What should you do if you are told that your board of trustees or pension advisory committee needs to recommend plan design changes?

Is it within the scope of your duties to advise on plan design changes?

- Does the board of trustees or committee have the power to amend the Plan?
- What does the relevant legislation, trust agreement, sponsors agreement, or collective agreement say about this?

NO → **Do not proceed!**

- Inform the board/committee it is beyond the scope of your responsibilities.

YES → **Carefully consider the following:**

- Are trustees / committee members acting solely in the best interest of plan members in its assessment of whether plan changes are warranted?
- Are trustees / committee members considering the interests of active members accruing a pension, retired members in receipt of a pension and any others who may be entitled to a benefit from the plan?
- Are improper considerations driving the push for plan design changes (e.g. interests of the employer)?
- Is there a plan to engage in a meaningful consultative process with plan members and sponsors/stakeholders about possible plan changes?
- Is there a plan to disclose the terms of proposed changes and their impact on all plan members (new hires, mid-career, late-career, retirees, etc.)?

CASE STUDY EXAMPLE

KEY TERMS & BACKGROUND INFO

CPP enhancement: In 2016, a deal was reached between the federal and provincial governments to enhance our Canada Pension Plan. A small increase in contributions from workers and employers is funding a modest, gradual expansion of CPP benefits. CUPE played a major political role in the campaign to expand CPP.

- Increase CPP replacement rate from 25% to 33% by:
  a) Phase in a 1% contribution increase for employees and employers
  b) Increase CPP earnings limit, allowing an additional portion of earnings to be directed to CPP (the "Year's Additional Maximum Pensionable Earnings)

Integrated workplace pension plans: contribution rates and benefit formula take into account CPP (original) contribution rates and benefits

- Step rate integration: lower contribution and accrual rates on earnings below YMPE
- Offset integration: a bridge benefit that stops at age 65

The fact that a workplace pension plan is an integrated plan **does not mean further integration is automatic or necessary**. In fact, most workplace plans have not adopted further integration in light of the expanded CPP benefits. Many public sector plans considered but rejected this change because of:

- The lengthy period over which CPP benefits grow in. Members will not receive the fully enhanced CPP until 2065, after approximately 40 years of making contributions under the higher rates.
- The fairly modest improvement in CPP benefits
- CPP enhancements affect younger and older, lower income and higher income, workplace plan members differently
- Technical complexity of properly matching a benefit/contribution rate reduction to the CPP enhancement

ISSUE

In June 2021, a memo was sent to all plan members, on behalf of the board of trustees, informing members that as a result of CPP benefits increasing, *"the pension benefit earned under the Pension Plan from January 1, 2022, will reduce by a comparable amount to the increase in your CPP benefits, to continue to offer a similar overall level of retirement income from the combination of the two Plans over the long term".*

The Board of Trustees had the power to amend the pension plan under the trust agreement. However:

1. The Board of Trustees did not engage in any meaningful consultation with plan members or stakeholders
2. The Board of Trustees failed to disclose the exact terms of the proposed plan change
3. The Board of Trustees did not disclose the impact on plan members
4. The Board of Trustees offered no explanation as to why a reduction in benefits was in the best interests of plan members

When CUPE raised these issues with the Board of Trustees, through legal counsel, the plan design change proposal was dropped.

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