

Pension underfunding goes back more than a century, unions say

BY LINDA GYULAI, GAZETTE CIVIC AFFAIRS REPORTER AUGUST 26, 2014



Kaleidoscope at Expo 67. Montreal had been underfunding its pension plans stretching back to 1912, the professionals' brief points out. Moreover, the city, straddled with paying for Expo 67, successfully lobbied the Quebec government in the 1960s for exemptions from paying its employer pension contributions all together in 1968-69 and 1969-70, as well as its makeup contributions in 1968-69.

MONTREAL — If the city of Montreal can't afford to keep up with its growing pension fund beast, it has itself to blame after more than a century of underfunding its municipal employee pension plan contributions, a group of unions representing the city's 2,500 professional workers says.

The unions, which represent such categories of municipal employees as accountants, architects, engineers, lawyers, librarians and urban planners, haven't been on the front line of some of the raucous protests that have been led by their colleague firefighters and blue-collar workers against Bill 3, the Liberal government's proposed legislation to overhaul the municipal pension system.

But the professionals' 20-page brief criticizing the bill and criticizing the city's record of being deadbeat on its pension obligations, notably so it could spend the money on Expo 67, packs a wallop.

The professionals contend that because the city obtained exemptions from the province from paying its annual employer contributions in the 1960s, and was later granted extensions to mop up deficits, the city's pension plans were deprived of contributions that would have provided large returns on investment during booming economic years. That "lost" money could have eased the plans through stock market downturns in the 2000s, they say.

Yet the unions never got a chance to present their brief, providing a history of the city's skipped and stalled pension payments as far back as 1912, to the National Assembly hearings on Bill 3, which wrapped up on Tuesday.

The committee, made up of MNAs from the different political parties, refused to allow the unions representing the city's professionals to testify.

"They're talking about finding solutions, transparency and democracy, and they don't give us the right to speak," Gisèle Jolin, president of the 2,000-member Syndicat des professionnelles et professionnels municipaux de Montréal, said on Tuesday.

"I find it scandalous."

Her union, as well as the union representing Montreal employees who belong to professional orders, a union local representing municipal lawyers and notaries and a union local representing municipal architects, asked to speak at the hearings three times, she said.

The parties decided among themselves who would be invited to the hearings.

Jolin said her group was never given an explanation.

In his presentation to the committee last week, Mayor Denis Coderre said Montreal's past pension contribution "vacations" have no link to the current funding problem.

Coderre and Quebec City Mayor Régis Labeaume argue the deficits of several pension plans resulted from the stock market beating in 2001 and 2008. They also argue their taxpayers can't afford ballooning pension obligations as the high proportion of aging municipal civil servants retire. The pair also blame the pension plan system that asks municipal employees to shoulder less than half of the annual employer-employee contributions.

However, Jolin countered by holding up the now-defunct Montreal Urban Community as the antidote to Montreal's woes.

The employee pension plans of the MUC, which was folded into the city in the 2002 municipal mergers, were fully funded since the creation of the MUC in 1972 — and they survived the recent stock market crises with surpluses, she said. (The MUC pension plan for professionals was harmonized with the pre-merger city's professionals only in 2010.)

The province introduced a pension plan law in 1965 that required plans to be fully funded and obliged organizations like Montreal, which had pension plans carrying deficits, to pay makeup contributions that would have eliminated the deficits in 1990.

But the city successfully lobbied the province to be exempt from paying its contributions in 1968-69 and 1969-70, plus its makeup contributions in 1968-69.

The pension plan deficit for municipal workers grew to \$493 million in 1976, from \$94.5 million in 1966, the brief says.

A cabinet committee set up in 1976 recommended extending the makeup contributions over 50 years, to 2025.

But the city negotiated in 1983 and 1984, and the catch-up payments were spread over 62 years, to 2045.

In 1998, Montreal also obtained the right to use pension-plan surpluses to reduce future contributions. As a result, the brief says, the city's employer contributions for 2000 dropped from \$84.9 million to \$51.7 million.