



## Strategic Responses to Local Pension Threats

In the past several years, CUPE locals in every jurisdiction and every sector have been facing unprecedented attacks on their workplace pension plans. For decades, such attacks were commonplace in the private sector, where employers have been campaigning, with some success, to replace defined benefit pension plans with less-secure defined contribution plans. However, as governments at all levels and right-wing groups push agendas of austerity, public sector employers are increasingly attacking the pensions of their workers as well. Many of these plans are currently underfunded, as they continue to recover from the market downturn of 2008. These funding difficulties give employers the opportunity they had been waiting for by providing supposed justification for permanent plan cutbacks. Pension attacks may come in the form of proposals for massive benefit cuts, or even outright conversion from defined-benefit plans into less-secure models.

This guide provides some possible strategic responses for a local union wanting to protect a pension plan that is under attack. It should be noted that the following strategies are offered as *general* guidelines. Pension bargaining is enormously complex and these issues should be dealt with on a case-by-case basis, in consultation with pension specialists if need be. If your local's pension is facing severe funding pressures, remember that CUPE has a strong track record of finding creative solutions to difficult pension situations. Make use of CUPE's pension resources and work to find the best possible solutions to protect our members' retirement income.

- **Protect defined benefit character of plans.** Defined benefit plans are the best way to provide a secure and predictable retirement income. These plans have been established and built up through many rounds of hard bargaining and have a proven track record of working.
- **Resist “two-tier” outcomes.** Shifting from a defined benefit plan to a defined contribution plan for new hires will create two “tiers” of workers within the same bargaining unit. A two-tier arrangement could create problems for the local union in the future, as the local will eventually be split between “tier 1 pension” and “tier 2 pension” workers. Union solidarity and strength may suffer in such situations.

- **Bring pensions to the bargaining table.** Often our pension plans are not part of our collective agreements, but this does not mean that pensions cannot be brought into some kind of collective bargaining or negotiation process. Pension plans are an important part of our members' compensation and employers should not be making unilateral plan changes. Collective agreements can also be amended to include language that effectively gives the union a veto over all plan changes.
- **Always look critically at employer/consultant arguments.** When discussing funding issues, employers and their hired consultants often present an overly negative picture of a plan's funding status in order to justify drastic, permanent pension cuts. Employers typically argue that our plans are "unsustainable." However, there is a significant difference between a truly "unsustainable" plan and a plan facing a temporary funding shortfall. Such shortfalls can often be addressed through a series of small, and ideally temporary, changes to the plan. The assumptions used by employers and their consultants in reaching their conclusions should always be critically examined and challenged.
- **Look for past contribution holidays.** During the 1990s, when many pension plans were in surplus, employers took significant "contribution holidays." Such "holidays" are years when the employer paid substantially less than their annual obligations to the pension plan (often making no annual payment at all). During these years, employers argued that because they were ultimately responsible for any deficit within the plan, they should also be entitled to any plan surplus. Now that many plans are in deficit, those same employers are trying to walk away from this pledge and push pension deficits onto plan members through benefit cuts. Showing a history of contribution holidays can be very helpful in pushing back against local pension cuts.
- **If necessary, make any unwanted changes temporary.** Any changes to a plan that are ultimately unwanted or undesirable can be set to expire at a certain date or once the plan reaches a certain funding level. Minimize the permanent concessions to the plan by making such changes *temporary*.
- **If necessary, prioritize contribution increases over benefit changes.** Our pension benefits are so important that, if facing a difficult choice, it is often better to pay a bit more to protect these benefits than to lose them altogether.
- **Build coalitions with other unions in the same pension plan.** Often several unions represent workers in the same pension plan. Working together, sharing resources and information and creating a common front can often lead to better outcomes.

- **Make use of CUPE pension resources.** CUPE has many researchers and representatives with pension expertise, along with two pension specialists in the National Office who are able to assist with pension issues. CUPE has also relied upon external legal and actuarial advice when needed.

There are also broader strategies that all CUPE locals can follow – whether facing a local pension threat or not – to advance retirement security for everyone:

- **Educate members on their pension plan and pensions in general.** The Union Development Department has a wide variety of pension education courses that are helpful in building local understanding of pensions and pension issues. Members will fight harder against pension attacks if they understand how valuable their pension plan is.
- **Pressure provincial governments to support the Canadian Labour Congress (CLC) plan for expansion of the Canada Pension Plan (CPP).** Since 2009, the CLC has been engaged in a campaign to expand the CPP. Through a modest, phased-in increase of contribution rates, CPP benefits can be affordably doubled. Expanding the CPP depends on provincial support, so CUPE activists need to keep the pressure on in every jurisdiction to pass this important measure.
- **Pressure the Harper government to reverse its decision to raise the age of eligibility for Old Age Security (OAS) and the Guaranteed Income Supplement (GIS).** In Budget 2012, the Conservative government stated that it would be increasing the age of eligibility for OAS and GIS from 65 to 67, beginning in 2023. This unnecessary and dramatic change will hurt low-income and single seniors the most. CUPE members should push to elect a federal government committed to reversing this change in 2015.
- **Challenge public perception that all defined benefit plans are unsustainable & unfair.** Defined benefit pension plans are the most efficient way to use current earnings to fund retirement. CUPE has a proven track record of working with employers to ensure that defined benefit pension plans are sustainable—sustainable plans are in our members’ interest as well. Remind people you talk to that pension plan members pay a significant portion of the cost of their pensions and that these plans are a part of their negotiated “total compensation.” For CUPE members, an average pension for a 30-year employee is a modest \$17,900 per year.

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