

# Pension improvements can't be made during collective bargaining

We often receive suggestions to negotiate improved pension benefits, especially during periods of collective bargaining. This document clarifies the CEU's relationship with the WCB Superannuation Plan (the Fund) and how pension improvements are made. The CEU is unable to negotiate superannuation issues in collective bargaining. Only the Fund's Trustees can make decisions as to the benefits available and the management of the Superannuation Plan (the Fund). More information is provided in the questions and answers below.

## Who controls the Superannuation Fund?

The trustees control the Fund. Two trustees are assigned by the plan owner (i.e., the Workers' Compensation Board). The WCB has assigned one management trustee and one contributor trustee. The employer contacts the CEU for our recommendation for the contributor trustee when there is a vacancy. The employer has always accepted our recommendation, although it is not obligated to. (Click on Contacts, and then Committee List on the CEU web site, <http://ceu.bc.ca>, to find out who the current contributor trustee is.)

The Trustees have a legislated responsibility to maintain the Fund in a position to meet all its future obligations by controlling expenditures and investing the Fund responsibly.

## What is the role of the Superannuation Fund observer?

The CEU appoints an observer who attends all meetings of the trustees, but does not participate in making decisions (i.e., has no vote). (Click on Contacts, and then Committee List on the CEU web site, <http://ceu.bc.ca>, to find out who the current observer is.) The observer's role is to:

- Facilitate communication between the CEU Executive and the Fund's trustees
- Report on issues pertaining to the Fund to the CEU Executive

## Why is the Fund managed in this way?

It was set up to protect contributors. If pension issues were included in collective bargaining, the benefits, size, and funding of the Fund could be 'traded off' for other shorter-term benefits. The trustee system has developed to protect the Fund from this. It puts the onus on the trustees to manage the Fund for the benefit of the contributors.

## What must Trustees look at when making pension improvements?

Trustees must consider the capacity of the Fund to pay for improvements now and in the future. With new benefits, some pension plans have put at risk their ability to pay for regular benefits and inflation increases. Some funds have had to lower benefits or claw back some coverage under the plan as investment or inflationary pressures change.

The Trustees also have to consider whether the changes will benefit all plan members fairly. They cannot make improvements that will benefit one group of members disproportionately.

## What improvements are requested most frequently?

Below, we provide some comments on frequently requested changes. Please note, in commenting on these suggested improvements, we only point out the issues that the trustees are obligated to consider. We aren't suggesting that the trustees shouldn't consider improvements if the plan can 'afford' them.

1. **Change to the rule of 85 instead of the rule of 90:** With the rule of 90, you will receive an unreduced pension, if at the date of retirement, you are at least 55 years old, and your age plus contributory service equals 90. With the rule of 85, your age plus contributory service only has to equal 85. A contributor would have to have at least 26 years' service to

get any benefit and at least 30 years' service to get the maximum benefit. Changing this rule would be a large "cost" for the Fund. The change would only benefit a portion of the contributors.

2. **Introduce a dental plan for retirees:** This is a very expensive benefit. A dental plan totally funded by the Fund could put at risk the ability to maintain basic and inflation benefits in the future. Other pension plans have had to reduce coverage due to the expense of fully-funded dental plans. If the plan was to be partially funded by the Fund and those receiving pensions were to pay the rest, this would require all those receiving pensions to join the

dental plan. This could be onerous for people with small pensions.

3. **Improve the basic benefits:** This would also cause a large draw on the Fund. The Trustees could only consider improving the basic benefits if they concluded that the Fund's ability to pay in the future would not be impacted.

### **Where can I get more information on our Fund?**

Please go to <http://pensionsbc.ca> and click on "WCB Pension Plan" in the left hand column.