The MFPP: a labour tool

- Guaranteed retirement benefits
- A union-controlled pension plan
- Any surplus assets belong to the plan members
- No contribution holiday for the employer
- Benefits are indexed if the plan is capitalized and solvent

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FTQ MEMBER-FUNDED

PENSION PLAN

The FTQ's unions have created a new retirement savings tool: the *FTQ Member-Funded Pension Plan* (FTQ-MFPP). This plan gives affiliated unions that do not have access to a **defined benefit** pension plan access to a better retirement plan..

An MFPP is a defined benefit plan that provides benefits for members and a fixed contribution for employers.

The MFPP: A new union defined benefit pension scheme

Available since June 2008:
The MFPP was introduced in June 2008 to accommodate groups of participants. A pension committee, composed of representatives from several FTQ unions, administers the MFPP with help from our actuaries.

Several local unions have already joined the MFPP and others, representing thousands of members, have expressed interest in the plan.

The pension benefit is based on contributions paid by the plan members and their employers. The level of contributions is decided by the bargaining unit.

The pension fund is managed by SSQ through their Astra Fund with the assets invested in equities (60 %) and bonds (40 %).

Defined benefit (DB) plan:
« A number of expert studies in both the U.S. and Canada have all come to the same conclusion : that we get more for our money with a DB plan. (...) For the same level of contributions, a DB plan pays about $ 2.60 in benefits for each dollar withdrawn from a defined contribution (DC) plan or an RRSP. »

–Excerpt from the FTQ course « Investing our pension funds ».

Frequently Asked Questions

What is an MFPP ?

A Member-Funded Pension Plan (MFPP) is a defined benefit plan under which the members are responsible for any deficits and the balance of costs rather than the employer, as is the case with a traditional defined benefit plan.

What is the responsibility of the employer and our members in an MFPP ?

The responsibility of the employer in an MFPP is limited to paying its contribution, as negotiated with the union. In an MFPP, the plan members are ultimately responsible for any deficits but are also the beneficiaries of any surplus. They must therefore agree to pay special contributions in the event of a deficit (each group based on its liabilities).

How is the money accumulated in the fund managed ?

MFPP funding rules are very strict. Various preventive measures are provided for in the law, including the obligation to create a reserve for indexing. Moreover, the pension plan provides set aside money from the accumulated surplus as a safety margin. The pension commitee adopted a conservative funding policy. With these measures, large deficits are quite unlikely.

What are the advantages of enrolling in the MFPP-FTQ ?

As with any defined benefit plan, members are guaranteed pension benefits when they retire (e.g. a pension of $ 40 per month per year of service or a percentage of wages earned during any given year of participation). This is a better tool for retirement planning than a group RRSP or a defined contribution plan.

If there is a surplus, how will the funds be used ?

The law provides that any accumulated surplus in an MFPP should first be used to index the pensions of active (working) and inactive members (retirees and dependents). The pension committee will then use the remaining surplus for the sole benefit of the members, making sure, however, to keep a reserve to reduce the risk of deficit.

Is the MFPP-FTQ good for workers nearing retirement ?

The MFPP-FTQ is a good plan regardless of the member's age. The governments' pension plans are not enough to provide for our retirement needs. The MFPP-FTQ enables both young people and those approaching retirement to build a nest egg at a lower cost and without having to individually bear the risks of the financial markets and running out of capital.