HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, January 30, 2019

Legislative Chamber

Public Sector Pensions:
October 2018 Report of the Auditor General, Chapter 3

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Public Accounts Committee

Mr. Eddie Orrell (Chairman)
Mr. Gordon Wilson (Vice-Chairman)
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Mr. Hugh MacKay
Mr. Tim Halman
Ms. Lisa Roberts
Ms. Susan Leblanc

[Mr. Gordon Wilson was replaced by Mr. Bill Horne.]
[Mr. Tim Halman was replaced by Mr. Allan MacMaster.]

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Ms. Nicole Arsenault
Assistant Clerk - Office of the Speaker

Ms. Karen Kinley
Legislative Counsel

Mr. Mike MacPhee,
Assistant Auditor General

Ms. Cheryl Bauer,
Audit Manager

WITNESSES

Nova Scotia Healthy Employees' Pension Plan

Ms. Mary Lee,
Chair - Board of Trustees

Mr. Bruce Thompson,
Vice Chair - Board of Trustees

Mr. Stefan Cowell,
CEO

Nova Scotia Public Service Superannuation Plan

Mr. Ron Smith,
Chair - Nova Scotia Public Service Superannuation Plan Trustee Inc.

Nova Scotia Teachers' Pension Plan

Mr. Paul Wozney,
President - Nova Scotia Teachers' Union

Ms. Janine Kerr,
Executive Director - Nova Scotia Teachers' Union

Mr. Jack MacLeod,
Executive Staff Officer - Nova Scotia Teachers' Union

Mr. Byron Rafuse,
Deputy Minister - Department of Finance and Treasury Board

Mr. Doug Moodie,
CEO - Nova Scotia Pension Services Corporation

House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, JANUARY 30, 2019

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN
Mr. Eddie Orrell

VICE-CHAIRMAN
Mr. Gordon Wilson

MR. CHAIRMAN: Good morning everyone. I would like to call the Public Accounts Committee to order. Sorry for the delay. With so many people, trying to get them in seats where Legislative TV can recognize each person as they speak took a few minutes.

I would like to remind all those in attendance to put your phone on vibrate or silent so we don't interrupt a person as they're speaking. We'll begin by asking the committee members to introduce themselves, starting with Ms. Leblanc.

[The committee members introduced themselves.]

MR. CHAIRMAN: Thank you to the members. On today's agenda, we have officials from the Nova Scotia Health Employees' Pension Plan, Public Service Superannuation Plan, and Nova Scotia Teachers' Pension Plan to discuss public sector pensions as reported in the October 2018 Report of the Auditor General, Chapter 3.

If I could, I will get each of the witnesses to introduce themselves, please - starting with Ms. Lee.

[The witnesses introduced themselves.]

MR. CHAIRMAN: Thank you very much. Now I'll ask the witnesses to have a few opening remarks. With the amount of people we have today, if we could keep those remarks brief, and then we'll have questions from the members of the Public Accounts Committee.

We'll start with the Teachers' Pension Plan, please.

MR. PAUL WOZNEY: Thank you, Mr. Chairman. I want to begin by thanking the members of this committee for inviting me to appear today. I understand it is rare for a union leader to appear at Public Accounts. Perhaps some of you are doing a double-take seeing the president of the Nova Scotia Teachers Union sitting at a bench typically reserved for a Cabinet member. I'm certainly finding it a bit surreal. I genuinely appreciate this unique opportunity to speak about an issue of critical importance to my members and the public at large.

With me today are Janine Kerr, Executive Director of the Nova Scotia Teachers Union, and Jack MacLeod, our Coordinator of Pension Services. They have a wealth of knowledge and experience in this topic, and I may refer to them to help answer some of your questions. I also want to acknowledge the work of the Auditor General and his staff for examining the Teachers' Pension Plan and for outlining his concerns with its current level of funding.

For Nova Scotia's teachers, past, present, and future, this plan represents a significant portion of their life savings. It's the end result of years of hard work and exhaustive training. Both the long- and short-term health of the Teachers' Pension Plan is of the utmost importance to the Nova Scotia Teachers Union and its members. We agree with the Auditor General that we need to roll up our sleeves and work with government through the Teachers' Pension Board to address the current level of unfunded liability.

In 2014, the NSTU and the current Liberal Government agreed to some adjustments to the plan to help bring more long-term stability. These changes included an increase to teachers' contributions, which are currently maxed out under Canada Revenue Agency guidelines. Since 2013, teachers' contributions to the Teachers' Pension Plan have increased by 33 per cent. The Auditor General acknowledged this and noted teachers are doing their fair share. When the previous pension agreement was reached four years ago, the Minister of Finance and Treasury Board of the day stated, "We expect the long-term health of the plan to gradually improve with these changes."

These comments have proven accurate. The plan is in better health today than it was in 2012. As outlined by the Auditor General, this deficit has decreased by $300 million, or about 15 per cent. Other factors have limited the growth of the plan over the same period. The number of teachers working and contributing has remained stagnant while the number of retirees drawing from the plan has increased. Similarly, given that contributions are a percentage of salary, the salary freeze did limit growth.

In spite of recent disagreements between the NSTU and government, I am hopeful that we can put our differences aside and fulfill the Auditor General's recommendation to develop a plan to address the pension shortfall. I do, however, want to caution that this process needs to take place in accordance with the rules laid out in the 2014 agreement between the province and the NSTU and should not be conflated with the collective bargaining process. These are two completely separate processes which are directed by two separate pieces of legislation. We owe it to the 30,000 people who are counting on the Teachers' Pension Plan for their retirement to work on objective solutions in a collaborative manner. It would be a disservice to these individuals for anyone to play politics with their pensions.

Solving the current unfunded liability in the Teachers' Pension Plan will not be a simple or quick task, but we at the NSTU are fully prepared for and look forward to collaborating on solutions with our government partners through the Teachers' Pension Board.

Thank you for your time, and I look forward to answering your questions.

[9:15 a.m.]

MR. CHAIRMAN: Someone from the Health Employees' Plan - Mr. Cowell, please.

MR. STEFAN COWELL: Just in the interest of brevity, I will reserve the opportunity to make opening remarks if that's all right.

MR. CHAIRMAN: Thank you, sir. Someone from the Public Service plan. Mr. Smith.

MR. RON SMITH: Thank you. We don't have any particular opening comments.

MR. CHAIRMAN: We will begin questioning from the members of the Public Accounts Committee, starting with the PC caucus and Mr. MacMaster - oh, Mr. Rafuse.

MR. BYRON RAFUSE: I do have some opening remarks that I would like to make. Good morning. The Department of Finance and Treasury Board is responsible for legislation governing most public sector pension plans, including the Public Service Superannuation Act, the Sydney corporation pension Act, the Teachers' Pension Act, and as well, we're the regulator for non-public pension plans to the Pension Benefits Act.

The Minister of Finance and Treasury Board is also the trustee of the Legislative Assembly's pension plan. As the deputy minister, I am a member of the teachers' pensions board.

Pensions are important to public service employees and retirees and we believe in ensuring that they are well-managed, appropriate, and fair to Nova Scotians. Most public sector plans are in good fiscal health. However, we acknowledge that the teachers' plan is underfunded and has been for a very long time.

Fully funding the teachers' pension plan is a complex issue that will take significant effort to resolve, and there are no easy answers. Teacher contribution rates are already at the maximum allowed under the Income Tax Act.

There is no risk of any of these plans, including the teachers' plan, to not meet their current obligations in the short run or in the medium term for that matter. However, now is the time to act in respect to the Teachers' Pension Plan so that it's fully funded for the long term.

The Government of Nova Scotia is committed to working with the teachers' pension trustee and the Nova Scotia Teachers Union on a course of action that is fair and equitable for pensioners, current employees, as well as responsible to the taxpayers of Nova Scotia. I thank the Auditor General for his report, and I look forward to the questions from the committee.

MR. CHAIRMAN: Thank you. We will start now with the PC caucus and Mr. MacMaster.

MR. ALLAN MACMASTER: I'd like to thank everyone for being here. We have a lot of guests today. I'd like to actually start with the MLA pension plan. I know a lot of MLAs are probably afraid to ask questions about it, but I'm not.

I know the comment has been made that the province pays $5 for every dollar contributed by an MLA, and maybe I'll ask the question to Mr. Smith, if it's appropriate, or Mr. Rafuse - my understanding is the contributions that are being made aren't being invested.

MR. RAFUSE: There is not a fund or money set aside for the members' pension plan, so in theory, it is a totally unfunded plan. That's the way it has been constructed. The reason being that it's a relatively small member base, and it's really hard to develop an investment strategy that is consistent with that member base. That's really what you try to do - invest your investments to the risk profile of your liabilities. So, no, there is no money set aside.

It is completely funded through what we refer to as a consolidated or the general revenue funds. So as members make contributions - as they do - and payments are made to current retirees, the difference comes as a cash flow straight from the province. So there is no money set aside. Depending on your view, it's either 100 per cent funded or zero per cent funded, but there is no fund.

MR. MACMASTER: I guess for that reason, I would say the comment that there is $5 invested by the province for every dollar invested by an MLA is actually inaccurate, primarily because you have a pension fund that's not even invested. Where is that money going now? Is it being put into general revenues? Are MLA pension contributions put into general revenues of the province to provide programming throughout the departments of government?

MR. RAFUSE: The five-to-one ratio - there's actually a net outflow. That's where the ratio comes from. There's more going to pensioners than coming in from current members. There's no money coming in from the members to offset other costs. It's actually kind of the other way around.

MR. MACMASTER: Actually, I think what you're saying is that the members are contributing - the money is not being invested, it's going into general revenues. Somewhere down the road when the member retires and they're eligible for the pension, they get a pension from general revenues of the province.

MR. RAFUSE: Essentially that's how it works.

MR. MACMASTER: So you have a pension fund that people are contributing to. It's not being invested. All pension funds are generally invested to grow so that they meet the needs of the retiree when they retire. I would say for that main point, an obvious point to say that the province is paying $5 out for every $1 contributed, it's something that maybe could be corrected by investing the money. I leave that before you today for consideration.

Your points are well taken. The number of MLAs at any one time in the province can only be 51 - at least that's what it is today. There are much more retired MLAs. We see this problem happening with the Teachers' Pension Plan where there are fewer teachers today. It's harder to maintain the plan but especially so when the funds aren't even being invested.

I'm just going to table this. I don't want to spend too much more time on this, but I did a brief analysis. I was first elected at 35. If I put my money into a plan and got a rate of return of about 7 per cent, based on the current rules, the value at age 50 of that plan would be about $320,000 if a person was elected for 12 years. At age 55, the value would be about $450,000. The required rate of return to generate a pension, if I passed away at age 90, would be about 7.65 per cent, which I realize is higher probably than an actuary would rate for a plan, but it's within reason.

I would like to table that just to show - I know most MLAs enter politics later in life, and there's no time for the contributions to grow, especially if they're not even being invested. I want to table that just for the record because I think it might shine some light on this and maybe take away some of the, what I would call inflammatory remarks, made about the plan. All of that is to say this is information for people to consume. People can have their own opinions. I'm going to hand those copies over there.

I want to move on to the health plan and the civil service plan. We know that those plans are in better shape than, say, the teachers' plan. I know this morning one of the members was asking the Auditor General's Office why. I think the main reason why is because of a decision made a number of years ago. When the NDP were in office, they added about half a billion dollars to the debt to support that plan, and they also changed the indexing rules, lowered them from what had been in place originally. I think those were the two main reasons why that plan has been brought back into a more fully-funded status. I don't know who I should ask. I think Mr. Smith has raised his hand for that one.

MR. SMITH: Yes, that's essentially correct. The changes that were made in 2012 and came into full effect in April 2013, I believe, set the plan up as reasonably fully funded. From that point on, it will carry itself for better or for worse, basically, so that the provincial government is no longer responsible for anything other than its contributions as an employer.

There are 40 employers in total in the plan, many of which are government and government-related, some of which are a little more distant. They all have the same obligations to make those contributions, as do the employees that are covered. There are adjustment mechanisms that kick in every five years on a cycle that will control what happens with regard to indexing, changes in benefits, or anything else that's required to keep the plan, over the long term, on a reasonably solvent basis.

MR. MACMASTER: In terms of the Health Employees' Pension Plan, there is a stipulation that requires the government to match what an employee would contribute plus 1.4 per cent. Is that something that was negotiated through collective bargaining?

MR. COWELL: The answer is yes. It happened - I can't remember the exact number of years ago - in the past as part of that agreement.

MR. MACMASTER: That plan is in very good health. I think it's funded at a rate of over 130 per cent as of 2016 at least, which is great. Is it necessary to continue funding with that extra amount, respecting that it was something that was earned through collective bargaining? If we're just looking purely at the plan itself, if it's funded to this degree, is it necessary to continue funding that extra amount?

If I may, if this was a plan treated - as I understand in the private sector, if you have a company pension plan and it's overfunded by a certain amount, the company can't make extra contributions and shield that money from income tax by putting it into the pension plan. Are the rules different for government?

MR. COWELL: We are under the CRA Act as well. Within the funding framework that we have today, we haven't hit that ceiling where there's no contribution rates allowed in the plan. As we look through our governance framework, we have a dispersion of funded volatility that we manage towards. We do look at that very question that you have asked, is there too much?

As we look at the volatility of our investment portfolio, member growth, and everything else, and we look at this on a rolling three-year basis - is this too much? Is this too little? At this point in time, we haven't come to the conclusion that at this point in time there should be any changes warranted. We can see just most recently with the market impact we had in the last couple of months - while our funded position looked really good a couple of years ago, it has dropped significantly because of that market volatility.

To go to your question earlier around investment returns to help protect, there's also that volatility. While it helps in the long term, we have a cushion so we do stay funded all the time.

MR. MACMASTER: That's a point well taken. Are all the plans essentially managed through the Nova Scotia - it used to be Pension Agency? The name is different now. Are all the plans actually managed through that office? They're not. Is the reason why they're managed separately - I think we know they have different terms of contributions and benefits largely because of collective bargaining, I think, and because each union has negotiated terms on behalf of their members. Is it safe to say that is why we have three separate plans that are managed differently with different outcomes?

MR. COWELL: With respect to the Health Employees' Pension Plan, the health care plan is set up as a joint trustee group between the 87 employers and all of the members. It's a joint trustee plan that has no involvement with government. The other plan, I think it would be better for Ron to speak to that structure, how it's set up.

MR. SMITH: I think Mr. Moodie might wish to comment on this also and likely can better describe the history - or Mr. Rafuse. Both of them were much involved in the history of how one came to be done one way and another way.

In the case of the Superannuation Plan, it was the major pension plan of the government at the time that the changes were made in 2012 and what was, organizationally, the predecessor of the Pension Agency, the folks that manage the pension plan, basically converted over into the agency and became the agency.

I'm not familiar myself with how and when the changes in the Teachers' Pension Plan affected all of that. It has basically been the same folks managing it in the longer term as the organizations have changed.

MR. CHAIRMAN: Mr. Moodie.

MR. DOUG MOODIE: Nova Scotia Pension Services Corporation is owned by the two trustees, the Public Service Superannuation Plan trustee and the Teachers' Pension Plan trustee. Both of those plans are jointly trusteed - they have joint trustee boards. If you go back a few years, both of those plans originally were solely trusteed by the Minister of Finance, so it was an evolutionary process whereby the Minister of Finance ceased to be the sole trustee of both of those plans.

The trusteeship was rolled into boards. The responsibility for pension administration and investment management for those two plans originated with the Department of Finance and then moved to the Nova Scotia Pension Agency in 2007 or 2008, and then the Nova Scotia Pension Agency evolved into the Nova Scotia Pension Services Corporation in 2013, which is independent of government. There was a clear break in 2013.

[9:30 a.m.]

MR. MACMASTER: Pensions are set up - and they should be set up - so people have a secure retirement, especially with a defined benefit plan - the whole purpose is that you get the amount you expect to get. How are these matters being decided? We know the importance of having an actuary look at a plan to make sure the amounts going out are sustainable. Are the terms and conditions of these pension plans being determined through collective bargaining without the lens of an actuary to make sure that what's being agreed upon is realistic to come out at the other end?

MR. SMITH: I will start that one. Others may have comments. In the case of the Superannuation Plan, we rely heavily on the advice of actuaries in terms of what is appropriate at the times when we have to face decisions about adjustments and continually with regard to the strategies that are going to place us in the best possible state in the long run to preserve the pensions and, ideally, provide indexing for pensioners.

In our case those decisions are entirely within our board, with the advice and help always of Nova Scotia Pension Services Corporation who do the day-to-day work. Our board, the advice of actuaries, is sort of the container within which all of that is managed and decisions are made.

MR. RAFUSE: I would just add that in addition to what the trustees may do, with the employer side of the house in both the Superannuation Plan, the Teachers' Pension Plan, and in some regards the Health Employees' Pension Plan - the employer does rely heavily on independent actuarial advice on the impact not only on pension plans but any type of health benefit or retirement benefit including long service awards, health plan, medical plan benefits for retirees. Those are all determined. The liabilities are based on actuarial assumptions and liabilities derived from that profession.

Certainly the work of that is done - it's part of thinking about what can be afforded. As you may or may not know, we as an employer must recognize the expense of these plans - either their health plans or their pension plans - through the working life of the individual, not when they retire. We have to not only look at costs of those from a benefit perspective, but also the future benefit isn't what it is costing right now. Those are heavily relied upon with that actuarial statistic.

MR. MACMASTER: I guess what I'm trying to get at here is, I especially look at the teachers' plan and how unfair it is for a teacher who has contributed to the plan to look and see the risk of having their plan funded maybe only up to 78 per cent. Either a government and a union come to an agreement through collective bargaining, or if they can't agree, it goes to a judge or arbitrator to decide.

When they're deciding the contribution rates - for instance, the 1.4 per cent extra the government pays in terms of the health plan. If that came by way of those negotiations, is there an actuary at that point looking at it and saying, hold on here, and not saying to one side or the other but actually to both sides, what you're actually agreeing to here may not be sustainable, or it may present a problem in the future. Is that something that is looked at? I certainly respect that actuaries are used, and they're essential in the process of managing the plan, but what about when the terms are being agreed upon?

MR. RAFUSE: I would say certainly, not only when you're looking at the cost of the liability of those benefit plan structures - your actuarial advice will tell you what that will mean based on your current contribution and return. They give you an insight about what means to the funded ratio of the plans, and that is considered when these things are negotiated. It's also acknowledged on an annual basis.

If you look at the Teachers' Pension Plan, you'll see that that plan shows its excess contribution rates by current teachers, which means current teachers are contributing more to the plan than they will receive as a benefit. It's acknowledged by the plan. It's acknowledged by the sponsors on an ongoing basis. Certainly, that's part of the thinking and part of the analysis used when there is an agreement to do things like a contribution rate increase or when there is a change in the benefit structure.

MR. WOZNEY: Part of your line of questioning is about when adjustments are made, how are they achieved? You have alluded to collective bargaining a few times. The governance of the Teachers' Pension Plan is entirely separate from collective bargaining. We have the ability to arrange to make adjustments to the plan through plan governance, through the teachers' pension board. It is separate from collective bargaining. Legislatively, we are not in a position, neither is the government, to bring the pension to the collective bargaining table because it is an entirely separate process. When changes to the plan are considered, they are considered in the context of actuarial advice and guidance according to the process that Mr. Rafuse laid out, but they are not brought to the collective bargaining table. That's not where changes in the Teachers' Pension Plan are arranged, considered, and agreed on. We have a process.

The Teachers' Pension Plan is co-owned. It belongs 50 per cent to the government and 50 per cent to the plan members. The union does not own the pension plan. It's the members who contribute to the plan who own half the plan. I happen to be their representative on the pension board. The set-up of the plan means that in order for anything to change, we both must agree. The government can't railroad the plan. The teachers can't railroad the plan. We have to agree to make changes. Both sides have a fiduciary duty to the plan members and the people of Nova Scotia to act in their shared best interests. At the table we both have a duty to act in the best interests of all the parties involved.

It's a very responsible, very stable, very collaborative model of governance. It is not fraught with the kind of emotional peril and fiscal peril that we see in collective bargaining. The governance of the pension plan was intentionally separated from collective bargaining so that no one can use pension as leverage in a contract dispute during a collective bargaining cycle. People's life savings are too precious.

MR. CHAIRMAN: Order, please. That concludes the time for the PC caucus. We'll let you continue on your line of questioning later.

We'll now move to the NDP caucus. Ms. Roberts.

MS. LISA ROBERTS: If Mr. Wozney would like to conclude his remarks, I'll move on with some questions afterwards.

MR. WOZNEY: Just to wrap up and say that people's life savings are too important to play politics with, and that's why the governance of this plan has been established as such.

MS. ROBERTS: As of July 1, 2018, just over 20 per cent of Nova Scotians were age 65 and older. Of course, we know that we have one of the oldest demographics across the country. In 2008, only just over 15 per cent of Nova Scotians were age 65 and older. The change is happening fast. We also have the second-lowest share of population aged under 18 across the country. Clearly pension incomes are very important to the provincial economy, and their importance will only increase as this demographic trend continues. I would like to understand the general landscape. I wonder if I could hear from each of these pension plans, how many retirees or how many members of the plan are there?

MR. COWELL: For the health care plan, we have approximately 46,000 members who work in the health care environment. Of that, we have about 13,000 retirees. That number is, as you have mentioned, changing quite rapidly. As little as five years ago, we probably had four active members for every retiree, so four members working to one retired. Today, we're at just under three, so 2.86 - I know it's math. It's approximately now three members working for one retiree.

That equation - the demographic changes are impacting all of our pension plans because there's less contributions going in to pay the same benefits that are expected for life. It's one of the reasons why it's good to have a good cushion now because later, you won't have the resources to maintain that cushion. I'll let Doug speak to the other two.

MR. MOODIE: The Teachers' Pension Plan, and I'm looking at the last annual report, had just over 32,000 members in total: 13,311 were retirees and survivors; 12,894 were active members; and then there were 5,800 inactive members. Those are typically deferred members, folks who have a small amount of service, and they just left it in the plan. It doesn't have a big impact.

The ratio, and this is the critical piece, in the Teachers' Pension Plan between actives and retirees is not good - not nearly close to as positive a ratio as our friends at the Health Employees Pension Plan have. It has been declining steadily year over year. In 2017, the ratio was below 1; it was 0.969. There were more retirees than actives on a 0.969 basis.

The Superannuation Plan - again out of the 2017-18 annual report - had 35,621 members in total: 17,211 active members; 16,248 retirees, including survivors. Again, the ratio in the Superannuation Plan is not terrific, but at least it's above 1. It's a bit better than the Teachers' Pension Plan. It's very reflective of the demographic of the province.

MS. ROBERTS: If I may, understanding who teachers serve - of course, teachers are working professionals who serve the young. Health care professionals are working professionals who are - and we have discussed it here at Public Accounts Committee before - particularly called to serve older Nova Scotians because health care needs tend to be most intense at the end stage of life. Not only is there a general demographic shift in Nova Scotia but also that demographic shift impacts those professional groups, those plan memberships differently.

I'm seeing some nods. Does anybody want to comment any further on that? I think there's a tendency to want to find blame or say who caused this or what we should have done to fix the situation or this challenge that is pointed out in the Auditor General's Report. Teachers are not to blame for the fact that they're teaching in a province where there are many older people and fewer young people. Anybody? No. Okay.

I will proceed with a question. Thank you very much. I think it's useful to understand the general landscape of what we're talking about.

What is the economic impact of the indexing of the pensions? How important is that for individual retirees? Maybe I could get a comment again from each of the plans.

MR. SMITH: With regard to the Superannuation Plan, there will be times through the economic cycles when it will be a very, very important thing, when inflation is higher and indexing is more meaningful than it has been in recent years. The one cycle that we have been through where we had to consider an adjustment, inflation was less than 2 per cent for the period that we had to relate to, and the adjustment we made was less than 1 per cent. From an economic point of view, none of that is going to have much effect.

[9:45 a.m.]

If five years later or 10 years later, as can happen - maybe not, but it could - inflation is 10 to 15 per cent, then it will be a whole different discussion about how important that is. That's part of what we keep in mind strategically. We want to have a well-funded plan so that when and if such times arrive, it can be managed and doesn't sink the pension expectations of pensioners into a deep hole.

MR. COWELL: It does depend on one's perspective with how important that indexation is in retirement. From one perspective, you have an individual who has maybe limited other sources of income for potentially maybe another 20 years of life - maybe 25, depending. If you don't do indexation to inflation in their retirement benefit, that means every year they have less amount of money to spend on their basic goods and services, and that problem will just become larger through time. After 10 years potentially of no inflation adjustment and potentially medium inflationary environment, someone's retirement pension they relied on to get to that point - their purchasing power might be half at that point in time. So it can be hugely important.

MR. MOODIE: I can just speak to the Teachers' Pension Plan. The Teachers' Pension Plan has a unique indexing arrangement for retirees. Anybody who retired before August 1, 2006, receives some indexing, so it's essentially guaranteed. It's geared to consumer price index. It's less than that, but it's a fixed amount. Anybody who retired after that date - from August 1, 2006 onward - receives indexing based on a contingent basis, so depending on the funded health of the teachers' plan. Teachers received some indexing in the first two or three years after that change was made in 2006.

The financial crisis hit the plan hard in 2008. The funded status of the plan dropped precipitously in 2008. Since that time, the plan has been funded in the 70s. It has to be at least 90 per cent funded for those folks who retired on or after August 1, 2006, to receive indexing. So there is a group of teacher retirees, which is growing every year, who have not received indexing for many years in some cases and, based on the current state of the plan, may not see indexing for a long time.

MS. ROBERTS: Mr. Moodie, could you tell me what number of retirees currently receiving benefits from the plan fall into the cohort of pre-2006 retirees versus those who are currently not receiving index pensions?

MR. MOODIE: Again, out of the 2017 annual report for the teachers' plan, the number of retirees in the CPI, minus-1 per cent - so that's the pre-2006 group - is 8,642. The liability attributable to that group is $2.538 billion of the total liability of the plan. The group of retirees - sometimes referred to as the variable indexing group - was, again out of the annual report, 4,669. The amount of the liability in the plan attributable to that group is $1.816 billion.

MS. ROBERTS: I'm sorry, Mr. Moodie, the total liability is?

MR. MOODIE: The total liability of the plan, again out of the annual report, was just over $6.5 billion. In addition to those two groups of retirees, obviously there's a substantial liability attached to the active members. That's the third big liability area for the plans.

MS. ROBERTS: With regard to the Teachers' Pension Plan, clearly this is a situation that, as we have sussed out, is related to the province's demographics. It's also a situation that has developed over a long period of time. As the Auditor General points out in his report, his office has not conducted a performance audit of the plan, so he doesn't provide any comments on governance oversight or effectiveness. I wonder if any of the witnesses wish to comment, could comment, on their understanding of the factors maybe that I don't yet understand that have contributed to this deficit. Does that question make sense?

MR. RAFUSE: You have talked about the demographics, which are a challenging issue for all pension plans as well. One of the things that you haven't touched on, and all of the pension plans have recognized this over time, is the change in our mortality rate. People are living longer, and when these plans were originally designed, they were designed for people to retire at 65 and the longevity after that was perhaps not as long as it is now. That has been factored into these liabilities, the fact that mortality rates have improved - or conversely, depending on your point of view.

As well, it is a factor of the benefit structure of the plans. The benefit structure drives the liabilities. It's not solely the demographics. If a benefit provides a certain level of income, or certain benefits, that is what drives your liability. It's a combination of all those things that have put the plans into the unfunded liabilities or funded place that they're in right now.

MR. CHAIRMAN: Mr. Wozney.

MR. WOZNEY: I'm going to ask Mr. MacLeod to make some comments here.

MR. JACK MACLEOD: The teachers' plan had kind of the perfect storm. The financial crisis in 2008, coupled with the demographics you have alluded to, made it difficult to climb back. When the plan assets dropped in 2008, subsequent to that was when we saw the significant changes in demographics in the profession. As well, as Mr. Rafuse has noted, the actuarial assumptions have been changing quite rapidly in the past 10 years.

The good news is the decrease in the unfunded liability for the Teachers' Pension Plan has come when every actuarial assumption has gone the wrong way; that is to make it worse. We have recovered more than enough to cover the actuarial assumptions and still improve the plan. Unfortunately, the demographics are still making that difficult.

MR. MOODIE: Just on Mr. MacLeod's perfect storm comment, I totally agree. The funded status of the teachers' plan as at December 31, 2006 was 96.8 per cent, so it was almost 100 per cent funded at the end of 2006. At the end of 2008, it was 70.8 per cent funded. It dropped 26 per cent in the space of two years. It was such a precipitous drop - once you go down that far, it's very hard to claw your way back.

To the credit of the teachers' trustee, they have been slowly and gradually improving the funded status of the plan over the subsequent years, but it has always stayed in the 70s. It's a hard hole to get out of when you're that low simply because you don't have the assets any more that you once had. It's more challenging to make money off of those assets when your starting point is much less than it once was.

MS. ROBERTS: The Auditor General recommended that the province engage in discussions with the NSTU. I realize that might be the wrong framing for where the discussion should happen, but that was the Auditor General's recommendation - that the province and the NSTU meet and discuss to develop and implement a formal plan to address the deficit. I wonder if I could ask Mr. Rafuse and maybe Mr. Wozney, I'm not sure, if you agree with this recommendation and also to update us on what has happened pursuant to that recommendation.

MR. RAFUSE: I do agree with the Auditor General recommendation that the province and the NSTU should look at solutions for that. There are requirements under the current agreement that talk about when actions have to be taken and the past recommendations have been made to governments brought forward by the trustee as to possible solutions to address this issue. They have not always been followed. In fact, they have not been followed.

The current agreement speaks to the necessity to do so in certain trigger points. That trigger point is not with us right now, so there's no necessity from an agreement perspective, although there is a fiduciary responsibility of the trustee to provide solutions. You wouldn't be surprised that there are some ideas being explored, but they're not in a position right now to be shared, even with the Auditor General.

MR. WOZNEY: I'm fairly new to my office. I am in agreement with the findings of the recommendations of the Auditor General that we should be having active discussions to address the unfunded liability of the plan. Since coming to office, we have not received official inquiry from the government to begin that process, but we are open to that. You have my commitment to answer in the affirmative when that call does come.

MR. CHAIRMAN: That concludes the time for the NDP caucus. We'll now move to the Liberal caucus - Mr. Maguire.

MR. BRENDAN MAGUIRE: Thank you everyone for being here today. A lot of numbers are being thrown around. When it comes to the Teachers' Pension Plan in particular, it seems to me that the teachers and the retired teachers and the future teachers - as we've heard here from multiple witnesses - are definitely doing their share right now when it comes to contribution. My understanding is that they're contributing as much as they possibly can.

The question that I have for Mr. Rafuse - help me understand how the pension and the negotiations have been separated. If the teachers are essentially talked out, what is the move-forward? Should this all be brought under one umbrella to have a discussion about everything benefits-wise?

MR. RAFUSE: I may bring in a couple of comments made by my colleague at the NSTU and also the member across the way here in my response. To look at a pension plan though, the way in which you can make improvements in the funding of a pension plan, there are certain things of which you can look at and adjust - one of which is contribution rates, and everybody has indicated that current teachers are kind of maxed out on the legal limit of what they contribute, so that takes away a lever you have.

Other things you can do is that you can look at the benefit structure associated with that plan, and that benefit structure is subject to an agreement of which it was a by-product of negotiations. You can also change your investment strategies, I guess, and take a chance on a more risky investment strategy. Or there are mechanisms where there would be a cash infusion into the plan and under some scenarios. Actually, most scenarios associated with the Teachers' Pension Plan, anything that would change the benefit structure would require a cash infusion from the province.

I'll go back to an earlier comment made about the change to the superannuation plan where the government added to the debt of the province to fix that plan. I would take a little challenge to that to give the government of the day its due. It did not add to the debt of the province to make that adjustment. It changed one liability to another liability and took an unfunded liability pension plan and changed it to a market liability plan where we borrowed money. That, coupled with benefit changes, allowed that plan to get into a better place. It's sustainable for the members, and it saved money for the taxpayers and set a course for a plan that is not only fair but as well has the ability to self-correct in the future.

[10:00 a.m.]

When we look at the teachers' plan, there is a process where changes can be made on the benefit structure or other elements of the plan that generates through the trustee. The trustee makes recommendations to the sponsor group, of which I indicated I am a member - the president of the NSTU is on the sponsor group. That group, historically in the past, has become a negotiation as to whether or not the trustee recommendations are accepted or something different is put in place. In fact, the last series of changes that were made in the teachers' plan were a series of contribution rate increases to current employees. That was a product of that negotiation.

It's very hard for me to say that the two are not connected because as we look forward to a path, or there are some paths that you can explore to help out the teachers' plan, it would be looking at those other elements where the province has liabilities in other areas. If we could find a way to reduce those liabilities, that would free up cash to put into the plan, making it beneficial to the plan and fair to taxpayers. But it is a product of negotiation.

MR. MAGUIRE: I would stress that pensions are extremely important to tens of thousands of Nova Scotians - current employees and retired employees, of course. It is important that we get a handle on this and are able to provide - we have been saying short term and medium term, but also the long-term stability so that retirees and not just teachers but the health care professionals and our Public Service know that that's there. It's one of the reasons why I think especially when it comes to the Public Service that people sometimes forego the private sector. They come into the public sector because of the benefits and the pension. It's important that we continue to have these funded long term.

You said aside from a cash infusion - what I would like to know is, we have done $50 million over 10 years for the Teachers' Pension Plan. Where does that money come from? Is there money set aside for emergency situations in a situation where these pension plans could potentially be underfunded? Does this come out of general revenue? Does this come out of programming? Where is this money coming from?

MR. RAFUSE: I believe you're speaking to the special contribution aspect of the current agreement. For the benefit of everybody, the current construct of this pension plan requires that when indexing is not provided to the post-2006 group of teachers, which has been the predominant case since that change, the province is required to put in the value of that indexing as if it were provided. Last year, for 2018, that looks to be about $16 million extra payments on top of our contributions . . .

MR. MAGUIRE: That's on top of the $272 million for all pension contributions?

MR. RAFUSE: It's part of our contributions. Roughly speaking, for teachers, we give $99 million of contributions as matching. This would be on top of that. It was $14 million or $15 million the previous year. You're looking at an amount that is in that range every year. Projections will show that that amount will increase. Obviously there's a bigger cohort of teachers that are in that group, so that amount will grow.

That money comes out of the ability to go into other programs. It's part of the cost of running the government, and therefore is not available for other things. That's the nature of that agreement, so if we could find a way to look at this agreement where we could improve the health of it, there is a possibility that those payments will cease. That would be an objective of that process.

As I say, we do need to look at our other liabilities to be able to free up the cash to be able to do so, or we would just be taking it out of other programs, which is not a desirable aspect at this point.

MR. MAGUIRE: Does that also include the $1.4 billion liability? Help me out here. My understanding is that teachers and retirees are responsible for 50 per cent, and government is responsible for 50 per cent. I guess my question is: Where does it come from, from both ends? It's a two-part question - that and if the pension is not at 90 per cent, did you say that the indexing does not automatically kick in, so that's lost revenue for retirees?

MR. RAFUSE: That's correct. The way it's structured right now is, if the plan is under 90 per cent funded, there's no possibility to provide indexing for the variable indexing group. The guaranteed indexing group would continue to get indexing.

MR. MAGUIRE: The long-term is not showing this pension plan above 90 per cent?

MR. RAFUSE: The long-term projections on that - it would be quite a long time before that plan would be in that position.

MR. MAGUIRE: Just to go back to my previous question about the $1.4 billion and where that comes from - when I say "our," the public - where that comes from. That $700 million is quite a lot of money. That's larger than some of the actual government departments. That's a lot of money.

What I'm trying to figure out is, obviously I go back to - I think everybody here is concerned. We want to make sure that our public employees have a pension that they can rely on. It's extremely important, but at the same time, we need to have a conversation about where that $1.4 billion comes from, from all sides. Hearing from yourself and Mr. Wozney, I think there's some room to sit down and have this discussion, but I would like to know from you, where does the government's $700 million come from?

MR. RAFUSE: The province has recognized the taxpayers' share of this plan on our financial statements. Roughly speaking, you're talking that $1.4 million is $700 million. Right now on our books, that liability is less than that. It's still a sizeable amount - over $350 million. That's because we have the ability to recognize that unfunded aspect over time, but we do have on our books a huge liability associated with not only pension plans, but retiree benefit plans such as medical and still some liability on our books associated with retirement allowances and other benefits associated, not only with teachers, but other employee groups - it can be sick leave days and the like - create a liability on our books, and that is benefits earned to date that have not been paid out, which will be funded by future taxpayers. That in itself on our books is $1.4 billion.

Pension is actually less of a liability for us than retiree health benefits. It is a huge amount. Half of it remains on our books for the pension plan. The other half is, I guess, that is a liability for every teacher. That's where the other half of the unfunded liability of the teachers plan, per se, would rest with the teachers themselves.

MR. WOZNEY: I just wanted to say that $1.4 billion number - half of that doesn't belong to the NSTU as a body corporate. It belongs to the plan members. If you can imagine this - everybody understands that $700 million is a significant sum of money for a province. The citizens and taxpayers of Nova Scotia have that responsibility. On the other hand, the responsibility for the other $700 million belongs to active contributing members of the plan, and in some senses, it belongs to members who draw from the plan.

In terms of urgency, I read that in your comments, no one feels more strongly that this needs to be addressed than the members that I represent on the Teachers' Pension Board. They own a far larger, more significant chunk and risk in this unfunded liability than the government and the people of Nova Scotia do, and I'm not diminishing what they have responsibility for.

To your earlier comment about the extra $57 million paid by the province above and beyond their standing contributions, teachers and plan beneficiaries have also contributed that same value. While the government pays cash under the current framework, retired teachers who are drawing from the plan contribute to the plan because they are not taking additional benefit from the plan. I want to be clear that it's not only the government that has contributed $57 million. It's also retirees who are not drawing benefits equal in value to what the government is contributing.

MR. MAGUIRE: I agree, and absolutely that's why I touched on the 90 per cent there. I understand perfectly that you're saying that the $700 million is not the NSTU's - it's the teachers' and the retired teachers'. If they are maxed out, where does it come from? Do you know what I mean? How do you make up that deficit? We hear it, just the numbers alone are showing a 33 per cent increase. They are doing their fair share, absolutely, no doubt, and more, I would say, when it comes to retiree teachers, for example. Where does that contribution come from?

MR. WOZNEY: In the long run, it's going to come from a plan that is fair to the contributors, to the beneficiaries, and the government. What that looks like is going to rely heavily on actuarial advice and counsel. It's going to require the agreement and collaboration of both myself and those who represent the plan members and beneficiaries - you know, Mr. Rafuse and the team that represents the government side of things. It's going to come from deliberate planned action.

Nobody has $700 million to plunk down on the table today to make it all go away. I don't sense that anybody is asking for that to happen. This is a problem with a 30- to 35-year horizon. You start to fix that by doing reasonable things now that will have a long-term benefit for the plan to improve it. What that looks like in the moment - I am not prepared to table specifics about how it gets fixed here. I don't believe Mr. Rafuse is either.

What you have is a standing commitment to work towards those solutions together within the framework of the plan governance that currently exists. Politicizing this issue by forcing it in the collective bargaining only stands to compound the stress and the fears of people who are contributing and people who are drawing from the plan.

That's what we want to avoid. We want to see the same sober, deliberate, considerate approach to remedying the issues with the Teachers' Pension Plan that was shown when MLA pensions were considered and modified in the not-too-distant past. We think our members who are contributing and drawing deserve that same measured responsible approach. We want to work at this. We just don't want to politicize it and make it an issue that gives people a reason to panic and worry.

MR. MAGUIRE: I'll pass it on to my colleagues. Thank you.

MR. CHAIRMAN: Mr. Jessome.

MR. BEN JESSOME: Thank you very much, folks. I would like to ask I guess all three groups that are with us today, is there anything intentional with respect to your role in the overall hiring of employees who would contribute to a pension plan? Specifically, it sounds like in one scenario, the teachers' side of things, there are less people contributing to the actual funding of the plan. In other cases, there are members that are active that possess a greater ability to fund that plan overall. Is there any communication with respect to the hiring or the ratio required to fund these liabilities?

MR. SMITH: I can make a comment. It at least follows the same line of thinking. The short answer is no, we have no involvement with the hiring of anyone who becomes a member of our plan. They're hired by the employers who subscribe to the plan. But we do welcome new employers and new employee groups, which have an employee base and a retiree base such that we gain more active employees and gain less retired employees. Therefore, we in small ways are able to keep the demographics a little more favourable toward those that are contributing.

It’s not a big deal and it’s not the solution to any big problem, but it helps us strategically at the margin to keep the plan in better shape in the longer term.

[10:15 a.m.]

MR. CHAIRMAN: Ms. Lee.

MS. MARY LEE: I would absolutely agree with Mr. Smith - we do not interfere in any way with the employers and their choice of hiring. As governors though, if I may say, of our plan, we as trustees would focus our energy in ensuring that we have the right CEO to lead the plan, and that that CEO brings those required competencies and skills that we are looking for to help lead the plan to the future in which we want to see it for the beneficiaries of our plan.

MR. JESSOME: I guess I kind of expected that there wouldn’t be a directive given from any entity, but rather if there was an opportunity to have that specific conversation. We’re talking about - I guess I’ll flip over to the teachers . . .

MR. CHAIRMAN: Order, please. Do you want to hold that until the next round, because we’ve got 15 seconds? I’ll move to the PC caucus and Mr. MacMaster.

MR. MACMASTER: Pensions are very important. No one should have to feel stress about the future of their pension. As the Auditor General mentioned in the report, these pensions contribute a lot to the Nova Scotian economy. There are a lot of retired members out there that are spending their pensions locally.

I have a strong interest in this. I used to work in the investment industry back when the stock market crashed. When I was looking at some of the more seasoned people in the office walking around like they were on a ship that was about to sink in the middle of the Atlantic Ocean, it’s quite humbling, and it’s scary. But people shouldn’t have to shoulder those same stressful situations when they’re trusting in their pension.

I have introduced legislation here in the Legislature. We saw in Point Tupper where the paper mill is - it was the NewPage pensioners at the time lost upwards of 40 per cent of their pensions. I introduced legislation around some of the things that happened there, because I saw what it can do to people. I have many friends and relatives who were affected by that, so I understand the importance of pensions and I want them to be protected.

My questioning around collective bargaining was purely around how we are making these decisions. Let’s make sure that we’re making them based on sound economics so that we don’t put plans - and I’m not accusing the union or the government in any one direction. Please don’t mistake my questions. Both sides should come to the table, ensuring that what is produced at the end of the day is a good pension that a person expects, based on what they’ve contributed.

I know Mr. Cowell has said that the 1.4 per cent top-up that the government makes in addition to the one-to-one contributions for the health plan was something that was negotiated. We know the demographics are not going to change - at least not in a hurry in the province. We know that's a significant impactor in these pensions - all of them. We have events like the stock market in 2008, the big crash.

Shouldn't these problems be managed before they get out of hand? That is really the question. We see what happens when it doesn't. We saw the provincial pension plan - I guess it would have been back around 2010, where there was $0.5 billion put in by taxpayers. That's not really fair to them either because they're not even part of this. They're not the employer. They're not the employee. Yet they're being called in to backstop these pensions. Many of those Nova Scotians out there are working in jobs in the private sector where they don't even have pensions - I'm conscious of that. I think about them today as well. While they don't have a stakeholder in the room, they have MLAs here who should be their stakeholders as well. I don't want to forget about them in today's discussion.

I guess the question it raises for me is if - and particularly right now with the teachers' situation because it is their plan that's most underfunded. If the pension the teachers are paying into is not there for them when they retire, how is that serving them? It raises the question, what is the current administration doing about this? The question is posed to the government. We know the demographics are not going to change, and we cannot expect beyond-average market returns from the investment markets. Mr. Rafuse - I know you just work for the government, you're not making these decisions yourself - what is the government doing right now to address these problems?

MR. RAFUSE: As I said earlier, and you alluded to the changes made to the public service plan - yes, that was a lot of cash that went into that plan, but from a taxpayer perspective, the taxpayers were on the hook for that anyway, whether or not they put that in there or later.

The construct of that fix plus the other legislative changes in that plan that put that plan on a path forward that requires it to make the decisions so that it does not get back in that position again - it is a good path to look at as one you could be emulating to something like the teachers. That requires, as the teachers will require, a cash infusion from the province, from the taxpayers of Nova Scotia. There's no uncertainty about that. To be able to do that, we need to look at other elements which allow that cash to be freed up. That's why I said that it's hard to avoid being part of the negotiation process because some of the things you may need to look at are part of that process already.

The superannuation changes are actually a good lesson learned for everybody. As I said, it did not add to the debt of the province. It did have cash, but it changed one liability for another liability and ended up actually saving money on an interest basis because you pay interest on the unfunded portion of these plans. It also set a path forward. There were a lot of good things that contributed to that. Employees contributed a lot, too, by foregoing the benefit structure. Everybody contributed to that. Taxpayers, I think, were treated quite fairly with that one.

There are things you can do. There are options you can explore. I do agree, however, that the benefit structure of a plan needs to be done using good actuarial advice to make sure that it is sustainable based on the contribution levels and your investment structures. Where that cash infusion comes is where it gets outside of the realm of solely your pension structure, and we need to have other outside negotiations.

MR. MACMASTER: It was a solution, I'll give you that. It was a solution. As you say, the taxpayers were on the hook for it anyway. In the case of NewPage, the company went kaput. The money for the pension fund was in a trust, so it was still there, but there was no company to keep contributing to it, so those pensioners were out of luck.

The reason I'm asking these questions is because, yes taxpayers will be on the hook in the future for some of these plans potentially, but what is the government doing now to try to prevent that from happening? If the stock market goes gangbusters, and the teachers plan, which is currently the one that's currently the most underfunded, comes back up - well great, that solves it for us. That would be the ideal solution, but we can't depend on that, and we also know it can go the other way. So what is the government actually doing about this? Otherwise the taxpayers will be on the hook for it again.

MR. RAFUSE: As I alluded to in my opening remarks, the government is prepared to sit down with the Teachers Union and talk about constructive ways to move forward on that. It would also be incumbent at those discussions to look at mechanisms like there are in the Superannuation Plan to ensure that there are self-correcting things in place so that we don't get ourselves back in the situation.

We've said this in the past when we've looked at other changes - particularly in the Teachers' Pension Plan - where we said this is the fix, and then something happens. You need to be able to put things in place that it can withstand a 2008 shock or at least has a path to get itself back to where it needs to be, without having to sit down and kind of renegotiate the confines of the agreement. It should all be kind of implicit into it. That's where I think we need to go on these things.

MR. MACMASTER: Would it be safe to say then, that there are three ways to fix the plan. You can do it by legislation, which was done with the Public Service Superannuation Plan that we'd just been talking about years back. It can be done through perhaps policies generated by the trustees of the plan. Or it can be done through negotiation - in this case, between the government and the Teachers Union.

Is it the government's position that its preferred method to make changes to the plan to fix the problem is through collective bargaining negotiations?

MR. CHAIRMAN: Order please. That concludes the time for the PC caucus. We'll now move to the NDP caucus - Ms. Leblanc.

MS. SUSAN LEBLANC: Thank you. I believe that question was directed to Mr. Rafuse, so if you want to briefly answer that, I would be fine with that.

MR. RAFUSE: A legislative option is not available in this circumstance. It was different at the time. At the time of the change to the Superannuation Plan, the Minister of Finance and Treasury Board was the sole trustee and therefore could make the changes as the trustee deemed necessary through legislation. That's not available to us at this point with the teachers. We have an agreement with the teachers on the aspects of their pension plan. This needs to go through the negotiation process to be able to find a resolution to it.

MS. LEBLANC: Thank you to everyone who has contributed to this conversation so far. My first questions are directed at Mr. Wozney - and everybody, if anyone else wants to chime in. We have heard that there's a significant generational inequity in the current structure of the Teachers' Pension Plan. We know that active members are overpaying for the value of the benefits they're receiving or collectively earning.

The plan's liability for benefit obligations increases each year, but the number of active plan members has remained static. Therefore, the burden on those active plan members has gotten heavier. In your view, given all that, do you think that this is having an impact on recruitment and retention of teachers in this province?

MR. WOZNEY: To our knowledge, the issues with the Teachers' Pension Plan are not a substantive obstacle to recruitment of new teachers or retention of existing teachers at this time.

I think what I want to highlight here is that the changes that have been undertaken to the plan have not been forced on teachers. They have been done with some feeling with the agreement of teachers. We agreed that we would make these changes in our mutual benefit, both for people who draw on the plan and for people who are contributing to the plan and will rely on it in the future, with a longer-term view that we want everybody to receive cost of living adjustments on an annual basis in their retirement so that they don't see their purchasing power diminished over time.

The intention of these changes, and the additional burden assumed by current plan contributors, was so that everybody would have a strong, stable, healthy plan that would be fair to everybody who had contributed and would draw in the present and the future.

It's our view that the current changes are not an obstacle to recruitment and retention. I don't want to conflate how we solve pension. We have a process to work with the government that is not collective bargaining.

That said, collective bargaining is a separate thing. The union has argued longitudinally for adequate funding of public education, which would address the issue of a stagnant or, until recently, a receding base of contributing plan members.

[10:30 a.m.]

One of the solutions is to increase the number of people who are contributing to the plan, so at a separate table we have argued the need for - given the needs of the school system - to not wildly increase the number of teachers, but in a time where enrolment is receding but needs are increasing, to ensure that staffing doesn't go by the wayside and that we do have additional people contributing to the plan and making a difference in our schools as front-line workers that support students.

MS. LEBLANC: Speaking of that, when the Auditor General's Report came out last Fall - or there was a CBC article from last Fall at least that quoted you and also the Premier talking about this issue. Both of you are obviously saying it's a significant thing that needs to be addressed. In that article, the Premier makes mention of the fact that all the other issues the teachers have been facing in the last several years have been addressed now with legislation, and that kind of thing, that happened last year.

Would you agree with that statement? Have those issues been addressed? He says that now we can look at the pension plan because those other issues have been addressed. Would you agree with that, that now is the time, that the other things have been laid to rest and now we can take this on as the next thing facing teachers?

MR. WOZNEY: It is the position of the Nova Scotia Teachers Union and its 9,400 members that the issues that the Premier claims have been settled through legislation have not resolved the issues - the imminent, critical issues that affect the ability of public education to support students have been remedied. That is a far greater concern to Nova Scotians. Not that these issues aren't significant, but those things have not been settled and we are not in a place where there is peace and calm and goodness in the land, and now we just have to deal with pensions. Those issues remain very real, very imminent, and in front of teachers and students every day.

MS. LEBLANC: Given all the things we've been hearing about the pension plan, can you talk about what impact the current situation of the pension plan has on the economic security of teachers who might be entering the profession now, compared to those who maybe entered 20 years or so ago?

MR. WOZNEY: I'll have to answer this anecdotally; I don't have a ton of data to support this. Again, we're kind of dealing with generations. Those who are graduating from teacher training programs come from a generation whose attitude and value about work is fundamentally very different than teachers who are mid or late career.

The ability to find a stable, permanent teaching position in Nova Scotia, while it has improved somewhat in the recent past - for a long time, a career in teaching was very precarious year to year. You never really knew whether you were going to get a job proposition.

We know based on a paper the Department of Education and Early Childhood Development publishes on a regular cycle, that a lot of teachers in the absence of stable employment will just leave the profession altogether and seek employment that is stable. That doesn't allow them to sort of build the life that they want.

I don't know that most early career teachers are really thinking about their pension up front as a paid benefit. Most people tend to think about it as money that comes off my paycheque. They're not really thinking about, gee, that's a lot of money that goes into my pension - and it is - but it is a significant benefit, and I don't think it takes too long for people into their teaching career to recognize this is something they need to be concerned about. We're definitely seeing teachers engage at an earlier stage of their careers with retirement planning.

There's no question - this happens in the context of a global teaching shortage. We are short qualified teachers right across Canada, and if we don't have - this is part of a total compensation package. If Nova Scotia is not competitive in its total compensation to teachers - that's not to say that we have to have the Cadillac of all aspects of compensation, but if we are not competitive with jurisdictions from across Canada, it is a challenge to retain and recruit the brightest and best teachers for our schools to support our students.

We would like to think that - and it's our firm belief - the students and families of Nova Scotia deserve world-class public education, and that remunerating teachers in a way that makes them feel good about being teachers here is an essential part of making sure that they do come, they do stay, and they do make a difference for an entire career.

MR. CHAIRMAN: You have 30 seconds.

MS. LEBLANC: Agreed. I'll just end with this last question, and maybe you have sort of answered it. Do you hear from your members right now around their worries around their pension plan? Do people contact you with that issue?

MR. WOZNEY: The major concerns are around the conflation of collective bargaining and how we work on the pension. We have a way to work on this, but it's not collective bargaining, and members don't want to see their pensions politicized. That's the major feedback that we're hearing at this time.

MR. CHAIRMAN: That concludes time for the NDP caucus. We'll now move back to the Liberal caucus. Mr. Jessome, if you would like to continue your line of questioning.

MR. JESSOME: I guess we're all tied in here anyway. Initially I had started chatting about the number of employees who are actively contributing to the liabilities within a pension plan. I would like to submit that with respect to the Teachers' Pension Plan, over the past several years, government has agreed to support the system and, aside from the impact that it can have and will have on the classroom conditions, has netted over 900 positions additional to that plan, including more than 200 just this year. I submit that for the consideration of folks here and ask perhaps our deputy or the president of the NSTU to comment on what impact those additional positions have had on the pension plan.

MR. WOZNEY: To clarify, the net number of teachers, the total number of teachers - while the department has issued statistics that there have been hundreds of new hires, what those numbers do not reflect is the number of retirements in that same period. The net number of teachers in Nova Scotia since 2013 is only marginally improved. It's not that we haven't seen some of the retired positions replaced. Many of them have not been, and what we don't see is - for instance, roughly speaking, if there were 10,000 teachers in 2015, that number is not up by 900 at this point. It's a dynamic number.

We don't question that there have been some additional supports, the Teachers Union. I think specifically of some of the hires have come about as a result of the report from the Commission on Inclusive Education. We view that as an enormous positive for Nova Scotia. Some of those hires are in fact NSTU members, and we welcome those members to our ranks. If the report is followed through to its conclusion, there will be additional hires in Years 2, 3, 4, and 5, which again are necessary and welcome, but relatively speaking, that's a very small number of additional contributors to the plan.

I think there are larger questions about how we provide resources to the system. Those questions remain unanswered, and we certainly hope that despite the recent contention between government and union, we will find common ground to look at how we best resource schools. It's not about adding people to the union, it's about the right number of people we need in our classrooms to support the students and the degree of needs that are present. We welcome the opportunity to have that dialogue in a constructive and positive way so that there is benefit for students, for schools, and for communities in Nova Scotia.

MR. RAFUSE: I would just add that additional hires do help the plan. It just changes the demographics. They tend to be younger cohorts, so it does change the demographics. As well, as I said earlier, current teachers actually do make excess contributions, so those new members will be contributing more than the value of their pensions.

I'm not going to get into semantics about the net numbers, I don't have that in front of me, but certainly the new hires have to balance off with the retirees if the retired positions aren't backfilled. There is a benefit lift from adding new positions to any pension plan.

MR. JESSOME: I'd submit that the game plan is to be consistent about contributing new positions where beneficial and more supports that create a better overall system. I don't think anybody intends to throw positions at the system if they're not going to be helpful.

I would ask Mr. Wozney, with respect to this reality that current contributing members are making contributions that will outweigh what their overall benefit is long term, what are you hearing from your members with respect to that reality?

MR. WOZNEY: Again, reflecting my previous comments, the current level of member contributions was not a forced change. It is a change that teachers recognizing the challenges before their pension agreed to undertake to ensure the long-term health of the plan. They recognize that we have to do something, and at the time "the something" was to raise contribution levels to where they are at the moment. Is it the way that everybody would prefer? Probably not. Is it what we recognize needs to be done so that everybody has a plan that can be relied on in the future? Yes it is.

While we would prefer our contribution rates to be lower and our benefits to be higher - who wouldn't like that scenario? - we are where we are, and members are fully prepared, recognizing that their contributions are matched in the shared responsibility with the people of Nova Scotia. They will continue to do the significant part that they are doing to make sure that their plan is healthy and stable and supports them in the long run.

MR. JESSOME: Thank you, that sounds fair. I think Mr. Rafuse would like to add something.

MR. RAFUSE: I forgot the second point of your previous question in regard to extra members into the pension plan. It certainly does have a lift - those demographics, as I said, to the plan.

When I'm looking at the province's obligations as a whole, I also have to be concerned about what that means to another liability for us, and that's the liability around our retirement health plans for the teachers of which teachers do not contribute to. They are totally funded by the employer, and those extra people add to that liability, so it adds to the cost of the province.

As I say, it's helpful for the plan, but I've got to look at it holistically, and it does increase the liability associated with our health plans, and that has a negative impact on the province from a financial perspective.

MR. JESSOME: That's helpful to understand. To shift gears slightly, years back, the Public Service Superannuation Plan was not in super shape. Perhaps Mr. Smith or Mr. Rafuse can offer something for the group here as to how things turned around.

MR. RAFUSE: Certainly, as I mentioned before, the path chosen on that plan required a number of changes. It did look at the benefit structure associated with that plan, and there were adjustments around it. It went from an indexing provision that people referred to as guarantee - it was not. It was just annually provided even though there was discretion, but it was annually provided so one had to assume that it would always be provided.

It changed to one in which indexing could not be permitted, unless the plan was actually at 100 per cent funded or on a projected basis remained at 100 per cent funded. That resulted in some compensation to be paid. That was the cash infusion we talked about earlier. There was a benefit reduction from it and some other types of - I'm going to call it the base budget and benefits - they went from a rule of 80 to the rule of 85 as to when you would be eligible for an unreduced pension - so another kind of construct change that changed the liability and the cost curve associated with that plan.

The cash infusion put that plan on a path that was sustainable and also has moved it to a position where there are self-correcting mechanisms as to when contribution rates have to occur and when they cannot occur and when benefit changes must occur based on the funded ratio. It is kind of pre-determined. It's not a matter at that point of a lot of debate. The debate is how you work within those confines. It puts it in a place that allows it to be sustainable. It removed a guarantee from the province to backstop it. That would provide fairness for taxpayers who were no longer on the hook for it. The plan had to resolve their issues themselves by making structural changes if funded ratios went below certain ratios.

MR. CHAIRMAN: That concludes time for questioning. If anyone would like to make any short closing comments, you can do so now.

Mr. Cowell.

MR. COWELL: I just want thank you for the opportunity to take a good close examination of the fact that between the three of us, we do represent about 110,000 working Nova Scotians who do rely on all three groups of us to make sure that we pay very close attention to ensure that the long-term blood, sweat, and tears they contributed to public service are recognized on their retirement. We do appreciate it. We're all on the same page. We all want the same outcome.

MR. CHAIRMAN: Anyone else? Thank you very much. I appreciate your comments today, very insightful. I hope the committee members got what they asked for, and I hope the answers were satisfactory.

We do have some committee business to move on to. Ms. Lohnes-Croft.

MS. LOHNES-CROFT: Could we have a short recess?

MR. CHAIRMAN: Sure.

[10:47 a.m. The committee recessed]

[10:53 a.m. The committee reconvened.]

MR. CHAIRMAN: Order, please. Before we start, I would like to get the committee's approval to extend the meeting time past 11:00 a.m. because of the recess.

Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried. The time is extended.

Committee business - we do have some correspondence received from the Department of Finance and Treasury Board on the information requested from the December 19th meeting. Are there any comments on the letter received from the Treasury Board? Hearing none, we'll put that into the record.

The next item on the agenda is the Subcommittee on Agenda and Procedures, the record of decision. Members have been provided with the record of decision from the January 23rd meeting of the subcommittee. Are there any comments regarding the record of decision? I'll ask for a motion to accept that.

Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

Next business - the subcommittee met early this morning as well, and the record of decision from this meeting has also been provided to members. Everybody has a copy. I would like to have a motion to approve the January 30th record of decision. Comments - Ms. Roberts.

MS. ROBERTS: I would like to make an addition of a witness to a topic that I put forward during the subcommittee meeting regarding managing homecare support contracts, which is to the AG Report from November 2017. I'd like to add a representative from the NSGEU, which is the union that represents many continuing care assistants, as a witness for that topic.

MR. CHAIRMAN: Comments? Accepted. Could I have a motion to approve that record of decision? Mr. Jessome.

MR. JESSOME: I would just like to make a comment that we're here as a Public Accounts Committee, and we have all agreed to the presence of the Auditor General and the reporting on the office's findings and reports. I would say that having the Department of Health and Wellness into this committee would be counter to the way that we're looking to proceed with this committee. We are in favour of the Auditor General coming in to report on those findings with respect to that report, but the topic of mental health, which we're happy to bring forward on our end, is a subject as well that the Department of Health and Wellness should report to the Standing Committee on Health.

MR. CHAIRMAN: Mr. MacMaster.

MR. MACMASTER: Mr. Chairman, what the member has proposed goes against the rules of the Legislature. (Interruption) I heard one of the members say no it doesn't, but it does, and you just need to look at the rules of the Legislature. If the government had two-thirds of the members of this Legislature, they could change the rules on this, as I understand. If they have a two-thirds majority in the Legislature, they can say, okay, no more discussion of health at Public Accounts.

Under the current rules of the Legislature - you just have to look at them. They're in that little green book. I'll even hold the page open for the member. The rules state that this committee has the power to bring government departments and officials before us to answer questions about public expenditure and the results of that expenditure. Having these subjects before the committee here is perfectly well within the rules of the House.

The only reason the members beside me here on the government side don't want it is because they're trying to control the agenda of this committee, and they're trying to shut down discussion of these topics so that they can do a better job of managing the communications of what's happening in government to try to support themselves in terms of public opinion. That's what's going on here.

What the member suggested actually goes against the rules of the Legislature that we as members in the Opposition, which they may be some day, should have those rights. That's what they were put in the Legislature for, recognizing that we live in a democracy and that the Opposition does have a role to question the government because sometimes there are people out there in the province who may not agree with the government, and they need a voice too.

MR. CHAIRMAN: Ms. Leblanc.

MS. LEBLANC: I would also like to add that as a member of the Health Committee, the agenda has been set, and the Opposition - the PCs and the NDP - in that committee have much fewer agenda-setting options. The mental health crisis in Cape Breton - the topic is the result of an Auditor General's Report, so I see no reason why it shouldn't be brought before the Public Accounts Committee.

MR. CHAIRMAN: Any more discussion? Would all those in favour of the record of decision for the January 30th agenda setting please say Aye. Contrary minded, Nay.

The motion is defeated.

There being no further business, the next meeting is February 6, 2019, 8:30 a.m. to 9:00 a.m. for an in camera briefing and then 9:00 a.m. to 11:00 a.m. The topic of discussion is the IWK Health Centre, the CEO and chair of the board, re: financial management controls and governance.

The meeting is adjourned.

[The committee adjourned at 10:59 a.m.]