



YOU TOO CAN HAVE A GOOD PENSION PLAN THE MULTI-SECTOR PENSION PLAN

INTRODUCTION

At last – CUPE members who do not have a pension plan, or an inferior plan, have a national pension plan to join!

The Multi-Sector Pension Plan (MSPP) is a brand new multi-employer pension. It is expected to cover all of those CUPE workplaces where, until now, it has been hard, if not impossible, to find a good defined benefit pension plan. So, if you have no existing multi-employer, defined benefit, public sector plan to join, the MSPP is for you.

The MSPP is fully controlled by CUPE and SEIU. The employer's only responsibility is to ensure pension contributions are made and to supply the Plan Administrator with the information necessary to meet its legal commitments.

The Plan is registered in Ontario under the *Ontario Pension Benefits Act* as well as with Revenue Canada for income tax purposes. Even with its Ontario registration, it is open to members from coast to coast.

The remainder of this Report summarizes the Pension Plan.

ANALYSIS OF THE PENSION PLAN

1. Type of Plan

The Plan has two (2) components – one for past service credits and another for current and future service credits. The past service credit component, for employment prior to the workplace joining the Pension Plan, is what is commonly called a Flat Benefit Defined Pension Plan. This simply means that there is a uniform benefit which is a specified number of dollars for each year of service for all employees who retire after completing the minimum period of service. The past service part of the Plan disregards varying earnings

levels of workers. That is, all participants get the same flat benefit per year of service.

The future service portion of the Plan is a career average defined benefit Pension Plan. It is based on contributions throughout ones participation in the Pension Plan.

2. Eligibility

Workers must be employed (with a particular employer) for 500 hours before joining the Pension Plan.

All members of the bargaining unit must join the Plan once they become eligible.

3. Amount of Retirement Income

(i) Past Service Credit

One of the major advantages of this Plan is the past service credit. Normally when pension plans first start up no credit is given for service prior to the effective date of the pension plan.

Past service depends on the number of full years of service you have with the employer. The amount of past service pension is \$26.60 per month for each full year of past service, to a maximum of 7 years. This is granted on becoming vested (which is 2 years of participation in the Plan, except in Quebec). Four years of past service is granted on becoming a member of the Plan and you will earn one additional year for each year of future service, to the 7 year maximum.

(ii) Future Service Credit

The pension wage is paid on the basis of career average contributions. Contributions made on or after the date the bargaining unit joins the Plan will generate a monthly retirement income based on

\$1.55 for every \$100 of contributions.

This is clearly not as favourable as a final average earnings type of benefit formula. However, given the Plan is brand new and the target worksites, the level of benefit is the best possible for now.

4. Retirement Dates

Normal retirement age is 65. Payment from the fund is available to those who retire as early as age 55. However, should a worker retire prior to age 65, the pension wage paid is reduced by 6 per cent per year for each year under age 65. Postponed retirement is also contemplated. A pension must be drawn, however, no later than age 69.

5. Effect of Termination on Plan Membership

A Plan participant ceases to be an active Pension Plan member on the day "a break in service" occurs. A break in service occurs when there are no contributions to the fund for eight (8) consecutive months.

Workers who terminate employment, outside of Quebec, after participating in the Plan for two or more years, have the following options:

1. Leave the money in the Pension Plan and collect a deferred pension;
2. Move the commuted value of the benefit to a locked in RRSP or;
3. Take the pension credits to the new employer if the new employer will accept them.

Since this Plan is a multi-employer Pension Plan, a worker re-employed by another employer which participates in the Pension Plan can continue in the Plan as if termination did not occur.

For those who terminate prior to becoming vested (2 years of Plan membership outside of Quebec), a refund of their own contributions plus interest is provided.

6. Contributions

Neither the size of contributions nor the definition of pay on which contributions are made form a part of the Plan text, as this is solely a matter of negotiation and will be determined by each separate collective agreement. However, members must contribute to the Plan. The employer can contribute at a higher level than workers, but not less.

An important feature of the Plan is the ability to make self-contributions. This enables the member to maintain Plan membership during extended leaves of absence, lay-off or termination, if the collective agreement or employment standards law does not provide for continuing contributions.

7. Pension Payments

The standard form of pension payment is a monthly income for the life of the pensioner, with a guarantee of at least 60 payments (5 years). (This means that if the retiree should die prior to receiving 60 payments, her/his spouse or estate would be paid the remainder owing).

The law requires that a survivor benefit be paid if the retiree has a spouse. The benefit under this Plan is 60 per cent (except in Manitoba).

There are a number of options in addition to the standard available to the retiree. This flexibility is a positive feature of the Plan.

8. Benefit on Death

The benefit paid depends on a number of variables. If the Plan member has less than two years of participation then the workers contributions plus interest is refunded. After two years of Plan membership the benefit paid depends on whether you have a spouse and date of death.

Should death occur prior to retirement the surviving spouse or estate, if no named beneficiary, will receive a monthly pension or lump sum payment, at her/his option, equal to the value of the Plan members pension accrued to date of death.

Should death occur after retirement the amount paid to the survivor (beneficiary) depends on the option chosen at the time of retirement. For example, if the retiree chose a joint and survivor pension the survivor would be paid the chosen percentage of the deceased pension wage for the lifetime of the survivor.

9. The Fund

Clearly the employer and employee will be making regular contributions to the fund.

It must be noted that should there ever be a deficiency in the fund, Plan members will pay the consequences in the form of lower pensions. Neither employers nor the union(s) are responsible for making up any shortfall, except in Quebec.

10. Trusteeship - Plan and Fund Administration

(i) Composition of the Board

The Trust document calls for a Board of Trustees. According to the document, there is a transition period where CUPE and SEIU each have 2 Trustees and 2 alternate Trustees. The Board of Trustees has co-chairs – one from each union. After the transition period, the number of Trustees will depend on the number of Plan members each union has.

CUPE's National President names our Trustees and alternates. The first Trustees are Brother Ian Thompson (also co-chair) and Sister Darcie Beggs.

(ii) Meetings

There is a requirement that trustees meet at least once every 6 months. An annual

meeting of trustees is also required. However, it could be one of the two required semi-annual gatherings.

A positive feature is that the pension Fund pays only receipted expenses and lost wages, if any, of the Trustees.

(iii) Necessary Documentation

The Trust document, which the participating employers must agree with, gives the Board the right to enter the employers' premises to obtain the information required to administer the Plan, should it be necessary. This is a necessary precaution. Information must be provided on a timely basis.

As well, there is a guarantee that the Board of Trustees will provide complete information to Plan members, on a timely basis.

Plan members are mailed a booklet which outlines the Plan provisions and an annual statement showing individual entitlements. For all other information, ask your Trustee.

11. How The Local Joins the Plan

Participation in the Plan must be negotiated into the collective agreement. In addition, the level of contributions by both parties must also be included in the collective agreement.

The Local has responsibilities once the employer participates in the Plan. Because the Plan is union-run, the Local will be asked, at least once per year, to verify enrolment data received by the Plan's administrator.

Should the employer fail to remit contributions, the Local will need to file a grievance.

CONCLUSION

This Plan is far superior to a money purchase option, which is often the pension scheme the employer is seeking. There are a few key reasons why this Plan is an excellent benefit. First, the fact that it is a defined benefit plan means retirement incomes can be calculated. The Plan member has little or no risk, while in a money purchase plan each worker in essence becomes a stock market speculator. Secondly, it is possible to make improvements to the scheme. Funding for these improvements can come from negotiating increased contributions from the employer and/or use of surplus funds.

In a money purchase option what you pay for is what you get. Pensioners take their individual pension accounts and simply go shopping for the best pension wage they can afford. The fees charged and the interest rates of the day determine your wage.

The major difficulties with the Plan are that it is a career average Plan and not a final or best earnings defined benefit type Plan and it is not indexed. However, given that the Plan is new, it is very good. Over time it is possible to make improvements, particularly since the unions control the Plan.

CUPE continues to pursue pensions for all of our members that will lead to financial security during retirement. We are firmly committed to achieving adequate pension coverage.

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