



Success story

Union negotiates DBplus to replace DC plan

The situation

Understanding the value of employee benefits and good pensions, the union sought to upgrade the employer-provided defined contribution (DC) plan to a defined benefit (DB) pension plan to provide employees the secure, lifetime pension they were looking for. The employer would only consider an option that would have a fixed cost, not result in any future employer liability, and be easy and transparent without incurring the burden of administering pension benefits.

Key factors

- A small group of employees had a legacy DB plan and the majority of employees previously participated in a DC plan, in which they had to make investment decisions.
- Most employees are not investment-savvy, but their retirement income ultimately depended on how those investments performed.
- At collective bargaining, the union desired pension parity among the members and tabled joining DBplus in lieu of the existing DC arrangement.
- The employer's Board and Pension Committee were risk averse and sought out independent advice to evaluate CAAT and DBplus.
- The employer would only consider an alternative arrangement with fixed-cost advantages like a DC plan.

How CAAT meets the union's and employer's needs



Employees will receive a lifetime pension with conditional inflation protection.



Employees are relieved of investment decisions and figuring out how to turn account balances into retirement income.



CAAT met with the employer's management team, Pension Committee, and their advisors to educate them throughout their due diligence and decision-making process.



DBplus has fixed costs equal to contribution rates agreed to by the parties, with no employer liability, same as a DC plan.



DBplus can be accounted for on the same basis as contributions to a DC plan while still providing a highly valuable defined benefit pension.



CAAT operates the pension plan on a not-for-profit basis, performing benefit administration and communicating directly with members. CAAT employees are all straight salary and do not receive bonuses or commissions.

The outcome

- Effective January 1, 2021, over 1,000 active employees joined CAAT.
- All employees began contributing to and building secure lifetime pensions in DBplus from the date they enrolled.
- The employer maintained cost certainty.
- Seamless integration into the CAAT Plan demonstrates the appeal and flexibility of DBplus to meet the needs of both unions and employers.
- Employees who wish to purchase additional pension will benefit from having investments, administration, and governance managed by a team of dedicated pension experts at CAAT.

To discover how DBplus can meet the needs of an organization, get in touch with us. Visit our website at dbplus.ca or contact us at Pension-Solutions@caatpension.ca.

DBplus is open to workplaces of different sizes, sectors, and industries across Canada. There are exceptions that apply which may require individual regulatory approval from appropriate provincial authorities.



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