



YOUR PENSION IS YOURS

Protecting Albertans' Retirement

MARCH 23, 2023

Alberta's
NDP Caucus

Alberta's
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SUMMARY



MESSAGE FROM **NDP LEADER RACHEL NOTLEY**

Retirement is one of life's most important milestones. It's when we get to spend more time with family and loved ones, see new places, reflect on a life well-lived. However, it can also bring anxiety and financial stress.

Pensions are essential to easing this stress and ensuring seniors' peace of mind. Yet, for four years, Albertans have watched the UCP government hijack public pensions and play risky games with their retirement security. Now they are forced to wonder what will happen when Danielle Smith finally follows through on her plan to take their Canada Pension.

Something has to change.

At the heart of the Alberta NDP's pension proposals is one foundational principle: Your Pension is Yours. Not Danielle Smith's. Not mine. Yours.

Our plan starts by getting the basics right. First, by protecting Alberta's place in the Canada Pension Plan, we ensure that Albertans continue to have access to a world-leading pension fund. Remaining in the CPP also saves hundreds of millions of dollars in start-up costs and operating expenses that would be accrued during the process of moving to an Alberta Pension Plan.

Second, we'll strengthen the governance of public sector plans. We'll bring back joint governance and ensure that these plans can

leave AIMCo if investment performance is not satisfactory. We'll also eliminate political instability, by removing the Finance Minister's ability to direct individual investment decisions at AIMCo.

Let me be clear: these two proposals should not be necessary. They are responses to terrible policy decisions over the last four years, and they work to restore faith in pensions and retirement security in general.

But our plan also goes further than this. Our third proposal brings bold new ideas to expand access to workplace private sector pensions for those that don't have them. Alberta has crown corporations with expertise in investments (AIMCo) and pension administration (APS). These crown corporations are tools we've used to build good public sector pensions.

We will offer these tools, free of charge, to nonprofits and businesses to enable them to create workplace pensions. This could lead to a generational shift, expanding access to workplace pensions to literally hundreds of thousands of Albertans.

Our plans are designed to fulfill two purposes: first, protecting the retirement security of those who have it; second, expanding retirement security to those who don't. That's what an Alberta NDP government will deliver. That's how we build a better future in our province.

MESSAGE FROM **NDP FINANCE CRITIC SHANNON PHILLIPS**

Here's one thing I know about Albertans: they work hard. From the pipeline technician who heads out in -40C to the teacher who burns the midnight oil to plan the next day's lessons, they keep our economy moving and they create a province in which the next generation of leaders and innovators can thrive.

They deserve to know that when it's time to slow down, their retirement is secure.

Pensions are the cornerstone of this secure retirement – but for many Albertans they are getting further and further out of reach. Faced with rising costs and an uncertain jobs economy, it's often retirement savings that are first to go. After all, there's no winner when a parent is forced to choose between saving for retirement and putting food on the table for their kids.

But the problem is not just rising costs. The problem is that Danielle Smith and her UCP government won't stop playing risky political games that create uncertainty and threaten Albertans' financial security. They even voted against my bill that would have required a referendum to pull Alberta out of the Canada Pension Plan.

These dangerous moves are bad for Albertans' retirement security – but they're bad for the economy

too. They create an environment of uncertainty, making it harder to attract and retain a skilled workforce.

An Alberta NDP government will be different. By covering the servicing costs of workplace pensions, and by allowing employers to offer pensions through our provincial asset manager, we will make it possible for employers to offer secure, world-leading pensions to their staff.

We know that countless Alberta job creators want to offer pensions to their employees, but don't feel they can bear the costs without threatening the viability of their businesses. An Alberta NDP government would change that, helping Alberta companies to attract and retain top talent.

All of this ensures retirement security for Albertans and an economic boost for our province.

To me, that just makes sense.





MESSAGE FROM **NDP LABOUR CRITIC CHRISTINA GRAY**

Trust is at the heart of a healthy democracy – and the last four years have not been good for Albertans’ trust in their government.

With no mandate and no consultation, the UCP dramatically restructured public pension governance, removing the ability of public sector pension plans to leave AIMCo and affecting the retirement security of hundreds of thousands of Albertans.

They also forced 84,000 current and retired teachers to move their pensions from the exceptionally successful Alberta Teachers Retirement Fund (ATRF) to AIMCo. To add insult to injury, they imposed their own investments management agreement by ministerial order, removing teachers’ control over their own pensions.

Let’s summarize: the UCP forced Albertans to move their pensions to AIMCo, removed their ability to leave AIMCo, and allowed their own Finance Minister the ability to direct individual investments decisions at AIMCo.

To put it mildly, Albertans have a right to be concerned. Pension investments are not political



toys. They are not about any one government’s political priorities: they are about Albertans’ retirement security.

An Alberta NDP government would put your retirement security at the centre of our pensions policies. Our proposals include returning to a joint-governance model for public pensions, giving public sector pension plans the ability to leave AIMCo if performance is unsatisfactory, and – critically – removing the Finance Minister’s power to direct investment decisions at AIMCo.

Public sector pensions support the retirements of firefighters, police officers, teachers, laboratory workers, library staff and countless others. These Albertans need to know that they have a government they can trust to protect their financial futures.

With an Alberta NDP government, that’s exactly what they’ll get.

RESPONSE TO GOVERNMENT POLICY

Your pension belongs to you.

Or at least it used to, until actions taken by the UCP government.

Shortly after the 2019 election, the UCP under Premier Kenney introduced Bill 22 with no consultation. The legislation dramatically restructured how public pensions were governed, affecting the retirement security of hundreds of thousands of Albertans. With one piece of legislation, joint governance was dismantled, and all public sector plans were prevented from leaving AIMCo, irrespective of the investment managers' performance. These actions made Alberta an outlier relative to other provinces.

Alberta's teachers also became a target for the UCP government. Generations of teachers previously had their pensions managed by the Alberta Teachers Retirement Fund (ATRF), which generated excellent returns on nearly \$20 billion worth of investments for 84,000 current and retired teachers. But in spite of that excellent track record, the UCP forced Alberta's teachers to move their funds to AIMCo. Adding insult to injury, the UCP Finance Minister initially promised teachers they would retain control over the investment strategy, and then imposed his own investment management agreement (IMA) by ministerial order.

Shortly after taking control of public sector pensions, the UCP then moved on to the cornerstone of all Albertans retirement security, the Canada Pension Plan (CPP). Through the Fair Deal Panel, the UCP identified the CPP as a tool they could use in their ongoing fight with Ottawa. They have consistently threatened to take Alberta's hard-earned CPP dollars, leaving one of the world's most successful pension plans, and set up a much more volatile Alberta Pension Plan (APP).

UCP GOVERNMENT'S OWN OPINION RESEARCH SHOWED A LARGE MAJORITY OF ALBERTANS WERE AGAINST LEAVING THE CPP.

The actions of the UCP government generated a strong backlash from Albertans. Large campaigns launched by the Alberta NDP, including Hands Off My CPP and Your Pension is Yours, resulted in over 60,000 Albertans signing a petition demanding pension change be reversed, and CPP preserved. Alberta NDP Labour Critic Christina Gray introduced legislation, Bill 203, to reverse the

UCP decisions, mandate consultations before changes are made to public sector pension plans, and prevent Alberta from leaving the CPP. The UCP government promptly defeated this legislation.

Later, Alberta NDP Finance Critic Shannon Phillips introduced legislation, Bill 208, that would have required a referendum before pulling out of the CPP. The UCP government defeated this legislation, taking away the right of Albertans to decide on the future of their CPP.

The selection of Danielle Smith as Leader of the UCP and Premier raised the stakes on the future of Albertans' retirement. She forcefully campaigned on leaving the CPP, and advocates for using pension funds to establish and fund an Alberta Provincial Police Force and an Alberta Revenue Agency.

"We are transferring \$6 billion more per year because of [the CPP] than our seniors are getting back in benefits... when you look at [the CPP] alone, that is clearly going to pay for... a new Alberta Provincial Police, which is, as they say, another \$170 million or collecting our personal income tax, which is \$200 million."

- Danielle Smith, August 25, 2022

Upon being sworn in as Premier, Danielle Smith issued a mandate letter to her Finance Minister. Her direction was crystal clear: step up your efforts to leave the CPP.

Albertans have paid into CPP all their working lives. The value of any one individual's pension is a function of how long they worked, and how much they earned. The CPP doesn't belong to any government, it belongs to the individuals who worked for it.

Setting up an APP represents enormous political risk to the security of your pension. If Danielle Smith gets her way she could change benefit levels behind closed doors, in a cabinet meeting. The CPP is designed to protect Albertans and all Canadians from any political risk to your pension. Did you know that it's harder to change the CPP than the Canadian Constitution? Any changes to the CPP requires the consent of seven provinces, representing two thirds of the population.

The UCP has claimed that they will hold a referendum before leaving the CPP. But they can't be trusted. They voted against a referendum requirement before. As a result, Albertans will have to vote to protect their CPP in the election.

SETTING THE STAGE

PILLARS OF RETIREMENT SECURITY

Retirement security is a key issue for virtually all Albertans, and that security is financed through four general pillars.

CANADA PENSION PLAN:

This is a monthly pension paid to Canadians based on the number of years worked and the amount an individual earns. The maximum amount of CPP starting at age 65 is \$1,306.57/month, while the average is \$717.15. Unlike the OAS pension, CPP is financed by individuals and their employers. The amount you receive is dependent on your work history.

OLD AGE SECURITY (OAS) PENSION:

This is a monthly pension paid to Canadians beginning at age 65. As long as you have lived in Canada for at least 40 years after the age of 18, most Canadians will receive \$687.56/month until they reach 75, when the amount increases to \$756.32/month. The OAS Pension is generally considered the basic state pension, and paid through general government revenues. The amount you receive is not dependent on your work history.

WORKPLACE PENSION:

Over 600,000 working Albertans are covered by a workplace pension plan, of which over 400,000 are structured as defined benefit plan. Whether established by an employer or a union, participation in a workplace pension is viewed as a critical benefit for many Albertans. Over the past decade in Alberta, participation in public sector workplace pensions has remained relatively stable. However, there are now roughly 300,000 Albertans in a private sector workplace pension, down roughly 25,000 from a decade ago.

PRIVATE SAVINGS:

Many Albertans try to save privately for their retirement in registered savings accounts - Registered Retirement Savings Plans (RRSPs) or Tax-Free Savings Accounts (TFSA) - that offer preferential tax treatment. According to the latest data, 605,325 Alberta households made a contribution to an RRSP in the last year, with a median contribution of \$4,560, while 750,255 Albertan households made a contribution to their TFSA, with a median contribution of \$6000. Additionally, many Albertans in or near retirement rely on their homes as an asset that can be monetized — if needed — for retirement.



SETTING THE STAGE



THE PROBLEM WE ARE TRYING TO SOLVE

According to the Canadian Retirement Survey (2022), 72 per cent of Canadians say that saving for retirement is becoming prohibitively expensive and, outside of CPP, 30 per cent of workers aged 35 and over saved nothing for their retirement.

Furthermore, 77 per cent of Canadians believe that without good pensions in place, the economy will suffer.

The message from working people is clear: they are concerned about their retirement security, and they want more done. They want better pensions.

The problem we are trying to solve is therefore simple: what can the Government of Alberta do to support good pensions and protect retirement security? What can we do to help the private sector create good workplace pensions for Albertans? What can we do to help attract and retain talent for Alberta employers?

PROPOSALS

1. STAY IN THE CANADA PENSION PLAN

The Canada Pension Plan (CPP) is the quintessential example of a superbly run pension fund, and is envied around the world.

Albertans trust the CPP, and rely on it for their retirement security. For many working Albertans, in any given year, contributing to the CPP will be their only contribution to saving for the future. Given the CPP's importance to Albertans, we will legislate against leaving the CPP.

The majority of business operators in Alberta believe that withdrawing from the CPP and establishing a provincial program would disadvantage their companies over the next three to five years

- Source: Alberta Chambers of Commerce

2. EXPAND PRIVATE WORKPLACE PENSIONS

The Government of Alberta can help facilitate the growth of private sector workplace pensions. We have an asset manager in AIMCo that can invest, and a pension administrator in Alberta Pensions Service (APS) that can facilitate. We propose allowing the private sector, including non-profit and for-profit organizations, to access these two Crown agencies to establish their own workplace pensions.

Many organizations want to deliver workplace pensions, but are limited by a lack of scale and administrative costs. In order to incent the development of private workplace pensions, we propose a new, voluntary model. The Government of Alberta will partner with any private sector employer to establish a workplace pension, and government will defray the marginal cost increase at APS to administer those new pensions. Employers would provide the cash contributions to the pensions, and assets would be invested/managed by AIMCo.

Alberta Pension Services currently provides services to 384,951 Albertans, and 506 employers. The cost to service a pension/person is \$175 annually.

Adding 100,000 private sector workplace pensions would only cost the Government of Alberta \$17.5 million, but would be transformative for the retirement security of Albertans.

Simply put, we will remove the barriers of scale and administrative cost for the private sector to set up workplace pensions.

Upon taking office, we will create a task force with AIMCo, APS and private sector non-profit and for-profit leaders to refine the model and develop an operational plan for implementation. This task force will also devise a governance structure for this new pension plan, so that management, supervision and administration is open and transparent. We will ensure that the core mission of this task force includes a commitment to the lowest possible barriers to entry for private sector employer participation.



We propose a defined contribution pension plan. This model eliminates risk for employers and government, thereby significantly increasing the likelihood of participation over a defined benefit model. In a defined contribution pension plan, the ultimate payout in retirement is not guaranteed. This model allows businesses and non-profit organizations to plan, knowing that their only cost to participate in a workplace pension plan is the cash contribution they make with every paycheck.

As a longer term goal, we will look for ways to increase the rate of defined benefit pensions plans in Alberta. In Ontario, OP Trust Select has been established to offer a defined benefit pension plan to non-profit organizations who wish to participate. This is a relatively new initiative, but so far, roughly 2,000 workers from 50 employers are participating. This is an interesting concept, and worth exploring further.

Workplace pensions are a key tool to attract and retain talent. Unlike many initiatives that can take a generation to unfold, this proposal could be implemented quickly. This would allow Alberta's private sector employers to gain a competitive edge, as we compete for talent with other jurisdictions.

3. REFORM GOVERNANCE OF PUBLIC SECTOR PENSIONS PLANS

We propose to return to a model of trust, transparency, and respect for public sector pension plans.

PROPOSAL #3.1

We will return to a model of Joint-Governance for all major public sector pension plans. The workers who contribute to their pensions must have a say over how they are governed.

PROPOSAL #3.2

We will remove the power of the Minister of Finance to direct individual investments at AIMCo. This will ensure that investment returns, and not politics, are driving decision making.

PROPOSAL #3.3

We will give representation to public sector pension plans on the AIMCo board. Public sector pension plans currently make up the vast majority of AIMCo's Assets Under Management (AUM). These plans, the people they represent, deserve representation and a say in governance at their asset manager.

PROPOSAL #3.4

We will give public sector pension plans the ability to leave AIMCo if investment performance is not satisfactory. Following our proposed governance reforms, our hope is that all of AIMCo's current clients will want to stay with our crown investment manager. We believe in voice over exit. But ultimately, workers and pensioners must have a say over who manages their money.

SUMMARY

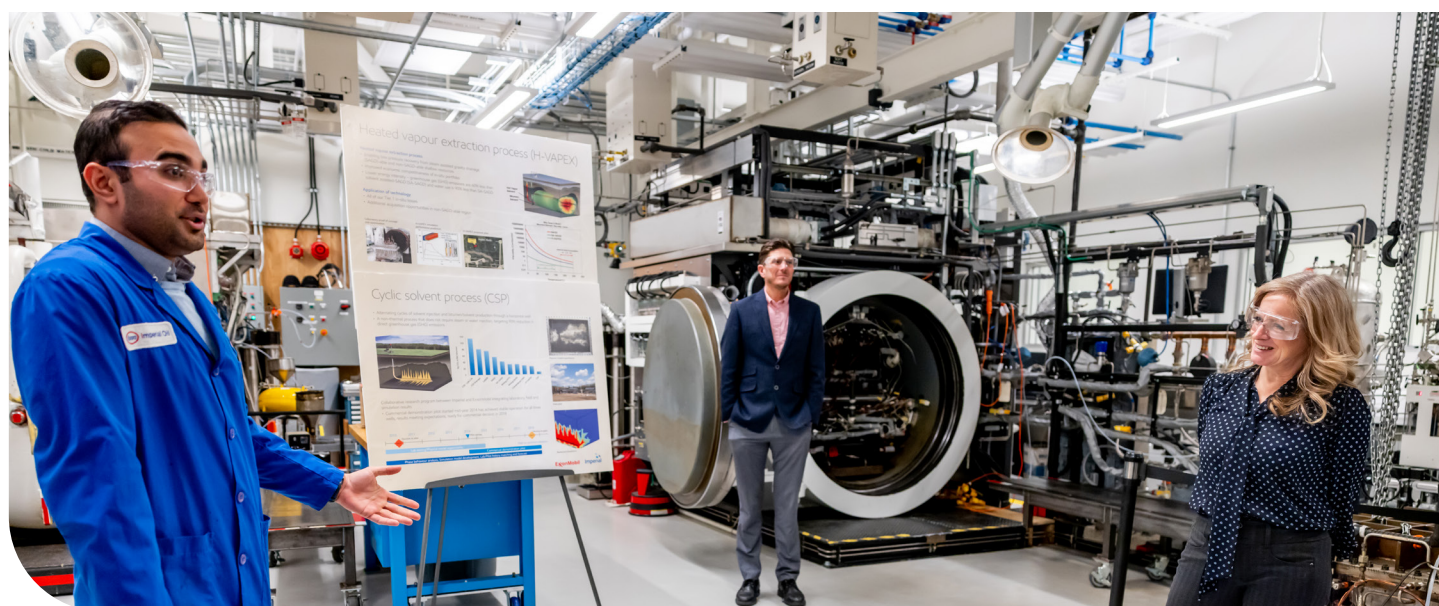


Under Danielle Smith and the UCP, the dream of retirement has been drifting further and further away for many Albertans.

Our proposals will change that.

We will support and expand retirement security for Albertans, meaning that when it's time to stop working Albertans can be confident that their financial future is protected. We will also boost employers seeking to attract top workers by giving them the ability to offer world-leading pensions to their staff – and we will reinstate Albertans' control over their own public sector pensions.

Your pension is yours.



ALBERTA'S FUTURE



Over the past three years, we have been consulting through our Alberta's Future project to develop ideas to build a more resilient and diversified economy. Through discussion and consultation, we have benefited from the input of Albertans from all walks of life.



Earlier in this project, we released papers on foundational items, modernizing primary healthcare with [Family Health Teams](#), physical and digital infrastructure ([Building Better Infrastructure](#) and [Bridging the Digital Divide](#)), and improving our post-secondary education system ([Strengthening Post-Secondary for a Resilient Future](#)), on targeted challenges ([Bringing New Energy to Downtown Calgary](#)), on childcare ([Early Learning and Affordable Childcare Strategy](#)), and rural broadband ([Internet & Future Connectivity: Bridging the Digital Divide](#)).



Likewise, we focused sectors that could help drive economic growth, for example, the [Competitiveness, Jobs, & Investment Growth Strategy for Alberta](#), releasing papers on technology and AI ([Growing Tech, Creating Jobs](#)), in valued-added energy opportunities ([Bitumen Beyond Combustion](#)), in hydrogen ([Hydrogen: A New Energy Source for Alberta's Future](#)), geothermal ([Picking Up Steam: Geothermal and Alberta's Energy Future](#)) and agriculture ([Agriculture and Agri-Food: Increasing Value-Added Processing and Production](#)).

Give Us Feedback

WE WANT YOUR FEEDBACK

Alberta's Future is an initiative to build a new economy that benefits every person in our province. We want you to share your thoughts and ideas on proposals like this one.

We welcome you to submit your own proposals too!

All of our proposals and those contributed by Albertans like you can be found at AlbertasFuture.ca. There, you can also register for in-person and online conversations happening right across Alberta.

We are also hosting this conversation on social media, using the hashtag [#ABFuture](https://twitter.com/ABFuture).

Engage directly with NDP Leader Rachel Notley on YouTube, Twitter, Instagram, and Facebook



@RachelNotley

