



Public Service Alliance of Canada
Alliance de la Fonction publique du Canada

PENSIONS: WE ALL NEED THEM

Facts about the federal public service pension plan and the need for retirement security for everyone

The world-wide financial crisis and recession and reports of high-profile employer bankruptcies – real and close calls – have put the retirement savings of many workers at risk.

Seizing the moment, there has been considerable pressure from some quarters, such as the C.D. Howe Institute and the Canadian Federation of Independent Business, to get governments to put even more workers at risk by reducing public sector pensions, particularly the federal plan.

Public sector workers are being pitted against private sector workers. Public sector workers are being portrayed as pension “haves” among the many Canadians who are pension “have-nots.”

In the process, the facts about federal public sector pension plans are being misrepresented or ignored.

FEDERAL WORKERS PAY FOR THEIR PENSIONS... IN MANY WAYS.

Federal workers contribute directly to their pension plan.

- In 2010 federal public sector workers will contribute 10.45% on every dollar they make under \$47,200 and 8.4% on every dollar above \$47,000 of their income towards their retirement pension plans which are a combination of CPP and the federal public service superannuation plan.
- The 10.45% figure is scheduled to rise to 11.35% by 2013 when employee contributions will make up about 40 percent of the total cost of providing pension benefits.
- In fact, employee pension contributions will have increased by 41 per cent over the period 2005 to 2013.

Pension benefits paid to our members are deferred salary.

- They're not a gift from the taxpayers or a hand-out from the employer – it's a part of the employee's pay and this becomes very apparent – even explicit – at the bargaining table.

And pension plans don't depend on contributions alone.

- The return on investment of the contributions also pays for the benefits.

FEDERAL PENSIONS ARE NOT GOLD-PLATED.

Consider these facts:

- The average annual pension received by retired federal public sector workers in 2008 was \$23,422.
- For those who retired in 2008, the average annual pension received was \$33,519.
- Freedom 55 is a myth. In fact, very few public sector workers retire at age 55 on a full pension. This only applies to a handful of people who are 55 AND who have worked in the federal public service for more than 35 years.
- The majority of workers joining public sector pension plans schemes will retire near age 60 and they are paid nowhere near 70% of their salary.

THE FEDERAL PUBLIC PENSION PLANS ARE ADEQUATELY FUNDED.

- Contrary to what the C.D.Howe Institute and others have said, the latest actuarial report tabled in Parliament in November 2009 shows that the federal public service plan is adequately funded.
- In fact, as of March 2008, the current financing ratio for pre-2000 service is 109%; post-2000 service is 107%. That's more than the 100% required.
- The CD Howe institute's estimates are based on what it calls a "fair-value" method for estimating the liabilities in the federal superannuation plans. This "fair-value" method assumes that the federal government will one day cease operations in the same way as a private corporation going bankrupt.
- The correct actuarial practice is to value the pension plans' costs on the basis of what it needs to meet its ongoing pension obligations – not on the basis that the government will pack up its operations anytime now.

DEFINED BENEFIT PLANS ARE THE ONES THAT WORK BEST, SO WHY GET RID OF THEM?

- Public sector pensions are defined benefit plans. That means that the benefits upon retirement are a percentage of salary, and as such are "pre-determined". (In contrast, defined contribution plans are ones where the contribution is defined, but not the pension. The amount of the pension depends on the amount contributed, investment returns, and the interest rates upon retirement.)
- You don't fix a problem by getting rid of the only model that is working. Defined contribution plans such as RRSPs have taken a significant hit and failed to provide the stable, predictable retirement income that many defined benefit plans, including the federal public sector plans, provide.

- Individual savings and relying on the market are NOT a preferable alternative to pension plans. Despite two generations of aggressive market promotion and generous tax policies, many Canadians do not have the money to contribute to RRSPs. Those who can contribute don't save enough to retire with an adequate income.
- The median amount in RRSPs for those nearing retirement today is \$60,000. That may sound like a lot of money but it will only pay an annuity of just \$250 a month. Consider what an individual would actually have to save to provide simply adequate retirement income.

THE ATTACK ON PUBLIC SECTOR PENSIONS IS REALLY AN ATTACK ON LOWER PAID WORKERS.

- Private sector employees have been hit hard by employers' retreat from good pensions. But this does not justify punishing public sector workers. Two wrongs do not make a right.
- Public sector pensions provide distinct advantages to lower-paid and average-paid members of the workforce. The attack on public sector pensions is really an attack on the lower-paid workers in the public sector.

PENSIONS HELP FIGHT POVERTY AND REDUCE INEQUALITY.

- Pensions help fight poverty among seniors and allow workers to retire with dignity. Our public pension system has helped reduce inequalities among seniors. In 1980 retiree poverty was twice the rate of the working-age population. By 2004, retiree poverty was half the rate of the working-age population.
- Public pensions make a difference for women, who live longer than men and are more likely to finish their lives in poverty. While Canadian women have made pension gains in recent decades, many of those gains have been as a result of their increasing numbers in the public sector.

PUBLIC PENSIONS CONTRIBUTE TO OUR LOCAL AND NATIONAL ECONOMIES.

- Pensioners spend their money in their local communities, helping local businesses to survive and thrive.
- Public sector pension plans also play an important economic role – these funded plans provide billions of dollars worth of investment in the Canadian economy.

IT'S TIME TO START TALKING ABOUT PENSION SECURITY FOR EVERYONE.

- For an entire generation, wages have not kept pace with the cost of living, raising a family and saving for a long and healthy retirement. Too many Canadians have not managed to save what they need. Even when we have had some extra money to tuck away, the RRSPs and mutual funds we were sold failed to deliver what they promised.

- Our retirement system is leaving too many people behind. Over 60% of working Canadians don't have a workplace pension plan. They rely on the Canada Pension Plan or the Québec Pension Plan, Old Age Security, the Guaranteed Income Supplement and whatever they can save for themselves.
- Having more poor seniors and having workers working longer due to insufficient retirement savings and pensions only increase demand on governments and social services, which, in the long run, will be more costly to taxpayers.
- This is not a workable solution and workers and all Canadians deserve better.

WE CALL ON MEMBERS OF PARLIAMENT TO TAKE ACTION.

If there's anything we should have learned from the recent economic crisis, it is that market-based defined contribution pension plans (such as RRSPs) have failed to provide the needed retirement security for many Canadians. On the other hand, defined benefit plans are better for the economy as a whole and have proven that they are generally able to withstand economic downturns and recessions.

Using federal public sector workers as scapegoats and attacking their defined benefit pension plans is just an attempt to push everyone's welfare down to the lowest common denominator. We need to protect the pension plans that work and improve retirement security for all.

Members of the Public Service Alliance of Canada urge all Members of Parliament to

- Introduce concrete measures to safeguard federal public sector pension plans.
- Introduce concrete measures to safeguard all defined benefit pension plans.
- Improve retirement security for everyone by doubling Quebec and Canada Pension Plan benefits and immediately increasing Old Age Security and Guaranteed Income Supplement for all retirees.

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