

Pension and Retirement Income Committee

Appendix B

ACER-CART survey of Canadian Teacher Pension Plans' Cost-of-living arrangements. - February 2023

All ten Members of ACER-CART provided their pension plan's cost-of-living formulas. See Appendix A – Cost-of-living formulas. Observations:

1. All plans use either the Canadian or their Provincial Consumer Price Index in their calculation.
2. While there are some similarities, each pension plan has a unique way of calculating the amount awarded.
3. Most provinces award increases each January, but two provinces award increase near the middle of the year.

The provincial Associations also provided their actual pension increase percentage for both 2022 and 2023. See Appendix B. Observations:

1. The increases awarded range from full cost-of-living to 0% each year.
2. Six provinces award all increases equally to their members. Four provinces award different groups of retirees with differing percentages.

Discussion:

The purchasing power of a pension decreases each year when the pension is not indexed to inflation. Even a small loss of indexing reoccurring over many years will lead to a serious loss in the value of a pension. It is clear from the data that most pensioners in Canadian provinces are losing some of their pensions' purchasing power and some are experiencing a severe loss.

If we use Canada CPI from September over the previous September as a generalization for the amount of full indexing, we see the following:

		Sept '20 to Sept '21					Sept '21 to Sept '22
Canada CPI		4.40%					6.90%
		2022 increase awarded*	Loss of purchasing power in 2022		2023 increase awarded*	Loss of purchasing power in 2023	
BC		4.4%	0%		6.9%	0.0%	
Alta		1.8%	2.6%		2.7%	4.2%	
Sask.		2.2%	2.2%		2.7%	4.2%	
Man.		2.1%	2.3%		NA	NA	
Ont.		2.2%	2.2%		6.3%	0.6%	
Que		NA			3.8%	3.1%	
NB		1.1%	3.3%		3.6%	3.3%	
NS		0.0%	4.4%		0.0%	6.9%	
PEI		0.61%	3.8%		3.74%	3.2%	
Nfld.		1.2%	3.2%		1.2%	5.7%	
Average loss:			2.31%			3.47%	

Recognizing that this data does not exactly reflect the precise reality in each province (Each pension plan calculates their cost-of-living differently.) But this generalization clearly shows that on average, retired teachers receiving pensions in Canada lost about 2.31 % of the value of their pensions in 2022 and about 3.47% of the value of their pensions in 2023. Some provinces, Ontario and BC, did much better than average, and some provinces, notably Nova Scotia and Newfoundland and Labrador, did much worse. But the data indicates a worrying future for many retired teachers.

Inflation history in Canada

Inflation during the past two years has been higher than the previous years. The average CPI over the past 21 years has been 2.1%/year.

Effect on Teachers' Pension Plans

Since most of the provincial pension plans provide only a percentage of CPI each year, that means that their pensioners' loss is systematic. Without change to the system they will continue to lose purchasing power no matter what the inflation rate is. If inflation is low, their loses will be on a small scale; if inflation is high, their loses will be much more significant.

Examples:

1. Nova Scotia teachers who retired in September 2006 have received 0% increases since then. Their pensions' purchasing power has lost 35% of its 2006 value.
2. Alberta teachers receive 70% of CPI – they lose 30% of CPI each year. If an Alberta teacher retired in 2002 she has lost 13.4% of her pension's purchasing power since that time.
3. On the other hand, retired teachers in Ontario or BC have maintained the purchasing power of their pensions over time.

The Canadian government recognizes that indexing is essential to maintaining the value of public pensions. The Canada Pension Plan (CPP) is indexed each year using the November-to-November change. An increase of 6.5% was awarded for 2023. Old Age Security is indexed quarterly with the 2023 amount equaling 6.5%.

Next steps:

One cannot expect any improvement to the funding and cost-of-living formula used by teachers' pension plans to come without lobbying and political action.

In Canada, retired members on their own, have little opportunity to improve cost-of-living arrangements on pension plans. Only a couple of Provinces have retired member representation as a Trustee on Pension Boards – Manitoba recently achieved that status when a private member's bill received unanimous support for government legislating one seat on the Pension Board to an appoint a Trustee from the retired teacher group. Most provinces, however, do have

Chart 2 – Inflation rates – All Canada

September over September

Year	%
2022	6.9
2021	4.4
2020	0.5
2019	1.9
2018	2.2
2017	1.6
2016	1.3
2015	1
2014	2
2013	1.1
2012	1.2
2011	3.2
2010	1
2009	0
2008	3.4
2007	2.5
2006	0.7
2005	3.4
2004	1.8
2003	2.2
2002	2.3
Average	2.1%

advisory committees or other structures with at least some representation from the retired members.

Recommendation: A first step should be for ACER CART Members to use available opportunities to approach active teacher groups within their province to discuss cost-of-living increases. Teacher unions have greater influence with Pension Boards, even where the pension plans are controlled by government. Teacher Unions could also include cost-of-living improvements in their bargaining objectives or through other pension advocacy mechanisms.

Active teacher groups are a natural ally in the fight to improve cost-of-living benefits as they have the most to gain with them and the most to lose without them. Whatever active teacher groups achieve in pension language improvements for retirees ultimately benefits active teachers when they retire themselves.

A possible argument, using BC as an example:

- Average pension - \$31,763
- Median pension - \$31,856
- Average age at retirement – 61
- Average years of service – 23
- Life expectancy (65-year-old female) = 91

Note: This data is from the BC 2021 Teachers' Pension Annual Report. The data for your pension plan should be used - it is likely similar.

From this data we can calculate that a retired female teacher can expect to receive her pension for 30 years. If the purchasing power of her pension loses 1% each year, similar to the Alberta formula, the value of her pension in 30 years would be \$22,221 in today's dollars. Remember that cost-of-living increases are not raises in pensions – they only maintain the original purchasing power.

A similar Nova Scotian teacher – who currently receiving no cost-of-living increases – would see the value of her pensions reduced by 63% (2.1%/year times 30 years). In 30 years, the value of today's \$31,763 pension would be \$11,752 in today's dollars.

The median pension in BC is about \$100 per year greater than the average pension. That means that about half the members are receiving less than \$31,856 in pension per year. This cannot be described as a generous pension, and we know that the effects of wages/pensions not keeping up with inflation hurts the poorer members of society more than the wealthier. As almost 80% of BC teachers are women, most of these low-pension members are women who have lower service because of childbirth and childcare. The data in each province is likely similar. That means that women are disproportionately victims of any system that that does not provide full indexing.

Active teacher groups need to be made aware of the dramatic losses that await them in retirement. This may encourage them to become allies in improving the cost-of-living arrangements in their own pension plans.

There are also potential allies in other public sector retiree groups within each province. Retired provincial and local government workers and college staff are likely to have similar funding and

cost-of-living provisions in their pension plans. Uniting your efforts with large, like-minded groups will increase the effectiveness of any mass advocating efforts.

ACER-CART has a yearly subscription to New Mode, an easy-to-use platform that allows you to craft a message to Members of Parliament, members of Provincial Legislators or even city officials. The Retired Teachers of Manitoba used it very effectively in their quest for representation on their Pension Board. Individual RTAM members could access the site, type in their names and postal codes and a prepared message was set to the member from their own riding. When the private members bill came to the floor of the legislature, members of all parties had received emails from their own constituents urging support for this bill. This grass roots participation ensured that the bill passed unanimously. The New Mode program is available for Associations to borrow and might be a useful tool in engaging the grass roots in your province in advocating for change.

There is some urgency to act on this information. If inflation returns to its historic 2%/year average, even small losses in purchasing power over 30 years will seriously impact retired teachers' standard of living during their later years. If inflation continues at the 2022 rate (above 6%) the effects will be felt in just a few years and will be catastrophic.