

# FEDERAL BUDGET

CUPE

2010

## Pensions

### What's in the budget?

- A reaffirmation of a previously expressed commitment to convene a Finance Ministers' meeting in May 2010 to discuss Canada's retirement income system;
- A new commitment to carry out public consultations on the government-supported retirement income system "including the main issues in saving for retirement"

### What does it mean?

Low income Canadian seniors, and working Canadians facing the prospect of a seriously inadequate retirement income, have been left out in the cold. Only a small minority of Canadian workers have significant savings in RRSPs, and the financial meltdown of 2008–2009 left most of them with depleted accounts. Even those with decent defined benefit pension plans at their workplaces have faced funding problems, which in turn have threatened their benefits. Some workers and retirees, such as those working at Nortel, have discovered that their pension funds are not properly insured.

Also, more and more of Canada's retirees have been encouraged to hold their savings in individual accounts that remain exposed to stock market fluctuations even while they are retired. For this group, the collapse of financial markets has meant immediate reductions of income, or even the

prospect of their savings running out altogether.

These serious problems have exposed the gaping holes in the existing retirement income system in our country. Our public pension system is a crucial foundation of this system, but simply was never designed to provide for adequate incomes. The government's failure to offer a budget that would address these issues means the prospect of poverty, near-poverty, and ongoing insecurity for far too many Canadian workers and retirees.

### What would be better choices?

The government has missed an historic opportunity to address the underlying problems of our retirement system. There had been some suggestions that the government was considering a modest improvement to the Guaranteed Income Supplement (GIS), which would have provided some support to current seniors living in poverty. They chose not to do this.

On the other hand, after some furious lobbying from right-wing think tanks in favour of cutbacks to the pension plans of federal public service workers, the government did not announce such an attack in this budget. Instead, they congratulated themselves for having previously introduced still more tax sheltered savings schemes (the Tax Free Savings Account, announced in 2008) which primarily benefit high income earners and executives.

Another set of policies on retirement income security is possible. CUPE, the Canadian Labour Congress and the Canadian Centre for Policy Alternatives, have outlined a set of proposals that, taken together, would not only eliminate poverty among our retiree population but establish a secure and much more comprehensive retirement income system for everyone.

The key ingredients of these proposals are as follows:

- An expansion of the benefit framework for the Canada Pension Plan (CPP) to provide for a 50%

earnings replacement rate (up to the average industrial wage);

- An increase to Guaranteed Income Supplement (GIS) recipients of 15%;
- A new pension insurance system for the federally regulated sector;

The federal government has not – yet – taken these constructive proposals seriously. However, the announcement of a round of public consultations on the retirement income system does represent an opportunity for CUPE members and the general public to intervene in this policy debate, and underline the fact that there is broad support for the proposals outlined above.

For more information, visit <http://cupe.ca/budget>

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