

FACT SHEET PENSIONS AND RETIREMENT

All workers need and deserve a secure retirement. Over the years, CUPE efforts have resulted in positive moves on retirement security but, we cannot stop now. We need to continue to strengthen existing legislation to help workers and every Canadian enjoy a dignified and secure retirement at the end of their career.

WHAT IS A PENSION PLAN?

A pension is your deferred wages – a portion of payroll is put aside to provide us with income when we retire – we've earned it! Pensions are one of the most important benefits that unions get for workers.

WHAT ARE THE SOURCES OF RETIREMENT INCOME?



There are three sources of retirement income. Using an analogy of a house, the foundation is the **Canadian Retirement System** which include the Canada Pension Plan (CPP), Old Age Security program (OAS) and the Guarantee Income Supplement program (GIS). Most of us will have access to this amount upon retirement, whether we were unionized or not. The main floor of the house are workplace pensions. They are many types of workplace pensions such as Defined Benefit plans (DB), Defined Contribution plans (DC) and hybrid plans such as Targeted Benefit Plans (TB).

Most unionized workers have some form of workplace pension. Non-unionized workers often don't have access to a workplace pension plan. The article represents the personal saving plans such as Registered Retirement Savings Plans (RRSP) and Tax-free Savings Accounts (TFSA). These are individual's private saving plans, for people who are able to put money aside for retirement, which is only a very small proportion of the population.

PUBLIC AND WORKPLACE PENSION PLANS

CANADIAN RETIREMENT SYSTEM

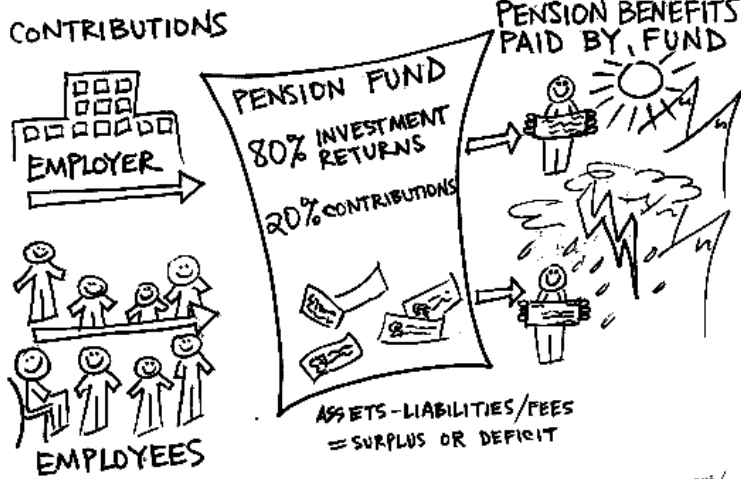
Canada Pension Plan (CPP) – This is a monthly benefit paid to workers who have contributed to the plan. Recent expansion of the CPP will provide a better public pension thanks to the labour movement's successful campaign to expand the CPP. The CPP is secure and fully indexed to keep pace with increases in the cost of living. The plan is portable across jobs throughout your working career. Employers can't opt out or change the plan's rules.

Old Age Security (OAS) & Guaranteed Income Supplement (GIS) – Individuals qualify for OAS by simply living in Canada. Canadian seniors from age 65 onwards receive just over 600 dollars per month from the OAS program. GIS is a sub-program of OAS specifically designed to eliminate senior poverty.



WORKPLACE PENSION PLANS

DEFINED BENEFIT (DB) PENSION PLAN



Defined Benefit (DB) Plans

Defined benefit plans are the best way to provide a secure and predictable retirement income.

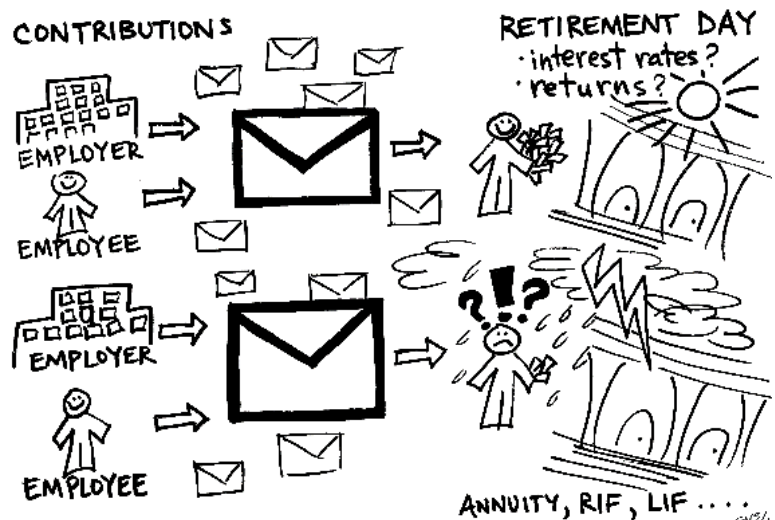
These plans have been established and built up through many rounds of hard bargaining and have a proven track record of working. In a DB plan, your contributions go into a larger pension fund. The funds are invested and the pension fund grows. Investment returns makes

up about 80% of the pension fund. On retirement, you will receive a pension benefit based on a formula. This makes your retirement income guaranteed and predictable. DB plans are required to do a tri-annual valuation. If there is a shortfall, employers and sometimes active members will have to make additional contributions. Risk is borne by the plan.

Defined Contribution (DC) Plans

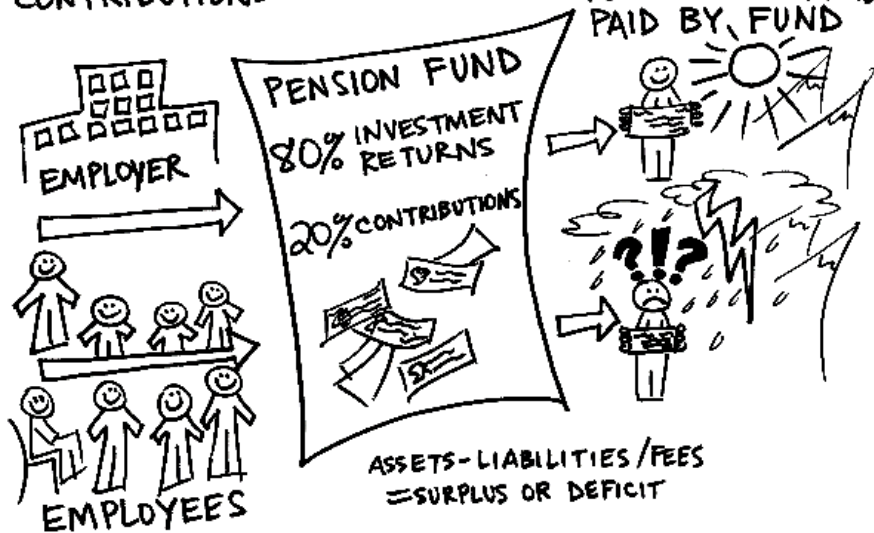
In a defined contribution plan, workers will make a defined contribution to individual accounts within the plan. Workers are not pooling their funds. Their contributions are invested separately and it is unknown how much money you will have when you decide to retire. All the risk is borne by the member. This make retirement planning very hard.

DEFINED CONTRIBUTION (DC) PENSION PLAN



TARGET BENEFIT (TB) PENSION PLAN

CONTRIBUTIONS



Target Benefit (TB) Plan

A target benefit plan is a hybrid of a DB and a DC plan.

Similar to a DB plan, your contributions go into a larger pension fund. Those funds are invested for you and when you want to retire you will receive a “target” pension. This pension is not guaranteed. It will depend on the funds available in the plan. During poor market times, if the plan loses

money, there is a chance that your pension will be reduced. There is no responsibility for employers or plan members to make up any shortfalls. The risk is borne by the member.

PROTECTING MEMBERS WORKPLACE PENSIONS

Bringing 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.

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.

Grow your pension plan

As we continue to strive for pension improvement, we must also ensure all workers have dignified and secure retirement. We must continue to work on expanding coverage in our pension plans to provide access to precarious, part-time, casual and temporary workers.

Continue education for young workers and understanding the value and importance of a good pension plan.



Know your plan

Navigate your pension plan by visiting the plan's website. Review your annual pension statement, pension plan handbook and ask for help if you don't understand it. Take the CUPE Pension workshop to learn about pensions. Financial literacy is key to understanding and learning about your retirement income. There are many resources available to CUPE members. Contact your local executive and your National Representative.