



What You Need to Know about the Pension Issue - Qs And As

What kind of pension plan do I have?

The federal public service employee pension plan is a defined benefit pension plan that is indexed to cost of living increases. It provides an income for plan member's survivor and eligible children in the event of your death and also provides decreasing term life insurance coverage to pension plan contributors (Supplementary Death Benefit Plan). For particulars on the plan, please consult the PWGSC website.

What is the difference between a defined benefit pension plan and a defined contribution pension plan?

In a defined benefit pension plan, the pension benefits that a plan participant receives are predetermined. Under your plan, the basic formula is 2% **X** number of years of pensionable service **X** the average salary for 5 consecutive years of highest paid salary.

In a defined contribution pension plan, the pension benefits that a plan participant receives are not predetermined. They are determined on the basis of the returns obtained on the investments of the contributions to the plan; these fluctuate on the basis of the returns on investments of the pension fund.

Why is a defined benefit pension plan better for employees?

In a nutshell, a defined benefit pension plan is better for plan contributors because it protects against the cyclical and inevitable ups and downs of markets and returns on investment. Unlike defined contribution pension plans, these fluctuations generally do not impact on the amount of the pension received. Defined benefit pension plan funds outperform defined contribution type funds over the long term. This has been so when considering their performances over the last 50 years.

Why did the CD Howe Institute report on the P.S., RCMP and Armed Forces pension plans and not the CPP/QPP plans?

Excellent question. One can only assume that they were taking aim at plan participants of those 3 plans and did not want to take on all Canadians. We might call it public service employee bashing.

Who regulates the P.S., RCMP and Armed Forces pension plan ?

No one! Most pension plans in Canada, even most public sector plans, are regulated by either provincial or federal pension standards legislation. In other words, there is no neutral arm-length authority regulating the administration of your pension plan by the plan sponsor (federal government).

Why doesn't CAPE negotiate protection for our plan?

The federal government pension plans are not subject to bargaining under the current legislation. In May of 2008 CAPE and the Professional Institute of the Public Service (PIPSC) filed a Constitutional challenge in this regard. The challenge seeks to invalidate provisions contained in the Public Service Labour Relations Act which prohibits federal employees from negotiating employee classification, staffing and pension plans.

What are we doing?

CAPE's Mobilization Committee met on March 1 to insure continued action and mobilization on this issue. The 18 public sector unions are united against government action against our pensions and a meeting is being held this week. On March 4, the date of the budget release, CAPE Research Officer Hélène Paris will be in attendance at the budget lock-up. CAPE President Claude Poirier, Jean Ouellette, Hélène Paris and legal counsel Peter Engelmann of Sack Golblatt Mitchell LLP will be examining the implications of the details of the budget as they become available starting at 4 p.m., and will prepare CAPE's reaction to the budget for distribution to the membership and the media. A Post-budget Special General Meeting to discuss the impacts of the March 4th budget on CAPE members and on the federal public service has been called for March 11 (please consult our website for details).