



Retirement Security

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The National Union of Public and General Employees (NUPGE) is a family of 13 Component unions. Taken together, we are one of the largest unions in Canada. Most of our 425,000 members work to deliver public services of every kind to the citizens of their home provinces. We also have a large and growing number of members who work for private businesses.

The office of the National Union of Public and General Employees is on the traditional and unceded territory of the Algonquin peoples and is now home to many diverse First Nations, Inuit, and Métis peoples.

We recognize the crimes that have been committed and the harm that has been done and dedicate ourselves as a union to moving forward in partnership with Indigenous communities in a spirit of reconciliation and striving for justice.

Bert Blundon, President

Jason MacLean, Secretary-Treasurer



Retirement Security

The goal of the work on pensions that the National Union of Public and General Employees (NUPGE) and its Components do remains a secure retirement for all. Providing all Canadians with financial security in retirement helps reduce income inequality. Improving financial security in retirement for everyone—in the private and public sectors—also makes it harder for those trying to attack public sector pensions.

In a country as wealthy as Canada, everyone should be able to retire with a decent pension. Unfortunately, that is not the case today. While there has been some progress, many people are still faced with struggling to make ends meet after they retire. There is also still a need to fend off attacks on pension plans in both the public and private sectors.

Most Canadians won't be able to save enough for a secure retirement

Only 37.5% of Canadians have workplace pensions.¹ That's 6.3 million workers.² That's far less than the 10 million workers who have no workplace pensions. In most cases, workers without a pension plan have very little to fall back on.

The percentage of Canadians with workplace pension plans is continuing to drop. In the late 1970s, 46.1% of the paid labour force had a workplace pension plan.³ By 2011, only 38.8% did.⁴ As the most recent figure shows, the percentage is continuing to drop.

Workers in the private sector have been hit particularly hard by the drop in pension coverage. In 2016, only 23% of private sector workers had a workplace pension, compared to 88% of public sector workers.⁵ That gap is continuing to grow. Between 2016 and 2017, the number of private sector workers with a pension plan dropped by 46,215, while the number of public sector workers with a pension plan grew by 47,288.⁶

Loss of defined benefit plans has added to the problem

What has also reduced retirement security is the elimination of defined benefit pension plans, or their conversion to other types of pension plans. With defined benefit plans, workers know how much they will receive after retirement. Unlike other types of pensions, workers don't have to worry about outliving their savings.

Unfortunately, defined benefit pension plans are a tempting target for employers trying to save money. Since 1980, the percentage of workers with a defined benefit plan has been steadily dropping.

Eliminating defined benefit pension plans does nothing to reduce the cost of saving for retirement. In fact, other types of pension plans, or relying on personal savings, can increase the cost of saving for retirement. A 2014 study found that providing the same

value of pension benefit costs 77% more with a defined contribution plan than with a defined benefit plan.⁷

What switching to a defined contribution plan, or other type of plan, does do is change who pays. Employers are let off the hook, and the costs and risks are transferred to individual workers.

Defined benefit pension plans in the private sector have been particularly hard hit. In 1980, of private sector workers with workplace pensions, 89.7% had defined benefit pension plans.⁸ By 2017, the percentage had dropped to 41.2%.⁹ The number of workers in the private sector with defined benefit plans dropped from 2.4 million to 1.2 million, even as the workforce increased.¹⁰

While the percentage of public sector workers with workplace pensions who have defined benefit plans has decreased, the drop was far lower. In 1980, 98.9% of public sector workers with pension plans were in defined benefit plans.¹¹ That figure was 91% in 2017, though the number of public sector workers with defined benefit plans was higher than in 1980.¹²

Public sector plans still under attack

The decline in the number of private sector workers with pension plans is being used to justify attacking public sector pension plans. These attacks are coming from the usual suspects—lobby groups and think tanks that get their funding from large corporations, and from companies that hope to profit from cuts to public sector pension plans.

There is strong evidence that public sector pension plans provide considerable benefits for society as a whole, but those attacking public sector pension plans rely on distortion and selective use of statistics. When public sector pension plans are fully funded, they are attacked for being “unaffordable.” Any plan that provides a secure retirement is labeled “gold-plated.”

Attacks on public sector pensions are part of the race-to-the-bottom approach to salaries, pensions, and benefits. For anyone who is genuinely concerned about retirement security, the obvious solution to the gap between the number of public sector workers and private sector workers with pension plans is to increase pension coverage in the private sector. The fact that some large corporations and the groups they fund are focused on attacking public sector pensions makes it very clear that they are not concerned about the well-being of workers in the private sector. Instead, the attack on public sector pensions is part of the larger neoliberal push to lower labour costs, regardless of the human cost.

RRSPs and other personal savings can't replace pension plans

While RRSPs are supposed to allow people to save for retirement, for most Canadians they aren't a credible alternative to workplace pension plans. Less than 6 million Canadians contributed to RRSPs in 2017.¹³ It's estimated that half of those contributing to RRSPs also have workplace pensions,¹⁴ meaning only about 3 million Canadians without workplace pension plans used RRSPs.

That leaves 7 million Canadian workers who didn't save anything for their retirement in 2017. In the overwhelming majority of cases, when people aren't saving for their retirement, it's because they can't afford to.

Saving for retirement as an individual is also more expensive than being part of a defined benefit pension plan. Fees and other costs are much higher for personal retirement savings than for pension plans. A 2018 study found that, for the same income in retirement, a person relying on personal savings would spend \$275,000 more on fees than a person relying on a workplace pension plan.¹⁵ That reflects the fact that fees for mutual funds are more than 4 times what pension plans need to charge to cover administrative costs.

High fees are only one way people relying on personal savings for retirement lose money. They also can't be sure of the advice they're getting about where to invest their savings. When people are getting advice from their banks, or from other companies selling investment products, the goal of that advice may be increasing corporate profits, rather than helping them save for their retirement. As a 2017 CBC investigation revealed, many of those providing advice at banks and other investment management firms are actually salespeople with no fiduciary responsibility to their clients.¹⁶ In contrast, those making investment decisions for pension plans have a fiduciary responsibility to do what is best for plan members.

There is growing recognition that changes are needed

While the goal of a secure retirement is still a long way off for many people, there is reason to feel hopeful and to renew our efforts to work for a secure retirement for all Canadians. Over the last 3 years, there have been a number of positive developments. These include the expansion of the Canada Pension Plan (CPP), and the restoration of 65 as the age for eligibility for Old Age Security (OAS) and the Guaranteed Income Supplement (GIS).

The changes to OAS and GIS reversed a decision by the Harper government to increase the age of eligibility to 67.¹⁷ As a result, the age of eligibility will continue to be 65. Keeping the age at 65 recognizes that in physically or mentally demanding occupations, even working until age 65 can be difficult. In fact, because the demands of working until 65 is difficult in many jobs, there are suggestions that OAS should be available even earlier.

CPP enhancements important, but just a first step

The expansion of the CPP will improve pension coverage for everyone. With the enhancement, the benefit the CPP provides will increase from 1/4 of average work earnings to 1/3.¹⁸ The maximum limit on average work earnings will increase by 14%.¹⁹ While everyone will benefit, these enhancements are particularly important for people without a workplace pension plan.

It took years of work by the labour movement, including NUPGE and its Components, to get the CPP enhancement adopted. The work done by the labour movement to get improvements to the CPP also shows how serious we are in our commitment to a secure retirement for all Canadians. It helped demonstrate that there is an alternative to the race to the bottom that those attacking public sector pensions want.

But even with the recent expansion, further improvements to the CPP are needed. The original goal of the labour movement was to double CPP benefits so they would cover half of average work earnings. When over 60% of Canadians don't have a workplace pension plan, that increase is still needed.²⁰ A further increase in the CPP would be particularly helpful to people in precarious work, who are the least likely to have a workplace pension plan, and the least able to afford to set money aside for retirement.

Defending and expanding defined benefit pension plans

Defined benefit pension plans are the most affordable and effective way to provide people with a secure retirement. Research has shown that costs are lower than for defined contribution plans or personal savings. There is also an economic benefit, as defined benefit pension plans account for a large share of the capital that pension plans invest in Canada.²¹

NUPGE and its Components have a long history of working to defend and expand defined benefit pension plans. NUPGE Components have successfully pushed for more workers to be covered by defined benefit plans and have looked for ways to improve other types of plans. Wherever possible, attempts to move away from defined benefit plans have been resisted.

One recent attempt to undermine defined benefit plans is federal legislation that would make it easier for employers to convert workplace pension plans from defined benefit to target benefit. With target benefit plans, pension benefits can be reduced, or frozen, when there is a funding shortfall.

This legislation would also make it possible to convert defined benefit pensions people have already earned to target benefit. Unlike many existing target benefit plans, where the

presence of union trustees provides some security, the legislation provides no guarantees workers will have a say over how plans are run.²²

Making it easier to convert defined benefit plans to target benefit was first proposed by the Conservative federal government in April 2014.²³ Unions and groups representing seniors spoke out against the bill, and it was assumed that the defeat of the Conservatives in 2015 meant that proposal was dead.

Unfortunately, in 2016, Bill Morneau, the federal Liberal Finance Minister, introduced Bill C-27.²⁴ Bill C-27 revived the proposals made by the Harper Conservatives. Because of the efforts of the labour movement and seniors groups, Bill C-27 has been stuck at first reading. However, while the legislation appears to have been put on hold, the federal government has not withdrawn the bill.

NUPGE will be continuing to work to defend defined benefit pension plans. That includes opposing Bill C-27, as well as supporting Components in their work. We will also continue to monitor other developments at the federal level to identify both potential threats to defined benefit pension plans and opportunities to promote their use.

Protecting pensions in bankruptcy and restructuring proceedings Continue to support pension activists

NUPGE's work to support pension trustees and other pension activists has included webinars and also e-bulletins on issues trustees and activists were facing. A pension conference was held in early 2017.

This work will continue to focus on providing support for trustees and opportunities for them to share information. However, we also recognize that materials are needed for activists who are just starting to get involved in pensions.

Make sure young workers get the information they need about pensions

For young workers who are struggling to afford housing, pay off student debt, or are looking after small children, it's understandable that retirement security is not top of mind. That changes dramatically when workers reach their 40s or 50s. It's when people start thinking about retirement that they realize their pension is what makes the difference between being financially secure and ending their days in poverty.

But successfully defending pension plans will be a lot easier if all members know how important they are. For that reason, it's critical that young people be given the information they need about the importance of pension plans, and how without them, we would be going back to the days when it was "work till you drop."

Controlling our pension funds

Joint trusteeship of pension funds ensures that workers have a say over how their pension funds are managed. With joint trusteeship, at least half of the people making decisions are appointed by unions or other bodies representing beneficiaries. It's an important tool for protecting our pensions.

When pension plans are jointly trusted they are usually better run. Surpluses are used to improve the plan or strengthen its funding.

There is also more attention paid to where pensions funds are invested, including looking at how the companies our money is invested in treat their employees. There have been times when pension investments have harmed the interests of pension- plan members. Joint trusteeship gives workers a tool to try to make sure our money is used to support us, not attack us.

NUPGE Components have had a number of successes in their efforts to obtain joint trusteeship of pension plans. The most recent success came in 2018, when HSAA/ NUPGE and other Alberta public sector unions gained joint trusteeship for the major public sector pension plans. As with other successful efforts to get joint trusteeship, this was the product of decades of hard work.

Conclusion

NUPGE's work on pensions recognizes that the first priority must be to protect the gains made by past generations. But we also recognize that it is not enough to just protect what we have. If we don't want to see our members' pensions gradually eroded, we need to be continually looking for ways to expand pension coverage for all Canadians.

National Executive Board Resolution Retirement Security

The goal of the work done on pensions by the National Union of Public and General Employees (NUPGE) and its Components remains a secure retirement for all. While we have a particular responsibility to our members, we recognize that, to protect our members' pensions, we need to be fighting for all Canadians to have decent pensions that allow them to look forward to a secure retirement.

The expansion of the Canada Pension Plan (CPP) that is underway shows that the work done by the labour movement, including NUPGE and its Components, is having an impact. But gaps in the pension system remain. Even with the recent expansion, further improvements to the CPP are needed.

There is also still a need to defend defined benefit pension plans and to support efforts to convert other plans to defined benefit plans. This includes stopping legislation that would

make it easier for employers to convert defined benefit plans to target benefit plans and protecting pensions when companies go through bankruptcy or restructuring.

The National Union of Public and General Employees and its Components will continue to

Call for the further expansion of the Canada Pension Plan (CPP) to a level that ensures that retirees have a sufficient level of income to enjoy their later years.

Defend defined benefit pension plans, including the CPP, as the best method for providing adequate retirement income for workers and their families, and support the conversion of other plans to defined benefit.

Support changes to the Bankruptcy and Insolvency Act (BIA) and Companies' Creditors Arrangement Act (CCAA) to protect pensions when companies file for bankruptcy or go through a restructuring.

Increase the knowledge base and skill level of our activists in the field of pensions, including support and training for Component pension trustees and updating our pensions manual.

Provide information to help young workers understand the importance of pension plans.

Support Components in their efforts to achieve joint trusteeship of pension plans where they have not yet won this provision, and to defend joint trusteeship when it is under attack.

Notes

- ¹ Statistics Canada, *Pension plans in Canada, as of January 1, 2017*, June 27, 2018, <https://www150.statcan.gc.ca/n1/daily-quotidien/180627/dq180627e-eng.htm>.
- ² Ibid.
- ³ Bob Baldwin, *Research Study on the Canadian Retirement Income System*, Ontario Ministry of Finance, 2009, 8, <https://www.fin.gov.on.ca/en/consultations/pension/dec09report.pdf>.
- ⁴ *Pension plans in Canada, as of January 1, 2017*, Table 2, <https://www150.statcan.gc.ca/n1/daily-quotidien/180627/t002e-eng.htm>.
- ⁵ Ibid.
- ⁶ Statistics Canada, *Table 11-10-0106-01 Registered Pension Plans (RPPs), active members and market value of assets by contributory status*, <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1110010601>.
- ⁷ Robert L. Brown and Craig McInnes, *Shifting Public Sector DB Plans to DC, The experience so far and implications for Canada*, Canadian Public Pension Leadership Council, October 2014, 2, http://cpplc.ca/wp-content/uploads/2018/01/db-vs-dc_plans_research-paper_2015-errata.pdf.
- ⁸ *Table 11-10-0106-01 Registered Pension Plans (RPPs), active members and market value of assets by contributory status*.
- ⁹ Ibid.
- ¹⁰ Ibid.
- ¹¹ Ibid.
- ¹² Ibid.
- ¹³ Statistics Canada, *Table 11-10-0044-01, Selected characteristics of tax filers with Registered Retirement Savings Plan (RRSP) contributions*, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110004401>.
- ¹⁴ Derek Messacar, *Trends in RRSP Contributions and Pre-retirement Withdrawals, 2000 to 2013*, Statistics Canada, February 13, 2017, <https://www150.statcan.gc.ca/n1/pub/11-626-x/11-626-x2016064-eng.htm>.
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- ¹⁶ Erica Johnson, "I feel duped": Why bank employees with impressive but misleading titles could cost you big time, CBC, March 29, 2017, <https://www.cbc.ca/news/business/bank-s-deceptive-titles-put-investments-at-risk-1.4044702>.

¹⁷ Jennifer Paterson, *Budget 2016: Changes to OAS and GIS benefits confirmed*, Benefits Canada, March 22, 2016, <https://www.benefitscanada.com/news/budget-2016-changes-to-oas-and-gis-benefits-78787>.

¹⁸ Government of Canada, Canada Pension Plan enhancement, Modified 2019-02-07, <https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-enhancement.html>.

¹⁹ Ibid.

²⁰ *Pension plans in Canada, as of January 1, 2017*

²¹ Boston Consulting Group, *Defined Benefit Pension Plans: Strengthening the Canadian Economy*, OPTrust, October 22, 2013, 2, <https://www.optrust.com/documents/DB-Pension-Plans-Strengthening-the-Canadian-Economy.pdf>.

²² Canadian Labour Congress, *Submission by the Canadian Labour Congress to the Department of Finance Consultation on Bill C-27*, April 2017, 4.

²³ Bill Curry and Janet McFarland, "Ottawa's proposed target benefit pension plans get mixed reviews," *Globe and Mail*, April 24, 2014, <https://www.theglobeandmail.com/news/politics/ottawa-releases-new-details-of-proposed-hybrid-pension-plan/article18184295/>.

²⁴ Peter Whitaker, *Liberals break pension plan promise with Bill C-27*, *Rabble.ca*, June 6, 2017, <http://rabble.ca/blogs/bloggers/views-expressed/2017/06/liberals-break-pension-plan-promise-bill-c-27>.