

# National Pension Committee Report

Hi everyone,

I hope everyone had a positive Convention in Vancouver and a good return to regular life.

I have a couple of things I wanted to update you all on, as we enter into this transition period between the 2009-2011 committee and the new one. I understand that we once again have clarification that all of you who were named to the 2009-2011 NACP will remain officially members until such time as the new Committee is announced – which may not be until the early months of 2012. So, we continue...

The main thing I wanted to report was that a despicable new book has just recently be released, a full scale attack on public sector pension plans. The very revealing title is as follows:

*“Pension Ponzi: How public sector unions are bankrupting Canada’s health care, education and your retirement”*

It is probably the most extreme written attack on pensions and on unions that I’ve ever seen. The bad news is that the book is likely to get wide circulation, appear in bookstores across the country, and have write-ups in major newspapers. TV and radio interviews with the author(s) are already beginning. The good news, if there is any, is that the book is true junk. It is really a rant, written by non-academics who are not familiar or interested with any of the academic literature on the subject. Their conclusions are that public sector pension plans, including CPP, should be slashed substantially, if not closed down altogether. Their alternative proposal is a kind of minimalistic system pegged to the poverty line, with individuals relaying essentially on RRSPs and TFSAs to try to finance a non-poverty retirement. This would doom most workers, of course, to impoverished retirement, or no retirement at all.

The argumentation in the book is crude. The authors repeatedly assert that public sector pension plans are based on a “70 percent formula”, meaning that they all receive pensions worth 70 percent of their final income, and are fully indexed. This is based on their erroneous assumption that all public sector pension plans provide a 2% accrual formula, and all members work a full 35 year career. ( $2\% \times 35 \text{ yrs} = 70\%$ ) We know, of course, that most plans are integrated with CPP, and so pay pensions worth only about 2/3<sup>rd</sup>s of the 2% accrual rate. We also know that only a small minority of workers start early enough and work consistently enough to reach 35 years – and the percentage that do, mostly men, is in decline, thanks to more and more precarious work, part time work, temporary and casual work, and disrupted work lives. Finally, we also know that many public sector pension plans do not provide full indexing, and of those that do or did, many have been trimming it back or eliminating it altogether. But the book ignores all of this, and simply asserts that all public sector workers have these ideal, “gold plated” pensions that are fully protected by government backing. There are many additional factual errors and distortions thrown in along the way.

I am going to try to find some time to write up a response to this book in the coming days, and will share this once something is completed. In the meantime, you might get an idea of this book – and my partial response – from an interview that was done with one of the book’s writers last week on the Lang and O’Leary Exchange (on CBC News network). The producers invited CUPE to provide a “response”, so I

was able to get a couple of minutes of comment into the mix. You can see this video online, if you have a capable computer, at the following link:

[http://www.cbc.ca/video/#/News/TV\\_Shows/Lang\\_&\\_O'Leary\\_Exchange/1308689786/ID=2165811814](http://www.cbc.ca/video/#/News/TV_Shows/Lang_&_O'Leary_Exchange/1308689786/ID=2165811814)

In the big picture, the problem is that this book represents just one part of the larger attack on all pensions, and especially public sector pensions, which is now accelerating. The performance of financial markets in 2011, alongside the very shaky economic picture and prospects of a renewed recession and possible stagnation, is clearly making our task of defending pension arrangements that much more difficult. As more workers lose their pensions, those who still have them will come to be viewed as “privileged”, and not deserving. We need to switch that channel in a way that fully agrees that the overall lack of pension coverage (and retirement income security) is a serious problem, but insists that taking it away from those who have it is no solution at all, and would actually make the problem worse!

I will send a slightly re-worked version of this note to the pension activist email list, so apologies in advance for the repetition. Any thoughts or reactions are welcome. Also, keep an eye out for letters to the editor or appearances on tv or radio by this book’s author, Bill Tufts. He has been actively attacking public sector pensions for several years, usually through nasty letters to the editor or op-eds that the right-wing media is happy to publish. It will be useful to keep an eye out for this. Please feel free to share anything you see on this list. More to come...

Best to all  
Kevin