



**national
union**

NATIONAL UNION OF
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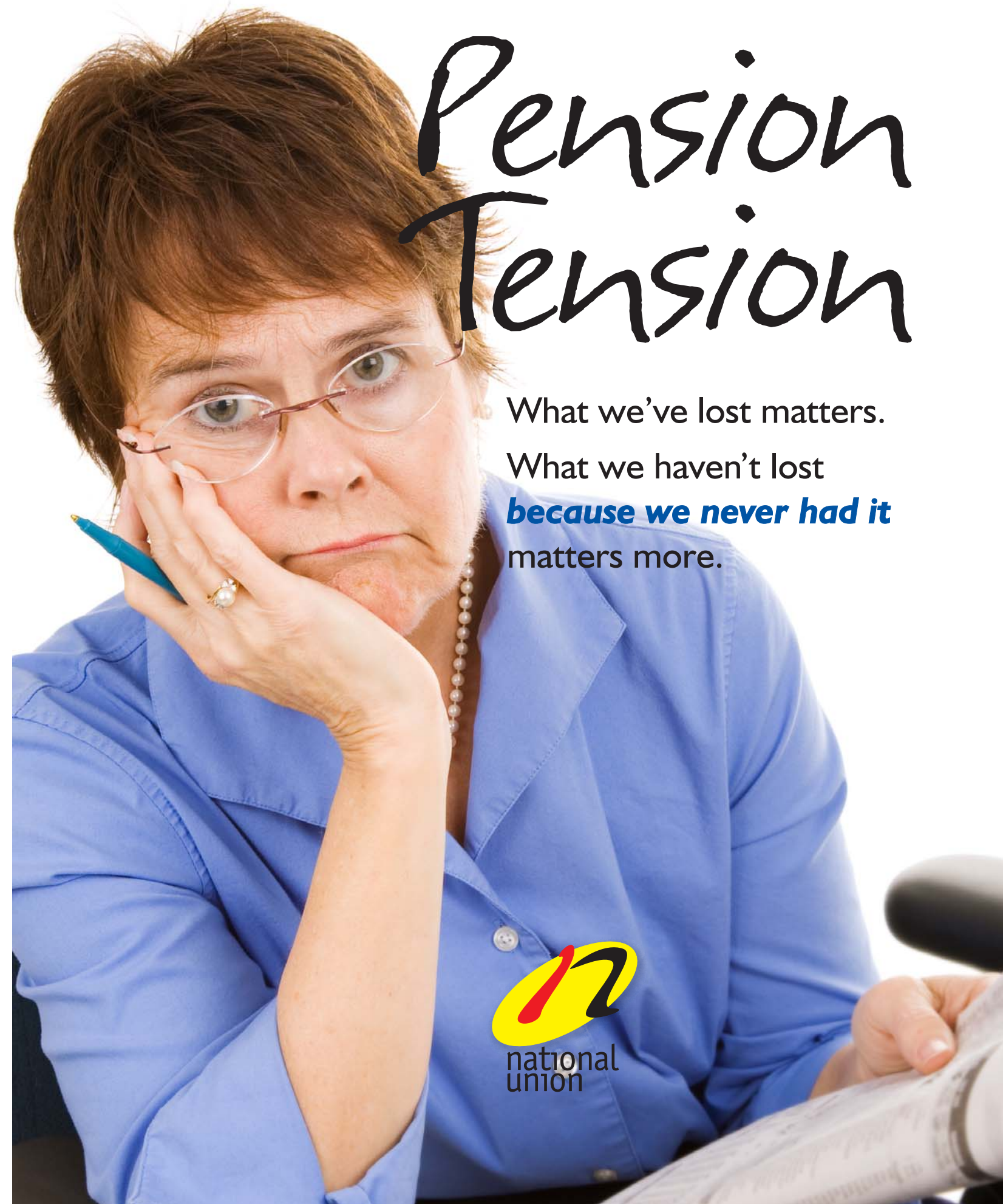


- B. C. Government and
Service Employees' Union
- Health Sciences Association of
British Columbia
- Health Sciences
Association of Alberta
- Saskatchewan Government and
General Employees' Union
- Manitoba Government and
General Employees' Union
- Ontario Public Service
Employees Union
- Canadian Union of Brewery
and General Workers
- New Brunswick Union of Public
and Private Employees
- Nova Scotia Government and
General Employees Union
- PEI Union of Public
Sector Employees
- Newfoundland & Labrador
Association of Public and
Private Employees

The National Union of Public and General
Employees is an affiliate of the Canadian
Labour Congress and a member of the
Public Services International.

Pension Tension

What we've lost matters.
What we haven't lost
because we never had it
matters more.



Most of us do not need to worry about our pension investments.

PENSION IRONY

Because most of us don't have any. That's the real worry.

YOU CAN'T LOSE what you don't have. And most Canadians don't have any investments in private pension plans. So the economic crisis won't much change the pension prospects for most of us. But for those who are in private plans times are tough.

Many employers want to cut the payouts from pension plans that workers have paid into their entire lives. People who are lucky enough to have private savings like RRSPs have seen their investments shrivel and shrink as stock values plunge. But there is a bigger pensions crisis.

It is a bigger crisis because most of us are caught up in it. The vast majority of Canadians don't have either a workplace pension plan or private savings to retire on. Over 60% of us DO NOT belong to a private pension plan. One-third of working Canadians have NO private retirement savings at all.

Clearly, relying on the private sector to provide adequate retirement security has failed. On the other hand, Canada's universal public pensions system is an incredible success story.

Best idea

KEEP IT PUBLIC

Retirement security and dignity for all Canadians

The scale of the current economic crisis reinforces the need to focus on improving and expanding our universal public pensions system.

This involves a two-prong approach.

— 1 —

Increase public pension benefits

Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) are critical because they provide a basic level of income security for all seniors. However, for many seniors these benefits are their sole source of income and the rates just aren't high enough to maintain a decent standard of living. We must increase GIS benefit rates for the most vulnerable seniors so they don't have to live in poverty and hardship.

— 2 —

Expand Canada Pension Plan (CPP) coverage

The CPP has the capacity to provide Canadians with a greater proportion of retirement income because it's well-funded and has a superior benefit design. It's national in scope and there-

fore offers economies of scale with lower administration costs and investment management fees. It provides workers with less risk, greater certainty, portability, inflation protection, and spousal, death and disability benefits. The best way to improve pension coverage and retirement security is to expand CPP benefits for workers who don't have a private workplace pension.

Bad idea

WEAKEN THE RULES

Some of Canada's largest corporations are currently lobbying governments for weaker pension funding rules. Under most pension legislation, plan sponsors that are not fully solvent must accelerate contributions and bring them to a fully funded level (typically amortized over a five-year period). Clearly, the current financial crisis has decreased the value of pension funds. But we have good reasons to be skeptical about employer claims of financial devastation if funding relief is not granted.

Don't let the fox guard the henhouse

These are the same corporations who in the 1980s and

90s used their pension surpluses to take contribution holidays. Some even used surpluses to reward executives and pay out huge dividends to shareholders. Their reckless decisions created many of today's pension deficits. Nevertheless, some governments are offering temporary relief—a 10-year period to resolve a deficit rather than five—and attaching conditions such as requiring the approval of the bargaining agent and retirees.

Of course that offer isn't good enough for the corporations. Instead, they're asking for permanent relief and no conditions. It was this "fox guarding the henhouse" approach that got us into this economic mess in the first place. We agree it makes sense to consider a temporary extension of the time-lines for some companies if certain conditions are applied.

Good idea

TEMPORARY RELIEF

Providing temporary funding relief is probably necessary. But the following conditions must always apply :

- It should be on a case-by-case basis and not go beyond 10 years;

- There must be minimum catch-up contributions each year;
- Requests should require approval of the bargaining agent, or the active plan members and retirees, and allow full access to corporate financial records and restructuring plans; and
- Employers must be prepared to negotiate with the union to give it more say in the administration and management of the plan including joint trusteeship.

The real crisis

But let's be clear that addressing funding shortfalls in private pension plans is not going to solve the real pension crisis in Canada. The real crisis is that the vast majority of Canadians don't have a private pension plan or retirement savings at all.

Our governments must embrace an ambitious plan to raise GIS benefits and expand CPP coverage. It's the right thing to do because it would ensure more Canadians could retire with security and dignity. It's the smart thing to do because it would help stimulate the economy by putting more money directly into the hands of people who will spend it.