THE MANITOBA TEACHERS' SOCIETY

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TREATY & TRADITIONAL LANDS ACKNOWLEDGEMENT

As is customary before each of our meetings at The Manitoba Teachers' Society, we recognize our history as a settler organization on these lands.

McMaster House and Bradley Square are located on Treaty 1 lands; the original lands of the Anishinabe, Ininíwak, Anishinini(wak), Dakota and Dene peoples, and on the homeland of the Métis nation.

The Manitoba Teachers' Society respects the Treaties that were made on these territories, we acknowledge the harms and mistakes of the past and present, and we dedicate ourselves to move forward in partnership with the Indigenous communities in a spirit of reconciliation and collaboration.

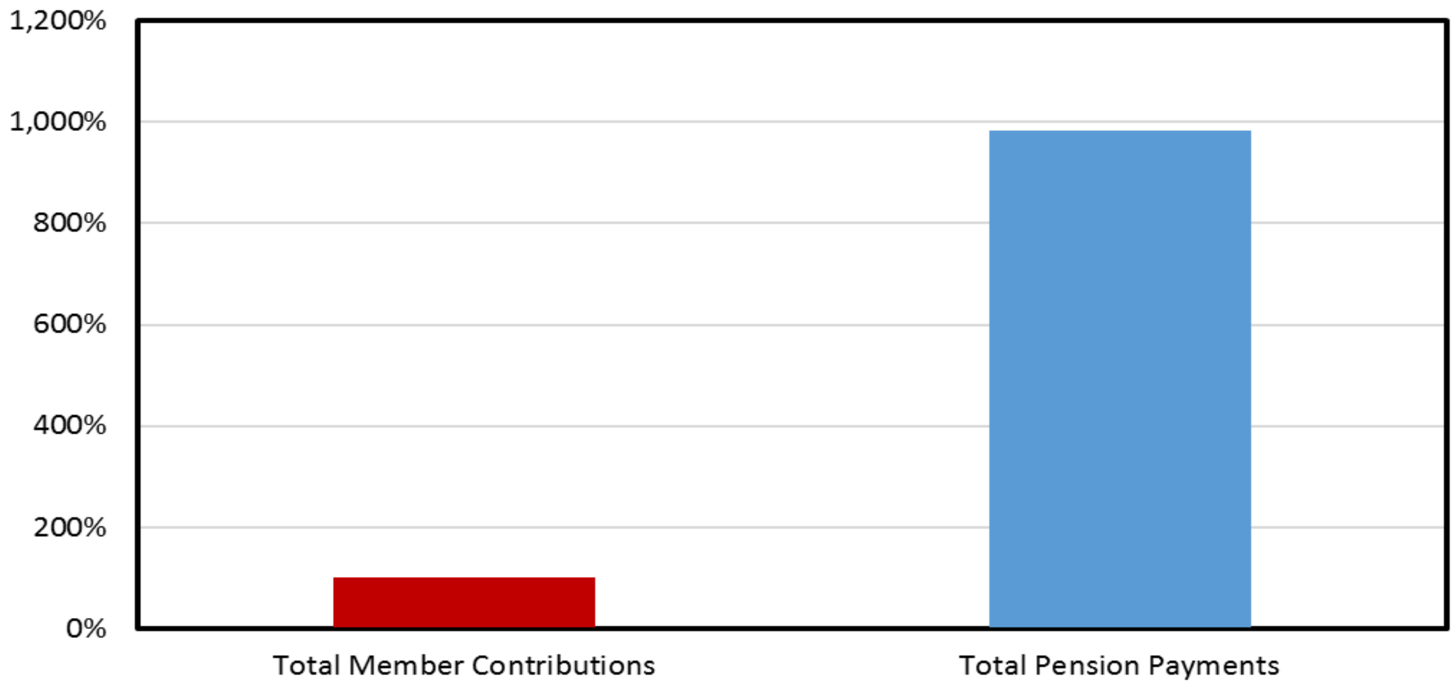
Registered Pension Plans

- Defined benefit (DB) – formulaic ‘pension for life’ TRAF

- Defined Contribution (DC) – employee and employer funded ‘retirement savings plan’ – at retirement individual holds the investment and longevity risk

- Target Benefit/Shared Risk – pension is a target not a defined benefit– value of both future and accrued pensions can change dependent on funded status
  - Exists for New Brunswick teachers (July 1, 2014)
  - PEI teachers – Jan. 2017 – shared risk COLA – COLA at 100% CPI but only if funded status above 110%, otherwise no COLA
  - All provinces except Manitoba and Saskatchewan have enabling legislation in their provincial pension Act allowing Target benefit plans with only Alberta allowing on a future basis only.
    - They exist in the private sector in those provinces.

Return on Contributions



Total pension payments are expected to be approximately 1,000% of member contributions

Source: TRAF. Calculations assume retirement in 2017 at age 60 with 26 years of pensionable service and life expectancy of age 89. Based on the actuarial valuation assumptions from the January 1, 2018 valuation.

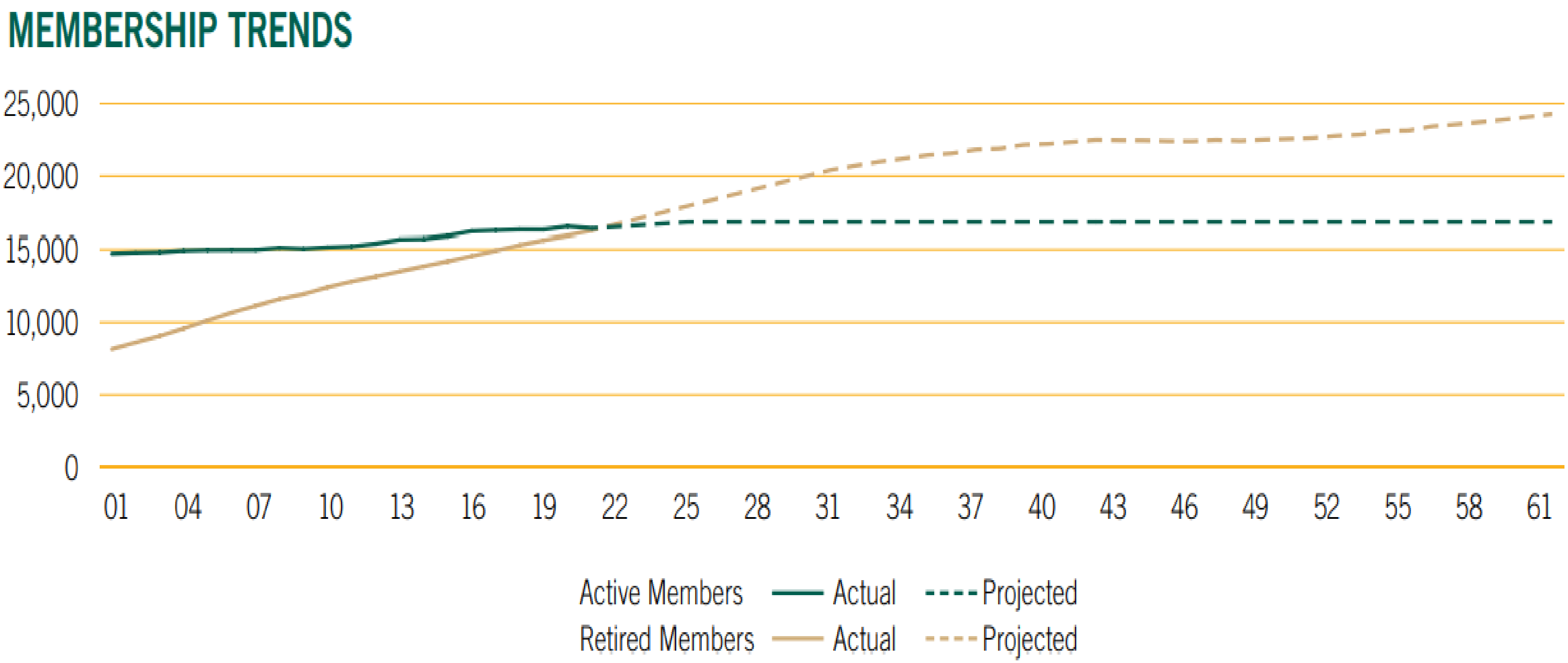
TRAF's Sustainability Challenges

- The promise of a life pension by a DB Plan such as TRAF is only of full value if the plan is structured and operated in a manner which is sustainable over the long term
- Current challenges (not specific to TRAF)
  - Investment outlook
  - Longevity trends
  - Plan maturity
- Specific challenges for plans structured like TRAF
  - As plan administrator, TRAF only controls the investment policy
  - Contribution rates and benefit levels are set by legislation (ie. the Province controls those policies)

Advantage – Pooling of Longevity Risk – and Pension issue

- A member relying on personal savings must consider the possibility that they will outlive their savings. In other words, if they care about not running out of money, they must accumulate extra wealth (or buy an annuity, which can be expensive)
- According to the US National Institute of Retirement Security (2012), 24% of retirement assets in DC Plans are transferred to estates (ie. not used for retirement income) (September 2018 – 57% have a balance of $0.00 in retirement savings)
- A recent ACPM study (22) indicated that for every $1 invested in a Canadian employer DC plan created between $1.94 to $2.58 in retirement income while a large employer DB plan created $4.19 of retirement income/$1 invested
- Because of pooling, a DB Plan need only accumulate sufficient assets (through contributions and investment returns) to pay a pension based on the *average life span* of our members, not each one individually

Plan Maturity – Membership Trends



Source: TRAF

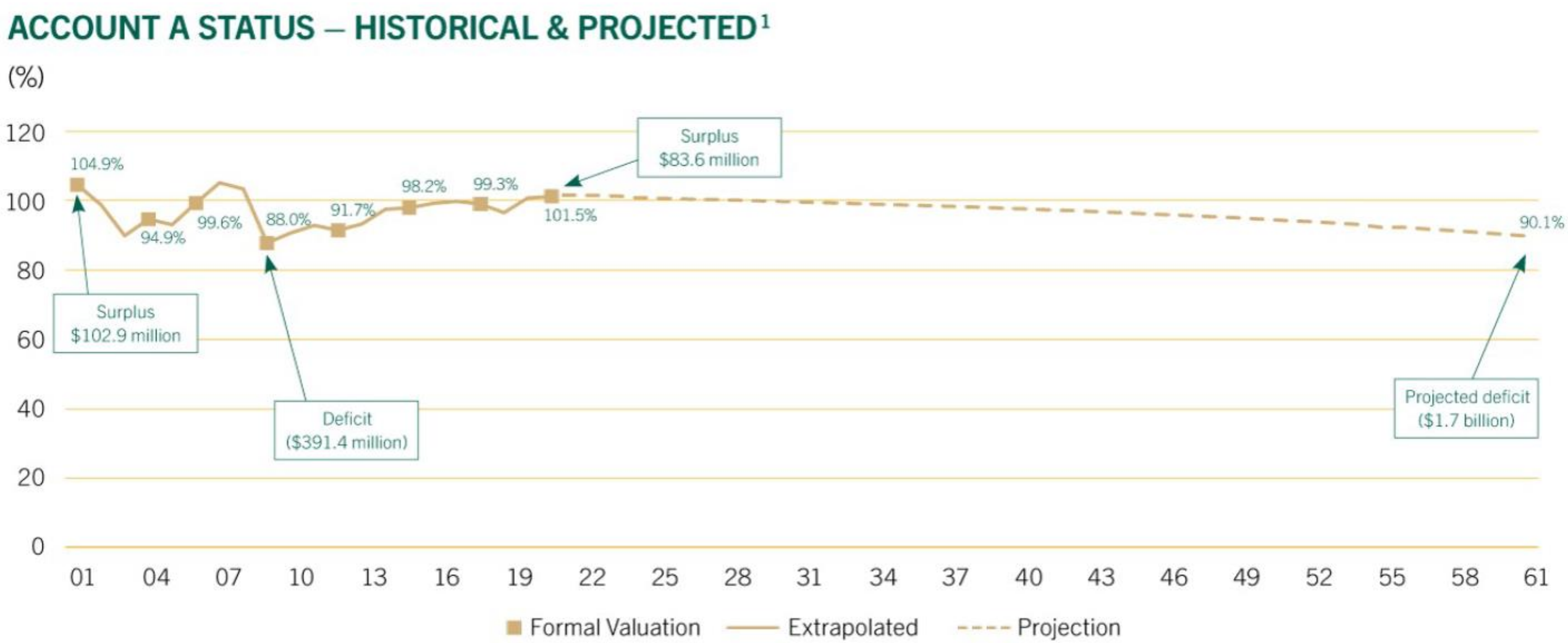
Plan Maturity – Issues

- 1979 – 5:1 active to retiree ratio
- 2017 – 1.1:1 active to retiree ratio
- 2035 – 0.8:1 active to retire ratio

- Therefore, as the active to retiree ratio decreases there are less contributing members. The result is that any required/contemplated contribution increase creates a lesser effect to the whole pension.

Funded Status Outlook – Accounts A and B

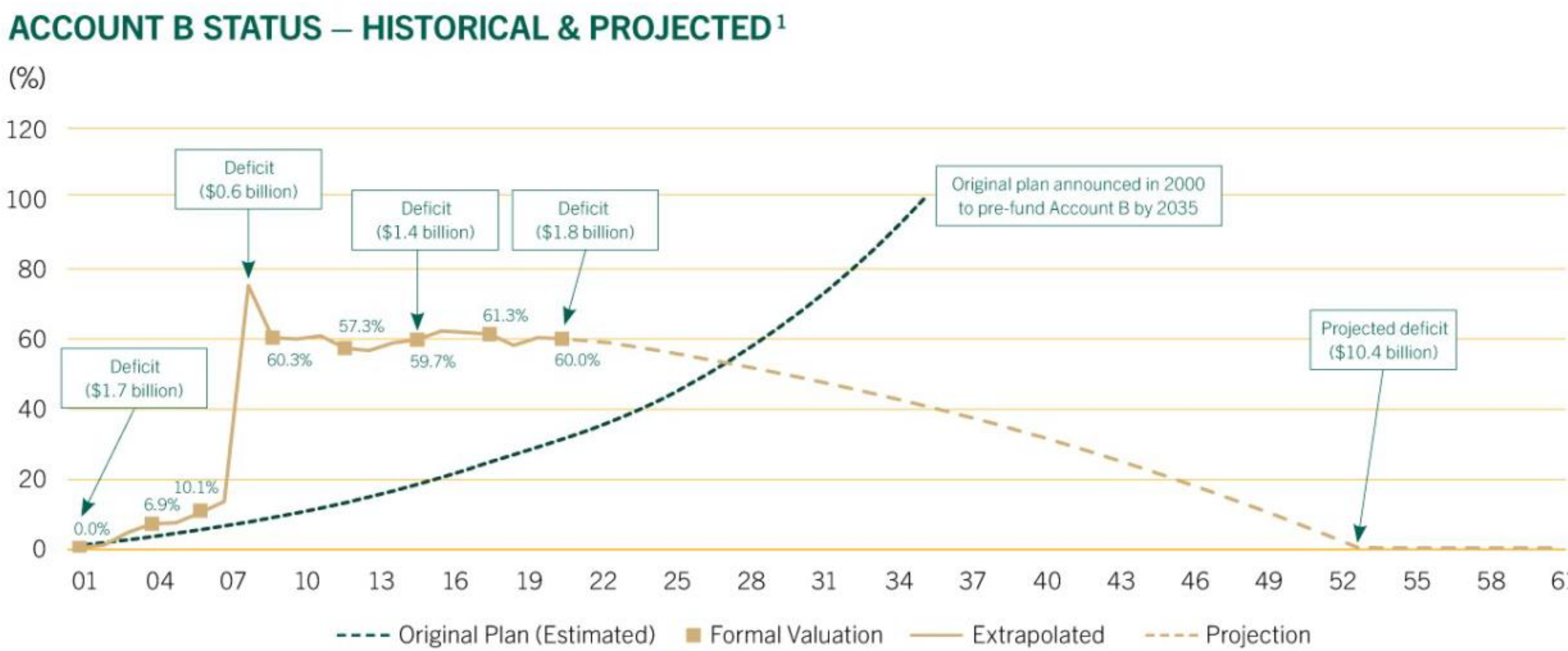
Account A Status – *January 1, 2021*



[1] Includes accrued and future assets and liabilities, but excludes the Pension Adjustment Account.

Source: TRAF

Account B Status – *January 1, 2021*



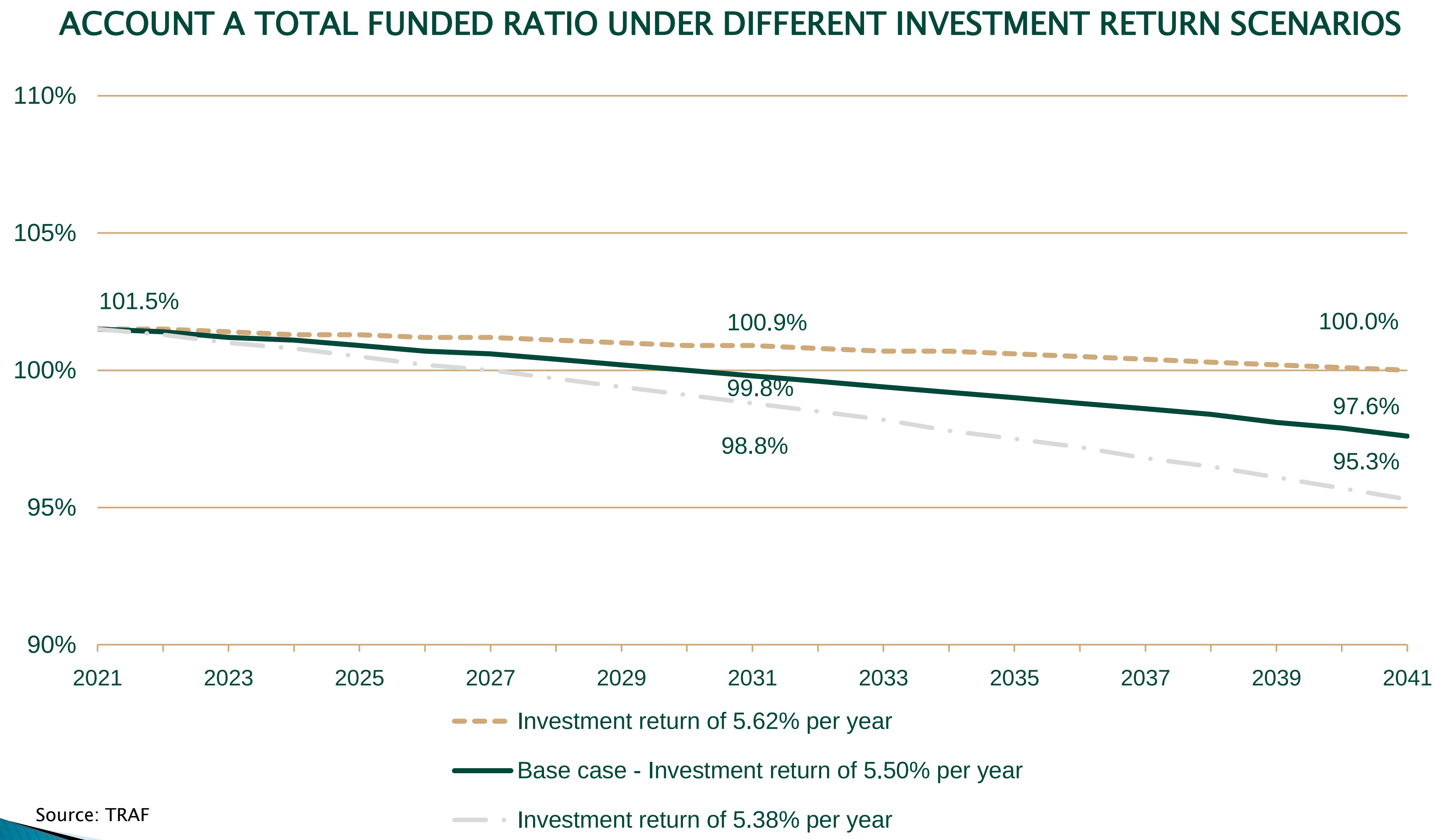
[1] Includes only accrued assets and liabilities for both base pensions and cost of living adjustments. Assumes that the Province of Manitoba will continue to make contributions to Account B in an amount equal to the aggregate required contributions of members to Account A. Currently, all contributions to Account B are made at the discretion of the Province of Manitoba. This funding arrangement will revert to pay-as-you-go when Account B is depleted, which is projected to occur in 2053.

Source: TRAF

Account A status and history

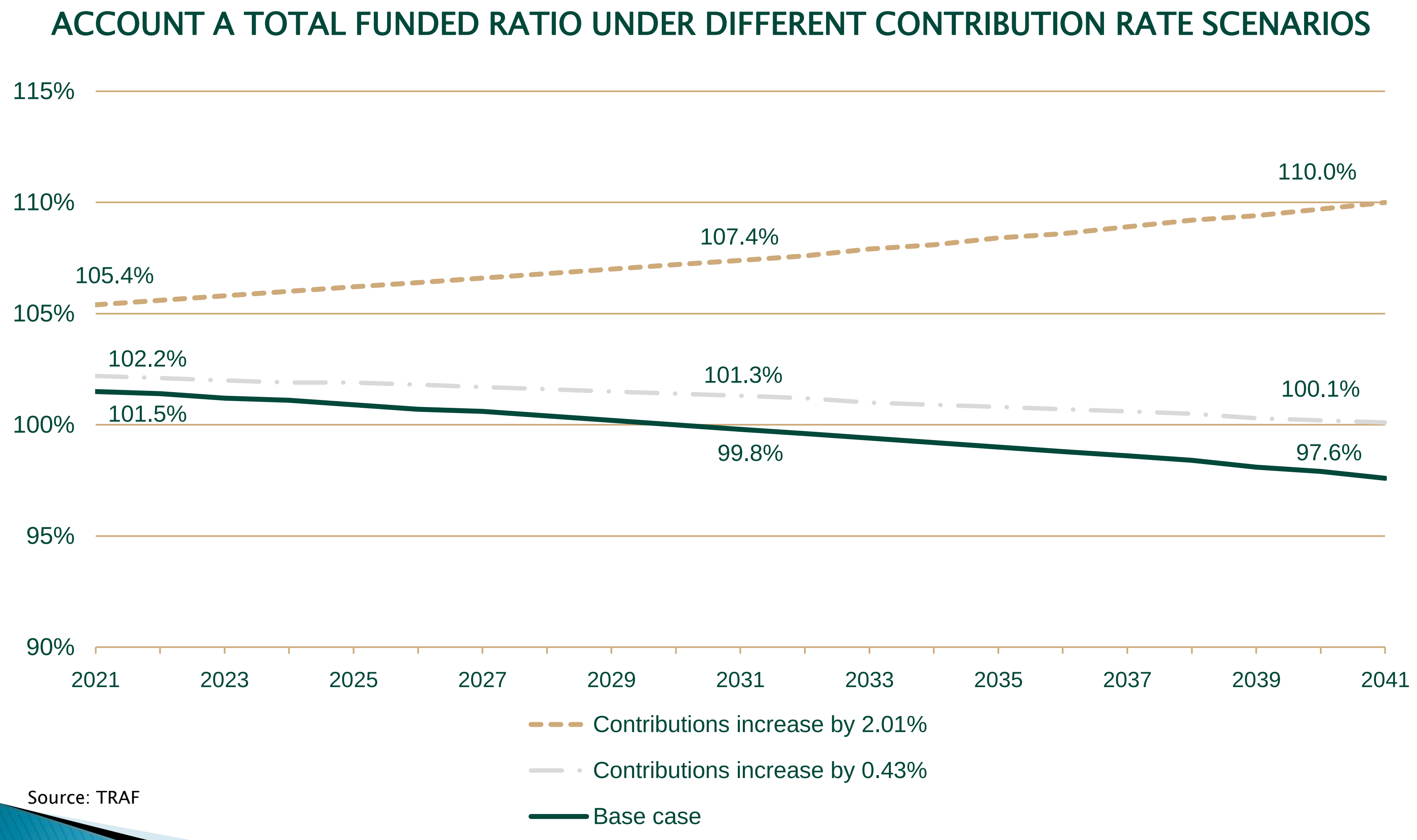
- When the funded status dipped below 90% the Province and Society, through meetings of the Pension Task Force, came to resolution on measures to increase the funded status
  - 2002 – Tech Wreck – discussions ensue and contributions increased as at Sept 2005 1.1% below and above the YMPE
  - 2008 – Credit Crisis – discussions ensue and contributions increased from Sept 2012 to Sept 2015 at 0.5% each year to end at 2.0% below and above the YMPE
  - *Each time, it has taken several years for change to occur but it can and does occur*

Estimated funded ratio – Account A – under different investment return scenarios



Source: TRAF

Estimated funded ratio – Account A – under different Contribution rate scenarios

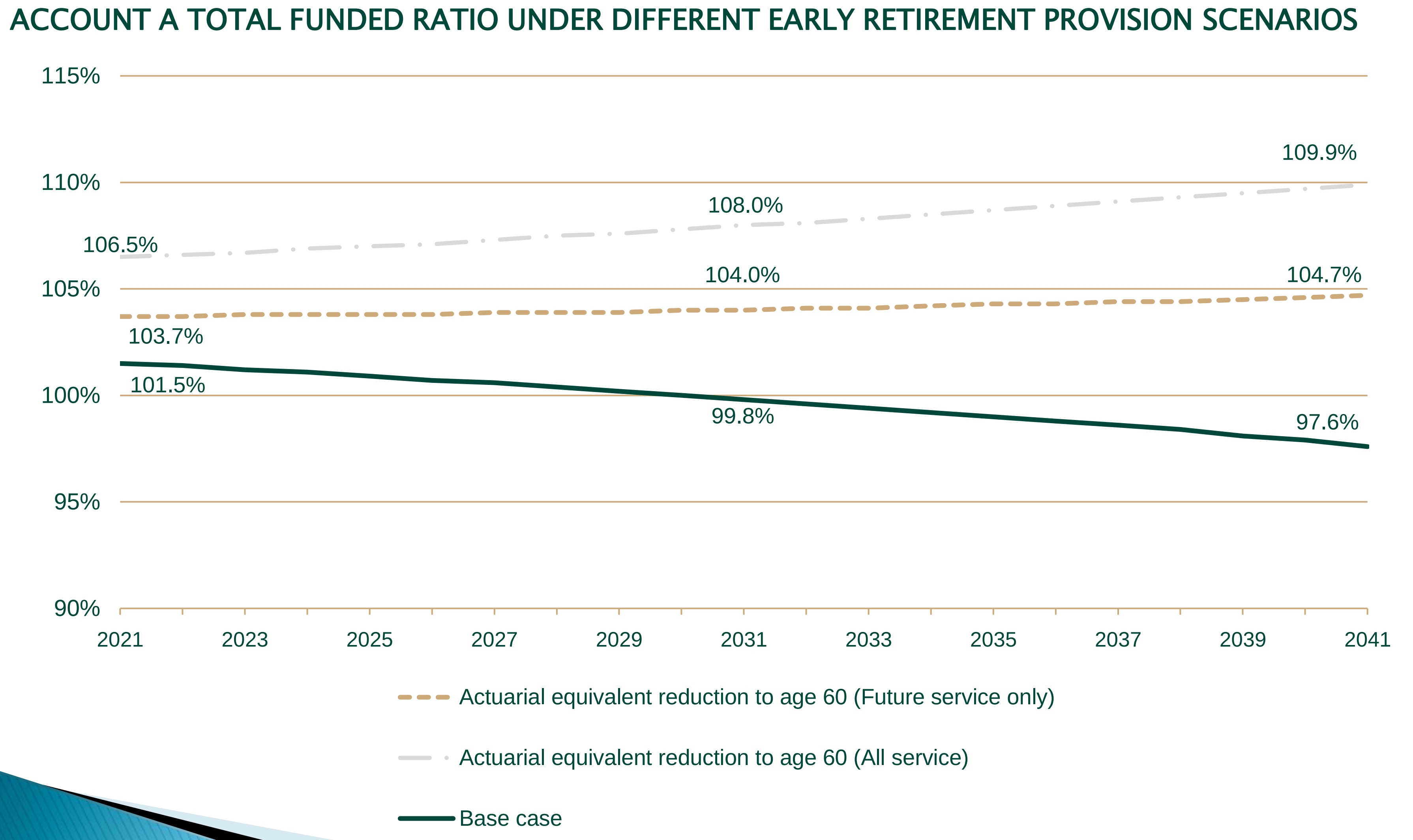


Source: TRAF

Ancillary Benefits – Early Retirement and ?Bridge? Benefit

- All provinces except Manitoba have a reduction value for early retirement and increased the age for an **unreduced** pension to anywhere from an age of 60 to 62 or a 'rule' of 85 to 96.
- Access age has never been amended in the other provinces

Estimated funded ratio – Account A – remove bridge benefit, actuarial equivalent reduction to age 60 (future service/all service)



Projection analysis – Early Retirement provisions

- Actuarial equivalent reduction to age 60 *future service only* – funded status moves to 104.7% by 2041 and 103.7% immediately
- Actuarial equivalent reduction to age 60 *accrued and future service* – funded status moves to 109.9% by 2041 and 106.5% immediately

- Result of transference of costs to core pension
- Whatever is done also affects the Province's liability

Ancillary Benefits – COLA

- COLA –
  - 1.57% of payroll funds COLA provisions
  - Quebec Provincial Municipal pension plan will suspend COLA for all pensions not at a 100% funded position as at December 31, 2015
  - NFLD teachers– COLA – 60% on all service pre Sept. 1, 2015
    no indexing on all service after Sept. 1, 2015
  - NS teachers – no indexing on all serviced after August 1, 2006

Contribution Rate Comparison

Plan	Member Contribution Rates (% of Salary Below/Above YMPE)	2022 Salary of $94,000 Blended Rate (%)	2022 Salary of $94,000 Annual Contribution
Select Manitoba Public Sector Plans			
The Winnipeg Civic Employees’ Pension Plan	9.5/11.8	10.21	$9,599
Healthcare Employees' Pension Plan	8.9/10.5	9.40	$8,832
Teachers’ Retirement Allowances Fund	8.8/10.4	9.30	$8,738
The Civil Service Superannuation Fund	8.0/9.0	8.31	$7,811
Select Canadian Teacher Plans			
Teachers’ Pension Plan (British Columbia)	11.17/11.17	11.17	$10,500
Ontario Teachers' Pension Plan	10.4/12.0	10.90	$10,242
Alberta Teachers' Retirement Fund	9.00/12.86	10.19	$9,583
Saskatchewan Teachers’ Retirement Plan	9.5/11.7	10.18	$9,570
Teachers’ Retirement Allowances Fund	8.8/10.4	9.30	$8,738

TRAF’s Current Service Cost*	% of Salary	$ Annual
Basic Pension	7.23%	$6,796
Contributions to PAA	1.57%	$1,476
Early Retirement	1.27%	$1,194
Total Cost	10.07%	$9,466

*For an average member earnings $94,000 in 2022. Excludes administrative expenses.

TRAF Current costs of ancillary benefits

- Early Retirement –
  - 1.27% of payroll funds Early Retirement provisions, however, *everyone pays for it but not all retirees access it*
  - *Manitoba – 2008 – 22% of eligible 55 year olds accessed – 2021 – 14% of eligible 55 year olds accessed*
  - All the other provinces effectively moved the value for Early retirement to be allocated to core costs of the pension
- COLA – Nova Scotia and Newfoundland teachers effectively moved the value for COLA as at certain date to then be allocated to core costs of the pension. *(1.57% in MB) – This creates an ever increasing reduction in COLA liability and consequent cost from the date)*

Early Retirement Benefits – what-if analysis –

Current provisions – ?Inequity?

Age at ret.	55	60
HAS	$80,000	$80,000
start Teach	40	45
Service	15	15
Age + Service	70	75
ERP	15%	0%
*Mo Pnsn (55) – pen **	*$1360*	*N/A*
Mo Pnsn (55) – with bridge	*$1830*	*N/A*
Mo. Pnsn (65)	$1360	$1600

calculated but not paid

Early Retirement Benefits – *what-if analysis*

- Consider the following example of possible modifications to the TRAF pension plan
  - Bridging benefit is removed
  - Early retirement penalty remains unchanged at 3% per year
  - 10 or more years of qualifying service – lifetime pension is reduced by 3% per year from the earlier of age 60 (**unchanged**) or the rule of 90 (**from 80**)
  - The following table illustrates examples of the modified provisions:

Retirement Age	Qualifying Service*	Total Age Plus Qualifying Service	Early Retirement Reduction Current	Early Retirement Reduction Modified
60	30	90	0%	0%
58	32	90	0%	0%
58	30	88	0%	3%**
58	26	84	0%	6%***

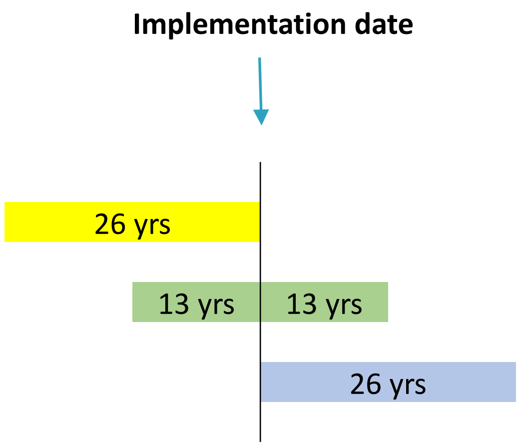
*All service is assumed to be after 1991.
** If the person waited until age 59 they would not incur the penalty – (will have an age and service equal to of 90)
*** If the person waited until age 60 they would not incur a penalty – (will have both age 60 and age plus service of 90)

Early Retirement Benefits – what-if analysis

- Consider the impact to the following sample member

Age: 58	Service: 26	Age Plus Service: 84

  - Currently the early retirement penalty doesn't apply
  - A change to the early retirement penalty could be made for service on and after a certain date (the "implementation date"), with no change to benefits earned prior to this date
  - The following example assumes a formula pension of $3,000 per month (before any early retirement penalty):



Early Retirement Penalty		Monthly Pension Amounts	
Current	Modified	Current	Modified
0%	0%	$3,000	$3,000
0%	3%	$3,000	$2,910
0%	6%	$3,000	$2,820

*All service is assumed to be after 1991.

** No bridge is payable under the "current" provisions as the early retirement penalty is 0% (under the "modified" provisions, a penalty applies as the bridge is removed).

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