January 2018
Volume 4, Issue 1

IN THE COMMUNITY

News and Views For NASA Members

IN THIS ISSUE

Pensions—Facts and Figures

Brendan Van Alstine, NASA Communications Administrator

Depending on where you are in your life and your career, retirement may be front of mind or it may be something that you haven't even started to consider yet, let alone planned for. But regardless of where you're at, one thing is likely guaranteed – some day, whether it been sooner or later, you're probably going to want to retire.

In Canada, our pension system is made up of several pillars, including Government benefits, such as the Canada Pension Plan (CPP), Old Age Security (OAS) and the Guaranteed Income Supplement (GIS). A major pillar of our retirement system, though, still consists of employer-provided pension plans and individual savings, such as RRSPs. Planning for retirement is important because, while the Canada Pension Plan and other Government benefits are actuarially sound (that is to say, they're not going to run out of money) for at least the next 50 years (which is the furthest ahead financial experts are willing to look), the current average annual retirement pay-out from CPP is less than $10,000 per year – a nice top-up to your retirement income, but hardly an amount that most people could live on by itself. While not all Canadians have access to employment pension plans, staff working at the University are fortunate be part of the Public Service Pension Plan (PSPP).

Employment pension plans fall into one of two categories - defined benefit plans and defined contribution plans. Defined benefit plans, including PSPP, pay a monthly pension based on your salary and your years of pensionable service; the pension plan pays a stated benefit for the rest of your life. Conversely, in a defined contribution plan, the member's retirement benefit is not fixed like in a defined benefit plan. It is dependent upon the investment results of those contributions, so the actual payment amounts may vary.

There are numerous advantages to defined benefit plans, the first being their sheer simplicity – all you really have to do is show up and do your job. The PSPP is funded by member and employer contributions and by investment earnings. This type of pension plan helps you to better prepare for your retirement because you can estimate your future pension income – it provides you with a specified lifetime income upon retirement, regardless of market conditions and how long you live.

(Continued on page 2)

Pensions—Facts and Figures

(Continued from page 1)

The Alberta Pensions Services Corporation (a provincial crown corporation) is responsible for administration of the plan, while the Alberta Investment Management Corporation (AIMCo), another provincial crown corporation, manages and invests the assets on behalf of the Minister and the PSP Board. There is no need for you as an individual to weigh higher-risk, higher-return investments versus their safer, lower-return counterparts.

However, because defined benefit plans can appear to be more costly for employers than defined contribution plans, many employers have, or have at least *tried* to scale back or eliminate these plans in recent years. Some may recall the recent labour unrest at Canada Post over the employer's attempts (among other things) to switch their plan to a defined contribution plan from their defined benefit plan. And while it's hard to say for sure what the future may hold for the PSPP, and whether our employer might ever try to move towards a defined contribution model, NASA knows that pensions and retirement security, much like benefits, are an issue of the utmost importance to our members, and we monitor the financial health of PSPP regularly. Because of this, we know that the PSPP is actuarially sound, and has a minimal unfunded liability (in the ballpark of 1%), which is to say that the plan is not going to run out of money any time soon, and that in 40 or 50 years, even those who are just now starting out their careers at the University can expect PSPP to be there for them when they retire.

When you retire, PSPP will pay a benefit to you based on your five-year highest average pensionable salary, length of pensionable service and a legislated benefit rate. The benefit rate is 1.4 per cent on the highest average pensionable salary up to the Yearly Maximum Pensionable Earnings (YMPE), multiplied by your years of pensionable service, and 2 per cent on the highest average pensionable salary over the YMPE up to the maximum allowed under the federal Income Tax Act, multiplied by your years of pensionable service. The YMPE, set annually by the federal government, is the maximum amount of earnings on which you can contribute to the Canada Pension Plan. PSPP uses the YMPE to determine contribution rates, plan benefits, and the cost of service. The 2018 YMPE is $55,900.

Get to know your numbers – you can calculate what your pension might be on the PSPP's website at www.pspp.ca. There is a lot of good information there. If you are within a few years (or months) of retirement, you may also ask for pension calculations to be done for you for the various options from which you will have to select. You can also seek the advice from a financial accountant if you need help with understanding the impact of those options on you in retirement. Your Employee and Family Assistance Program offers 2 hours of free assistance annually (for each of you and your spouse if you have one).

Canada Pension Plan is Expanding

Federal, Provincial and Territorial leaders reached an agreement in 2017 to gradually expand the Canada Pension Plan.

In 2018 workers and employers in Canada pay 4.95% of salaries into the CPP up to a maximum income level of $55,900 a year. Those who earn more than the YMPE do not contribute, nor earn a CPP benefit on their salary above $55,900.

The gradual expansion will result in three main changes:

- Contributions by employers and employees will increase from 4.95% to 5.95% between 2019 and 2024
- Annual payout target will increase from 25% to 33% - this means workers who earn $50,000 a year would receive a ***maximum*** annual pension* of about $16,500 in 2017 dollars by the time they retire. This is an increase of $4000 per year from the current level of $12,500
- The maximum amount of pensionable income under CPP will increase from $55,900 to $82,700 by 2025

The bottom line is you can expect to receive more money from CPP in the future.

*Depending how much you have contributed and how long you have been making contributions to CPP, you may or may not be eligible for the maximum CPP benefit at retirement

University of Alberta Budget Cuts Send the Wrong Message

Quinn Benders, NASA Vice-President

Re-printed with permission from the fall 2017 issue of the Advocate, a Public Interest Alberta Publication

This October, the University of Alberta administration announced a series of cuts that will be implemented over the next three years (four per cent in 2018/19 and two and a half percent in 2019/20 and 2020/21). They asserted that cuts are needed in order to eliminate the current structural deficit that has been growing in the university's operating budget, to the tune of $14 million. Administration argues that the cuts will occur in the context of two revenue generating limitations, one actual and one potential. The actual limitation is the current multi-year tuition freeze which limits the university's ability to generate revenue from students and their families. The potential limitation is uncertainty about the government's Campus Alberta funding review and if this could impact the university's bottom line.

Students, along with academic and support staff, were shocked by the announcement and are presently worried about the impacts these cuts could have. Details regarding how the cuts will be implemented are unclear. However, Provost Steve Dew commented to the Edmonton Journal that "everything is on the table and we want to look carefully at how we can do this in a manner that allows us to minimize impact on students and allow us to preserve our talent." The key point here is that everything is on the table, which could include bigger class sizes, a reduction in course offerings, and buyouts or layoffs for faculty and staff. What is particularly curious about this announcement is not the desire for responsible fiscal management. Rather, it is the timing, severity, and necessity of the cuts, and what kind of signal this will send to other institutions.
The University of Alberta Consolidated Budget, which includes both unrestricted and restricted sources of funding, is actually in a positive position and has been for years. The university has received more funding in the past three years: from $579 million in 2015 to $624 million this year. These increases should have given the administration the stability needed to address the operational budget and inflationary concerns, at least in part.

With this in mind, there appears to be no particular fiscal emergency that needs to be addressed at the University of Alberta by imposing cuts. While the administration is no doubt concerned with the Campus Alberta funding review, it would also seem reasonable for the university to wait until the funding model is announced so the size and severity of the cuts, if required, can be set according to actual need.

The proposed budget cuts have two main impacts beyond reducing the operational-side deficit. First, the cuts will take place over the next three years, which overlaps bargaining with academic staff, support staff, graduate students, and postdoctoral staff. The proposed cuts will set the bar fairly low with regards to how well these associations will be able to bargain with the administration to improve conditions on campus. This is coupled with the fact that all of the associations mentioned are in a new bargaining regime and have a limited capacity to resist cuts to programming and positions, at least for the time being. Second, announcing these cuts strategically before the funding review is completed sends a clear message to the government that they will take action, such as deep cuts, if they are not consulted properly or don't hear back from the funding reviews in a timely manner.

As the flagship institution in the province, the University of Alberta's planned cuts send a message to all other postsecondary institutions in the province whether intended or not - if you are unhappy with the funding model review and the tuition freeze, and if you are concerned about entering into bargaining with your associations, propose cuts. It is my sincere hope that Albertans who have their educational aspirations or livelihoods tied to postsecondary institutions are not unduly harmed by cuts that seem unwarranted in their timing and severity.

NASA Executive Board

Elizabeth Johannson, President (2016 – 2018)

Quinn Benders, Vice-President (2017 – 2019)

Elizabeth Adolf, Secretary (2016 – 2018)

Lindsay Baranowski, Treasurer (2016 – 2018)

Aziz Akbari, Bylaws Chair (2017 – 2019)

Vacant, Membership Chair (2017 – 2019)

Markian Hlynka, Grievance Chair (2016 – 2018)

Kim Koch, Human Resources Committee Chair (2017 – 2019)

Scott Harris, Political Action & Member Education Chair (2016 – 2018)

NASA

1200 College Plaza
8215 - 112 Street
Edmonton, Alberta T6G 2E1

Phone: 780-439-3181
1-877-439-3111
Email: nasa@ualberta.ca
http://www.nasa.ualberta.ca/

https://www.facebook.com/supportstaffunion

https://twitter.com/UnionNASA

Editor: **Brendan Van Alstine**

IN THE COMMUNITY is published six times a year

CANADIAN ASSOCIATION CALM OF LABOUR MEDIA

NASA
Our University Works Because We Do!