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ABSTRACT

The Minister of Education of Alberta, Canada established a task force in 1983 to analyze the characteristics of teachers' pension plans and to develop a model retirement plan for teachers in Alberta. The task force reviewed the legislative, structural, administrative, and financial characteristics of Alberta's existing Teachers' Retirement Fund as well as pension plans for teachers in other provinces and for other public employees in Alberta. The task force also considered concerns expressed by the Alberta Teachers' Association and by the Teachers' Retirement Fund board. This report describes the task force's membership and responsibilities, discusses its findings concerning pension fund reform, and presents its proposed model plan. Changes recommended by the task force include enacting new legislation, adjusting the level of teacher contributions, changing retirement options, adopting a new pension formula, and establishing cost of living indexing. Other considerations addressed are termination benefits, deferred pensions, and death and disability benefits. Costs and funding methods for the plan are discussed. Supplementary materials include tables comparing the legislative and administrative characteristics of the provinces' plans, the funding methods used, and the benefits provided. Appendixes present actuarial assumptions, plan variations considered and rejected, and a comparison of the model plan to preexisting recommendations. (PGD)

TEACHERS' PENSIONS

A MODEL RETIREMENT PLAN FOR THE FUTURE

REPORT

OF THE MINISTER'S INFORMAL TASK FORCE

ON TEACHERS' PENSIONS

OCTOBER, 1984

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FOREWORD

The Minister's Informal Task Force on Teachers' Pensions was the first concerted effort by the principals involved to examine the provisions and arrangements for teachers' pensions in Alberta. The initiative, a joint undertaking of Alberta Education, The Alberta Teachers' Association, and the Teachers' Retirement Fund, concluded with the development of a model retirement plan for teachers in Alberta.

In this report, the task force presents its findings and recommendations to the Minister of Education regarding the existing Teachers' Retirement Fund and a model retirement plan. These findings and recommendations reflect the best judgements of the task force after careful review, consultation with the ATA Pension Committee and consideration of the practices constituting a sound retirement plan and its relationship with other public pension plans.

ACKNOWLEDGEMENTS

This report reflects the assistance, guidance and support of various individuals and organizations.

The task force acknowledges the valuable contributions of Alberta Education, The Alberta Teachers' Association, and the Teachers' Retirement Fund. It is particularly appreciative of the actuarial and research expertise rendered by Michael Mills, Director, Paterson Cook Limited, which was an important factor in the completion of this project. In addition, the task force expresses its thanks to Kelvin Hussey, executive secretary, for his untiring efforts and assistance.

Finally, the task force is greatly indebted to those who submitted letters regarding their specific concerns. Should the compilation of this report result in improved pensions for teachers, all those who participated in the task will feel it has been really worthwhile.

I. INTRODUCTION

BACKGROUND

Since the early 1970's, Alberta Education has received numerous requests for improvements in teachers' pensions. In reviewing these submissions, it was concluded that an entirely different approach was required to replace what had become incremental, ad hoc arrangements. Rather than continuing with this procedure, the Honourable David King, Minister of Education, established an informal task force during the latter part of 1983 to investigate all aspects of teachers' pension in Alberta.

MANDATE OF INFORMAL TASK FORCE

The Minister's Informal Task Force on Teachers' Pensions was established as a joint undertaking of Alberta Education, the Alberta Teachers' Association, and the Teachers' Retirement Fund. The mandate of the task force was to develop and propose a model retirement plan for teachers in Alberta. The model plan was to be specific in terms of its application to teachers in Alberta, and universal in terms of its relationship and application to other pension plans. The review addressed the basic parameters or features of a model retirement plan in consultation with the ATA Pension Committee. It included consideration of the following.

1. A review of the existing legislative, structural, administrative, and financial characteristics of the Alberta Teachers' Retirement Fund, other teacher plans across Canada, and other public pension plans in Alberta.

2. A review of policy-related initiatives of The Alberta Teachers' Association with respect to teachers' pensions, including outstanding issues, concerns and problems.

3. The development and identification of alternatives to the legislative, structural, administrative, and financial characteristics of the existing Teachers' Retirement Fund which would become the basis for a model retirement plan.

4. The development and identification of alternatives to the levels of unfunded liability, employee contributions, and employee benefits under the existing Teachers' Retirement Fund relative to a model retirement plan.

MEMBERSHIP OF INFORMAL TASK FORCE

W.R. Duke, Assistant Deputy Minister (Chairman)
Alberta Education

J.F. Berlando, Coordinator, Teacher Welfare
The Alberta Teachers' Association

D.J. Corse, Executive Director
Board of Administrators, Teachers' Retirement Fund

J.E. Faries, Chairman
Alberta Government Pension Boards

M.D. Mills, Director
Paterson Cook Limited

K.A. Hussey, Executive Assistant (Executive Secretary)
Alberta Education

II. BACKGROUND ISSUES

The task force was established to effect a collective approach to improving teachers' pensions - one which would address any outstanding issues raised through previous inquiries. In this section, the discussion is focused upon items that were either discussed at the board meetings of the Teachers' Retirement Fund or raised by The Alberta Teachers' Association. Inevitably, there is some correlation between the two sets of concerns; however, a full list from both parties has been included for the sake of completeness.

ITEMS DISCUSSED BY THE TRF BOARD

All of the following items have been discussed by the Board as matters of concern during the past several years.

1. Permitting retirement from substitute service in addition to retirement from contracts.
2. Broadening the definition of "Spouse".
3. Broadening the definition of "Normal Pension" i.e. Single Life, No Guarantee, with a 75% spousal benefit.
4. Eliminating the granting of cost-of-living adjustments, in the case of Joint Life options, after the death of the pensioner when the Joint Nominee is other than the spouse.
5. Granting cost-of-living adjustments to deferred pensions from the date of the last contribution to the date pension is granted instead of from the date of retirement to the date the pension is granted.
6. Granting pensions from the first of the month following application or the first of the month following eligibility, whichever is later, i.e. granting no retroactive pensions.

7. Excusing a teacher who has 35 years of pensionable service before the beginning of a school year from making any further contributions.

8. Permitting a pensioner to work up to 120 days instead of the present 80 days without loss of pension.

9. Reducing service required from ten to five years in order to qualify for a pension.

10. Allowing no refunds after an accumulation of five years of pensionable service.

11. Changing the cost of repaying refunds to the actuarial value of the reinstated service rather than the refunded amount plus interest.

12. "Disintegrating" the Teachers' Retirement Fund and the Canada Pension Plan.

ITEMS RAISED BY THE ATA

Since 1970, the Alberta Teachers' Association has submitted 13 pension briefs to Government requesting that consideration be given to certain improvements in teachers' pensions. The most recent submission, dated March 1983, contained the following recommendations:

1. That a normal pension be calculated on the basis of the average annual salary for the three consecutive years of pensionable service during which the salary is the highest (concern expressed for the fifth time).

2. That the necessary legislative changes be made to allow a full formula pension regardless of age after 30 years of pensionable service (concern expressed for the first time).

3. That cost-of-living adjustments be made to pensions on January 1 and July 1 of each year (concern expressed for the second time).

4. That the time limit of one year on the application for transfer of funds from the Superannuation Fund of Canada be lifted (concern expressed for the fourth time).

5. That teaching service rendered before age 30 by teachers who retired prior to 1970 be recognized as pensionable service (concern expressed for the third time).

In addition to the five points noted above, the Association has expressed a number of other concerns in earlier submissions. The following is not a complete list of requests contained in each brief because several of these were repeated on subsequent occasions. The number presented in brackets indicates the number of times the particular request was submitted. The list also excludes those requests which have already resulted in changes.

Submission of February, 3, 1982

- Indexing of teachers' pensions to be calculated on the average pension being paid in a particular year or on the pensioner's average pension, whichever is greater (2).

- Pensions for Alberta teachers to be calculated without regard to the provisions of the Canada Pension Plan (1).

- The figure of 2-1/3% to be be used in the calculation of pensions, thus providing the current normal pension after 30 years of service (1).

- Transferability between government-supported pension plans to be improved (3).

Submission of March 3, 1980

- Pensions granted prior to age 65 to be calculated without regard to CPP and YMPE (3).

- Pensions to be increased each year proportionately to the increase in the Canadian CPI (4).

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Submission of December 7, 1978

- Surviving dependents other than a spouse to be given the opportunity to receive a pension (2).

Submission of October 27, 1975

- No actuarial reduction for early retirement after age 55.

- Straight percentage reduction for those who retire early (2).

- Reduced base for war service contributions for those with no pre-enlistment teaching service in Alberta (3).

Submission of February 7, 1972

- Funding (full funding or terminal funding) (2).

Submission of December 7, 1970

- Government to bear the cost of TRF administration (2).

While the above list includes all of the ATA's concerns the Provincial Executive Council has formally adopted the following items as their main concerns:

- service before age 30 to be recognized as pensionable for those teachers who retired before 1970;

- normal pension to be calculated on the basis of the average annual salary for the three consecutive years of pensionable service during which the salary is the highest;

- the figure of 2-1/3 percent to be used in the calculation of pensions to provide the current normal pension after 30 years of service;

- pensions for Alberta teachers to be calculated without regard to the provisions of the Canada Pension Plan;

- pensions to be increased each year proportionately to the increase in the Canadian consumer price index;

- a minimum of five years of pensionable service to establish eligibility for a pension (without lock-in);
- maternity leave provisions (By-Law 12.4) to be made fully retroactive;
- teachers to be allowed to contribute to the Fund for an aggregate of 35 years or until retirement, whichever occurs first;
- complete and fully retroactive transferability between the TRF and other Alberta government pension plans.

In addition, the task force is aware that these and other concerns have been brought to the attention of the Minister of Education by individual teachers. The issues raised in these personal approaches have not always had the support of the ATA and, therefore, have not been included in the above list.

III. COMPARISON WITH OTHER TEACHER PENSION PLANS IN CANADA

BACKGROUND

It has become accepted in most parts of the English-speaking world that the ideal way to provide for the financial requirements of retired teachers is by means of a special pension plan for teachers. In this regard, Canada is no exception. Quebec is the only province without a special plan for teachers who, if employed since January 1, 1973, must join the Provincial Government and Public Employees Retirement Plan Teachers in the Yukon and the Northwest Territories participate in the federal Public Service Superannuation Plan (the PSSA).

The first special plan for teachers was introduced in Quebec in 1856 and was followed at various dates by plans in all other provinces. On April 1, 1939, Alberta introduced a special plan for teachers. It is ironic that Quebec, the first province to provide a special plan for teachers, should also be the first province to disband their plan and to incorporate teachers into the general public sector. In the various comparisons that are made between plans in later sections of this report, all references to Quebec are to the Provincial Government and Public Employees Retirement Plan instead of the Teachers' Pension Plan which it replaced.

In Canada, it is widely recognized that there are four tiers to the retirement system, which can be described as follows:

Tier 1 The flat rate federal Old Age Security (the OAS), applicable to all and funded out of general revenue. This includes the federal Guaranteed Income Supplement and the Alberta Assured Income Program.

Tier 2 The earnings-related Canada/Quebec Pension Plans, applicable to all employed persons and funded, at least to some extent, from joint employer and employee contributions. Both contributions and benefits are based on earnings up to a ceiling called the Year's Maximum Pensionable Earnings (the YMPE in 1984 is $20,800).

Tier 3 Private or Public Sector occupational pension plans provided by certain employers for the benefit of their eligible employees. The terms and conditions of such plans vary greatly but it is a requirement for registration of these plans that at least part if not all of the funding is provided by the employer.

Tier 4 This catch-all tier encompasses all of the various individual arrangements that a person may make to provide additional income in retirement. It includes such items as investments, ownership of property, retirement savings plans, or voluntary contributions to any tier 3 plan to which an individual may belong.

During the last decade there has been widespread public debate on the deficiencies of the Tier 3 occupational pensions. The process began with the appointment of the Quebec Cofirentes + Comittee in 1975, gained momentum in 1983 with three federal government initiatives, and now it appears to be reaching a climax with the publication of the federal government budget papers and the Alberta proposals for "Improving the Effectiveness of the Private Pension Plan System in Alberta". Collectively, these various reports and initiatives might be called the "Great Pension Debate".

In this report, it would be impossible to discuss all of the items that have been considered in the many reports, committees and national forums. However, the report pays particular attention to the most recent proposals from the federal government and the thrust of the changes proposed in Alberta.

During the "Great Pension Debate", most of the attention, if not all of it, focused on the private sector. Nevertheless, there have been some important changes made to the public sector plans, three of which are noteworthy:

1. The introduction of special contribution levels for indexing benefits in B.C. and under the Federal Public Service Superannuation Act.

2. The drastic change in Saskatchewan from a defined benefit plan to a money purchase or a defined contribution plan.

3. The legislation introduced in Alberta to increase contributions to the Public Service Pension Plan and the Local Authorities Pension Plan.

   (NOTE: The Alberta Government has also just introduced Bill 57 to completely restate the Public Service Pension Plan and to incorporate many changes of an administrative nature.)

The various teachers' plans are considered part of Tier 3 and all plans except for Newfoundland are integrated with the Canada or Quebec Pension Plan (the CPP or the QPP), in which both the benefits and the contributions of the Tier 2 and 3 plans are combined. However, this commonality of approach obscures the wide ranging differences between plans in that the methods of integration are an approximation to, rather than an exact offsetting formula. In general, it can be concluded that all teachers' plans recognize the importance of the Tier 2 benefit as well as Tier 3 in achieving the adequacy of benefits.

With the exception of Saskatchewan, which recently established a money-accumulation plan, all teachers' plans provide benefits that are based on teacher service and earnings in the last few years before retirement. The general standard appears to be that a pension, including the OAS and the CPP, of 70% of final average salary is "adequate".

TABLE 1 – COMPARISON OF LEGISLATION

		B C	ALTA	SASK FORMULA PLAN	SASK ANNUITY PLAN	MAN	ONT	QUE TEACHERS' PLAN	QUE GOV T AND PUBLIC EE'S PLAN	N B	N S	P E I	NFLD	CANADA P S S A
	Title of Act	Pension (Teachers) Act	The Teachers' Retirement Fund Act	The Teachers' Superannuation Act	The Teachers' Superannuation Act	The Teachers' Pensions Act	The Teachers' Superannuation Act	An Act Respecting the Teachers' Pension Plan	An Act Respecting the Government and Public Employees Retirement Plan	Teachers Pension Act	The Teachers' Pension Act	The Teachers Superannuation Act	The Education (Teachers Pensions) Act	Public Service Superannuation Act
	Effective Date	January 1, 1961	March 1, 1971	July 1, 1970	July 1, 1980	July 1, 1963	December 16, 1983	July 1, 1965	July 1, 1973	September 1, 1966	August 1, 1949	July 1, 1975	March 20, 1962	January 1 1954
	Regulations	Pension (Teachers) Act Regulations	The Pension By Law, 1972	Regulation 1 under The Teachers' Superannuation Act	Regulation 1 under The Teachers' Superannuation Act	Manitoba Regulation T20 R4	Teachers Superannuation Act Regulations	Teachers' Pension Plan Regulations	Government and Public Employees Retirement Plan Regulations	Regulation 70-109	Regulations under The Teachers' Pension Act	Teachers' Superannuation Act Regulations	—	Public Service Superannuation Regulations
ADMINISTERING BODIES	Name of Body	Commissioner of Teachers' Pensions and Teachers' Pensions Board	Board of Administrators of The Alberta Teachers' Retirement Fund Act	The Teachers' Superannuation Commission	The Teachers' Superannuation Commission	The Teachers' Retirement Allowances Fund Board	Teachers' Superannuation Commission	Pension Commission	Pension Commission Executive Committee	Lieutenant Governor and Minister of Finance	Nova Scotia Teachers' Pension Commission	The Teachers' Superannuation Commission	Minister of Education	-President of Treasury Board -Superannuation Division of Dept of Supply and Services -Advisory Committee on PSSA
	Number of Members	3	5	7	7	7	10	7	Pension Commission 12 Executive Committee 30	N/A	5	7	N/A	12
	Method of Selection	2 appointed by Order in Council. 1 appointed by BCTF	3 appointed by Lieutenant Governor. 3 nominated by ATA Executive, then appointed by Lieutenant-Governor	3 each nominated by Minister and STF Chairman selected by these 6 All appointed by Lieutenant-Governor	3 each nominated by Minister and STF Chairman selected by these 6 All appointed by Lieutenant Governor	2 appointed by Lieutenant Governor, 2 trustees nominated by MAST, 2 teachers nominated by MTS, then appointed by Lieutenant-Governor	5 appointed by Minister, 5 elected by teacher organizations	Appointed by Government	Pension Commission appointed by Government Executive Committee 15 representing union, 15 appointed by Government	N/A	3 appointed by Governor in council, 2 teachers elected by NSTU	3 employees of Dept of Education appointed by Minister of Education, one of these to be chairman, 3 teachers appointed by PEITF 1 employee of Dept of Finance appointed by Minister of Finance	N/A	6 representatives of Public Service Unions 6 representatives of employer all appointed by Joint Council of the Public Service of Canada
	Term of Office	At pleasure of appointing Authorities	4 years	5 years	5 years	2 years	3 years	Up to 10 years	Pension Commission -3 years (Chairman 5 years) Executive Committee -2 years	N.A	3 years	Determined by PEITF for teachers	N A	3 years

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Adequacy is a complex topic because it varies widely according to the circumstances of the individual and in particular, his level of pre-retirement income. For a person at the low end of the salary range below the national average wage, adequacy, in the sense of being able to maintain the full pre-retirement lifestyle, may require 100% of the net pre-retirement income in retirement. On the other hand, a person at the other extreme, who has a large part of his pre-retirement income available for savings or other discretionary spending, may perceive adequacy as being met by some amount less than 70%.

> In this report, the task force does not attempt to rationalize adequacy of pensions, but accepts a target of a gross pension in retirement, including the OAS and the CPP, of 70% of gross pre-retirement income is likely to prove adequate.
>
> (NOTE: Interested readers may wish to refer to "Pension Plans and Retirement Income: Where Teachers Stand" published by the Canadian Teachers' Federation in 1980.)

However, this basically uniform approach hides a number of differences, particularly if the value of the benefits offered by the various plans are compared. The main features of the various plans are highlighted below and the discussion that accompanies the tables used to compare the plans focuses on the differences rather than the common features.

LEGISLATION AND ADMINISTRATION

All teachers' pension plans are established by a provincial or federal statute and are governed by regulations issued under the legislation (see Table 1).

Of all the Provinces, only Manitoba and Ontario subject the teachers' plan to the provisions of the Pension Benefits Act, with Manitoba exempting the plan from the provisions related to funding. All other provinces either have no Pension Benefits Act or specifically exempt the teachers' plan.

The administration of the plans is entrusted to a board, committee or commission in seven of the provinces. Each of these administrative bodies includes, by legislation, teacher representatives except as follows:

1. The Quebec, public sector plan is administered by the 12-person Pension Commission and a 30-person Executive Committee. The Executive Committee includes 15 which are designated by representatives of union employees and 15 appointed by the Government. The 12-person Pension Commission is appointed by government although various employee groups, not specifically including teachers, may propose names for appointment.

2. The New Brunswick plan is administered by the Minister of Finance.

3. The Newfoundland plan is administered by the Minister of Education.

4. The Public Service Superannuation Act has a complex administration structure with specific responsibilities as shown:

   a) President of the Treasury Board - Overall responsibility;

   b) Department of Supply & Services - Detailed administration of payments and contributions;

   c) Minister of Finance - Financial management of superannuation account;

   d) Department of Insurance - Periodic actuarial valuations; and

   e) Advisory Committee - Advise the President of the Treasury Board on matters arising in connection with the administration of the Act. The Advisory Committee consists of 12 members six of whom are representatives of the public service unions and the other six of the employer.

TABLE 2 – COMPARISON OF FUNDING METHOD

FUND	B C	ALTA	SASK FORMULA PLAN	SASK ANNUITY PLAN	MAN	ONT	QUE TEACHERS' PLAN	QUE GOV'T AND PUBLIC EE'S PLAN	N B	N S	P E I	NFLD	CANADA P S S A
Name of Fund	-Teachers' Pensions Fund -Inflation Adjustment Account	Teachers Retirement Fund	Teachers' Superannuation Fund	-Annuity Fund -Supplementary Allowances Fund	Teachers Retirement Allowances Fund -Pension Adjustment Account	Teachers' Superannuation Fund -Superannuation Adjustment Fund	NO FUND Provincial Revenue Fund takes contributions and pays benefits	Government and Public Employees Fund	Teachers' Pension Fund	Nova Scotia Teachers' Pension Fund	Teachers Superannuation Fund	Province of Newfoundland Pooled Pension Fund	-Public Service Superannuation Account -Supplementary Retirement Benefits Account
Custodian	Commissioner of Teachers' Pensions	Board of Administrators	Minister of Finance	Minister of Finance	Teachers' Retirement Allowances Fund Board	Provincial Treasurer	N A	Quebec Deposit and Investment Fund	Minister of Finance	Minister of Finance	Minister of Finance	Minister of Finance	Minister of Finance
Investment Responsibility	up to 3 trustees of the Teachers' Pensions Funds appointed by Lieutenant-Governor	Board of Administrators	Minister of Finance	Minister of Finance	Teachers' Retirement Allowances Fund Board	Provincial Treasurer	N A	Quebec Deposit and Investment Fund	Director of Debt Management Department of Finance	Minister of Finance	Minister of Finance	Minister of Finance	—
Investment Limitations	require prior written approval of Minister of Finance	in accordance with Canadian and British Insurance Companies Act, Loan Companies Act	in accordance with Canadian and British Insurance Companies Act, Treasury Dept Act and Crown Corporations Act	in accordance with Canadian and British Insurance Companies Act, Treasury Dept Act and Crown Corporations Act	accordance with the Manitoba Pension Benefits Act and the Trustee Act	in Ontario Government debentures	N A	in accordance with Investment Committee decision on proportion invested in each segregated portfolio of the Quebec Deposit and Investment Fund	in accordance with the Trustees Act, Provincial Loans Act, and the Electric Power Act	in accordance with the Trustee Act	in accordance with the Trustee Act	in accordance with the Pension Benefits Standards Act (Canada)	N A
Guaranteed Rate of Interest	None	None	Fund must be maintained at a level equal to at least teacher contributions with interest at 4% to June 30, 1976, 6% to June 30, 1980 7% thereafter	None	1% greater than rate assumed by actuary in latest valuation	Weighted average yield of long term securities issued by the Province in preceding year	N A	None	None	4%	—	—	-PSSA 20 year Government of Canada Bonds -SRBA 5 year Government of Canada Bonds
Government Guarantee of Deficits	Yes	Yes	Yes	Not necessary since Money Purchase Plan	Yes	Yes, except for Adjustment Fund	Yes. Cost is shared by employee and employer	Yes, 7/12 of cost for service to July 1 82, ½ of cost thereafter	Yes	—	Yes	Yes	Yes
Provision for Actuarial Valuation	Quinquennial	Quinquennial	Triennial	Triennial	Triennial	Triennial	Triennial	Triennial	No Requirements	Quinquennial	Quinquennial	—	Quinquennial

In all cases, the administrative body has wide powers to administer the Act but has no authority to amend or change the Act or its regulations. Such powers are the prerogative of the relevant government.

FUNDING

Except for the PSSA, all of the teachers' plans have established trust funds for the purpose of meeting at least a part of the liabilities accruing under the various plans. Under the PSSA, there are two separate accounts which form part of the Consolidated Revenue Account. One account consists of employee and matching employer contributions plus any further employer contributions to meet actuarial deficits and investment income. The other account consists of employee and employer contributions of 1% each, which are used to pay for indexing.

None of the funds, (see Table 2), provide specifically for full actuarial funding as provided under the provincial Pension Benefits Act. All governments, except Saskatchewan which has a money-accumulation plan, guarantee specifically any deficits by making provisions to pay benefits out of the provincial consolidated revenue funds in the event that the trust fund cannot meet its obligations.

All teachers' pension funds receive at least the contributions required from teachers. Three funds, B.C., Manitoba and Ontario, receive other unspecified contributions from the province, while five funds, Saskatchewan, New Brunswick, Nova Scotia, P.E.I., and Newfoundland, receive matching employer contributions unless regulations specify a different rate of employer contributions.

A new concept relating to a special additional fund for indexing has been adopted by B.C., Saskatchewan, Manitoba, and Ontario. The formulae for contributing to these funds are quite varied and are described as follows:

1. The B.C. Inflation Adjustment Account:

   i) Employee and government contributions of 1% each;

   ii) Net interest on the account; and

   iii) Interest in excess of that anticipated in the most recent actuarial report on the portion of the basic fund which is held in respect of pensions in payment.

2. The Saskatchewan Supplementary Allowance Fund:

   i) 7.65% of teachers' earnings less 6% contribution to the basic plan and the CPP contribution;

   ii) Matching government contribution;

   iii) Matching government contribution where a teacher leaves a refund of his own contribution, or dies leaving dependents and a refund of the late teacher's contributions are paid; and

   iv) In the case of a transfer under a reciprocal agreement where the amount to be transferred does not require all of the government's matching contributions, then the surplus is paid to this fund.

3. The Manitoba Pension Adjustment Account:

   16.1% of gross teacher contributions effective September 1, 1980. The percentage is to increase by 0.1% every five years until it reaches 17%.

4. The Ontario Superannuation Adjustment Fund:

   1% each from teachers and government plus investment income.

An interesting feature of these four special funds is that each effectively limit the rate of future indexing increases to the lesser of the rate of increase in the Consumer Price Index (the CPI) or the amount that can be afforded from the fund. Ontario, on the other hand, limits indexing to 8% in any one year.

Responsibility for Investment

In general, responsibility for investments is held by the same body that is responsible for the administration of the Act, except for B.C. where three trustees are appointed by the Lieutenant-Govenor-in-Council to invest the fund. The investment of funds is restricted to those investments permitted by either the provincial Pension Benefits Act, The Trustees Act. or the Canadian and British Insurance Companies Act. The most notable exceptions are:

1. B.C.

Any investment requires prior written approval of the Minister of Finance and is restricted to:

a) Debentures, or other securities of, or those guaranteed by, the federal or a provincial government, or

b) Capital stock of any corporation.

2. Saskatchewan

Investments include those permitted by the Treasury Department and Crown Corporation Acts in addition to those allowed by the Canadian and British Insurance Companies Act.

3. Ontario

Investments restricted to Ontario Government Debentures.

4. Quebec

An investment committee determines the general standards by which the Quebec Deposit and Investment Fund may invest each of its segregated portfolio of funds.

5. New Brunswick

Investments include those issued pursuant to the Provincial Loans Act and the Electric Power Act in addition to those authorized under the Trustees Act.

TABLE 3 (Continued)

		B.C.	ALTA.	SASK FORMULA PLAN	SASK ANNUITY PLAN	MAN	ONT	QUE TEACHERS' PLAN	QUE GOV'T AND PUBLIC EE'S PLAN	N B	N S	P E I	NFLD	CANADA P S S A
REFUNDS	**Vesting Requirements**	None	None	200 days	None	None	None	None	None	None	None	None	None	None
	Interest Paid	4%	5 ½%	7%	Fund Rate	0%	3%	0%	Variable depending on service	[illegible]%	3 ½%	4%	3%	4%
DISABILITY	**Vesting Requirements**	10 years	10 years	10 years	No Allowance	No allowance unless LTD not available	10 years	None	No Allowance	5 years	10 years and less than 60	10 years	10 years	5 years and less than 60
	Extent of Disability Required	Unable to teach	a) Unable to teach b) Totally disabled	Unable to teach	N/A	N/A	a) Totally disabled b) Unable to Teach	Totally disabled	N/A	Totally disabled	a) Unable to teach b) Totally disabled	Unable to teach	Unable to teach	Totally disabled
	Formula	Same as Pension but with service projected to age 65	Same as Pension with service to date of disability a) Full actuarial reduction, if unable to teach b) ½ reduction if totally disabled	2% x High 5 x service to disability less CPP benefits	N/A	N/A	a) & b) same as Pension but b) with 2 ½% reduction per year before 65 max reduction 25%	Same as Pension	N/A	Same as Pension	a) & b) Same as Pension but b) reduced by 17% Minimum $2400 per annum	Same as Pension	Same as Pension	Unreduced immediate pension or cash lump sum 1 months salary per year of service
	Allowance to Dependents on Death	Depends on Form Chosen	Depends on Form Chosen	60% to Spouse 10% to each child to 25% max	N/A	N/A	50%	50%	N/A	50%	50%	50% to Spouse and up to 40% for children	55%	50%
	Integration with LTD Plan	No benefits while on LTD. Continued accrual	Continuous accrual if contributions are paid	No benefits while on LTD Continued accrual	N/A	Continued Accrual	Continued accrual if contributions are made	No Benefits while on LTD Continued accrual for 2 years	Continued accrual for 2 years	No provision	No Provision	No Provision	No Provision	Continued accrual for 2 years if contributions made Offset against LTD benefit
DEATH IN SERVICE	**Service Requirements for Refund**	Less than 10 years	Less than 10 years	Less than 8 years	None	None	Less than 10 years	None	None	Less than 5 years	Less than 10 years	Less than 10 years	Less than 10 years	Less than 5 years
	Formula for Refund	Contributions with interest	Contributions plus $100 per year Min. $200 Max $1500	Contributions with interest	Contributions with interest	Contributions with interest	Contributions with interest	Contributions without interest	Contributions with interest	Contributions with interest	Contributions with interest	Contributions with interest	Contributions with interest	Contributions with interest
	Vesting for Survivor Pension	10 years	10 years	8 years	0 years	N/A	10 years	Must qualify for special retirement	0 years	5 years	10 years	10 years	10 years	5 years
	Formula for Survivor Pension	Same as Pension but with service to age 65 and subject to actuarial reduction for joint life and last survivor, to spouse or other approved dependent	Same as Early Retirement pension with service to date of death and the election of a 100% joint life and last survivor pension to spouse	60% of accrued pension to legal spouse plus 10% for each of first two dependent children plus 5% for a third dependent child	Money Purchase benefit that can be purchased with full credit to legal spouse, plus 10% per child to a max of 25% from the supplementary allowance fund	No Allowance	50% of accrued pension to spouse	50% of accrued pension to spouse plus 10% per child to 40%	50% of accrued pension to spouse	50% of accrued pension to spouse provided married one year before death	50% of accrued pension or disability allowance which ever is greater to spouse, plus 10% for each dependent child to a max. of 4	50% of accrued pension to spouse plus 10% per dependent child to 40%	5[illegible] [illegible]ccrued pension to spouse, or orphaned children if no spouse	50% of accrued pension without reduction for C/QPP to spouse, plus 10% for each dependent child with a max of 40%

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TABLE 3 – COMPARISON OF BENEFITS

		B C.	ALTA.	SASK FORMULA PLAN	SASK ANNUITY PLAN	MAN	ONT	QUE TEACHERS' PLAN	QUE GOV'T AND PUBLIC EE'S PLAN	N B	N S	P E.I	NFLD	CANADA P S S A
	Eligibility	Under age 55	No age restriction	First taught before 1 7 80	First taught after 1 7 80	Under age 55	No age restriction	First taught before 1 7 73	First taught after 1 7 73	Under age 60	No age restriction	No age restriction	Over age 18	Over age 18
CONTRIBUTIONS	Employee Regular	6 5%/5 0% + 1% to Indexing	5 0%/3.5%	7 65%/5 85%/ 7 65%	7 65% less CPP	7 3%/5 7%	6 9%/5 1%/6 9% + 1% Indexing	8 43%/6 63%/ 8 43%	7 1% of salary over 35% of YMPE	7 5%/5 8%	6 5%/4 9%	7 5% less CPP	3% Single, 4% Married	6 5%/4 7% + 1% to Indexing
	Employee Contribution Limits	No Limit	Age 65 or 35 years	No Limit	No Limit	Age 65 if 15 years continuous in last 20 otherwise age 70	No Limit	35 years	No Limit	No Limit	Age 70	35 years	30 years	5 years but no limit to indexing 1%
	Employee Voluntary	Allowed	Not Allowed	Not Allowed	Not Allowed	Up to 9% of Earnings	Not Allowed	Not in general	Not in general	Not Allowed	Not Allowed	Allowed after 35 years of regular	To Pay for Dependents	Not Allowed
	Province	9 2%/7 7%	50% of Pension	7 65%/5 85%	7 65% less CPP	50% of Pensions	Matches previous years EE contributions	50% of Pensions	50% of Cost	7 5%/5 8%	6 5%/4 9%	Funds School Board	3% Single, 4% Married	6 5%/4 7% plus
RETIREMENT	Normal Retirement	60 with 10 years	65 with 10 years	65 with 10 years	65 with 1 year	60 with 10 years	65 with 10 years	Males 65 or 62 with 10 years Females 60 or 58 with 10 years	65	65 with 5 years	60 with 10 years	60 with 10 years	60 with 10 years	60 with 5 years
	Special Retirement	55 with 35 years	55 with Age plus Service = 85	35 years, or 60 with 20 years	30 years, or 60 with 20 years	—	Age plus Service 90	55 with 32 years, or after 35 years	60 and Age plus Service - 90	Age plus Service - 90, or 35 years	Age plus Service - 90, or 35 years	None	55 with 30	55 with 30 years
	Early Retirement	55 with 10 years	55 with 10 years	30 years	As above	55 with 10 years	55 with 10 years	55(m) 50(f) with 22 years	Age plus Service - 90	60 with 5 years	55 with 20 years	55 with 30 years	Not allowed	50 with 5 years
FORMULAE	Pension Formula	2%/1 3% High 5	2%/1 4% High 5	2%/1 3% High 5	Money Purchase	2%/1 4% High 5	2%/1 3% High 5	2%/1 3% High 5	2%/1 3% High 5	2%/1 3% High 5	2%/1 3% High 5	2%/1 3% High 5	High 5 x Service / 45	2%/1 3% High 6
	Maximum Service	35 years	35 years	35 years	N/A	No Maximum	35 years	35 years	35 years	35 years	35 years	35 years	30 years	35 years
	Minimum and Maximum	None	None	Min $96/year of service Max None	None	None	None	Min $1044 less QPP Max None	None	Min $86/year service Max None	Min $120/year of service Max None	Min $85/year service Max. None	Min $2200 Max ⅔ x High 5	None
	Pension Indexing	Full CPI if funds available	Ad Hoc	80% of CPI	Ad Hoc	Full CPI if funds available	CPI to 8% with excess forwarding	3% Excess Interest	3% Excess Interest	CPI to 6%	CPI to 6%	CPI to 8%	Ad Hoc	CPI
DEFERRED PENSIONS	Vesting Requirements	10 years	10 years	10 years	1 year	10 years	10 years	10 years	2 years	5 years	10 years	10 years	10 years	5 years
	Locking-in Period	None	55 with 10 years	10 years service	45 with 10 years	45 with 10 years	45 with 10 years	10 years	45 with 10 years	None	None	10 years unless refund claimed within six months	None	45 with 10 years
	Age Requirement for Unreduced Pension	55 with 35, or 60 with 10 years	55 and Age plus Service 85	65, or 60 with 20, or 35 years	Age 60 with 20 years contributory service, after 30 years service	60	65	65 males, 60 females	65	65	60, or 35 years	60	60	60
	Deferred Pension Indexing before Pension Starts	Yes, approximately the same increase as pensions	Yes, the same increases as pensioners	None	None	Yes, same rate as pensions	Yes, same rate as pensions	None	None	Yes, same as pensions	None	None	None	Yes, same as pensions

Provincial Guarantee of Interest Rate

In addition to a guarantee to pay the benefits, three provinces provide a specific guarantee relating to the rate of return on the fund. Of these three, the most interesting is Manitoba's approach which guarantees the actuarial assumption for interest plus 1%, and which guarantees fund deficits, excluding guarantees of the other actuarial assumptions.

Guarantee of Deficit and Actuarial Valuations

All teachers' plans, with the exception of Saskatchewan's plan which by definition cannot have deficits, have government guarantees in the event of deficits. However, these deficit guarantees do not include the special funds for indexing of pensions.

In most cases, the various Acts require rec 'ar actuarial valuations, five of which, B.C., Alberta, Nova Scotia and P.E.I., and the PSSA, require quinquennial actuarial valuations. The rest, except for New Brunswick which has no specific requirement for actuarial valuation, require triennial valuations.

PLAN DESIGN

The more important features of the various teachers' plans are summarized in Table 3 which condenses the provisions of 13 very complex plans. In the following paragraphs, the discussion highlights the features with the most variation or those where Alberta is the exception.

Eligibility

The basic requirement for eligibility in all plans is that potential members be teachers, that is, a person holding a valid teaching certificate in that province. However, all plans to some extent include other professionals, such as employees of the administering body, the provincial professional teachers' association or the school board. These other eligible professional categories were not considered material to this review and have been ignored. Both B.C. and Manitoba require that a teacher be under age 55 at entry. One province, New Brunswick requires that the teacher be under age 60, and Newfoundland and the PSSA require that they be over 18.

Contributions

With the exception of Newfoundland, all plans integrate teachers' contributions with those made to the CPP. Five plans achieve exact integration so that the total contribution rate to the plan and the CPP is the highest percentage shown. For example, 7.65%/5.85%/7.65% for the Saskatchewan Formula plan means 7.65% on earnings up to the basic exemption ($2,000 in 1984), 5.85% on earnings from the basic exemption to the YMPE ($20,800 in 1984), and 7.65% on earnings above the YMPE. The other provinces including Alberta achieve approximate integration by using a lower percentage up to the YMPE and a higher percentage above the YMPE (for example, Alberta uses 3.5% on earnings up to the YMPE and 5% for earnings above the YMPE). Quebec, on the other hand, has its own unique approach to integration which is similar to the systems used in the other provinces that approximate.

An interesting feature of teachers' contributions is that Alberta's contribution rate is the second lowest, with Newfoundland having the lowest rate. Three plans, including B.C., Ontario and the PSSA, require an additional 1% of payroll to help pay for the cost of indexing. These plans grant indexing only to the extent that it can be afforded by the fund created from these contributions which is a significant aspect of the cost sharing.

Five of the 11 plans require a contribution rate of 7-1/2% or more, including the additional 1% for indexing, which is a full 50% more than is required in Alberta. In addition, Alberta is one of the six plans that limits contributions to 35 years of service, or, in the case of Newfoundland, 30 years.

Retirement Ages

The normal retirement age is 65 in five provinces including Alberta. At age 65, a minimum of between one year of pensionable service (Saskatchewan) and 10 years of service (Alberta and Ontario) are required for normal retirement. The remaining provinces, however, set the normal retirement age at 60 and require 10 years of service, (the PSSA sets the age at 60 with five years' of service). Special retirement, which is defined as the age at which retirement is permitted with a full accrued pension being paid, is allowed under all plans except for Manitoba and P.E.I. However, the rules vary quite considerably with the earliest age that is allowed being 55 with a service requirement of:

- Alberta	Age plus service = 85
- Newfoundland & PSSA	30 years
- B.C.	35 years

Three provinces allow retirement regardless of age either after 35 years or when age plus service reaches a minimum as follows:

- Ontario: Age plus service = 90
- Nova Scotia & New Brunswick: Age plus service 90, or 35 years

Finally, Quebec and Saskatchewan permit special retirement from age 60 only. Quebec requires that age plus service equals 90 and Saskatchewan requires 20 years of service.

Pension Formulae

In considering the various pension formulae, the most remarkable fact is that, with the exception of Saskatchewan which now has a money purchase plan and Newfoundland which has a stacked formula, all other plans have adopted an integrated 2% formul sed on the final five-year average of earnings, except the PSSA which uses a six-year average.

Form of Pension

While there is great similarity in the pension formulae, apart from minor variations because of the approximate nature of integration with the CPP, there are significant differences in the real value of benefits. All plans continue to pay benefits until the death of the pensioner, but not all provide continuing pensions to surviving spouses.

Four provinces including Alberta provide no automatic benefits to surviving spouses although all will allow the retiring teacher to take a reduced pension in order to provide a continuing pension to a spouse or any other co-pensioner. Of the other provinces, six provide a 50% pension to the surviving spouse, while Newfoundland alone provides a pension of 55%.

Indexing

One of the more significant variables affecting the value of the pension is indexing. Because the formulae for the initial level of pension are similar, it is the other factors such as indexing that produce the significant variations in value.

As highlighted in Table 3, there is considerable variation in the approaches being used and these are described as follows:

1. B.C.

In this plan, full CPI increases, based on the year ending September 30, will be granted on January 1 the next year provided that the Inflation Adjustment Account (IAA) has sufficient funds to pay for the capitalized cost of the increase. If the IAA has insufficient funds, then such reduced indexing as can be afforded will be paid.

2. Alberta

In this plan all indexing is on an ad hoc basis as may be provided by Order-in-Council. However, over the last 10 years it has averaged out to approximately 75% of the average rate of increase in the CPI.

3. Saskatchewan

The new annuity plan is not sufficiently mature yet to have resolved this issue. However, it is clear that whatever method is used, it will be one that is within the means of the Supplementary Allowances Fund.

4. Manitoba

The system is designed to pay the full rate of increase in the CPI provided that the Pension Adjustment Account (PAA) is able to afford one-half of the increase. Otherwise, the increase will be twice the amount that the PAA can afford. It is expected that this will average between 5% and 6% over the long run.

5. Ontario

The increase is the full increase in the CPI to a maximum of 8% in one year. If the CPI increases more than 8%, the excess will be carried forward and paid to the pensioners in a year when the CPI increases by less than 8%.

6. Quebec

In this plan, there is a double formula depending on when the pensionable service occurred. For that part of the pension in respect of the pensioner's service prior to July 1, 1982, indexing will be at the same rate as the QPP - basically the full CPI. For that part of the pension in respect of service after July 1, 1982, it will be the excess over 3% of the increases in the CPI.

7. New Brunswick & Nova Scotia

Increases in the CPI to a maximum of 6% in the year. However, New Brunswick had an additional ad hoc increase on January 1, 1983 to bring increases up to roughly 80% of the CPI increases since January 1, 1972.

8. Prince Edward Island

Increases are granted on July 1 each year to the full increase in the CPI to a maximum of 8% in the year.

9. Newfoundland

Ad hoc increases as ordered by the Minister.

10. Public Service Superannuation Act

The only plan to provide indexing up to the full CPI without limit.

There are, therefore, three fundamental approaches to indexing apparent from the examination of the 11 plans. These can be classified as follows:

1) Indexing as a right,

2) Indexing that can be afforded, or

3) Indexing by Order-in-Council.

The indexing by Order-in-Council approach provides a lesser degree of security for the individual plan member in that he may not receive an indexed pension. In the past, however, this assumption has not held true because Alberta, which falls under the third category, has had indexing that has been more generous than those in the first category. It remains to be seen as to whether or not the special indexing fund approach will work well in the future. On the one hand, it is a method for containing costs but, on the other hand, will it meet future indexing expectations?

Termination Benefits

The primary emphasis for termination benefits is the deferred pension. However, the majority of the plans, seven including Alberta, require 10 years of service for vesting purposes. In terms of the other plans, New Brunswick and the PSSA require five years for vesting, the Quebec plan requires two years, and the Saskatchewan plan requires one year of service.

Even where a deferred pension has been granted, four provinces allow the member to opt out of the deferred pension and to take a cash refund. The other plans provide a locking-in provision at some point in time which, in the case of Alberta, is only when age 55 has been reached with 10 years of service.

Even when a deferred pension is granted, there are some fundamental differences in the value of that deferred pension. The normal form of pension that is payable is a factor in determining the value of the deferred pension.

A secondary termination benefit relates to a refund of the employee's contributions plus interest. Only two plans provide an interest rate that reflects the rate of investment returns on the funds: Saskatchewan because of its money purchase approach gives the rate of return on the fund, and in Quebec, the rate varies from 0 to 90% of the rate of return on the fund depending on service. All other plans, including Alberta's rate at 3-1/2%, pay a nominal rate of either 3%, 3-1/2% or 4%: Manitoba pays no interest.

All teachers' plans, except for the current Quebec plan, allow a teacher who previously received a refund to reinstate his prior service by repaying the refund. However, the method for calculating the interest payable on refunds varies substantially. In many cases, the reinstatement payment requires payment of interest at the full rate of interest earned by the fund. There are a variety of rules concerning the length of the period of absence from teaching and the length of the period of service after return. The important fact here is that 10 of the 11 plans allow reinstatements.

Disability Benefits

There are two aspects relating to the payment of disability benefits. The first concerns the payment of an allowance from the teachers' pension plan, and the second concerns the impact of the payment of a benefit from an insured Long Term Disability (LTD) arrangement on the teachers' pension plan. The situation is further complicated if the insured LTD programs vary within the province from school board to school board.

Disability Allowances from the Plan

The Saskatchewan and Quebec plans do not have any provisions for the payment of disability allowances from the plan. Only Manitoba allows payments in a specific situation where the disabled teacher is employed by a school board that does not provide an LTD plan. All other provinces permit the payment of disability allowances from the plans.

In each case where allowances are payable from the plans, the allowances are based on the pension formulae. However, an important distinction is whether or not the disabled teacher's service is measured to the date of disability or to some future date when the teacher would otherwise have qualified for a retirement pension. Only in B.C. does the latter more generous approach apply. In Alberta, the disability benefit is based on the service to the date of disability and then reduced to reflect the full actuarial reduction because of age if the teacher is disabled from teaching only and half the actuarial reduction if totally disabled.

A further consideration is the effect upon dependents of a person in receipt of a disability allowance who dies. In B.C. and Alberta, the disabled teacher may select a joint life or other type of pension at a reduced rate. Other plans, as shown in Table 3, provide specific levels of benefit to specific dependents.

Integration with LTD

The most common form of integration is to provide for continued accrual of pensionable service. In B.C., Manitoba and Quebec, the continued accrual is automatic for two years only. In Alberta and Ontario, the disabled teacher must pay his contributions in order to continue to accrue pensionable service. In some plans, it is possible to receive allowances from the plan while drawing LTD benefits. However, in most instances, the LTD plan will offset the allowances which is a function of the LTD policy rather than the pension plan.

Death in Service

There are basically two types of death-in-service benefits:

1) Refund of employee contributions plus interest, and
2) Payment of a survivor pension.

The two benefits are often integrated in the sense that, if the deceased member qualified for a survivor pension to be paid, the lump sum return of contributions is not payable. Where a contribution refund is paid, interest is at the same rate as for termination refunds. Alberta is unique in that a modest death benefit of up to $1,500 is also payable.

Manitoba is unique in that no survivor pensions are payable. In the case of Quebec, the deceased teacher would have to be eligible for a full unreduced retirement pension before any allowance is payable. All other plans pay a surviving spouse a pension that is based on the pension formula in the plan, and in addition, the Alberta plan pays the modest death benefit described above.

OTHER PLAN FEATURES

Three other significant features of the teachers' plans include:

1) Reciprocity within the province;
2) Reciprocal agreements between the plans; and
3) Purchase of service.

A brief summary of the rules governing these items is provided in the s. nt paragraphs.

Reciprocity within the Province

In general terms, most provinces allow for the transfer between the teachers' plan and other civil service plans or positions of employment that are related to teaching (for example, a full-time employee of The Alberta Teachers Association who holds a valid teaching certificate). In some provinces there is a distinction made between employers with whom a teacher may work and transfer rights under the teachers' plan, and those with whom the teacher may work and retain their rights under the teachers' plan. The Quebec plan and the PSSA do not require such provisions.

Reciprocal Agreement Between Plans

With the exception of B.C., there is a general reciprocal agreement between the other nine provincial plans to allow teachers to transfer both their contributions and their service credits between plans. The basic agreement is that the exporting plan will transfer the lesser of:

a) twice the employee contributions actually made to the exporting plan plus interest, or

b) twice the employee contributions that would have been made under the importing plan plus interest.

With respect to transfers, interest is at the rates specified in the agreement from time to time. If the amount transferred is (b), then full service credit will be given by the importing plan. If the amount is (a), then the service credit will be pro-rated by service times (a)/(b). The teacher will have the option of paying the shortfall personally to bring his service credit up to 100%.

This type of reciprocal agreement has a major impact on the plans with a lower contribution rate. In these plans, all incoming teachers will acquire full credit for previous teaching service, whereas outgoing teachers will always get less than full credit in their new plan. The two plans that are most affected by the reciprocal agreement are Alberta and Newfoundland.

There is basically a similar reciprocal agreement between the Alberta Teachers' Retirement Fund and the Superannuation Fund of Canada. Therefore, with the exception of B.C., there is effectively full reciprocity between teachers' plans in Canada.

There is a limited reciprocal agreement between B.C. and some other provinces including Alberta which applies at the time of retirement rather than at the time of transfer. The agreement provides for the transfer of twice the teacher's contributions or the value of the vested pension, whichever is greater. However, B.C. requires that incoming transfers apply to teachers who have at least five years of service in B.C. and who meet the minimum service requirements when considering teaching service in B.C. and the transferring province.

Purchase of Service

The most common period of service which, at the option of the teacher and the payment of specified contributions, may become pensionable service is Military Service during World Wars I and II or in Korea. In many plans, the payment for such service is zero if the teacher was teaching in the province immediately prior to enlistment. In some cases, there is a requirement for a return to teaching within a specified time limit after demobilization.

Other types of service that may be eligible for recognition in a plan include educational leaves of absence, teaching in institutions other than schools or while holding public office, teaching service outside the province, and, in Ontario's case, teaching outside the country. Alberta and B.C. are the only provinces which give no recognition for teaching service or experience outside of the province other than by reciprocal agreement. Also, both provinces do not recognize teaching service or experience outside of Canada.

IV. COMPARISON WITH OTHER ALBERTA PUBLIC SECTOR PLANS

INTRODUCTION

In addition to The Teachers' Retirement Fund Act, there are six other Pension Acts which the Government of Alberta guarantees the payment of benefits. Each of the Acts is administered by a pension board which includes representatives of the employees and the employer. Each board is charged with certain defined responsibilities in the administration of the Act. However, the day-to-day administration, unlike The Teachers' Retirement Fund Act, has been delegated to Alberta Treasury under the direction of the Director of Payroll and Pensions.

Each Act covers different groups of employees which may be broadly defined as follows:

1. The Public Service Pension Act covers non-management employees of the government, the Legislative Assembly, and government agencies.

2. The Local Authorities Pension Act covers employees of local authorities, such as municipal employees of approved hospitals, school boards and other approved bodies.

3. The MLA Pension Act covers elected members of the Legislative Assembly.

4. The Public Service Management Pension Act covers management employees of the government, the Legislative Assembly, and government agencies.

5. The Universities Academic Pension Act covers the full time academic staff of a university authorized under The Universities Act.

6. The Special Forces Pension Act covers employees of police departments.

As might be expected, the unique nature of the employee group covered by each Act has had a bearing on the design of some of the plans' features.

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TABLE 4 (Continued)

		ALBERTA TEACHERS	PUBLIC SERVICE	LOCAL AUTHORITIES	MLA'S	MANAGEMENT	UNIVERSITIES	SPECIAL FORCES
REFUNDS	Vesting Requirements	None	*	*	*	*	*	*
	Interest Paid	3½%	4%	4%	4%	4%	4% but double refund if transferred to a registered plan	4%
DISABILITY	Vesting Requirements	10 years	5 years	5 years	N/A	5 years	10 years	5 years
	Extent of Disability Required	a) Unable to teach b) Totally disabled	Unable to perform regular duties	Unable to perform regular duties	N/A	Unable to perform regular duties	Unable to perform regular duties	Unable to perform regular duties
	Formula	Same as Pension with service to date of disability a) Full actuarial reduction, if unable to teach b) ½ reduction if totally disabled	At the discretion of the Board depending on the degree of disability either the full accrued pension or an actuarially reduced pension. No benefit if in receipt of approved LTD.	Pension accrued and payable at age 65 is actuarially reduced and paid immediately If totally disabled the full accrued pension may be paid at the discretion of the Board. No benefit if in receipt of approved LTD	N/A	At the discretion of the Board depending on degree of disability either a full or actuarially reduced pension. No benefit if in receipt of approved LTD.	At the discretion of the Board depending on degree of disability either a full or actuarially reduced pension.	At the discretion of the Board depending on degree of disability either a full or actuarially reduced pension No benefit if in receipt of approved LTD.
	Allowance to Dependents on Death	Depends on Form Chosen	*	*	N/A	*	*	*
	Integration with LTD Plan	Continued accrual if contributions are paid	Continued accrual	Continued accrual	N/A	Continued Accrual	Continued Accrual	Continued Accrual
DEATH IN SERVICE	Service Requirements for Refund	Less than 10 years	Less than 5 years	Less than 5 years	None	Less than 5 years	*	Less than 5 years
	Formula for Refund	Contributions plus $100 per year Min $200 Max. $1500	Contributions plus interest Double refund if payable to spouse	Contributions plus interest Double refund if payable to spouse	Contributions plus interest Refund doubled if to spouse, or dependent orphan	Contributions plus interest Double refund if payable to spouse	Employee plus University's contributions plus interest	Contributions plus interest Double refund if payable to spouse
	Vesting for Survivor Pension	10 years	5 years	5 years	N/A	5 years	10 years	5 years
	Formula for Survivor Pension	Same as Early Retirement pension with service to date of death and the election of a 100% joint life and last survivor pension to spouse	*	*	N/A	*	*	66% of accrued pension

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* MEANS THE SAME PROVISION AS ALBERTA TEACHERS

TABLE 4 – ALBERTA PLANS, COMPARISON OF BENEFITS

		ALBERTA TEACHERS	PUBLIC SERVICE	LOCAL AUTHORITIES	MLA'S	MANAGEMENT	UNIVERSITIES	SPECIAL FORCES
	Eligibility	No Age restriction	Under 60	Under 60	•	•	Under 60	Less than 55
CONTRIBUTIONS	Employee Regular	5 0%/3 5%	•	•	7½%	5%	Employee 6% University 7%	Employee and Employer 14%
	Employee Contribution Limits	Age 65 or 35 years	•	•	20 years	•	•	•
	Employee Voluntary	Not Allowed	•	•	•	•	•	•
	Province	50% of pension	5%	N/A	7½%	9%	N/A	N/A
RETIREMENT	Normal Retirement	55 with 10 years	65 with 5 years	65 with 5 years	None Specified	65 with 5 years	65 with 5 years	60 with 5 years
	Special Retirement	55 with Age plus service – 85	•	•	55 with 5	55 with 5 years	55 with 10 years	55 with 5 years, 25 years
	Early Retirement	55 with 10 years	55 with 5 years	55 with 5 years	After 5 years	55	After 10 years in ill health	50 with 5 years
FORMULAE	Pension Formula	2%/1 4% High 5	•	•	4% High 3	2% High 5	2% High 5	2% High 5 less 0 6% at age 65
	Maximum Service	35 years	•	•	20 years	•	•	•
	Minimum and Maximum	None	•	•	•	•	•	•
	Normal Form	Life 5	•	•	Single life only Married 75% to spouse	Single life only Married 75% to spouse	Life 15	Single life only Married 65% to spouse
	Pension Indexing	Ad Hoc	•	•	•	•	•	•
DEFERRED PENSIONS	Vesting Requirements	10 years	5 years	5 years	5 years	5 years	•	5 years
	Locking-In Period	55 with 10 years	Contributions locked-in if the member wishes to receive a deferred pension	Contributions locked-in if the member wishes to receive a deferred pension	none	Contributions locked-in if the member wishes to receive a deferred pension	•	None
	Age Requirement for Unreduced Pension	55 and Age plus Service – 85	•	•	55 and 5	55	55	55
	Deferred Pension Indexing before Pension Starts	Same as Pensions	Same as Pensions	Same as Pensions	Same as Pensions	Same as Pensions	Same as Pensions	Same as Pensions

*MEANS THE SAME PROVISION AS ALBERTA TEACHERS

FUNDING

None of the Acts is funded specifically by a separately established fund. In 1980, the government enacted the Pension Fund Act, which provided for the establishment of a pension fund consisting of $1.1 billion on April 1, 1981. Since that date, all contributions under the various pension plans have been paid into the fund, which is to meet partially the government's liabilities for benefits under these six plans. No attempt has been made to identify specifically any component of the fund as being in respect of any one particular plan or plans.

PLAN DESIGN

Table 4 provides a comparison of the seven public pension plans in Alberta. Where a feature in one of the plans is identical to the same feature in the teachers' plan, an asterisk has been inserted in the table to avoid repetition and to help the reader focus on the differences. The following comments expand on some of the more important differences between the plans.

Contributions

As presented in Table 4, the contributions under both the Public Service and Local Authorities plans are the same as that for teachers. However, the Provincial Treasurer has announced recently that, commencing on January 1, 1985 and on each January 1 thereafter until 1989, the contributions are to increase by 1/4% each year to 6-1/4% under both the Public Service and Local Authorities plans.

Retirement

The normal retirement age for the MLA's and the Special Forces plans is a reflection of the unique nature of their occupations. Under both the Management plan and the Universities' plan, the most significant difference is that retirement is possible from age 55 without actuarial reduction. The Management plan requires only five years of service, while there is a ten-year service requirement in the Universities' plan.

Pension Formulae

The most significant difference in pension formulae is that both the Management and the Universities' plans have stacked pensions based on 2% of the average of the highest five years of earnings. The Special Forces plan, on the other hand, has integrated pensions at age 65 only. In addition, the same three plans provide more valuable types of pension.

Deferred Pensions

Only the teachers' plan has a locking-in provision. The other four plans, excluding the Public Service and Local Authorities plans, allow unreduced pension at age 55. There is some limited locking-in of employee contributions so long as the employee remains entitled to a deferred pension. However, he may forfeit his deferred pension and elect a refund of contributions before his deferred pension commences.

Refunds

The Universities plan allows a refund of both the member's and the university's contribution. All other plans pay interest at a rate of 4% rather than 3-1/2% as in the teachers' plan.

Death in Service

The main difference between the teachers' plan and the other public service plans is that double refunds are payable to a surviving spouse if the member dies in service.

Reciprocity

There is a formal reciprocal agreement between the Board of Administrators, Teachers' Retirement Fund and the other public pension boards except for the MLA's and the Special Forces. These agreements essentially allow for full transfer of the employee's rights and contributions between the plans. Where the amount transferred is less than that required under the new plan to provide full credited service, the employee will be granted partial credited service to the extent that can be bought by the transfer. The member has the right to purchase the difference, and where the amount to be transferred exceeds the amount required to purchase full credited service in the new plan, the excess amount remains in the exporting plan.

Conclusion

In general terms, the teachers' plan is not very different from the two largest public sector plans, except that eventually the public sector plans will cost 1-1/4% more. The benefits under the teachers' plan are significantly less than the other four plans, although any comparison with that of the MLA's is probably invalid because of the unique nature of the occupation of that group. Not only do the Management and Universities' plans provide higher pensions, but the form of pension is more valuable because full pensions are available with minimal service requirements. Also, most of the government administered plans have a five year vesting period as compared to the ten year vesting period in the teachers' plan.

V. A MODEL RETIREMENT PLAN FOR TEACHERS IN ALBERTA

In this section, the task force develops and proposes a model retirement plan for teachers in Alberta. The recommendations concern the basic parameters of a model plan including: legislation and administration, plan design, and funding. Also, the recommendations have taken into consideration the information contained in the first four sections of this report. Some of the major plan design features which were discussed by the task force and then rejected are presented in Appendix B. The recommendations made in Alberta Labour's paper: "Improving the Effectiveness of the Private Pension Plan System in Alberta" are examined and compared with the appropriate feature from the model plan in Appendix C.

LEGISLATION AND ADMINISTRATION

The proposed changes to the existing Teachers' Retirement Fund should become effective September 1, 1985. As well, the proposed changes should be incorporated into new legislation which should be a complete amendment of the existing Teachers' Retirement Fund Act. Many of the precise administrative and design features of a new plan remain to be explained in detail. However, the task force recognizes that new legislation may not be possible at this time and that interim changes to legislation may be more appropriate to effect implementation of the model plan by September 1, 1985. Therefore, the task force offers to assist in the development and drafting of interim and new legislation to accomplish its recommendations. The Act, as is now the case, should continue to provide for a teachers' retirement plan that will be administered by an autonomous board with representatives of government and teachers.

It is the view of the task force that the existing administrative structure under The Teachers' Retirement Fund Act continues to be the most appropriate structure for administering the Fund. The task force believes that it is only right and proper that teachers who are expected to make significant contributions to the plan should be permitted to have input and involvement in the administration of the plan and in the investment of the fund which consists in part of their contributions.

As is now the case, the Board should be empowered to invest the assets of the fund within the constraints of appropriate legislation such as The Pension Benefits Act or the Canadian and British Insurance Companies Act.

PLAN DESIGN

Membership

The rules governing existing membership should remain unchanged and the following are required to participate in the plan:

Provincial teachers holding a valid teaching certificate and employed by:

a) a school board constituted under The School Act in any position for which a teaching certificate is a condition of employment, excluding the position of Superintendent of Schools;

b) the Alberta Teachers' Association;

c) the TRF Board;

d) a private school, if that school has been included in the plan by Order-in-Council, and

e) a corporation engaged in public or secular education by television.

Contributions

The level of contribution by teachers will be determined by the approach relative to the indexing of benefits. If indexing remains at the discretion of government, then a lower level of contribution is to be paid by the members. If indexing becomes a right of the members, then the higher level becomes payable. Therefore, the proposed levels are:

1) Indexing as a right:
   - 6% of salary up to the current YMPE.
   - 7-1/2% of salary above the YMPE.

2) Index at the discretion of Government:
   - 5% of salary up to the current YMPE.
   - 6-1/2% of salary above the YMPE.

As will be discussed later, it is the view of the task force that indexing be a right of the members and that, as a result, the higher level of teacher contributions should be paid.

The maximum contribution period should be 35 years, or until the retirement of the teacher, whichever occurs first. All contributions would cease on the completion of 35 years. For administrative purposes, contributions shall cease at the end of the teaching year, August 31, in which the teacher completes 35 years of contributions.

Retirement

1) Regular Retirement - Age 65 with one year of service.
2) Special Retirement - Age 55 and age plus service equals at least 85.
3) Early Retirement - Age 55 with five years' service.

Regular and special retirement are based on unreduced pensions, while early retirement is subject to actuarial reduction. By setting retirement at age 55 after 30 years of service, the strains imposed on long service teachers are recognized. Teachers will have a choice but, if they retire after 30 years, they will not have accrued their maximum pension.

If they wish to accrue a maximum pension, they will have to serve the remaining five years. However, this provision partially addresses the concerns expressed by the ATA. For purposes of this provision, service means all pensionable service that is recognized under the Act including the various types of special service that may be purchased or credited.

Pension Formula

The pension payable at normal or special retirement shall be:

- 2% of final average earnings x pensionable service up to December 31, 1965, plus
- 1.4% of final average YMPE x pensionable service after January 1, 1966, plus
- 2% of final average earnings above the final average YMPE x pensionable service after January 1, 1966

(NOTE: In this formula: Final average means the average of the teacher's salary in the three consecutive years out of the last 10 years of service which give the highest average. Final average YMPE means the average of the YMPE in the year of retirement and the two immediately preceding years.)

In adopting this formula the task force concluded that a pension, which together with the CPP and OAS, will provide a full service teacher (one who has taught for 35 years) with a pension from all sources of approximately 70% of his last year's salary.

Under current limititations, the OAS pension represents approximately 10% of the average salary of teachers. It can be expected that this relationship, because the OAS is fully indexed to inflation will trend down over time because average salary may well outpace inflation over the long run. Therefore, by the time the current generation of younger teachers reach retirement age, the OAS may represent only 5% - 7% of their final years' salary. However, the other two plans combined will provide

70% of the final three years of average salary so that, except in periods of high inflation, the OAS should account for the shortfall between 70% of th last year's salary and 70% of the final average salary.

When a teacher takes early retirement, the same pension formula shall apply but the final pension will be reduced by one-sixth percent for each month by which the teacher's early retirement date precedes the date on which he would first qualify for normal or special retirement.

Indexing of Pensions

It is the opinion of the task force that indexing of pensions is essential to enable the pensioners to maintain a reasonable standard of living in retirement. The question that must be resolved is whether indexing should be a right of the members or whether it should remain at the discretion of the Government. As highlighted in the concerns expressed by the ATA over the years, the lack of a right to indexing has worried teachers. The task force therefore recommends that some minimum level of indexing should be incorporated into the Act for the total protection of the teachers.

The question then arises as to what level of indexing is appropriate. It is not intended that all of the discussion on the issue of indexing that has taken place in Canada for the past decade be repeated, instead, the task force endorses the proposal of the Minister of Finance in his discussion paper "Action Plan for Pension Reform: Building Better Pensions for Canadians" published in February, 1984.

The task force, therefore, recommends that pensions be adjusted annually by 60% of the change in the CPI for the year. In return for including this provision as a right in the plan, teachers will contribute a total additional contribution of 1% of salary. In the event that subsequent actuarial valuations disclose a surplus as a result of the 1% contribution, the Act should then permit ad hoc increases in excess of the minimum to be made.

Termination Benefits

The model retirement plan should include the following termination benefits:

1. Vesting: Full vesting should occur after five years of contributory service.

2. Locking-in: Locking-in should also occur after five years of service. However, members who are locked-in should be allowed to transfer twice their own contributions plus interest to another registered pension vehicle provided that vehicle will lock-in the transfer and make it available only to the member in the form of a pension after age 55. Such a vehicle might be:

   -the registered pension plan of a new employer,
   -a registered retirement savings plan, or
   -a registered pension account, assuming that these new savings vehicles are implemented.

Amount of Vested Deferred Pension

Vested deferred pensions will be calculated using the same formula as for retirement pensions but service will be based on final average earnings and the YMPE for the period up to the date of termination. However, there will be a guaranteed minimum benefit that is equivalent to the actuarial value of twice the member's required contributions plus interest. This provision ensures that the member, who satisfies the vesting requirement, will never pay for more than 50% of the value of his deferred pension.

Indexing of Deferred Pensions

It is essential that, if a teacher leaves the profession after earning the right to a deferred pension, the purchasing power of the deferred pension be at least partially maintained. Therefore, deferred pensions should be indexed to the same extent as pensions paid to retired members.

Refunds

For members who terminate before completing five years of contributory service, a refund equal to the required contributions plus interest will be payable in cash to the member. The plan should allow specifically for this refund to be paid directly to a Registered Retirement Savings Plan at the option of the member without any locking-in provisions.

Interest

Where interest enters into the calculation of lump sum payments, either by way of termination, death benefit (see below) or minimum deferred pension calculations, the interest shall be at a rate determined by the Board of Administrators from time to time. The rate should be guaranteed at no less than the rate paid by one of the major banks on its non-chequing savings account, less one percent to cover the administrative costs of handling withdrawals.

Death in Service Benefits

The death benefit that is payable payable shall be determined according to the length of service of the member as follows:

a) If the member dies before completing five years of contributory service or leaves no surviving spouse eligible for benefits in accordance with b) below, there shall be paid a lump sum equal to required contributions plus interest.

b) If the member dies after completing five years of service and is survived by a spouse, then a pension will become payable to the spouse. The amount of the pension will be the amount accrued to the member and payable at age 65 reduced as if the member had elected a joint life pension with 100% continuing to the surviving spouse.

c) If survived by dependent children and no spouse a lump sum equal to twice the teacher's own contribution plus interest.

(NOTE: For purposes of this definition, spouse shall be the person of the opposite sex to whom the member had been legally married for one year prior to the date of death or a person with whom the member had been residing in a common-law relationship and held out to be the members spouse in the community in which they lived for at least five years prior to death, or for at least two years if a child had been born to the member and such person.)

For purposes of death-in-service benefits, a member shall include a member who remains entitled to a deferred pension.

Death after Retirement

The model retirement plan shall include the following provisions relating to death after retirement:

1. Normal Form of Pension: In the absence of any written instruction to the Board prior to the commencement of pension, a retired member will receive a monthly pension in the form of a life annuity guaranteed to be payable for 60 months.

2. Optional Forms: Prior to retirement, the member may elect in writing to receive a pension in any other form that is approved by the Board. This form could include a longer guarantee period, up to 180 months, or any form of joint life and last survivor pension provided that the amount payable to the survivor does not exceed the amount payable while the member is alive.

3. Early Retirement: Prior to early or special retirement, a member may elect to receive a higher pension until age 65 and the start of federal government pensions, followed by a reduced pension so that, including the government pensions, the member's income before and after age 65 is approximately the same.

   (NOTE: All of the optional or early retirement formats shall be of equivalent actuarial value to the normal form of pension.)

Disability Benefits

The normal disability benefit shall be the continued accrual of pensionable service during a period of approved disability. During such period, the member will not be required to contribute. An approved period of disability shall be a period during which the teacher proves, to the satisfaction of the Board, that the teacher is unable, by reason of physical or mental health or injury, to fulfill the duties of a teacher. Where the teacher is employed by a school board that makes available an insured long term disability plan, the qualification for benefits under that plan shall be acceptable evidence of disability without further question. Otherwise, the Board shall be entitled to such medical evidence as it may deem appropriate to establish the onset and continuance of the member's disability. During a period of permanent disability, the member shall accrue pensionable service until either reaching age 65 or accruing a total of 35 years of pensionable service.

At age 65, the teacher will receive a pension in accordance with the normal formula, but the final average salary shall be the final average salary at the date of onset of disability increased by the same annual percentages that are granted under the indexing provisions.

Other Items

The other two major items of consideration are reciprocal agreements and the purchase of other special types of service. Basically, the task force does not recommend any significant changes from the present position. The plan as outlined will remain sufficiently similar to other teachers' plans in Canada in that the existing reciprocal arrangements should not pose any problems. In fact, the revised plan will remove the current disadvantages for Alberta teachers who transfer to other provinces.

COSTS OF THE PROPOSED PLAN

In arriving at its recommendations, the task force has attempted to address all of the concerns raised by the TRF Board and the ATA, while attempting to arrive at a plan which does not have unacceptably high costs. Initial estimates of the cost of the proposed plan are presented in Table 5, which are based on the census data as of August 31, 1983 and the application of the actuarial assumptions expected to be used by Government in its March 31, 1984 valuation of the other six pension Acts. (See Appendix A for details).

Therefore, the proposed plan represents a 2.5% increase in contributions for the teachers and a 0.42% increase in actuarial normal costs for the Government. In addition to the increase in normal actuarial costs, there is an increase in actuarial liabilities for service prior to the introduction of the new plan which represents an increase of $136 million in the unfunded liabilities for active teachers.

The task force also recommends that pensionable service under the revised Teachers' Retirement Fund Act be calculated to include teaching service rendered before reaching age 30 by teachers who retired prior to July 1, 1970. At the moment, there are approximately 800 teachers or dependents of teachers who would be eligible to receive pension increases under this change. The accrued liabilities for pensions have therefore been increased in the model plan by $10 million to reflect the capital cost of the increase. It is expected that pensions payable in the year 1984-85 would be approximately $1.4 million and that this amount would decrease to zero by the year 2006.

Additionally, if the present system of indexing, which is presumed to provide 75% of the CPI on an ad hoc basis, is changed to guarantee 60% of CPI and applied to existing pensioners, there will be a reduction in liabilities for pensioners. This provision reduces the overall increase in actuarial liabilities to $77 million.

FUNDING

For many years, government has been contributing to the funding of the Teachers' Retirement Fund by paying one-half of all pensions in respect of contributory service, and 100% of all pensions in respect of service prior to 1939. Essentially the plan was a partial "pay-as-you-go" approach.

In 1981, the province initiated a major improvement in the funding of its long term financial responsibilities for the pensions of some 160,000 current and former public employees. At that time, a separate new Pension Fund was created and both employee and employer pension contributions were deposited in that Fund.

Additionally, the province transferred a $1.1 billion lump sum into the new Pension Fund in order to reduce the burden on future taxpayers of the large unfunded liabilities which had accrued over the years prior to 1981. The wisdom of these measures is becoming increasingly evident in light of the dramatic changes in our provincial revenue and our budgetary position since 1981. However, the province did not take similar action to reduce the unfunded liability of the Teachers' Retirement Fund.

The Auditor General, in his 1982-83 annual report, noted that, unless significant additional funds are transferred to the Pension Fund, or pension contributions are increased, or pension benefits reduced, the large net pension liability will continue to grow. In his 1981-82 annual report, he also recommended that consideration be given to the several options available, any of which if implemented could control the future growth of the pension liability. In conclusion, it was recommended that consideration be given to all available ways and means of restricting the growth in the new pension liability.

The task force, therefore, requests that consideration be given to adopting a new approach to funding. Ideally, the task force would like an approach which, if followed for many years, would eliminate the unfunded liability entirely. However, it recognizes that this would increase considerably government's funding over the current levels and would go beyond the funding policies for other government plans.

In the year ending August 31, 1983, the government contributed $35 million to the teachers' fund. Full funding of the current service costs of the proposed plan would require a government contribution of $67 million - in the current year, an increase of 91%. However, unless a policy of full funding of current service costs, is adopted the unfunded liability will continue to increase. The task force therefore recommends that the full balance current service cost in addition to the teacher's contributions be contributed on the implementation of the model plan.

These increases for teachers and government will ensure that current contributions will meet the current costs under the plan. However, it should be clearly understood that, even with these increases, there will still be a unfunded liability under the plan. In addressing the issue of unfunded liability under the Teachers' Retirement Fund, the task force proposes the following options for consideration by government.

1. That government pay the interest charges on the unfunded liability as of the implementation of the new plan in order to freeze the current level of unfunded liability.

2. That government continue to pay 50% of all pensions accrued before the implementation date and the cost of current service benefits in excess of the required contributions from the members, to partially meet the unfunded liabilities.

3. That government pay either a lump sum, or annual instalments in accordance with The Pension Benefits Act, in order that the new plan is fully funded after 15 years.

The task force recognizes that any action to eliminate the unfunded liabity will require a significant increase in government contributions. The above options are offered by the task force for consideration by government in dealing with the unfunded liability. The task force, however, makes a specific recommendation of full funding of current service costs on the introduction of the model plan.

Conclusion

The informal task force has developed a model retirement plan for teachers, which addresses the outstanding issues raised by the ATA since 1970, and which addresses the issues relating to employee contributions, employee benefits, and the plan's unfunded liability. The findings and recommendations reflect the best juagements of the task force after careful review, consultation with the ATA Pension Committee, and consideration of principles constituting a sound retirement plan, and its relationship with other public pension plans.

APPENDICES

APPENDIX A

ACTUARIAL ASSUMPTIONS

The cost estimates included in this report have been developed using the economic assumptions that are to be used for the valuation of the other government guaranteed plans. The demographic assumptions are those used to value the Teachers' Retirement Fund at August 31, 1983, with the exception of the rate of salary increase for promotions and merit.

Economic Assumptions*

Annual Rate of	Year 1 %	Year 2 %	Year 3 %	Year 4 %	Year 5 onwards %
Interest	13	12-1/2	9-1/2	9-1/2	9-1/2
Salary Inflation	1/2	3	8	8	8
Consumer Price Index	3-1/2	5	7	7	7
Increase in YMPE	12-1/2	12-1/2	12-1/2	12-1/2	9-1/2

Demographic Assumptions

Mortality	- The 1983 Group Annuity Table
Withdrawals & Retirements	- A table on the experience of the group in the period September 1, 1978 to August 31, 1983.
Disability	- A table based on the experience under the Public Service Superann[illegible]ion Act.
Proportion Married & Age of Spouse	- A table based on the studies completed for the valuation as of August 31, 1978.
Salary Increases	- 1-1/2% per annum at each age.

* Economic assumptions were reported to the Informal Task Force by Mr. G. Buse prior to completion of the actuarial valuation of the other government plans.

APPENDIX B

VARIATION OF PLAN DESIGN

This Appendix shows some alternative provisions for a possible model plan that have been considered and rejected by the task force. The variations in costs have in some cases been estimated by suitable methods of approximation.

VARIATIONS THAT DECREASE COSTS

	Description of Variation	Decrease in Unfunded Liability (Millions)	Decrease in Total Annual Cost as a % of payroll (Percentage)
1.	Final Average Five Year Salary		
	If all pension benefits were based on the final average five year salary rather than final average three year salary as proposed:	78	1.35
2.	Single Refunds on Death		
	If, instead of paying a double refund of contributions plus interest for a teacher who dies in service after he has completed five years of contributory service, a single refund was paid:	17	.20
3.	Single Refunds on Termination after Vesting		
	If, instead of allowing a double refund of contributions plus interest to be transferred to a locked-in RRSP only, a single refund was paid to terminating members:	51	.90
4.	Termination Benefits		
	On withdrawal from the plan the teacher is entitled to a deferred pension at retirement age provided he has five years of service. If, at the time of withdrawal from the plan, his own contributions plus interest will buy more than 50% of the deferred pension, then in addition to a full deferred pension he will receive a lump sum payment of the excess:	17	.20

APPENDIX B (cont'd)

VARIATIONS THAT INCREASE COSTS

	Description of Variation	Increase in Unfunded Liability (Millions)	Increase in Total Annual Cost as a % of payroll (Percentage)
1.	Provide Married Teachers with 50% Spouse Pensions as a Right		
	If married teachers are provided with a joint life pension with 50% continuing to the spouse as an automatic right, then the increase costs will be:	86	1.50
2.	Indexing by Order-in-Council		
	If indexing at 60% of the Consumer Price Index is not included in the plan but continues under the discretion of government, then, assuming that the established level of 75% of CPI is maintained, the cost of the plan will increase:	73	1.35*
3.	Special Retirement Pensions		
	The full 2% of final average three-year earnings will be paid between actual retirement age and age 65. The CPP offset only starts at age 65. CPP offset is based on CPP levels at age 65.	156	3.17
4.	Pension Accrual of 2-1/3%		
	If instead of accruing pensions based on 2% of final average three year earnings they are accrued at 2-1/3%	180	2.60

* Actual increase in government costs would be approximately 2.35% because teachers contributions would be 1% lower.

APPENDIX C

COMPARISON OF MODEL PLAN TO "IMPROVING THE EFFECTIVENESS OF THE PRIVATE PENSION PLAN SYSTEM IN ALBERTA"

In this appendix we compared the relevant features of the model plan and the existing plan to each of the 12 recommendations contained in "Improving the Effectiveness of the Private Pension Plan System in Alberta".

Recommendations	Model Plan	Current Plan
1. Vesting and Locking-In		
After 5 years of service or plan membership the employee should be entitled to the pension benefits accrued for the period served. This means full vesting of benefits earned after the specific date set by legislation. The total contributions, employer and employee, necessary to provide these benefits, to be locked-in, that is, to be held until required to provide a life annuity at retirement.	Meets recommendation	Fails to meet recommendation
2. Value of Vested Benefit		
The employer should pay for at least some portion of the accrued vested benefit that the employee becomes entitled to on termination of employment or retirement: for example, either the employer could be required to pay for at least 50% of the accrued vested benefit, or the benefit to be provided by the plan could be required to be not less than 125% of the value of the employee contributions.	Meets recommendation	Fails in some instances

Recommendations	Model Plan	Current Plan
3. Interest on Employee Contributions		
Employee contributions should be credited with a reasonable current interest rate such as the rate available for non-chequing savings bank accounts.	Meets recommendation	Significantly fails
4. Portability		
Upon termination of employment, the employees should have the right to transfer the total value of their accrued benefits to either a locked-in individual retirement savings account, or the new employer's pension plan, if the new employer's plan so allows, to the extent the benefit is funded. Any unfunded portion of the accrued benefit to be transferred once it has been fully funded.	Exceeds recommendation	Meets partially
5. Disclosure		
Employees should be entitled to full disclosure of information regarding their accrued benefits and accumulated contributions under the pension plan. This disclosure should include access to those pension plan documents which have a direct bearing on their personal benefits, provision of annual statements of accrued benefits, and a statement of benefits and options at termination of employment, retirement, or on death.	Where practical will meet recommendation	Meets partially
6. Survivor Benefits		
On retirement, plans to provide 60% spousal benefits.	Available as option	Available as option
On death before retirement, plans to provide surviving spouse benefits.	Exceeds recommendation	Partially meets recommendation

Recommendations	Model Plan	Current Plan
7. Division of Pension Benefits on Marriage Breakdown		
Legislation should provide that, when divorce or dissolution of a common law relationship occurs, unless the courts or the parties themselves determine otherwise the vested pension benefit earned during the period of the marriage or common law relationship should be split equally between the spouses and retain its character as a pension benefit and be locked-in.	Will meet recommendation	Will meet recommendation
8. Plan Coverage and Membership		
Improvement in pension plan coverage could be obtained by: a) requiring that employees must be able to join an available pension plan for their class of employment after attainment of 1 years of service, b) requiring that part-time or seasonal employees must be allowed to join the employer's plan maintained for their class of employment after attainment of 1 year of service, in which some level of minimum hours of work was performed, for example 600 hours, and c) encouraging the expansion of the number of private pension plans through promotional activities and development of appropriate tax programs.	Exceeds recommendation	Exceeds recommendation
9. Multi-Employer Plans		
Pension legislation has to be readily applicable to all types of plans, therefore the present legislation should be revised to accommodate the different administrative circumstances existing in respect of multi-employer	Meets intent of recommendation	Meets intent of recommendation

Recommendations	Model Plan	Current Plan
9. Multi-Employer Plans (cont'd)		
pension plans. However, the entitlements of employees, under multi-employer pension plans, and the minimum legislative standards for these plans should not differ from those applicable to single employer pension plans.		
10. Prohibition of OAS Offset		
It is proposed that a provision should be included in the legislation prohibiting plan benefits from being offset or reduced by any proportion of the benefits receivable under the Old Age Security Act.	Meets recommendation	Meets recommendation
11. Retirement Age		
Pension plans should define normal pension eligibility age as the age at which pensions may commence without being actuarially adjusted. An actuarially adjusted pension should be available to a vested employee, without employer consent, during at least the five-year period immediately prior to normal pension eligibility age. If employment continues beyond normal pension eligibility age, the benefits accrued at that time should be actuarially adjusted when actual retirement occurs.	Exceeds Recommendation	Exceeds Recommendation
12. Inflation Protection		
No mandatory system of inflation protection should be required. Employers should be encouraged to provide voluntary inflation protection and ad hoc pension increases as their financial conditions permit.	Exceeds recommendation	Meets intent of recommendation