



Fédération
des travailleurs
et travailleuses
du Québec

FTQ



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**Fondation de la formation
économique**

Education on Pensions Issues in Quebec's Labour Movement

Pensions at Work Lectures Series

by

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Outline

1. The governance of pension plans under Québec legislation
2. The FTQ's educational programme on pensions
 - a. 3-days Introduction course for trustees, bargaining committee members and other local activists, led by union trainers
 - b. Training the trainers: initial 5-day session and annual conference
 - c. 5-days level-2 course for pension trustees on funding and investments
 - d. 3-days course for union staff on bargaining pensions
 - e. Annual trustees' conference
 - f. Special projects
3. Pooling our resources together
4. What else are we working on ?
5. 2 key challenges for 2006

The governance of pension plans under Québec legislation

1. Québec amended its Pension Benefits standards in 1990, later than the Federal (1985) or Ontario (1987) but along similar lines
2. However, one significant difference: **each pension plan must be administered by a pension committee** where there are at least the following trustees:
 - a. 1 elected by active plan members at annual members' meeting
 - b. 1 elected by "inactive" plan members at the annual meeting
 - c. 1 "independent" member
 - d. + (since 2000) 2 nonvoting: 1 active, 1 non-active, also elected
 - e. More trustees can be named (employers, union, ...), depending on pension plan text, bargaining, sponsor decision
3. Pension committee is the sole plan administrator and fiduciary
4. Model originally considered for CAPSA Model Pension Law, but not retained. However, similar framework introduced in Manitoba (2005) for pension plans who do not already have a pension Board

The first steps

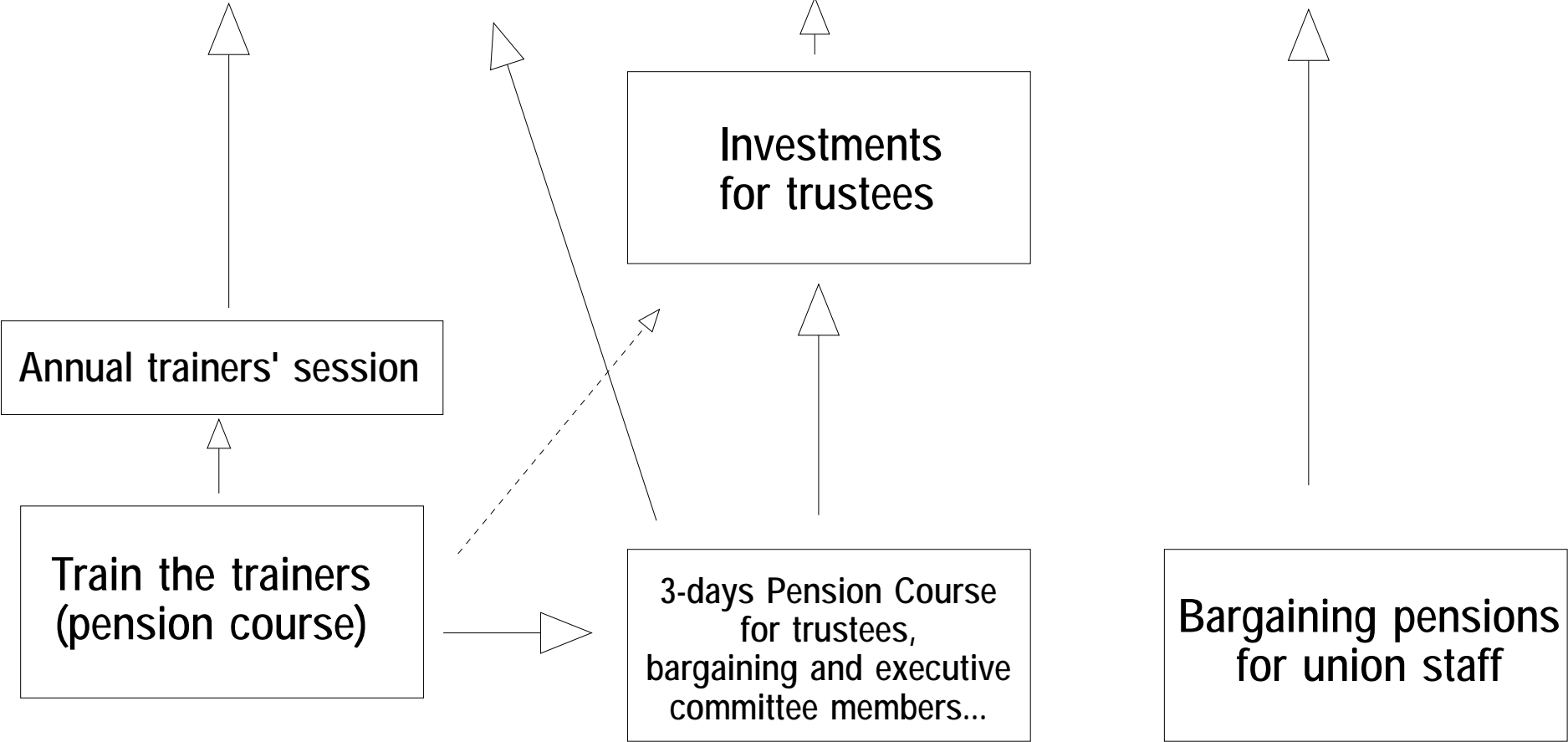
1. In 1991, first FTQ educational activities on pensions, in co-operation with some affiliates and UQAM, to inform affiliates about improved benefit standards
2. Quickly however, the need was expressed to provide some form of training for labour trustees
3. From 1994 onwards, 5-day sessions for labour trustees on the negotiation and administration of pension plans organized jointly by the FTQ and UQAM and held once or twice a year
4. In 2000, FTQ leadership comes to the conclusion that the management of pension assets should become a focus of union action and union education and organizes a 2½ days union conference on pension investments
 - a. 100-125 participants expected, 700 show up (!)
 - b. Disciplined and interested participation in all sessions
5. Partnership formed between the FTQ, the *Fondation de la formation économique* of the Solidarity Fund and the Service aux collectivités of the Université du Québec à Montréal (UQAM) to build and deliver a more ambitious educational programme.

FTQ's orientations as stated in the Policy Statement on Pensions (2001 Convention)

1. Education is the priority (courses, conferences,...);
2. Develop a network offering specialized support for labour pension trustees;
3. Better co-ordinate our union initiatives and actions;
4. Make sure that labour has a handle and a control over pension plans, including by obtaining for smaller groups the right to set up DB union plans
5. Set up a Master Trust for smaller pension plans (*les fonds Legato*)
6. Defend and improve public and supplementary pension plans to secure a decent income for all at retirement
7. Improve the co-ordination with the international labour movement on these issues
8. Recommend a proxy voting policy
9. Communication plan on Socially responsible investments key issues;
10. FTQ and its affiliates should ensure adequate integration of retired members

An overview of the program

Annual Pension Conference



3-days Introductory Course on Pensions: building an activist base encompassing the bargaining process and plan governance / administration

1. Offered 10-12 times a year by affiliated unions or labour councils to
 - a. Labour pension trustees, members of bargaining and executive committees, activists
 - b. 500 participants over the last 4 years
2. Lead by 2 FTQ trainers with the ongoing support of the FTQ Education Department
3. What are the issues discussed ?
 - a. Pensions: what are our members' needs;
 - b. Public pension plans and retirement income security;
 - c. Understanding my pension plan (More than 1 day out of 3 on that single objective);
 - d. Funding the pension plan and understanding the actuary;
 - e. Taking our rightful place to administer the plan for the benefit of members and our union activity;
 - f. How can we get better organized to improve our pension plans ?
 - g. Preparing and communicating our action plan when we go home
4. Focus on our needs as plan members and identify improvements needed in the pension plan benefits and governance: course aims at building solidarity between participants based on their common interests as plan members, beyond the usual distinctions or oppositions based on functions (ex: fiduciary duty vs. union agenda)
5. Course material (manual, slides and trainers' manual) produced and revised annually by Denise Gagnon (FTQ) and Michel Lizée (UQAM)

Building and maintaining a network of union trainers to offer the introductory 3-days course and play an active role in their union

1. Union trainers recruited from affiliated unions (their recommendation required) or, in one case, from a labour council from a more remote area
 - a. May be pension trustees, staff acting as lead person on pension issues, activists / trainers
 - b. 2 cohorts trained: 30 in total, 12 used actively
2. **Initial 5-days training**, using the FTQ method for training the trainers
 - a. Practices of 8-9 blocks of Introductory course - 'Learning by doing'
 - b. Debrief each practice to learn from the participants and better understand our union approach to education based on the experience and knowledge of participants and oriented towards acting collectively
 - c. Need to complete each exercise by providing more technical information (a significant issue in this course, unlike most FTQ programs)
 - d. Resources: Denise Gagnon (FTQ) and Michel Lizée (UQAM)
3. Lead the introductory 3-days course **teamed up with another trainer**
 - a. Team: **1 day of preparation** with Denise Gagnon before each course
 - b. For the first sessions, Denise Gagnon or an experienced trainer **will be present in the back** to support them
 - c. Alternately, match a less experienced with a more experienced
4. **Annual a 3-days conference** where all trainers are invited
 - a. Issues, problems or sections of the course they find more challenging
 - b. Key issues, e.g.: Protecting our DB plans, Pension plans and PPPs
 - c. New Developments: legislation, proposed cuts to QPP
 - d. What changes or improvements should be considered in the course ?
 - e. Developing a cadre of activists supporting pension issues in their union / local / region

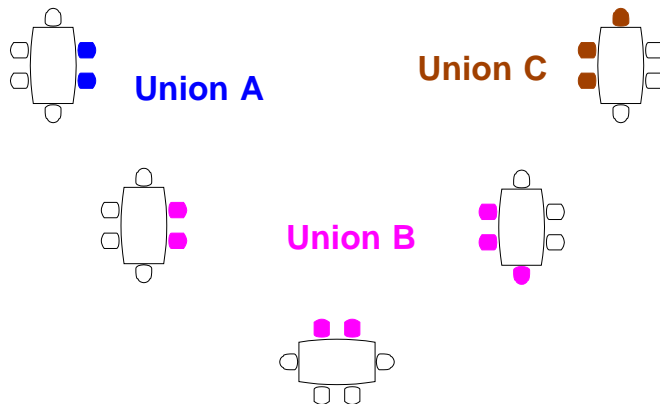
5-days level-2 course on Investments and Funding: building confidence, breaking the knowledge barrier and promoting a union agenda

1. Now offered 4-5 times a year by the FTQ to
 - a. Labour pension trustees who have already participated in the Introductory course
 - b. Around 200 participants since 2001
2. Lead by Denise Gagnon (FTQ) and Michel Lizée (UQAM), with a section on current issues on proxy voting by a person from the *Groupe Investissement Responsable (GIR)*
3. What are the issues discussed ?
 - a. Funding: what is behind the current funding "crisis" and what are our options to protect our DB plans and the retirement income security of our members ?
 - b. Understanding the Statement of Investment Policy - what should I be looking for ?
 - c. What I need to understand about bonds and equities to be able to understand the fund manager's report
 - d. How can the pension committee monitor and control the outside fund manager ?
 - e. If everything has been delegated to the employer: how can I demand better reporting and, better still, start to change that situation ?
 - f. Taking charge of the proxy voting of our equities: a fiduciary duty, but also the requirement that our pension plans serve our members' needs on governance, social and environmental issues
 - g. Socially responsible investment: What is it ? What about performance ? Initiatives of interest from forward looking pension plans
 - h. Preparing and communicating our action plan when we go home
4. Key feedback: jargon has been demystified, will no longer accept to be kept out of the loop by employers / actuaries / fund managers, feeling of empowerment, need to work more closely with the union structure and the membership

3-days course for union reps: reinforcing our capacity at the bargaining table

1. Higher awareness of pension issues in the membership and the educational programme for local union activists and trustees have raised the profile of pensions as a key issue at the bargaining table, all of which puts pressure on the staff
2. At the same time, funding issues have made pensions a key target for employers and ... creditors / investors / financial analysts
3. Union staff insecure, especially when they have to confront the pension plan actuary acting as the employer's actuary at the bargaining table
4. 3-days course focused on providing tools to the union staff to be able to work with the bargaining committee on pension issues and be prepared for the bargaining
5. Course usually organized within each union with the director (Steelworkers, CEP, CUPE) to ensure a better adequacy to needs
6. Need to increase the number of sessions, but challenges (availability, fear factor)
7. Need for a lead staff within each union on pension issues (co-ordination and staff/trustees' support) – not in place at this time except in very few unions

Being a labour trustee can be a lonely experience...



- Initial education (3 + 5 days)
- Isolated within each Board
- No specialized staff to turn to, with a few exceptions
- Local union leaders or union staff generally not in a position to bring support
- No way for trustees to turn to each other

We need an organizing and educational model

Annual conference for trustees: build the network and keep it alive around a union agenda

1. Organized annually by the FTQ since 2001
2. 80 to 150/200 trustees (and a few union staff) attend
3. What is discussed
 - a. New legislation
 - b. How unions or locals achieved gains on pensions (e.g. protecting DB plan, municipal mergers, sustainable approaches to plan funding)
 - c. Key current issues and the FTQ agenda
 - d. Discussion groups on key challenges affecting our pension plans
 - e. More technical issues, e.g.: accounting and pensions, what are hedge funds ?
 - f. One presentation on social or environmental issues relevant to pensions (ex: Wal-Mart campaign, child labour in Asia and the impact of shareholders or consumer groups' engagement)
 - g. The state of our education programme on pensions

Pooling our resources together

1. Pensions, a priority for our members but a huge challenge educationally
 - a. dispersion of trustees across locals, unions and regions;
 - b. no dedicated resources within unions, or very little;
 - c. money constraints at the local level, and little/no tradition of using pension assets for educating trustees, especially labour trustees
 - d. technical dimensions create a barrier and increase the challenge
 - but this was also the case in health and safety 25 years ago and we overcame it !
2. As was done in other areas of union training, **unions agreed that the FTQ should have the mandate** to develop the program, based on the FTQ educational approach and the development of union trainers coming from the various unions
3. **FTQ's Education Department teamed up with UQAM's Service aux collectivités** to develop and deliver all aspects of the educational programme on pensions, and from 1999 onwards with Solidarity Fund's educational arm, **la Fondation de la formation économique**, to bring its expertise and funding to the accelerated development of the program
 - a. Significant resources provided for the development of material and the organization of the sessions
4. 3-days introductory courses organized by unions or labour councils with the support of the FTQ (trainers, educational material, funding), and co-operation is encouraged when offering the sessions in regions so that it is available to all interested trustees and other activists from all affiliated locals
5. To help develop our expertise and be more active in proxy voting and engagement on social and environmental issues, the **Groupe Investissement Responsable (GIR)** makes a 3 hour presentation at each 5-day session on investments; some unions have also subscribed their trustees and interested staff on the GIR's mailing list of their weekly bulletin on SRI issues
6. **Leverage of all resources (unions, university, NGOs, Fonds Legato) under ONE umbrella, the FTQ**

What else are we working on ?

1. Experiment more diversified approaches to union staff training, currently the weak link: sessions for staff from many unions ? shorter modules ?
2. Try to promote a greater participation from women as trustees, in our sessions and as trainers
3. Evaluation of our education programme, in collaboration with Alain Dunberry (UQAM) and the financial support of the Solidarity Fund and *Pensions at Work*
4. Building a *community of practice*: learning process required so that the Labour movement can develop an organizational capability, by using online tools on top of what is now being done, to build and organize a network of trained and empowered pension activists
 - a. able to act in a decentralized, yet co-ordinated, fashion;
 - b. focused on the various issues and challenges faced by the Labour movement with regard to pensions;
 - c. engaged in a continuous process of learning and sharing of information and expertise based on their lifelong experience;
 - d. The progressive construction of a community of practice around pensions should be viewed as an **experimentation** that could be used by the Labour movement in other areas where such an organizing and educational model might reinforce the ability of the labour movement to reach the membership and especially the activists, act and win.
 - e. However, progress has been slow, so far.

What else are we working on ? (foll.)

5. Build bridges with union activists' network involved in
 - a. International solidarity
 - b. Fighting Privatization of Public services and infrastructures
 - c. International pension networks, especially through the ICFTU's Committee on Workers' Capital, as well as
 - d. retirees' organizations

6. More recently, development, in co-operation with PSAC-Québec, of a one-day session for PSAC rank-and-file members about their pension plan:
 - a. Understanding the benefits provided by the pension plan (when ? how much ? indexing,);
 - b. How our pension plan is managed: we are legally excluded, no bargaining rights and no control on its administration; and the consequences on funding (the government steals billions \$ while increasing massively our contribution rate) and on investment policy
 - c. Will be offered through PSAC-trained activists
 - d. Pilot done in fall 2005 with the Québec council of PSAC
 - e. Train the trainers session scheduled for April 2006
 - f. Pilot planned with an English-speaking group

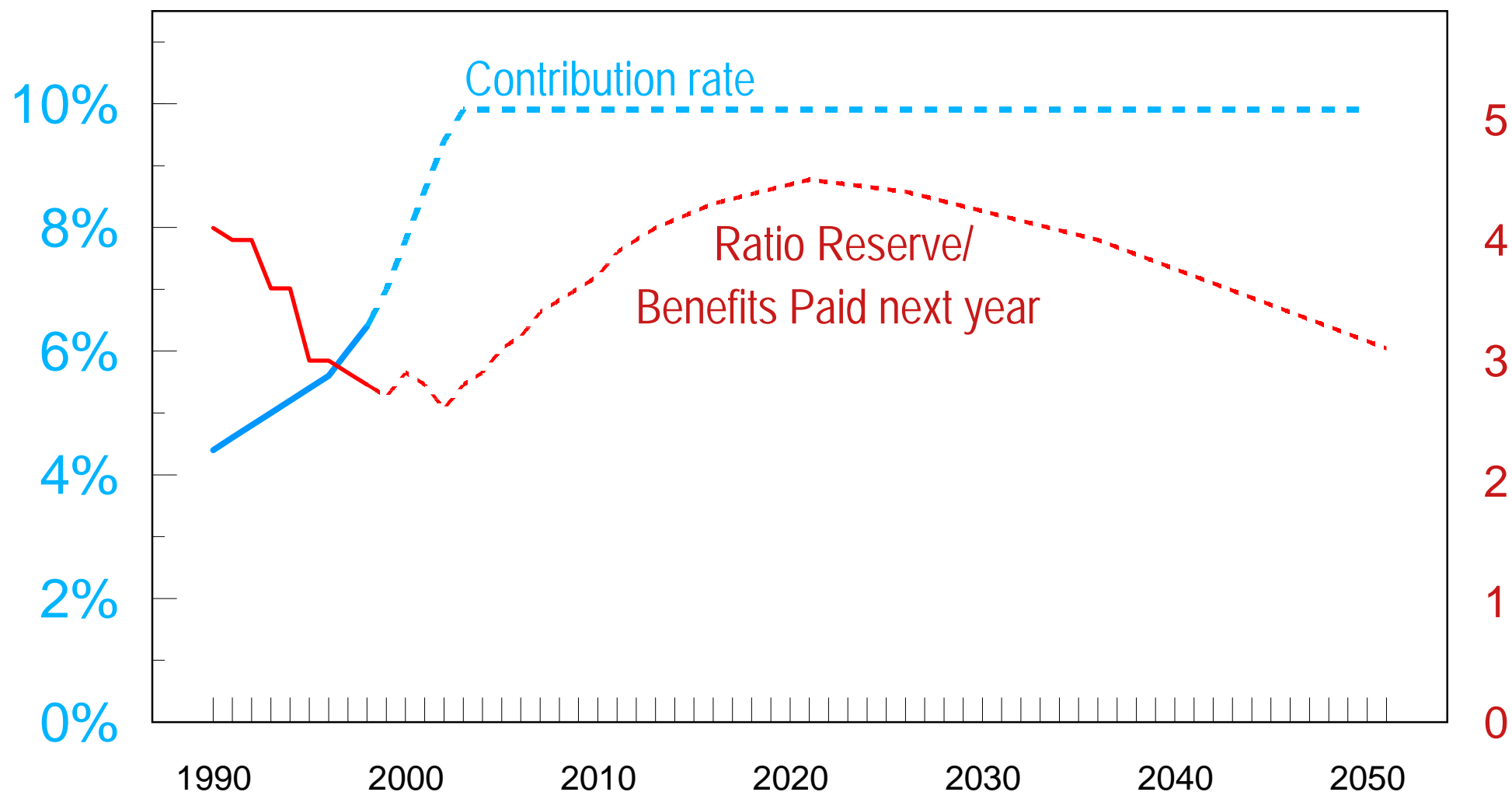
2 key challenges for 2006

1. Government proposals to cut QPP benefits
 - a. Legislation to be introduced soon
 - b. Charest Government eager to make cuts
 - to bring about a later retirement age (additional penalties for early leavers) and make it "interesting" for QPP benefits recipients to work part time (gradual retirement or even when retired) and thus increase their QPP benefits
 - to eliminate / reduce survivor benefits for those aged less than 65, in order to encourage them to remain in the labour market
 - to eliminate current flexible definition of disability for participants over 60
 - c. Consultations have been done, but, despite strong opposition from many quarters and alternatives put forward, government intend to go ahead anyway
 - d. Can a significant educational effort inside our ranks to explain the cuts be a part of a successful campaign to force the government to back down ?

Impact of 1998 QPP reform on the contribution rate and the actuarial reserve

Contribution rate

Reserve (years)



Source: QPP actuarial valuation 2000

2 key challenges for 2006 (fol..)

1. Government proposals to cut QPP benefits

e. What we have done on the Education Side

- Early on, a 1½ hour presentation explaining the cuts and recalling the 1998 reform that ensured the long term viability of the QPP (*younger workers are under the false impression that the QPP will most likely not be around when they retire*), was prepared and presented to the annual pension conference and to the various pension courses, union gatherings as well as to regional labour councils
- Active participation in the articulation of a labour alternative to the QPB proposals (on key issues, the FTQ proposals and those put forward by a large coalition of women groups were identical)
- When the government will go ahead with a bill, we will propose to train some of our trainers so that we have more manpower to go around FTQ affiliated local unions and reach more massively the members

2 key challenges for 2006 (fol..)

2. The private sector employer's rush to scrap our DB plans

a. Why do they say they want out ?

- The current «funding crisis», driven in large part by the low interest environment and poor equity returns in early 2000s, but also by the short term behaviour of the 1990s and a deficient asset-liability risk management
- «Globalization»: remaining competitive requires it !

b. We need to keep DB plans because (among other things)

- The key to our retirement income security, especially given low replacement rates of public pension plans
- The union can negotiate a guaranteed pension, and improve it at each bargaining round
- For both the employer and the union, DB plans have been a valuable instrument in periods of restructuring, allowing earlier retirement of older workers while protecting the young
- Better performing Investment Policy
- More *efficient* financial vehicle
 - Much more **Bang for the Buck**, before but even more **after** retirement
 - Can manage much more efficiently market risk and longevity risk because of its collective nature

2 key challenges for 2006 (fol..)

2. The private sector employer's rush to scrap our DB plans

c. So far, a mixed bag

- Some employers have successfully terminated DB plans, at least for new entrants
- Some groups have successfully resisted
- But we have to expect a rush to the exit door when plans emerge out of deficits

d. What have we learned

- Need for union staff and bargaining committees to understand much more clearly the benefits of DB plans relative to DC plans and to be able to explain clearly and convincingly this to the membership
- Need, well ahead of the bargaining period, to educate the membership, especially the younger workers, about the benefits offered by the pension plan and their value
- Need to understand that two-tiered pension plans is unsustainable and will quickly lead to the termination of the DB plan or, at best, keep it with no perspective of any improvement in the future given the rising cost of a closed plan as members get older and lack of internal solidarity

2 key challenges for 2006 (fol..)

2. The private sector employer's rush to scrap our DB plans (fol..)

d. What have we learned (fol..)

- Be proactive: assess whether the DB pension plan as it is structured (benefits, funding and investment) is sustainable long term and does not exceed the risk tolerance of the promoter, and do something if required
 - **our members are the ones supporting the risks of a plan termination !**

e. What we are doing on the Education side

- We have expanded the discussion on this issue in all courses to better equip pension trustees, bargaining committee members and union staff to face such a threat, but also to be able to be proactive with the membership or at the pension committee
- This section of the course could be quickly converted into a stand alone one hour presentation and discussion if we were required for conventions

f. **Pensions and income security at retirement is a key concern of workers: it is a people issue, and workers can be mobilized if we do it right !**

g. If DB plans disappear in the private sector, how sustainable can they be in the public sector ?