

AFL Opening Statement – Multi-Union News Conference Responding to Jan 4. Ministerial Orders on Investment Management Agreements with AIMCo

The day before yesterday Albertans learned that, quietly over the Christmas holidays – when presumably Jason Kenney thought no one would be paying attention – the UCP moved to further extend their control over the previously independent teachers’ pension plan.

We’re here today to say that it wasn’t only the teachers who were targeted.

On Monday, January 4, all of Alberta’s public-sector pensions plans were informed that they, too, would be subject to new terms dictated by the Finance Minister.

In addition to issuing a Ministerial Order to the Alberta Teachers Retirement Fund, duplicate Orders were also issued to the boards of the Special Forces Pension Plan, the Public Service Pension Plan and Alberta’s biggest pension plan, the Local Authorities Pension Plan.

What this means is that, in addition to going after the teachers’ pension, the government is also going after the pensions of more than 400,000 Albertans who work, or have worked, in our public health care system; in our schools; in our municipalities; in our provincial government; and in our universities and colleges.

We’re talking about the nurses and paramedics and lab technicians who have been working on the frontlines of the COVID-19 pandemic.

We’re talking about the teachers, educational assistants and custodial workers and school administrators, who have been working to keep our kids safe and healthy in classrooms around the province.

And we’re talking about police officers and firefighters; municipal workers; provincial government workers and workers in our post-secondary system.

These are the same people who Premier Kenney and his ministers have repeatedly called “frontline heroes” – their reward for their outstanding service, apparently, is to lose control of the money that they’ve been saving month after month, paycheque after paycheque for their retirements.

The Ministerial Orders issued on January fourth are essentially designed to finish the work that the government started in the fall of 2019 with the passage of Bill 22.

As many of you will remember, Bill 22 took away the power to choose who sits on the boards of pensions plans from the workers and employers who actually pay for the plans – and put it in the hands of the Finance Minister.

It also stripped the pension boards of the power to choose who would manage their investments, decreeing that AIMCo – an agency that is wholly owned and controlled by the government – will be the sole monopoly provider of investment services.

What’s significant about the new Ministerial Orders is that they build on the power and control already granted by the government to AIMCo at the expense of the pension boards.

Now, as a result of these orders, not only will AIMCo be the monopoly provider of investment management services, they will also be able to ignore the wishes of the pension plans when it comes to decisions about how the retirement savings of workers and retirees should be invested.

In other words, AIMCo and the Finance Minister will be the deciders – and the hundreds of employers and hundreds of thousands of workers who actually pay into the plans will simply have to shut up, take what they're given and trust that the government and AIMCo will do what's best.

This paternalistic approach is entirely at odds with industry norms and with the way pensions are managed in other provinces.

One of the key duties of a pension plan is to invest members money in order to ensure that pension benefits can be paid when people retire.

Under the terms imposed last week by the Minister, Alberta's pension plans can still develop policies outlining how they would like the savings under their care to be invested – but AIMCo can simply ignore those policies and preferences.

It's like a customer going to an auto dealership and saying "I want to buy a red car," and the dealership saying "here's your blue truck."

Most people would walk away from that dealership and take their business elsewhere. But, as a result of the Ministerial Orders, the government is saying to more than 400,000 Albertans "you'll take the blue truck because we say so, whether you like it or not."

This is unprecedented in Canada. Normally, if an investment manager says, "no we can't or won't do that for you," the pension plan can simply find another investment management firm. But, here in Alberta, the power of choice has been taken away by government fiat.

The terms imposed by the Ministerial Orders also make Alberta an outlier among Canadian provinces in two other ways.

First, they significantly limit the liability of AIMCo and the government. So, if AIMCo screws up, as they did so epically with their widely derided VOLT strategy, the pension plans will face huge obstacles to suing AIMCo to recover anything more than a paltry share of the losses.

Second, the new rules seem to let AIMCo use more leverage to make bets in the market – and prohibits the plans from stopping them, even though it will be the plan members' money that AIMCo is gambling with.

Taken together, the terms imposed by the Minister last week turns the whole pension system on its head compared to the way Canada's biggest and most successful plans operate.

With Canada's best plans, it is the plan members, the people who are putting their money into the plans, who have primacy. The investment manager works for the plan offering a service and the government acts as the regulator.

But here in Alberta, the Ministerial Orders establish the primacy of the Minister over AIMCo and the primacy of AIMCo over the pension plans.

This is perverse because the money in question – more than \$100 billion – doesn't belong to the government or to AIMCo. It belongs to the more than 400,000 Albertans who have been using Alberta's public plans, as vehicles, to save for their retirements.

With Bill 22 and these Ministerial Orders, the Kenney government has essentially seized control of vast sums of money that is not theirs. The Finance Minister and the Premier might call this administrative reform. We call it theft.

The big question is: why are they doing this?

The reality is that AIMCo has not been a top performer compared to other investment management firms. They have not been able to “beat the market.” And they know that some of the pension plans have been talking about simply buying indexes, instead of using AIMCo's more expensive services. So, this may be about stopping the plans from doing that.

But we think it's about something even bigger. We think Jason Kenney's end game is to use the retirement savings of hundreds of thousands of Albertans to prop up oil and gas ventures in the province that are having an increasingly difficult time raising money from global investors and international markets.

By AIMCo CEO Kevin Uebelein's own admission, AIMCo is “a little overweight” in Alberta-based oil and gas ventures. We think AIMCo and the government want to move even more aggressively in that direction – and the new investment terms imposed by the Finance Minister would make it much more difficult, perhaps impossible, for the workers investing their money in Alberta's pension plans to stop them.

This is very troubling because pension plans and investment managers are supposed to diversify across industries, asset class and geographic locations in order to reduce risk. Basically, you should never have too many eggs in any one basket. We think the government wants to break this foundational investment rule about portfolio diversification.

To be clear: we are not opposed to all oil and gas investments. What we ARE opposed to is a system in which the government gives itself the power to invest other people's money in risky ventures without their permission.

Just as importantly, we think that what we're witnessing with these ministerial orders is just part of Jason Kenney's grand vision. We think the UCP is also set on seizing the retirement money that all Albertans save through CPP and handing it over to AIMCo under similar terms that have now been imposed on public-sector pension plans.

If you work in Alberta and save for your retirement through one of the big public-sector plans or through CPP, the UCP wants to gamble your retirement security on an industry that almost everyone agrees is waning ... and they don't want you to have any say in the matter.

So, what are we going to do about it?

First, in the coming days, we intend to launch at least one legal challenge. That challenge will target both Bill 22 and the Ministerial Orders issued last week. Stay tuned for the details.

Second, we're going to call on our members to send a message to UCP MLAs. That message is simple: get your hands off of our retirement savings. They don't belong to you and we don't trust you to manage them.

Third, we're going to start a political conversation with the more than 400,000 Albertans who have been saving for their retirements through these public-sector plans.

We're going to tell them that the plans are safe and healthy – but that they're at risk as long as the UCP refuses to back away from their plan to seize control. And we're going to encourage them to vote accordingly.

Finally, when the UCP starts campaigning to pull out of CPP, as we expect they will do around the municipal elections next fall, we will fight them. We won't let them get away with saying that this would be in the best interests of Albertans – because we know it wouldn't be.

In conclusion, we're here today to draw attention to what we think is clearly a scheme on the part of the UCP to seize the retirement savings of ordinary working Albertans and use that money to fund a political agenda.

Our questions to all Albertans are as follows:

Do you think the Kenney government should be allowed to seize control of other peoples' retirement savings?

Do you trust them to invest that money wisely or in the interests of the people who have been saving it?

If you answer “no” to both those questions, we ask you to join us in pushing back against this latest outrage from the Kenney government.

Thank you.

Delivered by Gil McGowan, president of the Alberta Federation of Labour, and Chair of the Labour Coalition on Pensions

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