



INFORMATION UPDATE 2010 #13

May 10, 2010



A special thank you to all who participated in the May 1, 2010 Rally and Demonstration to oppose the nation-wrecking going on across Canada and who participated in the May 2 Conference on Nation-Building.

PENSION PLANS AND INDEXING

There is a huge assault going on across Canada and North America to convince workers to give up their defined benefit pension plans and agree to some version or another of a savings plan. (These plans have one characteristic- they cannot tell you what you will receive per month when you retire- it all depends on the market, interest rates, “how your investments did”, whether you picked the right investments, etc.) Another area of attack is on the question of pension indexing.

For example: The Memorandum of Agreement between U.S. Steel Canada Lake Erie Works and Local 8782 states, under “Pensioner Payments”: “The Company will no longer index pensions. Instead, the Company will make lump sum payments...”

CBC news broadcast on April 26, 2010 stated “A group representing 12,000 retired provincial civil servants is consulting a lawyer about the changes the government is making to their pensions. The NDP government plans to cap their cost of living increase at 1.25 per cent each year for five years, starting in 2011. The pension changes were laid out

in the budget, unveiled earlier this month. “The Nova Scotia Government Retired Employees Association (NSGREA) claims the pensioners were never consulted. The group considers the changes unfair. “With the stroke of a pen, the finance minister and the new government are changing the rules we were hired under and retired under,’ the group said in a statement. The NSGREA said the average pensioner receives \$17,400 which means many would qualify for a \$240 tax break for low income Nova Scotians. With the five-year cap, even more retirees will be eligible, the group said....”

It should also be pointed out that one of the reasons the workers in Greece are demonstrating is that there are plans afoot to drastically change the pension rules, both when workers can retire and how much they will receive.

PENSION INDEXING FOR STELCO RETIREES

The retirees at Stelco (Hamilton Works of US Steel Canada) have had an indexing formula for their pensions since 1991. (This was one of the things that the workers won after a three month strike.) It is a formula based on the Consumer Price Index (CPI) and how well the return on investment of the pension plan is. If a worker received a \$1000 per month pension in 1991 (which is approximately what the basic pension for a 30 year service employee at that time would be), because the plan was indexed and because the increase was rolled into the base pension, he/she would receive about \$1,366 per month on August 1, 2009. In that period the CPI increased by 40%. Because of the indexing, a pensioner is recovering some of what was lost because of the increase in the cost of living.

It should also be pointed out that in 1991, the maximum Canada Pension Plan(CPP) payment was \$604.86 while the CPP maximum for 2009 was \$908.75, an increase of 50% due to the increase in the cost of living, and the fact that the increases are rolled.

Without indexing, the Stelco pension plan from 20 years ago would have lost at least 40% of its value. Just think what a difference \$366 a month would mean to a pensioner making \$1000 a month. Or what if the maximum CPP was only \$600 a month instead of \$900 a month. So what sounds very innocent on paper, “The Company will no longer index pensions”, becomes huge in determining how a pensioner will live.

SUPPORT THE LAFARGE WORKERS

About 60 workers who are members of Local 16506 USW went on strike against Lafarge Canada on May 7, 2010. The main issue over which talks broke off was the demand by the company that the workers agree to a defined contribution pension plan for new hires, as well as agree to a defined contribution pension plan for all future credits earned by the present work force. These attacks against the workers right to a secure retirement are going on across Canada and have to be opposed.

Companies want defined contribution pension plans because they are no longer responsible for a workers retirement income. If the market collapses, it is just too bad for the retiree, but the company is off the hook Along with fighting for defined benefit pension plans, it is high time the labour movement develop the battle for a national defined benefit pension plan that provides a living income for all retirees.