Indexation Of Pensions: Where Are We At In 2011?

Here is a brief summary of what has happened and where we are now. This will set the context for those who have recently retired and also serve as a reminder for the others. Indexation of pensions is a Cost Of Living Allowance - if you have retired friends or relatives in the other provinces, they usually refer to this as COLA - which is calculated annually using the Consumer Price Index (CPI) and the rate is used to adjust various pensions (RRQ, OAS, CARRA, …).Those who retired on or before June 1982 have had their CARRA pensions fully indexed every January 1st according to the rate for that year. In 1982, the government past a decree that not only rolled-back salaries, but also removed full indexation of pensions, (Bill 68). Henceforth, for years of service after 1982, the first 3% of the CPI was lost. In 2000, the government improved the situation slightly by indexing to at least half of the CPI for the years of service since January 2000. In a nutshell, years of service are translated to pension dollars, keeping a record of three possible time periods: up until 1982/06/30; 1982/07/01 – 1999/12/31; and since 2000/01/01; and the CPI rate is applied differently for each period. (The end of this article gives you a link to find how much you have lost since retirement.)

In the fall of 2006, a coalition of associations of retired persons from the public/parapublic sectors was formed to speak out on behalf of the retirees. ACRA, QART and QPARSE joined the alliance in 2007. AAESQ also joined the group in the fall of 2008. Presently comprised of twelve associations of retirees, the Groupe de travail des associations de personnes retraitées des secteurs public et parapublic (GTAR) represents about 120 000 retirees from these sectors. GTAR's demands are threefold:

- Correct immediately the inequities in pensions for the years of service 1982- 1999 so as to give the same rate of indexation as for the years since 2000;
- Create a standing committee to discuss long term solutions to our increasing impoverishment since 1982;
- Determine realistic pension contribution rates once the standing committee has had a chance to make recommendations.

On November 5, 2007, AREQ organized a major rally in Montreal where 4000-5000 retirees joined forces to publicly protest the indexation loses suffered over the years. Then on September 30, 2009, AREQ launched another offensive with a rally grouping over 5000 retirees in front of the National Assembly in Québec and reiterated GTAR's demands.

The government reacted and mandated its Parliamentary Commission on Public Finances to investigate the indexation issue. The Commission held public hearings on February 2-3, 2010 and prepared an interim report that was deposited in the National Assembly on June 8, 2010. In this report, the Parliamentary Commission on Public Finances recommended the creation of a Consultative Committee, within CARRA, to examine services to retirees and the parameters of indexation.

On another front, the Common Front for the 2010 round of negotiations, was going ahead with only one demand concerning retirement: protect the purchasing power of those who worked during the 1982 – 2000 period (good news). However, in the dying hours of the blitz of negotiations, the Common Front opted to reduce their demands regarding pensions. They decided to favor the here and now (salaries and a more gradual increase in pension contributions, see next paragraph), rather than the there and then (indexation of pensions) (bad news). It's not hard to follow the storyline, unions take a cut on salaries (many union dues are a percentage, no max), but they get nothing from increased pensions to non-members.

Then on December 14, 2010, CARRA divulged the results of its latest actuarial evaluation of pension plans: a 3 billion dollar surplus for the RREGOP (good news); the contribution rates required to finance future retirees should be increased to 10.08% as of January 1, 2011 (bad news). But the collective agreement that had been recently negotiated with the Common Front limited the contribution rate to 8.69% for 2011 with a gradual increase to 10.08% over 3 years (bad news). Further, the unions accepted that the totality of the 3 billion dollar surplus be carried over to a new stabilization fund rather than be used to improve indexation (bad news).

Let's end on a positive note. From October to December 2010, Madame Michelle Courchesne, President of the Treasury Board, repeatedly confirmed to numerous associations her intention to announce the imminent formation of the Consultative Committee on the issues related to indexation (the one that the Parliamentary Commission recommended). This Committee is to be composed of representatives from retirees, not just from the unions (good news). This is not the permanent Standing Committee that GTAR has been asking for, but at least it will have representation from retirees. Also, CARRA has finally changed their accounting procedures, so that now surpluses can be truly recognized as such, and hopefully this Consultative Committee will have a say as to how future surpluses are to be used.

DISCLAIMER: The following exercise is not for those who have health related problems. Engage in this exercise only with EXTREME CAUTION!

How much have you lost due to partial indexation of pensions? If you dare, here is a link to the AREQ site: http://areq.qc.net/exercice-de-calcul-de-la-perte-de-pouvoir-dachat/

You will need your 2010 annual statement issued by CARRA in January 2011. It details the information as it applies to you, 1.7% for the fully indexed portion, 0% for the portion 1982-99, and 0.85% for the portion since 2000, if applicable.

1. Scroll down and insert the following: Your date of retirement – e.g. 1998-06-30.

2. Insert the following information that you will find on your 2010 annual statement from CARRA:
    a) Portion of pension indexed to the full PI rate (for service before July 82).
    b) Portion of pension indexed, basic rate – 3% (for service between Jul 82 – Dec 99).
    c) If applicable, portion of pension adjusted to 50% of basic rate (for service since Jan 2000).

The calculator will give you approximately what you will have cumulatively contributed (read lost) to the government non-voluntarily for the period up to December 31, 2011. That's correct, the amount you will be out-of-pocket by the end of 2011.