



# IN Response

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The Alberta Teachers' Association

Date: 2021 01 27

**To** Pension investment management takeover

## **Background**

- Bill 22 – Reform of Agencies, Boards and Commission and Government Enterprises Act, 2019 was tabled in the Legislature on November 18, 2019 and was given Royal Assent on November 22, 2019
  - 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 also requires the **negotiation** of an investment management agreement (IMA)
- On December 23, 2020, Minister Toews signed a Ministerial Order **imposing** an investment management agreement between ATRF and AIMCo – this effectively gives AIMCo a veto over ATRF's investment policy. There is no avenue to appeal AIMCo's decisions.
- The Finance Minister imposed new IMAs on other pension boards as well that erodes their ability to direct how investment decisions are made.
- Throughout much of the last year, Alberta government MLA's consistently said that ATRF would maintain control of determining how the pension funds are invested – the IMA negates that.
- Although the imposed IMA is said to be a temporary measure, it backstops AIMCo's position and interferes with free negotiations.
- This problem can be solved if government is willing to work with the ATA, ARTF and AIMCo on a solution instead of imposing unilateral orders.

## **Why it Matters**

- Teachers have had joint governance over their pension plan for more than 80 years
  - The ATRF 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 on its board
  - The ATRF's Board approved investment policy allows for the use of a wide array of investment tools which are consistent with ATRF's investment goals

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For further information contact

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- Pension is part of the compensation package that teachers receive
  - The plan is **NOT** backstopped by taxpayers – it is a risk-shared pension plan
  - Pension benefits for service after 1992 are not guaranteed by the government and must be funded with contributions made by the Government of Alberta and teachers.
- Alberta government claims that moving the investment over to AIMCo will result in lower costs;
  - Current management costs related to ATRF are low and are paid for out of returns of the fund – this change will not result in cost savings for the government nor teachers
  - Administrative costs of ATRF is extremely low at 0.05% of the plan assets.
- The government continues to state that this move will save \$41 million in administrative costs
  - This is not true – administrative costs are paid out of the fund – any savings belong to the fund and would essentially be used to fund pensions.
  - The biggest driver of contribution rates is return on investment not administrative cost savings
- ATRF has an excellent track record when it comes to investment strategies which means that teacher contributions went down for the 2020-2021 year.
  - Since 2013, the ATRF has not increased contribution rates and in fact reduced the contribution rate by 1.54% of pay for teachers and 1.36% of payroll for government
- Approximately 75% of each dollar paid out in benefits is generated by returns on investment
  - If the rate of return is reduced, the difference would have to be made up by increasing the contribution rates charged
  - ATRF investments outperformed AIMCo in each year since 2013
  - AIMCo recently lost an estimated \$2.1 billion – ATRF estimates that teacher plan losses would have been in the range of \$300 million if AIMCo had been managing the investments instead of ATRF

**Further Information**

- Below is the latest of many ATA releases on the pension issue:
  - [Finance Minister Imposes Pension Management Agreement](#)

- You can see the details of the Ministerial Order and how it affects the investment management here:
  - [2019 Asset Management Changes \(atrf.com\)](http://atrf.com/2019-Asset-Management-Changes)
- ATRF has a very good timeline of the events and the work they have been doing as a Board here:
  - [Bill 22 Timeline \(atrf.com\)](http://atrf.com/Bill-22-Timeline)
- Finally the ATA has put together a website that members, retired and active, can use to email their MLA's. You can use the template as is or you can add more to the letter if you wish. There are also graphics on the site that you can use in any social media accounts that you may have.
  - [www.handsoffmypension.ca](http://www.handsoffmypension.ca)

**Key Impression**

Teachers are very upset with the pension investment management takeover and how it has been forced on them