chip the addition \$300 a month that it would take to do that. It's not fair to them to pay more for the same benefit.

I also can't condone taking the money out of the account that pays the basic benefit for retired teachers. It was short-term thinking that got us here today, and if we start using the money that's there to pay COLAs now, it won't be long before it is not just the COLA that's in trouble, but the whole pension plan.

And I also don't expect the government will fork over a billion dollars to pay COLAs for retired teachers.

The amendments to our pension plan contained in this Bill do five things:

1. Double the COLA paid to retired teachers this year. Without these changes the COLA for retired teachers will be 0.7%
2. Ensure there are checks and balances so that the COLA is sustainable
3. For ten years the COLA account will be credited with the "better of" investment earnings. A provision RTAM proposed and on which MTS made a compromise.
4. A review of this plan after five years
5. The basic pension benefit will be protected for all teachers.

When I've spoken to retired teachers about the Tim Sale report and these amendments, it's clear that many have been misinformed about these proposals. Retired Manitoba teachers were never guaranteed an annual COLA. If there was money in the account to pay a COLA, that was the amount they would receive. No where are retired teachers guaranteed a full COLA. The account that pays the COLA for retired teachers was structured to pay out a two-thirds COLA. Unfortunately by continuously paying out full COLAs that account has been drained.

The Bill before you today does not perpetuate the mistakes of the past. Instead it creates a sustainable plan to improve the COLA and protect the basic benefit for Manitoba teachers for the future.

Prairie Rose teachers and the Executive of The Manitoba Teachers' Society believes passing these changes is the right thing to do. I urge you to support Bill 45.

Thank you for listening to my presentation.