An open letter to members of the Alberta Teachers' Retirement Fund

Dear Alberta teachers:

You may be aware that the Government of Alberta is proposing to amend legislation to make the Alberta Investment Management Corporation (AIMCo) the investment manager of the Alberta Teachers' Retirement Fund (ATRF). Currently, the ATRF manages its investments inhouse and by contracting third party investment firms, independent of AIMCo. Legislation to propose this change is set to be introduced in the Legislative Assembly of Alberta in the coming weeks.

As this measure is now being debated in the public forum, often accompanied by misinformation, I'd like to take this opportunity to address members' questions and concerns.

The broader use of AIMCo is a reflection of our commitment to make government more efficient and ensure the best use of taxpayer dollars. This measure is a win-win for both teachers and the Alberta taxpayers. It is estimated that this measure will result in an annual savings of \$41 million for the plan. This works out to almost \$500 annually for each teacher that contributes to the fund, directing more money to the health of the plan, rather than administration.

This will be accomplished because AIMCo has substantially more assets under management than the ATRF, which provides it with economies of scale that will lower the administrative cost of investing.

AIMCo has a long history of achieving strong returns for their clients. From August 2017 to August 2018, the ATRF had a return of 9.6 per cent. Over the same time period, AIMCo outperformed the ATRF with a return of 9.8 per cent. When you look at a ten year average, AIMCo again outperformed the ATRF at 9.4 per cent versus 7.4 per cent. The combination of similar or better returns for lower costs creates a compelling rationale for AIMCo to manage the investments in the plan.

I know teachers have other concerns beyond the performance of the plan's investments. Let me address those here.

First, I want to assure you that teachers' pension compensation benefits will be unchanged. There are no changes to the plan itself. The only thing that is changing is the investment manager of the funds.

Second, the ATRF will continue to be the trustee for the plan and will continue to mange the administration of the pension. The board remains in control of determining how the pension fund is invested at a strategic level, as well as retaining ownership of the plan's assets. AIMCo will invest according to policies set by the ATRF board.

Third, our Government has no intention of interfering in the investment decisions of either AIMCo or the ATRF. AIMCo's mandate and roles document states: "Investment decisions made by AIMCo are free from any influence of direction by the Government of Alberta." AIMCo's role is to provide the best return possible – and we very much respect their independence to deliver on that mandate.

Our government is working with both the ATRF and AIMCo to ensure a smooth transition and a strong relationship going forward. Teachers have worked hard on behalf of Albertans and deserve to know that they will be cared for in their retirement. This change will secure a reliable retirement fund both now and into the future.

Sincerely,

Travis Toews