Fast Facts on Alberta Pensions

- On September 16, 2013, Finance Minister Doug Horner, laid out a "new vision" for Alberta public-sector pension plans. He said he plans to start implementing his changes with new legislation, slated to be introduced during the spring 2014 session of the Legislature.

- Under the Minister's plan, all early-retirement provisions will be eliminated from public-sector pension plans. Guaranteed cost-of-living adjustments will also be cancelled and replaced by smaller adjustments that will not be applied every year.

- The Minister's proposed changes will slash the value of pensions earned by Alberta public-sector workers by 25 per cent or more on benefits earned after January 1, 2016.

- To put it another way, as a result of the changes proposed by government, the 200,000 Albertans covered by provincial public-sector pension plans will have to work longer and pay more for benefits that are smaller and less secure

- The government also plans to impose a cap on contributions that can be made to public-sector pension plans. Pension experts worry that this move will tie the hands of pension plan managers when they're confronted with periods of low investment returns. Instead of having the option of increasing contributions for short periods, they will have no choice but to cut benefits — perhaps even benefits for people who have already retired and are collecting pensions.

- The Minister justifies his changes by pointing to the $7.5 billion unfunded liability that was on the books of Alberta's pension plans last year. He says changes are also necessary because the Canadian workforce is aging and people are living longer.

- What the Minister doesn't mention is that half of the unfunded liability is actually shouldered by employees, not government. He also doesn't mention that there is already a plan in place to return the pension plans back to fully funded status. This plan involves all employees making monthly contributions from their own paycheques specifically targeted to reducing the unfunded liability. The plan is working.

- The Minister also doesn't mention that Alberta has the youngest workforce in the country. Or that Alberta's pension plans, like pension plans across the country, are quickly climbing out of the hole created by the global recession of 2008.

- Both of Alberta's largest pension plans — the Local Authorities Pension Plan (LAPP) and the Public Service Pension Plan (PSPP) — enjoyed very healthy investment returns of about 11 per cent in 2012. Investment returns for 2013 are likely to have been even higher.

- According to a study by the independent actuarial firm George & Bell, both the LAPP and the PSPP will return to fully funded status in nine years.

- Total costs of the plans are also expected to drop. Costs for the LAPP will drop the equivalent of 20 percent of payroll (split between employees and employers) and costs for PSPP will drop to 16 percent of payroll (also spilt between employees and employers). This is significantly lower than the target of 25 per cent of payroll identified by the government itself.

- As currently constituted, Alberta's public-sector pension plans are decent, but they are by no means "gold plated." The average LAPP pensioner receives about $14,500 a year in pension benefits – after years and years of deductions from their own paycheques. The average PSPP pensioner receives about $13,000 a year.

- Public-sector workers pay for their own pensions. Deductions taken from workers bi-weekly paycheques cover half the costs of the pension plans, contributions from employers cover the other half. Economists recognize that, for the most part, employers cover their costs by simply reducing wages paid to workers. In this way, pension benefits are appropriately viewed as deferred wages (earned by employees during their working years, but taken after they retire).

- The benefits that the Minister wants to eliminate from Alberta's pension plans (early retirement benefits and cost-of-living protection) are also planned for and paid for out of contributions from employees and employees. The George & Bell study shows that plans like the LAPP and PSPP are sustainable over the long term even if these benefits are maintained.

- One of the biggest frustrations felt by plan members and the unions that represent them is that the government seems determined to make changes without negotiating with the people who actually pay for the pension plans (workers and employers like municipalities, universities, colleges, school boards and health authorities).

- Alberta's public-sector unions are not opposed to change — they just think change should be negotiated, not imposed. With that in mind, they have proposed a series of changes that could strengthen the plans, without undermining benefits for retirees. The union proposals were presented to government in hopes that they would enter into good-faith negotiation on the future of the plan — as opposed to unilaterally imposing detrimental changes without meaningful consultation.

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