

## CUPW METRO VANCOUVER RETIREES ORGANIZATIONBRIEF Target Benefit Pension Plan

On behalf of Canadian Union of Postal Workers Metro Vancouver Retirees Organization, I am pleased to submit a brief in response to the April 2014 Consultation Paper "Pension Innovation for Canadians: The Target Benefit Plan".

Our organization is made up entirely of retirees from the Canada Post Corporation. At the time of retirement we were all members of the Canadian Union of Postal Workers.

We are retired members of the Canada Post Corporation Pension Plan. We are all receiving benefits under the Defined Benefit (DB) pension plan.

As such we are extremely concerned about any move to adopt legislation allowing for the conversion of our DB plan to a Target Benefit Pension (TBP) pension plan.

The CUPW Metro Vancouver Retirees Organization is strongly opposed to changing Defined Benefit Pension Plans to Target Benefit Pension plans.

We are asking that the Federal Government immediately halt any move of the Government to incorporate into The Pension Benefits Standards Act 1985 provisions for conversions of Defined Benefit pension plans to Target Benefit Pension Plans for federally regulated pension plans.

CUPW METRO VANCOUVER RETIREES ORGANIZATION wants improvement in the Canada Pension Plan (CPP), not the introduction of target benefit pension plans

Since over 60% of working Canadians do not have access to workplace pensions, we are asking the Federal Government to work to improve the Canada Pension Plan, instead of introducing target benefit plans.

We are calling for:

- Doubling the CPP
- Increasing the OAS and GIS

Our pension plan is based on our deferred wages. Our pension plan should not be converted into a Target Benefit Plan

For the vast majority of our working lives at the Canada Post Corporation, we paid hefty contributions through our paycheques to the Canada Post Pension Plan. These contributions reduced our take home pay, and therefore we had less money to either save or spend. We deferred taking this money so we would have a secure pension.

We had an agreement with Canada Post. We took lower wages and paid pension deductions so we could have a Defined Benefit pension plan at retirement. To change this now would be bad faith. In addition, for every negotiation for a new contract we took a lesser wage increase so that we could receive the benefits we have, which includes our pension plan.

The CUPW Metro Vancouver Retirees Organization strongly believes that accrued benefits should not be subject to reduction. Retirees, as well as active members, have earned these benefits. Reducing these benefits amounts to a retroactive changes to our collective agreement.

We paid into the Federal Superannuation plan and its successor the Canada Post pension plan with the understanding that we would receive a defined benefit pension at the time our retirement. We understood that historically Canadian pension law has held that already promised DB benefits could not be changed later. To convert our pension into a target benefit pension plan would shatter that understanding.

Our deferred wages need to be handled in a safe and secure manner. Under a TBP plan benefit levels would be targeted and benefits could be adjusted according to the financial position of the plan.

The CUPW Metro Vancouver Retirees Organization is recommending that since pension plans are deferred wages, a target benefit pension plan is not a safe and secure way to handle these wages, and we oppose any legislation allowing for Defined Benefit Pension plans to be converted to Target Benefit Pension plans.

We already have shared the risk of our defined benefit pension plan

As retired postal workers, we know too well that we have shared the risk of the Canada Post Pension plan. Our last round of Urban Operations Bargaining Unit bargaining clearly exemplified that. In order to maintain a Defined Benefit Pension Plan for all eligible postal workers, CUPW members reluctantly accepted lower wages for new hires, and a series of other measures.

### Administration and Governance

The CUPW Metro Vancouver Retirees Organization is very worried about the following comment in the Consultation paper" *Unionized environment: Given that some aspects of a federal TBP governance framework may be negotiated as part of a collective agreement, the interest of retirees and other plan beneficiaries who are not involved in the collective bargaining process would need to be adequately protected"*

We are adamant in our recommendation that there be no interference in the Collective Bargaining process.

We are also recommending that issues re pensions not be subject to back to work legislation.

If our pension and/or retiree benefits are affected by the Collective Bargaining process, the legislation should contain a procedure where unionized retirees have a say on that and only that issue. As retirees, we want a voice in any proposed change to our pension and post retirement benefits.

### Nature and composition of the administrative body –control

Members of our retirees' organization have talked to other unionized retirees. After these discussions we believe that jointly-governed pension plans are better than other types of frameworks in which the employer controls all of the decisions.

The CUPW Metro Vancouver Retirees Organization is strongly recommending that the governing body of the pension plan should not have the authority to amend plan documents. This would add a great deal of stress and uncertainty to our lives. We do not need and do not want the worry that our pensions could be changed at any moment. This would have negative effects on our health, families, and enjoyment of life.

The CUPW Metro Vancouver Retirees Organization is recommending that the only time our pension plan could be amended is through the Collective Bargaining process.

### Nature and Composition of the administrative body

The CUPW Metro Vancouver Retirees Organization understands that not all retirees have the same needs, the same financial security, and the same interests. The consultation document recognized that “*plan members (unionized and non –unionized), retirees, and other beneficiaries be represented and have voting rights on the board*”. We are pleased the document acknowledged a role for Unions.

In the same vein, we are recommending that there be explicit provisions for unionized and non unionized retirees on the administrative body. There should be specific seats for unionized retirees and for non unionized retirees in the same proportion as their representation in the total number of retirees.

### Benefit Structure –Security of Benefits

The April 2014 discussion paper speaks about the possibility of establishing classes of benefits. Base benefits – the largest portion of benefits in monetary value would be subject to increased protection, while other components of the overall pension benefit including disability benefits and spousal benefits could be categorized as either base or ancillary.

This type of approach concerns the CUPW Metro Vancouver Retirees Organization. We do not want our base benefits reduced in any manner. If this happened we would not be able to have a safe, secure and enjoyable retirement. With the threat of such a reduction hanging over our heads, we would not be able to make any real plans. Even the possibility of this occurring would cause us huge amounts of stress.

Any possibility of reducing of reducing our ancillary benefits such as future indexing and our bridge benefit would cause the members of the Metro Vancouver Retirees Organization serious harm.

Under the Canada Post Pension Plan, CUPW members who were plan members before December 20 2012 can retire without penalty with 30 or more years of service at age 55. When people make the decision to retire, they take into account the fact that they will be receiving a bridge pension until they are 65. The decision to retire is in a significant way based on assessing whether they will be able financially able to retire. If people retire under the Canada Post Pension Plan under the age of 65, with the understanding that they will be receiving a bridge pension in addition to their lifetime pension, and this is

reduced or removed all together their lives will be placed in turmoil. They do not have the option of reversing their retirement decision and returning to work at Canada Post, but will face significant financial difficulties.

CUPW members pay for our indexing. To reduce or eliminate it is contrary to the agreement we made with Canada Post when we first started paying into the pension plan.

In the long term, reducing or removing our indexing has the potential of putting us in poverty as increases in the cost of living will outstrip our pension payment.

### These changes will result in increased costs to the Federal Government

It makes no sense to the CUPW Metro Vancouver Retirees Organization that the Government wants to introduce changes to the Pension and Benefits Standards Act that will result in increased costs to the Federal Government.

If our real income is decreased, then at age 65 we may have to apply for the Guaranteed Income Supplement (GIS) portion of the Old Age Security Payment. The proposed changes, in this regard, would shift the economic burden to the Government. This makes no sense.

As previously noted, the potential insecurity of having our "base or ancillary" pensions reduced causes us stress. This stress will have health consequences, which will in turn increase government costs.

Studies show that chronic stress is widely believed to accelerate biologic aging. This results in increased health problems, more Doctor's visits, and a higher number of hospitalizations. All of this will put pressure on Government financing at all levels. While TBP plans may reduce some pressure on employers, they will increase the costs to Governments. In this sense, the proposal to make changes to the PBSA is short sighted.

The CUPW Metro Vancouver Retirees Organization is recommending that the legislation includes specific provisions prohibiting the reduction of base and ancillary benefits to persons who are already receiving retirement and/or disability pensions under the Defined Benefit Pension plan.

### Categorization of benefits

The suggestion in the Consultation Document that a career average of earnings could be one component in determining a pension benefit has the potential of penalizing women who took time off due to maternity or child rearing leave. A number of our female members became or stayed as part time workers when their children were young. They wanted to spend time caring and nurturing their children. When their children were older they went full time. They expected their earnings to be based on their full time service. To penalize women in this way is discriminatory.

The same suggestion could also discriminate against people who were unable to work due to serious illnesses and disabilities.

The Federal Government should not be endorsing or supporting practices that may be contrary to the principles in the Canadian Human Rights Act.

The CUPW Metro Vancouver Retirees Organization recommends that for these reasons the legislation specifically prohibit using career average as a basis to calculate pension payments.

Categorizing disability and spousal benefits as ancillary benefits, and therefore subject to less protection is problematic and not appropriate.

When people retire on disability benefits it means they are unable to work because they are suffering from a condition of physical or mental impairment that prevents them from engaging in any employment for which they are suited and this impairment can be reasonably expected to last for the rest of their lifetime. Persons who retire on the grounds of disability often face serious challenges and they do not need the added worry of having their disability pension taken from them.

Reduction and/or removal of disability benefits do not mean that the person will be able to work. She/he will have to seek out additional sources of income including, but not limited to, Canada Pension Plan Disability benefits and provincial forms of social assistance. This is another example of shifting the costs to other levels of government.

According to recent statistics approximately 70% of CUPW members retire with a spouse. When people retire, they often do so with the comforting knowledge that should they pass away, their spouse will get a survivor's pension. To make this an ancillary benefit is to put great personal and financial strain on a relationship. Partners will be able to spend less money, in all aspects of their lives, in order to ensure that their spouse will have a survivor's pension when they die.

This will also have the consequence of further penalizing senior women. The kinds of jobs held by most women mean they have limited access to benefits such as employer sponsored pension plans. If they have a male spouse they are often reliant on survivor benefits to keep them out of poverty after he dies. The approach outlined in the Consultation paper will have the unintended effect of keeping more senior women in poverty.

Therefore the CUPW Metro Vancouver Retirees Organization believes the approach of categorizing retirement benefits into two classes is inappropriate and possibly discriminatory.

### Deficit recovery measures

The Consultation paper outlines a series of actions a TBP plan could take in the case that measures need to be taken in relation to funding a deficit.

CUPW Metro Vancouver Retirees Organization is particularly concerned that such actions could include reducing past increases in benefits, reductions of past ancillary benefits, and reductions of past base benefits.

While the CUPW Metro Vancouver Retirees Organization is opposed to any federal legislation re the conversion of a DB Plan to a Target Benefit Plan, we are adamant that retirees should be exempt from any claw back in the benefits they have already received. This would cause disastrous financial and personal consequences for retirees and their families.

As retirees we cannot plan for our future, or feel secure about our future if the possibility of clawing back benefits we have already received is hanging over our heads.

Many of us are living from pension cheque to pension cheque. We could not afford to pay for food, shelter, medication, extended health benefits etc, if the money we had already received was to be clawed back from us.

We are insisting that in the event that conversion from a DB plan to a TBP plan legislation and/or regulations are enacted there is specific wording ensuring that there are no reductions in benefits already received by retirees. This includes past increases in benefits, past ancillary benefits, and past base benefits.

### Conversion of pension plans to target benefit plans

This section greatly concerns the CUPW Metro Vancouver Retirees Organization.

We oppose legislation allowing for the conversion of a Defined Benefit Pension Plan to a Target Benefit pension plan.

If there is a conversion from a DB to a TBP plan, the CUPW Metro Vancouver Retirees Organization is strongly recommending that the following conditions must apply:

- There must be a joint request from the employer and the union or association representing the employees must be addressed to OSFI for this purpose;
- Defined benefit provisions in relation to past participation must be maintained.

Any change from a DB to a TBP Plan must be specifically agreed to by the Union in the context of free and fair collective bargaining. This must be followed by an informed vote. All the plan members and the retirees must be able to have access to reliable information as well as the positions of the Employers and the Union prior to any vote.

### Conclusion

Thank you for reading this submission.