

# **Teachers' Unfunded Pension Liability Frequently Asked Questions**

## **1. How did the unfunded liability come about?**

The Alberta Teachers' Pension Plan has two sponsors: the provincial government and active teachers. Before 1992, the amounts contributed by both sponsors were not enough to meet future obligations. This was the result of two factors: lower than expected growth in the teacher workforce and changes to pension benefits without an increase in contributions to fund them. Many public pension plans of the day were similarly under-funded.

## **2. This has been a problem for a long time. Why was it necessary to act now?**

The teachers' portion of the pre-1992 unfunded pension liability has increasingly become a concern for teachers and has strained the relationship between teachers and the provincial government.

Teachers were required to contribute an additional 3.1% of their salaries to paying off the pre-1992 portion of the unfunded liability. As a result, the Alberta Teachers' Association (ATA) and others expressed concern that paying for the unfunded liability was making it difficult to attract and retain teachers. It was a major distraction from issues that are far more important to students in the classroom.

## **3. What are the highlights of the Agreement?**

The new Agreement provides for:

- A combination of salary increase and pension contribution reductions totaling 6.1% in year one, which is in keeping with those given to other government unions
- A one-time lump sum payment of \$1,500 for teachers in a collective agreement and on a contract as of April 30, 2008, once all 62 outstanding contracts with school boards have been ratified
- Five years of labour peace
- Guaranteed salary increases in years two-to-five tied to the Alberta Average Weekly Earnings Index
- Government permanently assumes the \$2.1 billion teachers' share of the pre-1992 unfunded liability of the Teachers' Pension Plan and eliminates teachers' monthly payments towards this liability (a 3.1% of salary savings for teachers).

## **4. How will all these changes actually benefit teachers?**

The average teacher in Alberta earns approximately \$72,400 per year (with 4 years of education and maximum experience). That means the average teacher will save over \$2,200 in unfunded pension liability contributions – equivalent to 3.1% of salary – each year. This 3.1% is a permanent reduction for every teacher. This means the average teacher will be saving thousands of dollars per year in pension contributions.

Teachers who meet the eligibility provisions in the Agreement will also receive a 3% increase this year and a one-time cash payment of \$1,500 in Spring 2008. In years two-to-five of the agreement, the average teacher will receive an increase that reflects the year-over-year increase in the Alberta Average Weekly Earnings Index. The Agreement also corrects an intergenerational inequity for young teachers.

## **5. What does this mean for Albertans?**

Students and parents will benefit from a stable learning environment in the K–12 education system and the time and resources of trustees, administrators and teachers can be directed to students in the classroom. The Agreement provides predictability and sustainability for school boards that are guaranteed the necessary funding to meet teacher pay increases for the five-year Agreement.

Taxpayers will benefit as this Agreement allows government to explore a variety of options to significantly reduce future costs to taxpayers. If the funding structure of the pre-1992 unfunded liability had continued, the cost to extinguish this liability over the next 52 years would have totalled approximately \$45 billion. This Agreement provides government with the flexibility to implement a new funding structure that will reduce these payments and the cost to taxpayers.

## **6. How much is the lump-sum payment and pay increase going to cost the government?**

Once collective agreements are ratified, all full-time teachers included in a collective agreement and on a contract as of April 30, 2008 will receive a lump sum payment of \$1,500 in Spring 2008. The lump-sum payment will be pro-rated according to the proportion of full-time employment since September 1, 2007. The cost to the province of this payment is \$52 million.

In the 2007/2008 school year, each 1% of salary increase is estimated to add an additional cost of \$26 million. The cost of the 3% salary increase in this Agreement is already factored into Alberta Education's three-year business plan (2007–2010).

## **7. What's to prevent this sort of thing from happening again?**

All pension contributions teachers make from now on will go to the post-1992 plan.

Presently teachers and the government each contribute 50% of the current service costs of the pension plan, including a 60% cost of living benefit to retirees. Teachers agreed to pay the full cost of increasing the cost of living adjustment to 70%. Any new deficiencies or surpluses in the pension fund are shared on a 50/50 basis between teachers and the province.

## **8. Does this mean the government is engaging in collective bargaining with the ATA?**

This was a unique situation that required a unique solution. School boards continue to be responsible for contract negotiations with their teachers. In the interest of stability in the education system for students, government has set a date of January 31, 2008 by which time all school boards and Teacher Bargaining Units must ratify a collective agreement that aligns with the Memorandum of Agreement. With the exception of salary increases, length of term and minutes of instruction, school boards have the flexibility to negotiate other facets of their local agreements.

**9. What is the Alberta School Boards Association (ASBA) role in all this?**

The major role of the ASBA will be to facilitate timely ratification of collective agreements by all 62 school boards that are aligned with this Agreement. It will continue to help individual boards by providing legal, labour relations, strategic planning and communications counsel to elected officials and senior administration.

School boards and locally elected trustees continue to be responsible for meeting the needs of their students with the resources provided by government. The delivery of quality education services to students will continue to be the primary responsibility of trustees, administrators and teachers. School boards have long argued for the predictability and sustainability provided by this Agreement. It removes significant uncertainty from their budgeting process, facilitates the ability of boards to do long-term planning and allows them to direct their attention to other classroom-focused priorities.

**10. When does the Agreement take effect?**

Once all 62 local agreements have been signed and ratified by the local publicly elected School Boards and Teacher Bargaining Units by the deadline of January 31, 2008, the agreement will take effect for a five-year period, from September 1, 2007 to August 31, 2012.

**11. How will the government ensure local agreements are in place by January?**

All parties are working hard to ensure teachers, school trustees and superintendents understand the details of this Agreement, as well as their respective roles in implementation.

School boards and local Teacher Bargaining Units are currently working to achieve and ratify local collective bargaining agreements. As the major issues of salaries, term and hours of work/minutes of instruction have already been determined, the government is confident that the parties will seek quick resolution to any remaining issues within the current time frames. If required, either a school board or the ATA can request that the government appoint a mediator.