① Pension
② contract committee

Canadian Union of Public Employees

Local 1004 C.L.C.

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December 29, 1986

CANADIAN UNIVERSITY EMPLOYEES
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Dear Sisters & Brothers:

Re CUPE THE FACTS:
Collective Bargaining
December 17, 1986

I am not sure whether you will be receiving the enclosed information or not. Please note the highlighted area on page 2. As I recall, this describes the UBC Pension Plan and you may wish to consider making amendments to the plan and/or raising this issue through your representatives on the Pension Board.

In solidarity,

Carole Cameron

Carole Cameron,
Administrative Coordinator

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Enclosures

CUPE
Research Department
The Facts: Collective Bargaining

December 17, 1986

TO: All CUPE Locals
National Representatives
Regional Directors
Division Executives

FROM: Karen Stotsky
Research Officer

RE: Changes to the Canada Pension Plan

Effective January 1, 1987, a number of changes to the Canada Pension Plan (CPP) will be implemented. The following is a summary of the major changes.

Contribution Rates

Contributions to the CPP are required on contributory earnings. These are earnings between the Year's Basic Exemption ($2,500 in 1987) and the Year's Maximum Pensionable Earnings (YMPE) ($25,900 in 1987).

At present, contributions are 1.8% of contributory earnings, paid equally by you and your employer.

With the change, contributions will increase by 0.2% in combined contributions for each of the next 5 years, then by 0.15% per year for the next 20 years.

YEAR	EMPLOYEE	EMPLOYER
1986	1.8%	1.8%
1987	1.9%	1.9%
1988	2.0%	2.0%
1989	2.1%	2.1%
1990	2.2%	2.2%
1991	2.3%	2.3%

In 1987, the change will increase the annual maximum employee contribution by about $23.

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In the majority of our plans, contributions are based on a specified percentage of earnings, i.e. 6% (or 5.5% up to YMPE and 7% in excess of YMPE). The increase in contribution rates will have no effect on plans with this type of contribution formula.

Plans which will be affected are those in which contribution levels are stated as "x" per cent of earnings less CPP contributions. With the gradual increase in CPP contributions, less and less money would be going into the employer-sponsored plan. Those with this type of plan should consider having the plan text amended so that contributions required are "x" per cent of earnings, less CPP contributions at 1986 rates.

Flexible Retirement

At present, eligibility for retirement pension begins at age 65. Workers may continue to work and contribute until age 70. There is no actuarial increase if the pension is not taken until after age 65.

With the new provision, normal eligible age will continue to be age 65. However, workers may retire and receive CPP benefits between ages 60 and 70. The pension will be reduced by .5% per month for retirement before age 65, and increased by .5% per month for retirement after age 65.

If, for example, you begin receiving your pension at age 60, your monthly pension will be reduced by 30% (.5% x 12 months x 5 years = 30%). It is important to note that if you choose to take your pension before age 65 the pension will not be readjusted when you reach age 65.

If you are under age 65, you must "wholly or substantially have ceased working" to begin receiving your pension. This is defined as having annual earnings from employment less than the current maximum annual CPP retirement pension payable at age 65 (in 1987 this would be approximately $6,240). Once you qualify, you can continue to receive your retirement pension even if your earnings subsequently increase above the limit. Your application can, however, be withdrawn within six months of the first pension payment if the request is made in writing, all benefits received are repaid, and contributions on any pensionable earnings are paid.

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Many CUPE members have "bridge benefits" provided in their employer-sponsored plans, giving them larger pensions between ages 60 and 65. The effect of this provision is to provide a bigger pension from the employer-sponsored plan until age 65 when government plans such as the CPP and Old Age Security normally begin. An example of a bridge benefit would be a plan which calculates benefits at the rate of 2% of earnings times years of service for the years between retirement and age 65, and then reduces to 1.3% of earnings times years of service at age 65. This is a valuable benefit, and those with such a provision should ensure that there will be no reduction in their employer-sponsored pension plan benefits before age 65 because of the availability of early CPP benefits. The OMERS plan in Ontario, for example, has indicated they will be making the appropriate amendments to address this situation.

The decision regarding what age to take a retirement pension will vary from individual to individual and will depend on a number of factors and circumstances. Those considering retirement before age 65 should be aware that it may not always benefit them financially to take advantage of the CPP early retirement option, and that they are not obligated to do so.

Estimates of the CPP pension which would be payable to you at anytime between your 60th and 70th birthdays are available free of charge from Income Security Programs, Client Service Centre. The telephone number can be found in the federal government listing in your telephone book under "Health and Welfare Canada".

Disability Benefits

At present, eligibility is based on contributions in the lesser of 10 years or 1/3 of the contributory period.

With the change, eligibility will be based on contributions for 2 of the last 3 years or 5 of the last 10 years in the contributory period. Benefits will also substantially increase to a flat rate of $233.38 + 75% of the contributor's retirement pension.

Survivor Benefits

At present, these benefits terminate on re-marriage but can be re-instated if the new marriage ends. With the new provisions, entitlement will no longer be affected by re-marriage. For persons whose benefits have been terminated, reinstatement will be made on application. There will, however, be no retroactive payments for periods prior to January 1, 1987.

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Division of Pension Credits

The CPP allows for the division of pension credits between partners in terminated relationships. For a divorce after January 1, 1987, the couple must have lived together for at least 12 consecutive months. No application is required; the division will be made as soon as the Minister of Health and Welfare has the necessary information. There is no time limit for the provision of information. A spousal agreement signed prior to June 4, 1986 may preclude the division of CPP credits. The division may not be prevented by the terms of a spousal agreement signed on or after that date unless there is a provincial law expressly permitting that a division of CPP credits may be waived by spousal agreement. (To date, no province has such a law.) Note that only the credits accumulated during the period the couple lived in a conjugal relationship are subject to a division.

This change also extends to separation of legal spouses. The couple must have lived together for at least 12 consecutive months, the separation must have lasted for at least 12 months, and one of the spouses must apply for a division of the credits.

For common-law relationships, spouses must be of the opposite sex, and the application must be made within four years from the date of separation.

Please note that this information touches on the major changes to the CPP, but should be considered a summary only. For more information on any of the above, contact Income Security Programs, Client Service Centre in the government listing of your telephone directory under "Health and Welfare Canada".

Karen Stotsky

KAREN STOTSKY
Research Officer

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