Pension Concession for Canadians: The Target Benefit Pension Plan

To the Honourable Kevin Sorenson, Minister of State (Finance):

The UPCE, a Component of the PSAC, is extremely concerned with the Federal Government's latest announcement regarding the Target Benefit Pension Plan. Our concern is magnified by the fact that this Government, led by Prime Minister Stephen Harper, continues to dangerously and significantly change the services and programs that have been historically offered to Canadians.

A study published by the Canadian Centre for Policy Alternatives, states that in 2014, CEO earnings in the report were 171 times higher than that of the average Canadian income earner, up from 105 times higher in 1998. It is also important to note, that a new report from KPMG lists Canada's taxes as the most "business friendly" in the world.

That being said, the concept of trickle-down economics is difficult to believe, with a 7% unemployment rate, a 13% youth unemployment rate, a minimum wage which often equals to less than the cost of living, and a foreign workers program that leaves much to be desired. As compared against the ongoing array of wonderful benefits and bountiful salaries allotted to Canadian executives, and the comparatively lower taxes charged to the Corporations they run, we, the white and blue collar workers, the majority of everyday Canadians, continue to be citizens of Canada that remain under continuous attack.

Here is a summary of several such transgressions:

1. Cuts to Social Programs

   Since 2006, Stephen Harper's Conservative government has been steadily cutting back both women's gains and women's rights. In the name of "fighting the deficit", Harper's government has cut federal programs and services, including EI, and security for seniors. Harper's cut to social transfers to the provinces has weakened social programs that benefit women, health, education, social welfare, and housing. These cuts would have been unnecessary, had the federal government decided instead against choosing to cut the GST and corporate taxes.

2. Attacks against Childcare

   In the May 2006 budget (Harper's first), the planned National Child Care Program was eliminated, and related bilateral agreements with the provinces were cancelled. Instead, in the name of providing parents better "choices", a $100 per month, taxable allowance for pre-school children was instituted. This amount barely covers hiring even the occasional babysitter. At the same time, thousands of live-in caregivers, mainly from the Philippines and the Caribbean, are particularly vulnerable, because immigration regulations require them to live with and work for only the employer named on their work permit.

In December 2008, UNICEF ranked Canada **last** among 25 developed nations in regards to early childhood education and child care. The lack of affordable child care in Canada has also been criticized by both the Organization for Economic Co-Operation and Development, and the UN Committee on the Rights of the Child.

3. Gaps versus Gains

In 2012, Statistics Canada noted that the Canadian **gender pay gap** was the **fifth largest** among the 34 OECD countries. Women working full-time, full-year, still earn only 70 per cent of what men doing the same work earn. Almost one third (27 per cent) of women worked part-time, compared to 12 per cent of men, often because they simply lack access to child care services, or because they must care for a family member who is sick or elderly. Mothers who take parental leave face a consistent pay gap of three per cent for every year they are away from work, and this loss remains with them for the rest of their lives. Finally, 8.1 per cent of women live in households with moderate or severe food insecurity. Lone parent households have the highest, 22.1 per cent, rate of food insecurity. Of these, 82 per cent are headed by women.

4. Lack of Pay Equity

Stephen Harper has actually been quoted as calling pay equity "a rip off." His government has refused to adopt a proactive pay equity law, in spite of the recommendations of the Federal Pay Equity Task Force in 2004. Worse still, Bill C-10, the 2009 budget implementation legislation, contained measures that deliberately and seriously undermine the pay equity rights of federal public sector workers, and the rights of their unions to defend this human right of pay equity.

5. EI, Service Canada, and OAS

Recent changes to EI now force unemployed workers to accept "suitable employment" within 100 km of their home. No thought or consideration has been provided to the adverse drawbacks imposed by this addition. The closure of several Service Canada centres has compounded the issue of the unemployed by limiting local access to EI benefits. The March 2012 federal budget surprised those close to retirement by changing the age to qualify for Old Age Security (OAS), increasing the requirement from being age 65 to attaining age 67. This will have an especially harsh impact on women, since only 30 per cent of women employed in the private sector have some kind of pension.

6. Services to Canadian Veterans

   As an ironic way of saying "Thank You", the Federal Government has been shutting down offices that provide valuable support and services to both traditional and younger veterans. This includes veterans who suffer from both serious physical and mental health issues. These men and woman, who represented Canada on multiple International frontlines, now depend on ever dwindling face-to-face frontline help services on their own home front.

7. Reduced Mail services

   As part of Canada Post's Five Point Action Plan, there is the renewed replacement of door to door delivery by the increase in the use of "Super" mailboxes. The UPCE hope that no seniors or people with disabilities are adversely affected by the Corporation's forced mandate to replace home delivery with imposed exercise.

TARGET BENEFIT PENSION PLAN

As the title would suggest, the Target Benefit Pension Plan is another concession that shifts the pension liability from the employer onto the worker. The conversion of defined benefit to target benefit will be at the expense of stable retirement income that workers have already paid for through their pension contributions. The target benefit will offer very little guarantee in terms of pension benefits, which will place additional burden on retirees who already have limited financial capacity to absorb a reduction in income. In turn, retirees will be forced to reduce their spending, which in turn will have a domino impact on the Canadian economy. Current federal pension legislation and regulations provide sufficient protection against the reduction of accrued pension benefit entitlements of existing pension plan participants and retirees. With improving investment returns and gradual increases in long-term interest rates, the funding status of defined benefit pension plans is improving significantly. For example, the Defined Benefit Pension Plan for Air Canada reported, in 2013, a solvency deficiency of $3.7 billion. However, the same plan, in January of 2014, had Air Canada announce the complete elimination of the pension solvency deficiency. The UPCE Executive and many members of the UPCE find it completely appalling, that the Federal Government and Stephen Harper are looking at further reducing the retirement benefits of Canadian workers, and are reluctant and unwilling to expand CPP for all Canadians. Shifting the so-called "liability" of existing defined benefit pension plans from the ever rich corporations to the rank and file workers is a recipe that can only result in financial disaster for both Canadians and Canada.

The Target Benefit Pension Plan is hardly all that innovative, considering that share risk plans have already been implemented in New Brunswick, which has also had a good amount of coverage. The Province's government repeatedly told plan members that they were sharing the risk. However, the

Auditor General recently confirmed that the shared-risk plan should be accounted for as defined contributions since the risks are largely borne by the employees. Part of the model implemented in New Brunswick was to convert accrued service from defined benefit to target benefit which could reduce depending on the market. These Canadians worked for years under the assumption that their pensions were protected, and are now finding that this is no longer the case with the shared-risk plans.

In addition to our general concerns, the UPCE Component also has significant concerns with the potential implementation of such a plan at Canada Post. Defined benefit pension plan funding and the rate of return traditionally fluctuates, which could result in either a deficit or surplus in any given year. From July 2007 to November 2008, Canada Post took a pension holiday and made no contributions to the plan. At the time, there was a solvency surplus. Shortly after the surplus, the Corporation started looking into defined contribution pension plans, which were introduced to new management hires in 2010. If the Corporation believed there could be a forecast pension solvency issue, they should have consulted with the stakeholders instead of engaging in documented “divide and conquer techniques” by slowly and methodically bringing the defined contribution component of the plan to each bargaining table. The Federal Government provided Canada Post with the ability to reduce its solvency payments by an amount equal to 15 percent of Plan assets. As such, Canada Post made no special payments in 2011 & 2012, which obviously resulted in a significant saving for the Corporation. In 2013, the Corporation unveiled its 5 Point Action Plan, side by side with its four year pension solvency relief. Many recognize 2013 as being one of the best years for pension plans. Yet because of the Corporation’s decisions, we, the other pension plan stakeholders, have lost out on an investment opportunity. Canada Post also rushed through the end of our last negotiations, in which they tabled their Defined Contribution Plan. Shortly after our agreement was accepted, the Government of Canada “coincidently” unveiled the Target Benefits Plan for Crown Corporations and federally regulated employers. While the employer will speak to its “pension problem”, the “problem” is indeed created by the Corporation’s very own inability to consult in good faith, refusal to be transparent, questionable internal policies, and documented mismanagement. It is important to recognize, that Canada Post only started working with the plan’s stakeholders after several complaints were filed against Canada Post with the Office of the Superintendent of Financial Institutions and other Government departments.

Our Union remains completely opposed to cuts regarding workers’ salaries, benefits, and services. This includes our ongoing opposition to any type of Target Benefit Pension Plan. We are against any concession changes to accrued benefits, especially the conversion of Defined Benefit service to Target Benefit service. These types of unfounded and poorly thought out decisions have the potential to impact in a negative manner both our members and all Canadians. We ask you to consider these concerns before it becomes too late.

In all sincerity, truthfulness, and with grave concern,

UPCE National
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