

Pensions – Women’s deferred wages

As the average age of workers goes up, and our jobs become harder with fewer co-workers to share the workload, pension issues are climbing the agendas of many CUPE locals. Pensions – workers’ deferred retirement wages – are as important as our current wages. Raising women’s wages means we increase the retirement income of CUPE women.

Despite the gains women have made, women seniors are still among the poorest of our Canadian society. Older women, living alone, fare the worst. In the mid-90s, more than half of single elderly women were poor compared to one in three single elderly men.¹

Our pension wages include the public pension plans - Quebec/Canada Pension Plan (Q/CPP) and Old Age Security/Guaranteed Income Supplement (OAS/GIS) – along with our workplace plans.

Since most women will live at least 20 years after retirement, a good pension wage is essential to ensure CUPE women retire with financial security.

A strong public system needed

Our public pension system is key to providing a secure retirement for CUPE women.

The OAS/GIS covers every **citizen** age 65 and over while the Q/CPP covers every **worker**. CUPE’s position is that these public pension systems should be improved as they are vital to workers, especially women.



Statistics show that 34% of the income of younger retired women (aged 65-69) comes from the combined OAS/GIS. Another 22% comes from CPP. This means **more than half** (56%) of their retirement wages comes from the public system.² For men of the same age category, 39% of income comes from the combination of OAS/GIS (19%) and Q/CPP (20%). This gender gap in income is even worse for women over age 69.

The Q/CPP is the basic pension wage for all workers. On average, when they retire, women collect less – as much as 41% less – from Q/CPP, than men.³ The gap is primarily due to lower wages, often from part-time work, resulting in lower contribution rates throughout a woman's lifetime. Few women contribute the maximum because their earnings fall below the ceiling.

The Importance of the Public Pension System⁴

- About 54% of income Canadians aged 65+ receive is from the public pension system.
- Less than 12% of seniors' income is from investments – mostly from bank account interest.
- Half of all seniors have annual incomes below \$15,634, the median* for those people aged 65+. The median for those aged 45-54 is almost double (\$29,547). For those aged 35-44 the median income is 83% higher than seniors (\$28,669).
- Almost one in five Canadians aged 65+ are considered low income.
- Almost half of single women aged 65+ have incomes below Statistics Canada's low-income cut-off.

* Median means the middle of all incomes reported for the age group given.

Workplace pensions

As important as our public pension system is, good workplace pensions are essential to prevent workers, especially women, from retiring in poverty.

A good workplace pension – the defined benefit type – provides a guaranteed lifetime pension wage based on pre-retirement earnings and the length of membership in the plan. These good workplace pension plans are a collective approach to retirement wages and often provide inflation protection that increase paycheques throughout retirement.

When it comes to workplace pension plans, CUPE women face significant issues:

1. When women's wages are lower so are their pension wages. Workplace pensions are based on what workers earn. Women draw less of their retirement income from a workplace pension plan – 14% compared to 26% for men.⁵
2. Workplace pension plans are based on years of paid workforce service. Women have more stops and starts in their overall workforce years due to childbearing and family responsibilities. These breaks affect the length of time they can contribute to a workplace plan. Women still spend more time, on average, per week than men on unpaid work.
3. Large numbers of women work part-time. It is only since the mid-to-late 80s that most provinces legislated that registered workplace pension plans be open to part-time workers. It will take decades for women to reap the benefits of this change.

4. Even though workplace pensions are important to keep retirees' incomes above the poverty line, the number of workers who have workplace pensions is still low. Less than half of Canadians in the paid workforce have a workplace plan. And some of these registered plans are not the defined benefit type.⁶

Your RRSP and other private savings

Private savings, such as RRSPs (registered retirement savings plans), are often confused with workplace pension plans. This is because the Income Tax Act lumps together workplace RPPs (registered pension plans) and personal savings, an individual's contributions to an RRSP. **RRSPs are not pension plans.**

Women as a group are less able to contribute to an RRSP, according to Statistics Canada and Canada Customs and Revenue Agency data. For both women and men, statistics show that the higher the income, the more likely the ability to contribute to an RRSP.

Fewer women than men have RRSPs and women's contributions are also lower. Forty per cent of women contribute to an RRSP versus 60% of men. Women only save \$6 to every \$10 that men save. Few men make spousal contributions to RRSPs to help bridge the pension gap for their female partners.⁸

Good news — the MS Pension Plan for CUPE members!

Now there's a new national pension plan — the Multi-Sector Pension Plan (MSPP) — for CUPE members who do not have one or have an inferior plan.

What is a defined benefit pension plan?

- Defined benefit (db) pension plans calculate your age on retirement according to a formula (in your pension plan text). It is usually based on your pre-retirement wage and length of plan membership.
- About 87% of all pension plan members in Canada participate in db plans. Almost all public sector workers (95%) belong to one.⁷
- A db plan is a collective approach versus the individual money purchase type plan. With a money purchase plan you have to buy your retirement wage and weather the ups and downs of the marketplace.
- A db plan treats all plan members equitably. It can provide inflation protection, disability pensions and survivor benefits. Members do not have to purchase these important features individually, as with money purchase plans (and that is if they can afford them).
- A db plan can meet a specific workplace need and, most importantly, provide decent, early retirement pension wages for part-time workers, as well as cover other issues vital to women workers.

Members join this multi-employer defined benefit pension plan through the collective bargaining process. This breakthrough means that all CUPE members, regardless of how small the bargaining unit, now have the opportunity to join a good workplace pension plan.

It's an even more important gain for CUPE women since most often they are the ones without a workplace pension.

While the MS Plan is registered in Ontario, it is open to CUPE members from coast to coast. The MS Pension Plan is fully controlled by CUPE and the SEIU (Service Employees International Union), not employers.

Joining the plan is simple. Each bargaining unit negotiates the plan into the workplace. What you bargain is the level of worker and employer contributions, and the employer's commitment to provide the necessary employee data. (For specific collective agreement language and other information on the MSPP, contact CUPE Research.)

The retirement wage paid is based on two factors:

1. A formula that considers the total contributions you and your employer make.
2. A past service benefit based on the years with your employer prior to coming into the MS Plan.

Members don't purchase past service individually. The cost is shared by all members as part of the MS Plan and the formula used was determined with expert actuarial help.

The MS Plan is based on the Nursing Homes and Related Industries Pension Plan (NHRIPP) which started in 1991. It now has assets of \$300 million with more than 2,000 retirees and more than 300 participating employers. The MS Plan piggybacks on the NHRIPP service providers (i.e. actuaries, lawyers) to minimize start-up costs.

The new MS pension plan is one strong step toward our goal to have CUPE women retire with decent pension incomes.



Up with women's retirement wages!

A good workplace pension plan is an important part of our employment package. It can make the difference between poverty and a long comfortable retirement career (on average, retirees live 20 years).

For CUPE women, a defined benefit pension plan is crucial because these plans address issues that impact directly on women's wages — coverage, shorter service, inflation protection, and survivor benefits, to name a few.

Some of our workplace pensions are controlled, either in whole or in part, by workers. Ensure the pension activists in your local union are addressing women's pension issues. Many CUPE locals can directly bargain pension matters while others bargain through our pension trustees.

We need to fight to get good coverage (such as the MS Pension Plan) where none exists and to make our pensions work for us.

We also need to fight to have the public pension system improved.

Want to know more about your workplace pension?

- Provincial law, except in PEI, requires disclosure of basic pension plan information. You are entitled to an explanation of your pension plan along with a personal statement of your pension status.
- Your local union is entitled to your pension plan text, actuarial report and annual information returns.
- For more details, speak with your pension trustee, local executive, pension committee, women's committee or your CUPE national representative.

Quebec/Canada Pension Plan (Q/CPP)

- Provides workers with 25% of their pre-retirement earnings up to a ceiling that increases every year (\$38,300 in 2001).*
- Mandatory coverage for all workers 18 or older whether full-time, part-time, casual or self-employed.
- Both employees and employers are required to contribute.
- Retirement wage available to anyone aged 60+ who has worked and contributed to the plan (amount depends on annual average of lifetime earnings).
- Time away from the workforce for child rearing recognized.
- Accommodation for relationship breakdown.
- Inflation protected.
- Portable (follows workers from workplace to workplace).

At January 1, 2001, the full monthly benefit from Q/CPP was \$775.00.* But most CUPE women do not receive the full benefit.

Old Age Security (OAS)

- Provides a basic guaranteed pension wage to all Canadians.
- Available, on application, to all citizens aged 65+ who meet certain residency requirements regardless of past labour force record. (Since 1977, Canadian immigrants must meet lengthy (40 years) residency requirements to collect full benefits.)
- OAS provides a monthly flat rate benefit, fully protected from inflation.

At January 2001, the full monthly benefit from OAS was \$431.36.*

Guaranteed Income Supplement (GIS)

GIS is an income-tested supplement for those aged 65+ with very low incomes who rely almost solely on OAS.

The GIS maximum payment at January 2001 for a single or widowed person was \$512.65 and for a couple (both 65 or older) was \$333.93 each.*

- In 1975, a Spouse's Allowance was introduced for those aged 60 to 64 married to (or widow/ers of) GIS recipients. The Spouse's Allowance is \$765.28 while the Widowed Spouse's Allowance is \$844.88.*

*For updated amounts, visit, phone or write your closest Income Security Program office. See the blue pages of your phone book.

Pensions in your CUPE Local – a woman’s checklist

1. Representation

- Are women’s pension issues on my local’s agenda?
- Are women represented on bargaining or advisory committees, as pension trustees, or in other activist roles?

2. Coverage

- Do I have a workplace pension plan? If not, can my local bargain the new MS Pension Plan?
- Is my present workplace pension plan a defined benefit type?
- Can I join my workplace pension plan? How soon?
- Is joining my workplace pension plan mandatory?

3. Are leaves of absence (LOAs) and breaks in service pensionable?

- Can I, and is my employer required, to contribute to my workplace pension when I am on an LOA?
- Can I get credit towards my pension plan for some LOAs without making contributions? (An example might be sick leave and long-term disability.)
- Does my pension plan calculate, or take into consideration, a reduction in the paid working life of women?

4. Can I take my pension from place to place?

- Can I take the pension I’ve earned to my next job?
- Do I have an agreement with other pension plans to fully cover any transfer?
- Am I entitled to a pension regardless of how long I stay in my job?
- Do my termination benefits ensure that my pension builds from workplace to workplace?

5. What about part-time workers?

- Is all of their service credited?
- Is the pension plan mandatory for part-time workers?

6. What about a pension for my spouse?

- Will there be a survivor pension for my spouse without reducing my pension wage?
- Does my plan cover same-sex spousal benefits?

7. Do I have inflation protection?

- Does my workplace plan provide wage increases to cover inflation throughout my lifetime?

8. Does my workplace plan ensure that low-wage workers do not subsidize high-wage workers?

- Are pension deductions proportionate to my wages and the benefits I will collect?
- Does it ensure that low-wage workers do not pay a higher percentage of their wages in pension contributions than those who earn more?

9. Is there accountability?

- Does my pension trustee understand women’s pension issues?
- Are women in my workplace trained to be active on pension issues?

1 As Measured by Statistics Canada’s Low Income Cut-Off.
2 Statistics Canada. *Perspectives on Labour and Income*. Winter 2000, Vol. 12, No. 4.
3 The benefit paid to new retirees at January 2001 per month was \$316 for women compared to \$532 paid to men. HRDC Canada Pension Plan Statistics.
4 Monica Townson, *Pensions Under Attack: What’s Behind the Push to Privatize Public Pension*. Canadian Centre for Policy Alternatives, 2001.
5 Statistics Canada. *Perspectives on Labour and Income*. Winter 2000, Vol. 12, no. 4.
6 In 1998, only 42% of men and 39% of women in paid work were covered by registered pension plans. Statistics Canada. *Trusted Plans in Canada*.
7 *Pension Plans in Canada*. Statistics Canada, January 1999.
8 In 1989, only 3.4% of RRSP contributors made some or all of their contributions in their spouse’s name and 98% of these were men. Statistics Canada. *Perspectives on Labour and Income*, Summer 2001.