



INFORMATION UPDATE

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Pension questions

Recent news stories are only speculation until the government announces its intentions

Some members may have noticed recent media stories about the federal government's alleged intentions to amend the pension system for federal employees as a deficit-fighting measure. In the absence of hard fact, most stories have fed on speculation.

Last week, for instance, a flurry of stories appeared after Treasury Board President Stockwell Day met briefly with two federal union leaders to, officially, seek "input on public service workforce and workplace issues."

Mr. Day confirmed following the meeting that deficit reduction would be a focus for the government in the coming fiscal year. In response to a direct question about pensions, he said, «We want to maintain the integrity of our public sector pension plans,» a statement which may lend itself to interpretation but contains no concrete information.

UCCO-SACC-CSN has been closely tracking this issue, but does not feel it is wise to comment on speculative news stories that have no real content. This is why the national executive has refused to respond to recent media inquiries on the subject. Indeed, if the government intends to move in this direction, commenting on the speculation only helps the government prepare public opinion for any unwelcome changes.

The national president has contacted Mr. Day to request a meeting. In letters to Mr. Day and to newly appointed Public Safety Minister Vic Toews, sent January 27, the union welcomed both men into their new portfolios and expressed a desire to review priority issues of mutual concern. Among others, the union intends to remind Mr. Day of his party's commitment regarding the pension plan for correctional officers, and to ask him if this recent speculation has any merit.

It is clear that the government is preparing deficit-reduction measures that will have an impact on the federal public service. But UCCO-SACC-CSN also realizes that specific information about these measures is unlikely to be publicized before the federal budget is introduced in the House of Commons on March 4. The

union will have more to say at that time.

What is clear is that much of the current speculation was triggered by a study published in late 2009 by the C.D. Howe Institute. Titled, *Supersized Superannuation: The Startling Fair-Value Cost of Federal Government Pensions*, the study clearly intended to shock and frighten taxpayers during a time that many private sector pension plans are under attack.

In examining the plans for the Armed Forces, the RCMP and the federal public service, the study claims that the government has systematically underestimated the cost of pensions for their retirees. If the government used the so-called «fair-value» system to calculate its costs, taxpayers should be on the hook for \$57.8 billion more (\$197.7 billion instead of \$139.9 billion) an amount it

says should be added to the federal debt.

According to the Institute, the fair-value measure is more accurate because it is based on market fluctuations. But it is not applicable in this case for a variety of reasons. For one thing, the government is a permanent entity; unlike private corporations that may one day go bankrupt and leave many pensioners without incomes if their pension plans are not properly funded. For another, it calculates all future pension payments as if they were to be paid

today, and not spread out over several decades, during which their actual proportion to federal revenues will be much smaller.

While the study attacks the defined benefit pension plans of federal public servants, however, it offers no alternative. Its actual use may be more for its political shock value, and the timing of its publication is certainly suspect. During the month of January, in fact, Prime Minister Harper held a well-publicized meeting with the C.D. Howe Institute in his stated efforts to consult Canadians on the economic direction for the country after he recently prorogued Parliament. If he were searching for a justification to attack the pension plans of federal employees, this study may serve as one.



Musical chairs: Newly appointed Treasury Board President Stockwell Day, left, is a former Minister of Public Safety. The new Public Safety Minister, Vic Toews, was once President of the Treasury Board. The union has requested meetings with both ministers