

CPP Expansion: How Might CPP Expansion Affect Public Sector Plans? What Steps Are Plans Taking?

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National Union of Public and General Employees

National Union Pensions Conference

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An Overview of the Canada Pension Plan

- Replaces 25% of earnings up to average industrial wage at age 65 (YMPE \$55,300 for 2017)
- Contribution rate of 4.95% (total 9.9%) for covered earnings (between \$3,500 and \$55,300 in 2017)
- Full annual cost of living indexation for benefits
- Early retirement as early as age 60 and as late as age 70 with adjustments (increase or decrease respectively)
- Survivor's benefit for spouses, common-law partners and dependants
- Disability benefit, death benefit
- Benefit can be divided on marriage dissolution and shared with spouse during retirement



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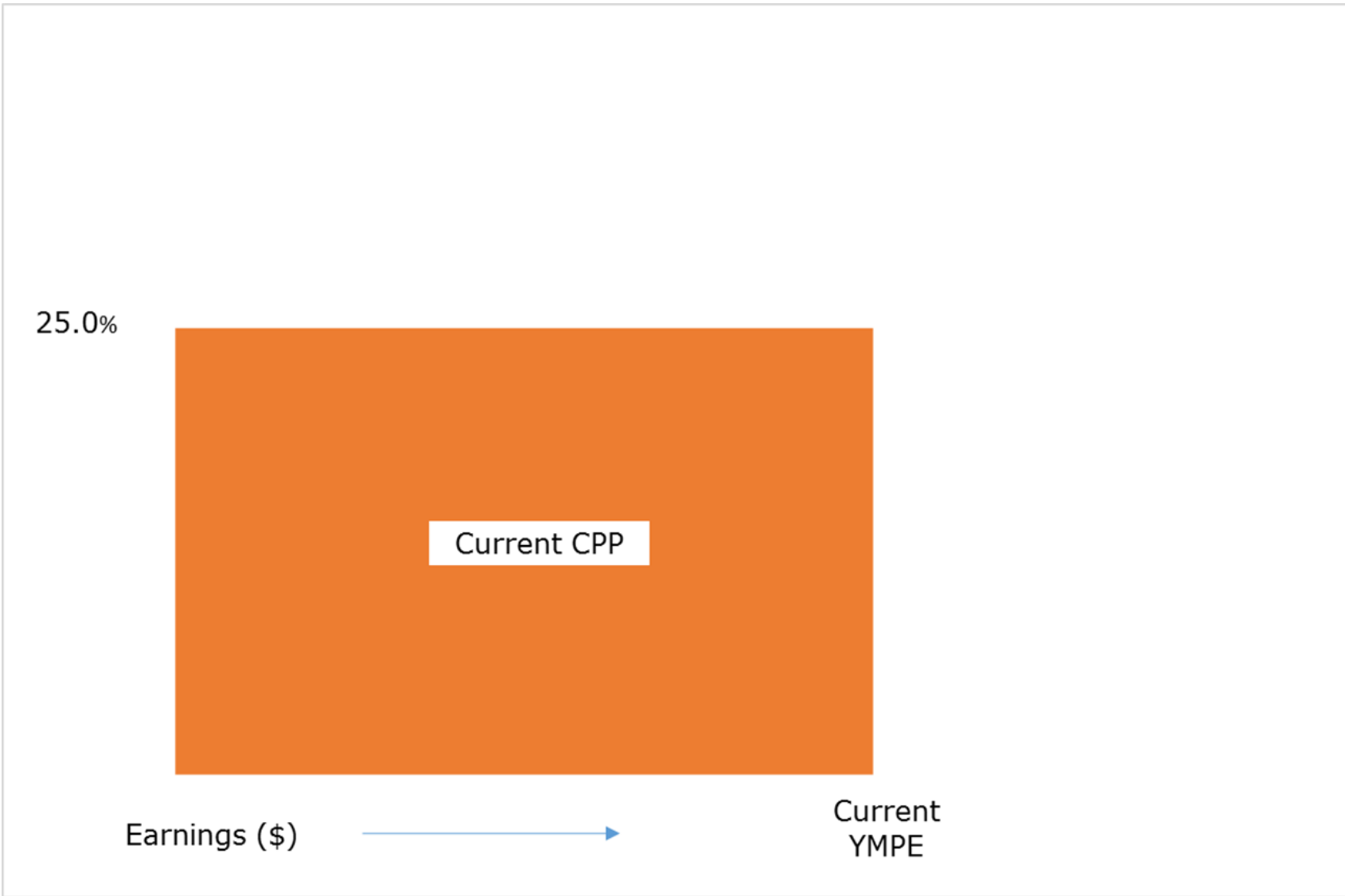
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Increase in CPP Benefits

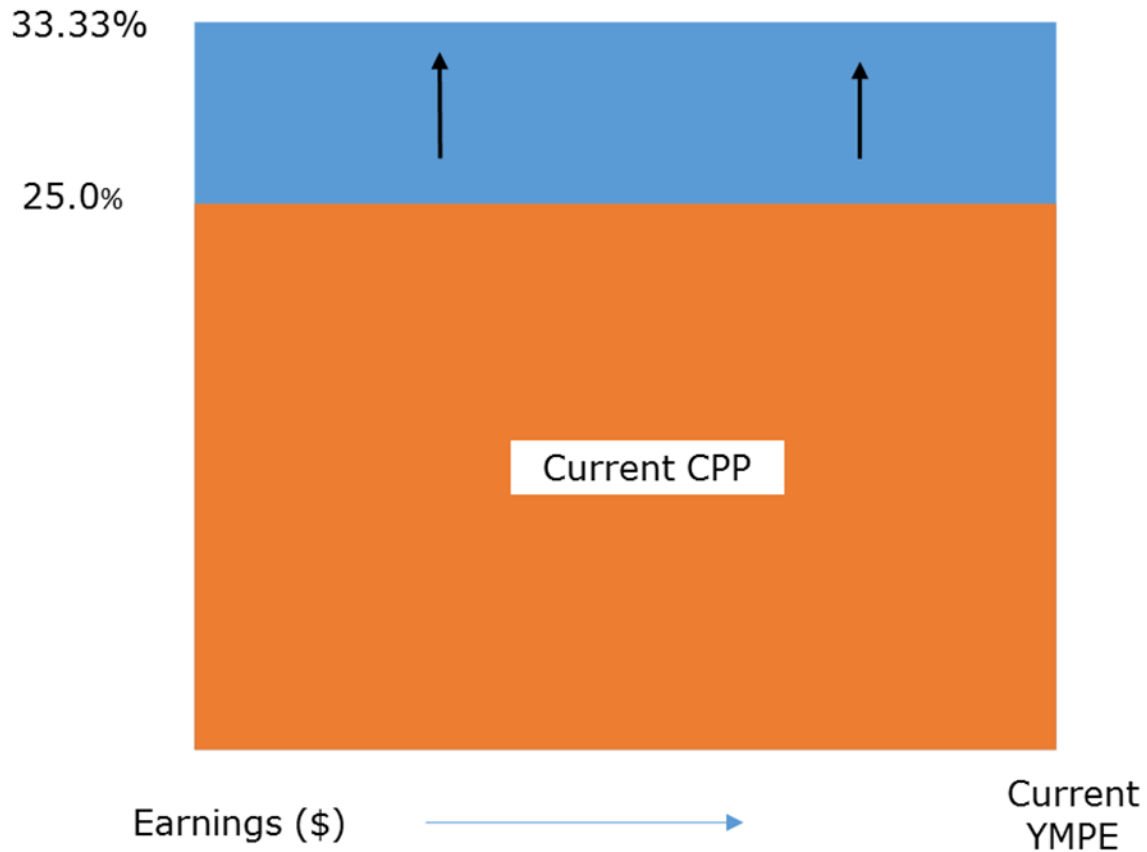


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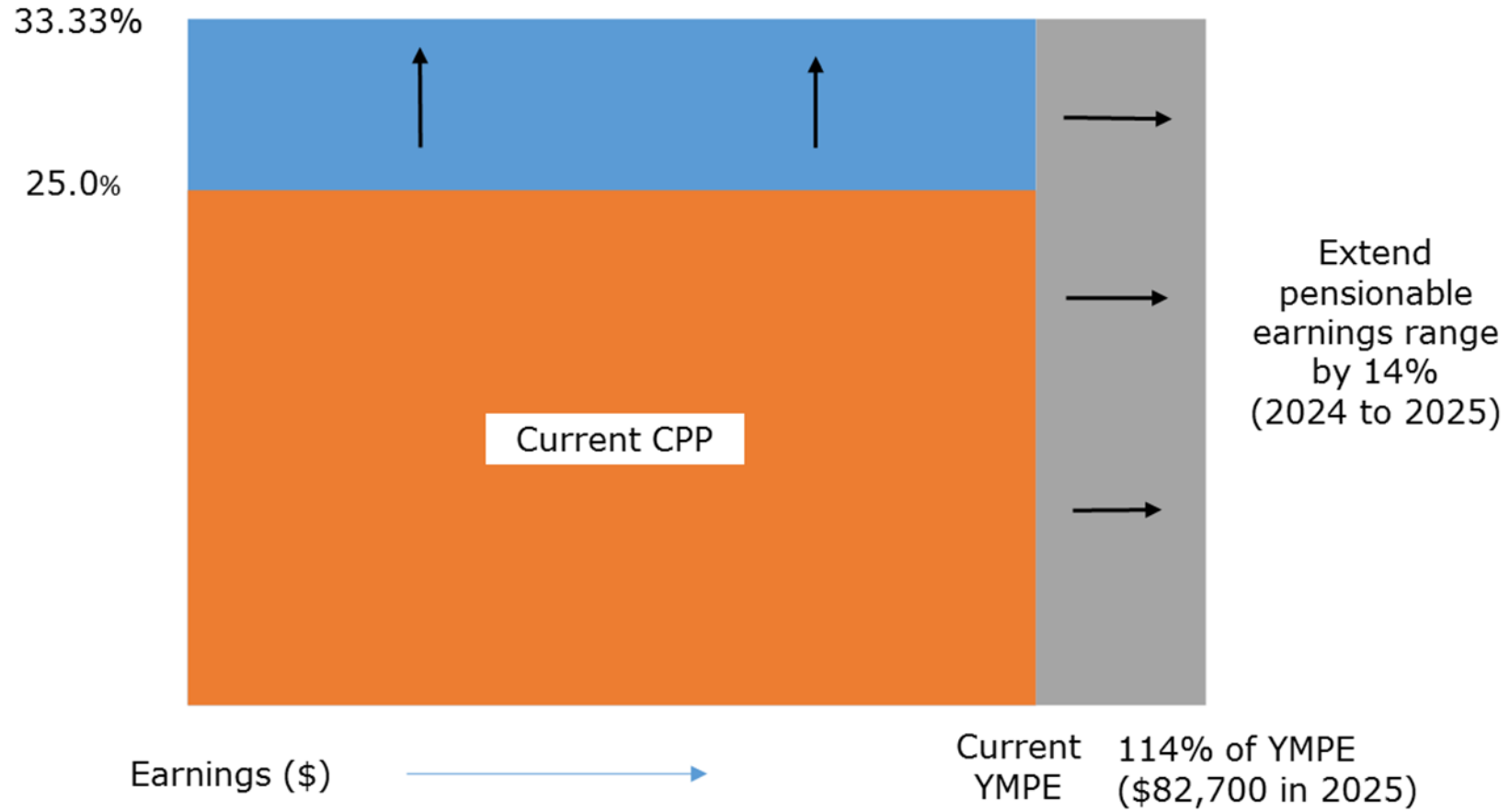
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Increase replacement rate from 25% to 33.33%
(2019 to 2023)



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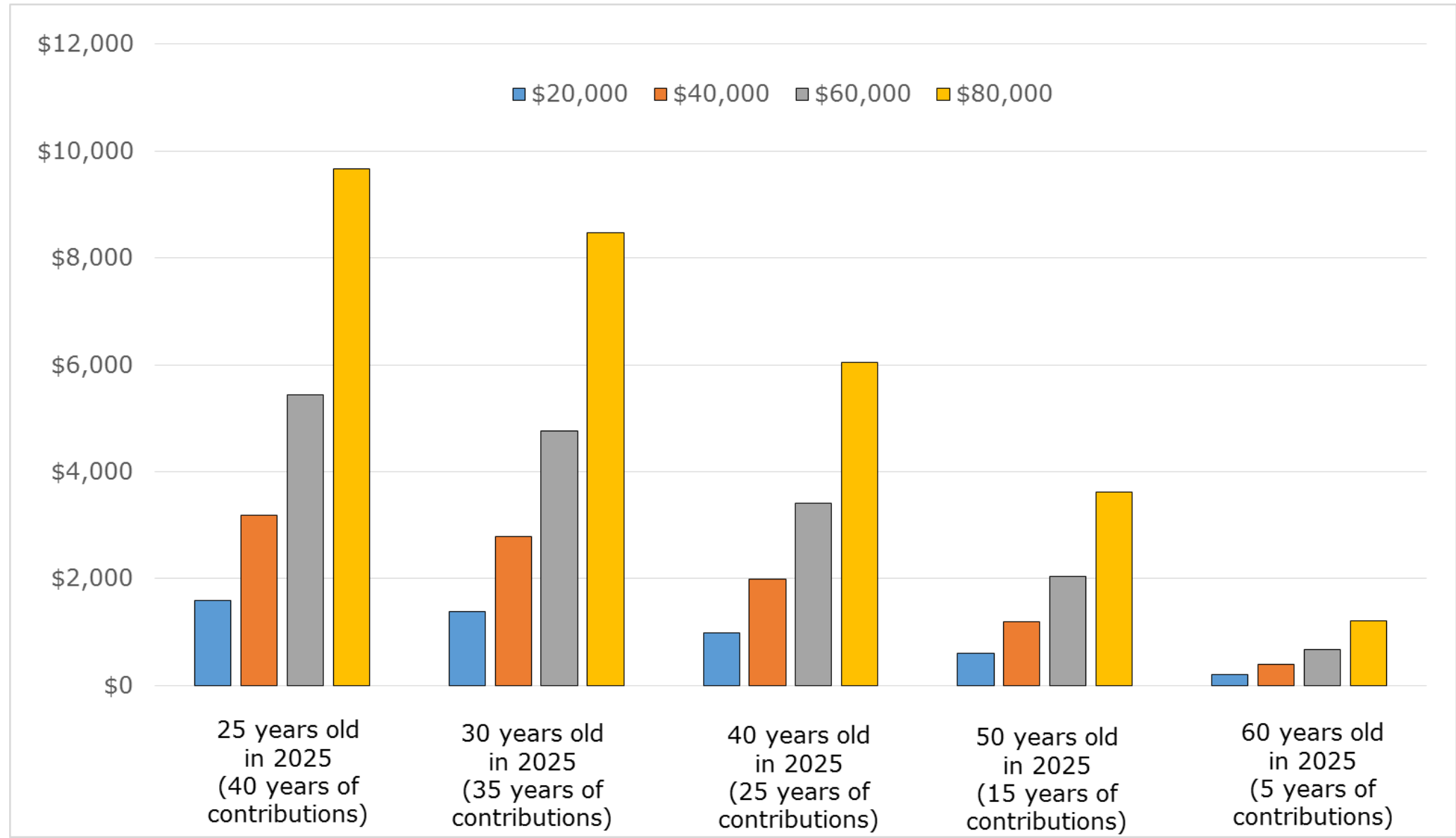
Young workers and middle-income earners
will see the greatest benefit



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Additional Annual CPP Benefit



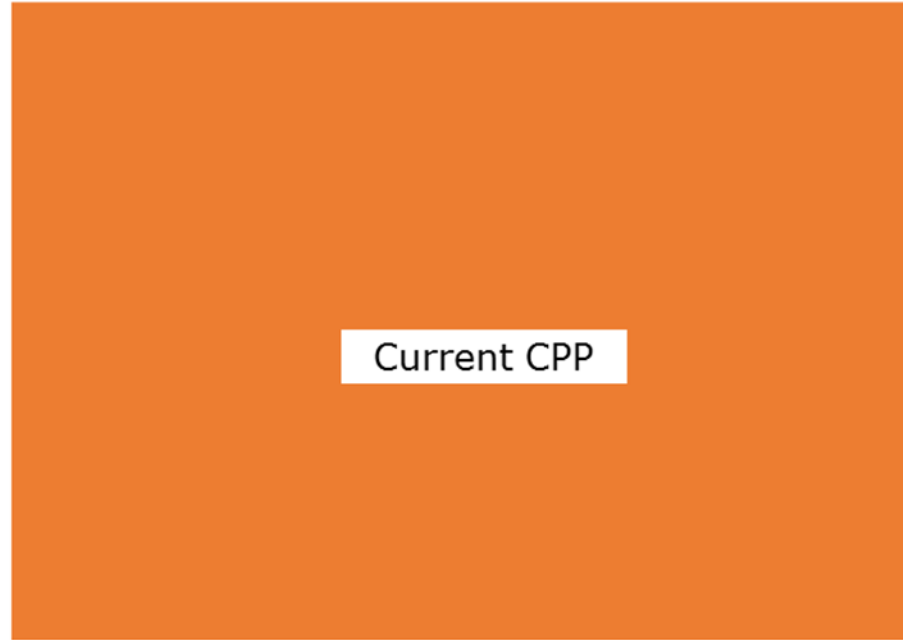
Increase in CPP Contributions



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9.9%



Current CPP

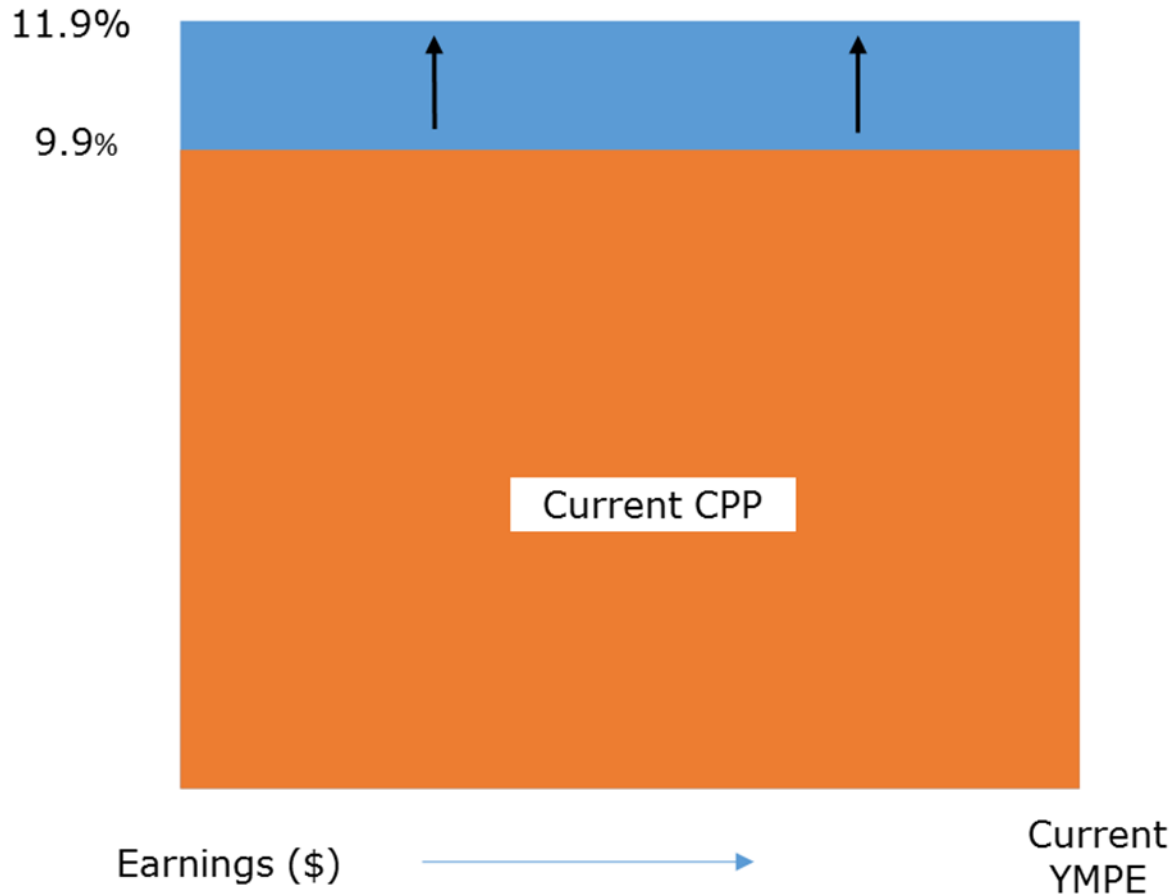
Earnings (\$)

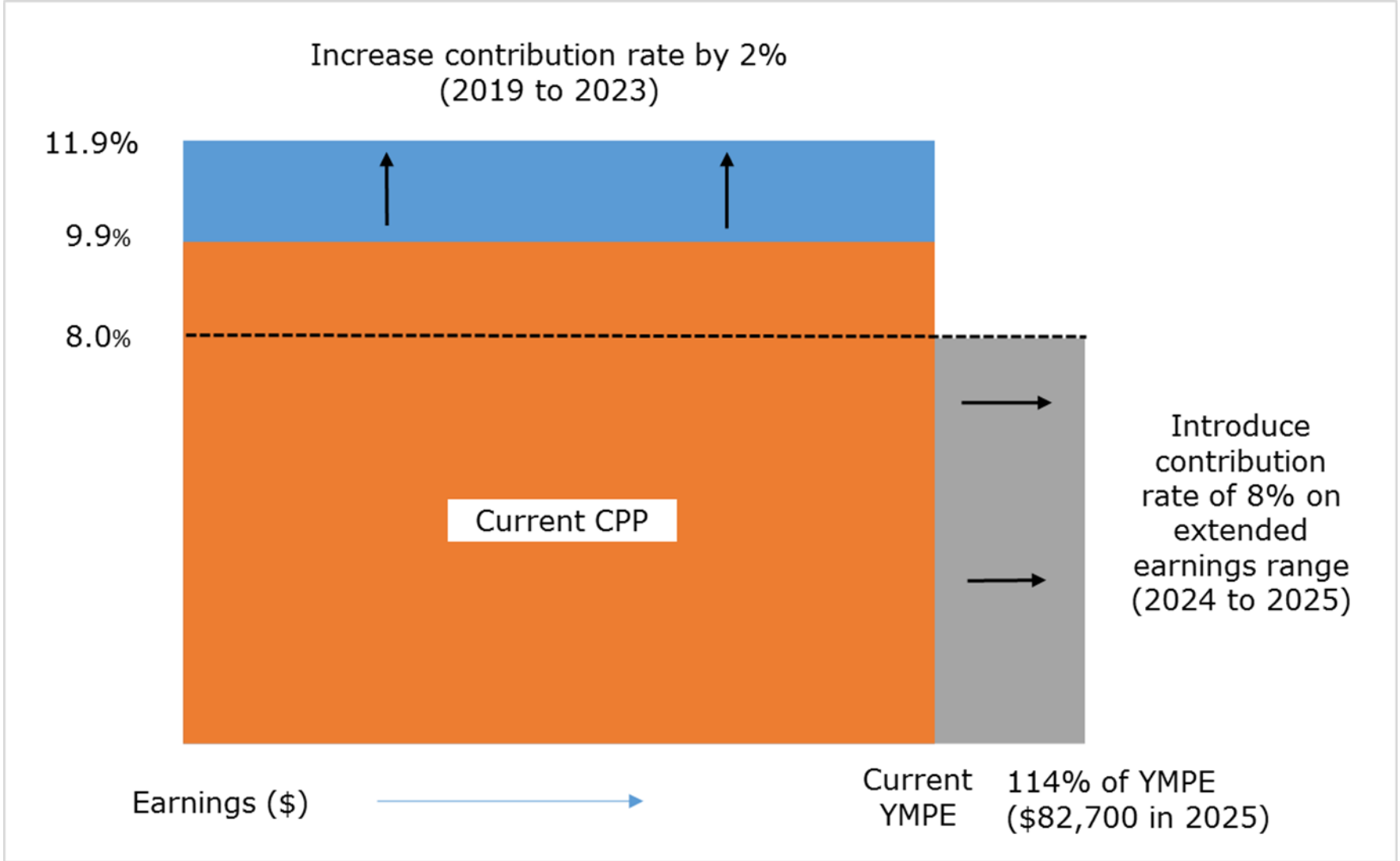


Current
YMPE



Increase contribution rate by 2%
(2019 to 2023)





CPP Integration with Registered Pension Plans

- Bill C-26 leaves adjustment to plan sponsors and administrators
- RPP integration was a major issue at the inception of the Canada Pension Plan



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CLC Positioning 1965

When the Canada Pension Plan was being considered and its enactment was a certainty, the Canadian Labour Congress drew to the attention of its affiliates the prospects that employers were likely to seek ways and means of avoiding contributions to their existing private pension plans at the same rates as before because they would be making contributions to the Canada Pension Plan. The Congress suggested that its unions should seek "stacking" as a general objective unless the unions were satisfied that this was not necessary in the interests of their members. The Congress also pointed out that there was already evident a tendency on the part of employers to wish to obtain "integration" of their private pension plans with the Canada Pension Plan.

Ontario Imposes Integration 1965-66

The Globe and Mail



WATCH THE BEACON AT
CANADA LIFE

Cloudy, light rain

Toronto high 38

Details on Page 2

FOR OFFICIAL WEATHER CHANGES

TORONTO, WEDNESDAY, DECEMBER 15, 1965

40 PAGES

TEN CENTS

New legislation if necessary

Robarts says integration is mandatory for pensions

Ontario Imposes Integration 1965-66

Civic union votes to defer strike for stacked pensions

Outside employees still in angry mood

Toronto civic outside workers—members of the independent Local 43—last night voted overwhelmingly to defer strike action over their pension dispute until a court ruling is handed down.

Their decision removed the threat of an early walkout by Metro municipal employees.

The Canadian Union of Public Employees and the Metro Police and firefighters associations, representing the rest of Metro's 20,000 municipal workers, have already stated that strike action now would be premature.

Lawyers representing the employee groups are seeking court injunctions to prohibit the integration of existing municipal pension plans with the Canada Pension Plan, which goes into effect Jan. 1.

The employees want the two schemes stacked and Local 43, even after voting to hold off strike action, remains in an angry mood.

Nearly 600 outside workers who crowded the cramped union hall on Ontario Street last night shook the walls with their shouted threats to fight anyone who tries to block their rights to negotiate for

body. But he's got to leave us alone."

And the rest of the time they tried to shout each other down and deliver their personal condemnation of the provincial Government and Metro officials.

It was a raucous gathering.

Union members were still streaming up the stairs to the second-floor hall half an hour after the time set for the meeting to begin. The hall had chairs for fewer than 300 persons.

A beer-selling booth downstairs was swamped with customers.

When those inside the hall voted to admit reporters, latecomers outside who could not squeeze in protested loudly against reporters having precedence over union members.

Douglas Passmore, a streets department employee who made the motion to defer strike action, said the union "had to show Spooner that we're not a bunch of ignorant garbagemen."

"We'll fight, but we'll fight through the courts. We're going to tell them once and for all that we'll stack our pensions as high as we want."

Trevor Gutteridge, one of



Members of the Toronto civic outside workers—Local 43—at a tension-wrought meeting in Ontario Street union hall voted to defer strike action in their pension dispute. Douglas Passmore (left), of streets department, who moved motion, uses finger to emphasize point. William Overkott (right), union president, raises gavel to maintain order. —Globe and Mail, Harold Robinson

Stacking up pension dynamite for '66 labor talks

Edict On Pensions
Starts A Storm

AS IF HIGH MEAT PRICES WEREN'T PROBLEM ENOUGH . . .
Now the packers' union is talking about a 'pension strike'

Big beef about integration

Court action threatened

Pension Plan integration protested

City fights
Ontario
'big stick'
on pension

Types of CPP Integration – DB Plans

- Step Rate:

- RPP benefit has two different levels, for earnings above and below the YMPE
- e.g. RPP formula = 1.5% FAE below FAYMPE, 2.0% above (HOOPP)
 - FAE = final average earnings
 - FAYMPE = final average YMPE
- Common in private-sector DB plans

- Offset:

- RPP benefit formula is reduced by CPP benefit
- e.g. RPP formula = 2.0% FAE – 0.7% x FAYMPE (NS PSPP)



No Integration

- DC plans (e.g. SK PEPP)
 - e.g. 5% employee contribution subject to match by employer
- Flat benefit plans
 - e.g. \$50/month per year of service
 - Common in many multi-employer pension plans
- Some private-sector DB plans
 - e.g. 2% x FAE x Years of Service
 - Some provide a bridge benefit on top, if retirement occurs prior to 65



How Might CPP Expansion Affect Public Sector Plans? What Steps Are Plans Taking?



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RPPs will need time to prepare for CPP expansion

- Actuarial costings likely necessary
- Consider 7-year phase-in of CPP enhancement in any integration changes
- Consider pension law, restrictions on benefit reductions, and member notice requirements
- Small details (e.g. unlocking)



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Preparation limited and uneven thus far

News From Aon

On Canada Pension Plan reform, employers have concerns, but many have yet to begin preparing for change

Aon survey suggests less than half of employers will plan for CPP reform in 2017

TORONTO, JANUARY 16, 2017 – As the government commitment to expanding the Canada Pension

According to the Aon survey, only 13% of employers have started to plan for CPP reform, and 35% will begin planning by October 2017. Meanwhile, 46% of respondents said they do not know when they will start preparing for CPP reform.



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Union Options

- Unions with DB plans offering relatively low benefit levels may want to stack CPP enhancement
 - Units with low MEPP benefits or DC plans may seek to stack the enhanced CPP benefit
- Partial or full integration an option for non-integrated plans
- Partially offsetting CPP enhancement in integrated DB plans could allow for restoration of lost benefits or improving the funded status of the plan
- Note that “YMPE” and “YAMPE” are separate thresholds – implications depending on existing plan design



Sponsors and plan administrators will have own proposals for adjusting

- Extend the range of earnings with the lower accrual rate, up to the new YAMPE
- Reduce the accrual rate on earnings under the YAMPE by 0.2% of earnings for each year of service.
 - = 8% of CPP-covered earnings after 40 years of service, roughly equal to the enhanced CPP income replacement rate (new 33.3% replacement rate minus existing 25% replacement rate)
- 'Net zero' objective



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Factors influencing interaction of CPP expansion and collective bargaining

- Delayed implementation and gradual phase-in of CPP enhancement
- Private-sector employers' continuing shift away from DB
 - Potential improvements in funded status of DB plans
- Ongoing federal and provincial pension reform
- Quebec Pension Plan enhancement
- Statutory bar to negotiating pensions in public service plans – legal landscape may shift
- Downward pressure on compensation



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Private operators squeeze nurses in public home care: Cohn

A bitter seven-month strike is symptomatic of what's ailing home care in Ontario: Pension privation and salary squeezes.



OPSEU president Warren "Smokey" Thomas is "flabbergasted" by CarePartners' proposed pension dodge, and furic and inaction, writes Martin Regg Cohn. (RICHARD J BRENNAN / TORONTO STAR FILE PHOTO)

Fighting for a first contract from CarePartners — their for-profit, publicly funded employer — the OPSEU homecare nurses in the Hamilton-Niagara region were stunned to get a contract offer that not only undermined their union but undercut the Wynne government's pension promise.

CarePartners demanded that its nurses pay the full freight for Wynne's promised Ontario Retirement Pension Plan (ORPP) — not just the *employee* share, but the mandated *employer* contribution (plus administration costs). Never mind the premier's pledge that the ORPP would be a cost-shared plan.

By **MARTIN REGG COHN** Provincial Politics
Thu., Nov. 26, 2015

Summary

- Impact of CPP enhancement designed to be modest
- An opportunity to consider members' desired benefit level and employees' retirement needs
- Negotiation, pension education, and clear communication will be vital



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Thank You

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