

June 25, 2021

To: Unifor members at the Detroit 3
From: Unifor Detroit 3 Chairs and Auto Director
Re: DC pension plan to CAAT transition update

As part of 2020 master negotiations, Unifor and the Detroit 3 auto companies in good faith agreed to explore transferring current and future Defined Contribution (DC) plan members (anyone hired on or after the 2016 effective date) to the College of Applied Arts & Technology (CAAT) new DBplus plan. CAAT is the public sector defined benefit plan for colleges across Ontario that opened its doors to the private sector in 2018.

The CAAT DBplus provides a defined benefit – a lifetime monthly pension including survivor benefits, conditional indexation and early retirement options. Unifor and the Detroit 3 auto companies agreed that in transferring to CAAT DBplus, both member and company contributions would remain ‘cost-neutral’ to both sides when compared to the current DC arrangement. A copy of the 2020 “DC to CAAT” letter between Ford and Unifor in setting the pattern can be reviewed at <https://www.unifor.org/en/ford-canada-letter-pension-plan-number-1>

The current DC plan is a mandatory matching 4% member and company contribution for a required total of 8%, and an optional 1% member contribution matched by the company at 2% - for a possible total 5% (4% + 1%) member contribution and 6% (4% + 2%) company contribution.

At the time of 2020 negotiations, CAAT DBplus required minimum matching 5% member/company contributions for a total of 10% (based on T4 earning; not just straight time hours (maximum of 2080 hours). In supporting Detroit 3 DC members transferring to CAAT DBplus, the CAAT board of trustees this year approved amending these conditions in order to accept the contribution formula as set out in the current master collective agreements.

After establishing a working group comprised of representatives from each of the Detroit 3 and Unifor, the parties met on several occasions to discuss the potential DC to CAAT transition. In addition, the parties met with CAAT senior leadership. At our most recent meeting (June 18, 2021), the Detroit 3 announced their decision. In a coordinated act, each Company announced they did not agree to transfer to CAAT DBplus. Each of the Detroit 3 also confirmed this as their “final position” on the matter.

Their position ignored the joint undertaking in the 2020 negotiated letter to meet after negotiations in order to determine the feasibility of the transfer to CAAT and provide for time for the due diligence needed to explore the CAAT further. Unifor is deeply concerned that there was a lack of integrity demonstrated by the Companies. Especially given when all the concerns expressed at negotiations and set out in the letter had been resolved, yet the companies balk at transferring to CAAT. Based on their final position, Unifor had no choice but to advise the companies that the Working Group process had come to an end.

The primary reason they gave for their decision - to preserve their ability to use any amount of surplus in the legacy DB plan to offset their required DC contributions is very objectionable. Unifor views this as 'robbing Peter to pay Paul' and stunningly lacking in foresight or concern for our members in its broader implications. Unifor insists that use of any surplus in the legacy DB plan be subject to negotiation and member consent, and directly applied to the benefit of DB plan members.

The Detroit 3 auto companies have intentionally chosen to ignore a crucial opportunity to improve retirement security and adequacy for DC plan members in moving to a superior DB plan. Their rationale is to rely on any DB surplus to fund their DC contributions – ignoring the real and legitimate interests of both DB and DC plan members in improving retirement security and adequacy. Unifor is angered and extremely frustrated with the companies approach to the working group process and their decision to block the DC pension to CAAT transition.

Unifor is planning a meeting of key leadership from the National and Local levels to discuss options. If it's resolved that we cannot advance this issue any further, we remain determined to address this situation in the next round of negotiations as a critical opportunity to address improvements to retirement security and adequacy for all members in both the DB and DC plan.

Unifor encourages all DC plan members not already contributing an optional 1% to elect this voluntary contribution at your earliest opportunity. We plan to discuss the advantages of making the additional 1% contribution, in more detail, in a future communication.