

Ethics in government:

The pension plan surplus grab



By 1999, the pension plans of federal public sector workers (public service, RCMP and Canadian Forces employees), had accumulated a combined surplus of \$30.2 billion.

One of the main contributors to the surplus was the fact that the workers were paying into the pension fund based on calculations that assumed they were receiving annual wage increases, when in fact the government had legislated a five-year salary freeze in the 1990s.

On September 14, 1999, Parliament passed the *Public Sector Pension Investment Board Act* (Bill C-78), which introduced amendments to the laws covering the three pension plans, allowing the federal government to grab the \$30.2-billion surplus. Bill C-78 also gave Government the authority to raise the mandatory employee contributions in case of a shortfall and to reduce or cease employer contributions if the pension fund accumulates a surplus in the future.

In total, 670,000 Canadians – or 1 in 50 Canadians across the country – are directly affected by Bill C-78. However, millions of Canadians are also affected, considering the impact the legislation has on the families of the workers.

On top of the pension grab, on July 7, 2005, the federal government imposed yearly increases in employee contribution rates for the next eight years. Would these increases have been necessary if the surplus had not been confiscated by the government?

On November 8, 1999, unions representing workers affected by Bill C-78, employee associations and retiree groups filed a lawsuit against the federal government.

Setting a bad ethical example

The federal government is exempted from the *Pension Benefits Standards Act*, which limits employer access to any surplus in federally registered pension plans. The federal public sector plans are the only pension plans in Canada not covered by pension standards legislation. Plan members have no protection against legislative intervention.

During the 1990s, the government didn't tell the public that it was taking the surplus in the pension accounts and using it for other purposes. Allowing employers to remove surplus funds from an ongoing pension plan sets a dangerous precedent for all pension plan members. Canadians didn't think it was fair when Conrad Black tried it with the Dominion stores pension plan. And it's certainly not fair behaviour now for the federal government.

Now that the lawsuit is finally being heard in Court, lawyers for the government are trying to block written evidence – 128 government documents – that would seriously weaken their case and to cause serious delays in a case that is already into its sixth year. The documents

show that the government used the surplus in the early 90s to pay down the national debt by using various accounting measures knowing that doing so was questionable.

The documents also show that senior officials in the Department of Finance arbitrarily declared the federal government's entitlement to the entire surplus in the pension accounts. It is a logical assumption that these Finance officials could only have been acting at the time with the full knowledge and consent of then Minister of Finance Paul Martin.

Ask the candidates

What is your party's position on who has ownership over the surplus in the federal public sector superannuation plans? Does your party support the government's position that it has claim to all of the surplus accumulated in the accounts?

How will your party settle the current lawsuit launched by federal public sector unions and other associations to reclaim the \$30 billion surplus that the federal government appropriated?

Would your party eliminate exemption of the federal government from the *Pension Benefits Standards Act*, which limits employer access to any surplus in federally registered pension plans?

Would your party support joint management or joint trusteeship of federal public sector superannuation plans?



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