



## Defined Benefit Pension vs Defined Contribution Pension

For decades the industry standard for private and government sponsored pension plans has been the Defined Benefit Pension Plan (DB). The DB plan provides retirees with a **guaranteed** retirement income free from the risks of a volatile investment market.

In a DB plan the retiree is able to retire with the certainty of a monthly income that is maintained allowing them to budget for their needs and enjoy their retirement without the stress of having to worry about losing the benefits or having to pay more to maintain them.

Historically the DB plan was used by Alcan to attract new employees to come to our town and work. The Company had a shared interest in negotiating good wage, benefit and pension provisions with the Union leading to the agreement we have today. Different sets of negotiations have resulted in additional improvements to keep the existing provisions current.

Our DB plan is registered in Quebec and subject to certain pension laws in that province. The reason our plan is registered in Quebec is because the plurality of our plan members are there. The employer has a fiduciary responsibility to manage the plan's assets in the best interest of the beneficiaries. When investments don't perform as anticipated this doesn't change the plan's obligation to provide the defined retirement income to our members. Under the DB plan any shortfall has to be made up by the **Company** to maintain the benefit level to retirees. **The retirees don't share any of this risk.**

During 2012 negotiations the company initiated a discussion on what's referred to as a Defined Contribution Plan (DC). This is a plan which provides contributions to an investment account and the member's retirement income is the sum of contributions and investment returns accumulated in that account throughout their working years. If the plan investments underperform then the **retiree** assumes all or part of the responsibility to make up the difference, or suffer a reduced income. The discussion on this concept came at a time when our pension plan had an unfunded liability and things weren't that good as investments were not performing as anticipated. The Union was clear with the Company that we weren't interested in talking about a DC plan and as a result of this position the Company didn't pursue it any further.

Pension plans rely on investing funds to generate returns and those returns are used to pay the plan's liabilities including the income our retirees receive each month. The markets can be very volatile and many different things can affect investment performance and quite often do. We don't see global financial crises like the one that occurred in 2008 very often, but history has shown us that these do happen and when they do a lot of people get hurt.

*Please turn over...*

At the November membership meeting our membership voted on two separate motions to enter language into our by-laws that entrenches the Local 2301 position on two-tiered wages and pension plans. The motions were both passed unanimously and our by-laws now reflect that the current single-tier DB pension and single-tier wage structure will be maintained for current and future members of our Local.

The Company has tabled a demand for this set of negotiations which reintroduces the DC plan for all future members of our Union hired after September 1, 2017. The terms of this DC plan would have new members subjected to all the uncertainty of the market, having to pay significantly more than what we currently contribute and in the end having a pension benefit much less than what we currently receive. The other interesting point is that the Company has tabled this demand at a time when the pension plan is extremely healthy being 133% funded and no longer having to fund for solvency which freed up over 50 million dollars. There is no argument to be made that our future members should be subject to anything less than we currently receive in our DB plan and no argument to subject our future members to the risk of volatile markets.

It's important to remember that those who fought before us made the sacrifice to make the gains that we currently enjoy. With your ongoing support the Union leadership is committed to not only maintaining but improving on the pension, benefit and wage provisions in our collective agreement.

