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May, 2018

Pensioners' Progress

The Canadian Federation of Pensioners is an association of 20 pensioner groups with a voluntary membership of individuals in pension plans with over 260,000 beneficiaries across Canada. Each pensioner group advocates for the members of their respective defined-benefit pension plans – a job that grows ever more difficult in these times. The CFP, with one national voice, advocates for pension security through the strengthening of federal and provincial laws that govern the safekeeping of earned pensions.

President's Message

For the tens of thousands of Canadians who have suffered personal losses due to insolvency or bankruptcy, the long-time lack of pension protection in Canada is painfully obvious. But if you haven't been directly affected, it took the recent Sears insolvency to make it top of mind, not to mention front-page news.

This is why: Previous insolvencies happened to lesser-known companies, in most cases, to people you likely didn't know. Sears cut through this fog. Everyone had a Sears store nearby. Everyone worked for Sears at some time in their lives or had a relative, friend or neighbour who did. Many of us were regular customers. Concern was widespread and personal.

On top of that, pensions are complex and hard to understand. Pensions are surrounded by strange, confusing technical terms and trade jargon. It was easy to simply agree with the "experts" who said that while these insolvencies resulted at times in pensioners losing a significant portion of their deferred wages, it was necessary to maintain "balance and fairness." However, the basis of this "balance and fairness" was murky, never quite explained.

This time, the confusing technical terms and trade jargon were not enough to deter everyday, ordinary people from looking closely at what was happening to their friends and neighbours. What they saw shocked them: Details emerged of the special dividends paid, and executive bonuses awarded, while the pension was allowed to be underfunded. Public consensus was that this was obviously not just, balanced or fair.

When all was said to be in accordance with Canadian rules, the public got angry and vocal, and support grew for a change to the laws to better protect pensions in insolvency. This theme was and is being repeated by Canadians from coast to coast to coast. Articles and opinion pieces have surfaced across all media. Organizations such as CARP, Leadnow, the Canadian Labour Congress, the National Federation of Pensioners and the Canadian Federation of Pensioners have rallied their members to bring pressure to bear on MPs. Two opposition parties have submitted Private Members' Bills with proposed solutions.

This energy, released by the apparent fundamental wrongness of the treatment of Sears pensioners, not only has led to a widespread understanding that insolvency legislation must change to protect pensions but it has finally led pensioners, the public and politicians to challenge longstanding “truths” used in the past to maintain the status quo.

There is a clear contradiction between arguments raised against requiring full-solvency funding and those raised against extending super-priority status to the unfunded pension liability in an insolvency.

When we approach regulators and argue that 100-per-cent solvency funding should be required, the sponsors, financial community experts, and bureaucrats argue that this would be unreasonably onerous. Unfortunately, today, not one of the 11 regulatory jurisdictions in Canada requires 100-per-cent solvency funding. Their argument is that the only time 100-per-cent solvency is important is when a company becomes insolvent, and very few companies actually do file for insolvency protection. They claim “making all sponsors fully fund their pensions would “unnecessarily tie up capital that could be better utilized elsewhere.” In other words, pension protection is a small problem, has little impact, and is insignificant to the point that it really isn’t worth addressing. In the past the policymakers, the public and politicians nodded and agreed with the “experts.”

When we address insolvency legislation and argue that super-priority status should be extended to unfunded pension liabilities, we get quite a different response from, often, the same sponsors, financial community experts, and bureaucrats. They now argue that pension protection is a huge issue. Protecting pensions would be “disastrous,” cause more companies to collapse, threaten commercial lending in Canada, and significantly constrain growth. In the past, the policymakers, the public, and politicians nodded and agreed with the “experts.”

In short, the same sponsors, financial community experts, and bureaucrats say the problem is so small it’s not worth addressing as an insolvency funding issue; and yet say that if addressed in insolvency it will cause companies to collapse and threaten all commercial lending in Canada. So which is it?

Sears has opened the eyes of the public and politicians to high-level fundamental moral issues of balance and fairness in current Canadian insolvency legislation. They are now also looking at and challenging these past “truths.”

Pension protection cannot, at the same time, be both insignificant and an Armageddon-like threat to the Canadian economy. It is easy to see why sponsors and the financial industry have supported these conflicting positions: It is in their financial best interests. Lower funding at one end and no financial responsibility at the other. Today the policymakers, the public and politicians are not simply nodding and agreeing.

The Canadian Federation of Pensioners believes the best, most practical solution is to extend super-priority to the unfunded pension liability. It is the best of the potential solutions because:

• It is entirely within federal jurisdiction;

• It does not involve taxpayer funding;

• It does not directly intrude or impose on business management;

• It takes pensions, one of the most contentious issues in insolvency, off the table, resulting in faster lower cost insolvency process;

• It does not require additional bureaucracy.

Policymakers and politicians ignore this grassroots concern at their own peril.

- Michael Powell – President of the Canadian Federation of Pensioners.

The Ontario Election

(This article is for Ontario members and others with family or friends who vote in the Ontario June 7, 2018 election.)

Months of work have gone into obtaining, and in some cases swaying, the main Ontario political parties' platforms on pension security. Cliff Jenkins and his team in the Canadian Federation of Pensioners have rated the top three party records and/or platforms from a B^+ to an F. If defined-benefit pension security is a significant factor in your voting decision, consider the analysis below on party intentions to legislate full or improved pension protection.

CFP Directors Cliff Jenkins (l) and Bill Jones (r) review the Ontario parties' positions on pension security.

The pension record/platform of each major Ontario political party follows:

The Liberal Party of Ontario

- The governments of Dalton McGuinty and Kathleen Wynne have had an abysmal record on pension protection;
- Beginning a decade ago with TEMPORARY funding-relief measures for companies and continuing to the most recent legislation offering PERMANENT funding-relief, successive Liberal governments have consistently favoured plan sponsor companies at the expense of pensioners;
- At the same time as Sears pensioners were losing about 20% of their earned pensions in the company bankruptcy, the Wynne government demonstrated willful blindness by implementing legislation that exacerbated the problems exposed by Sears instead of fixing them;
- The Sears experience highlighted two problems with Ontario legislation:
    - Poor funding enforcement rules; and
    - Inadequate pension insurance.
- Instead of fixing those problems using no-cost-to-taxpayer suggestions from the CFP, the Wynne government made them collectively worse by:
    - Dropping pension funding requirements from 100% to 85%;
    - Loosening funding rules; and
    - Tweaking pension insurance instead of fixing it.
- Wynne's legislation delivered:
    - a windfall gain to plan sponsor companies totaling $1.4 billion/year of pension plan money;
    - greatly increased risk to Ontario-registered pensions; and
    - an inadequate new "floor" guarantee of $1,500/month in the employer-funded pension insurance plan.
- Despite the $1,500/month floor being 40% less than the new Minimum Wage, Premier Wynne described her legislation as having "The Right Balance".
- "Right balance" is just like the terminology used by lobbyists for plan sponsors.

CFP Rating of the Liberal Government's Record: F

The PC party of Ontario:

- In 1980, the Bill Davis Government introduced pension insurance – with a "floor" pension guarantee of $1,000/month. (If there had been cost of living adjustments, the guarantee would be almost $3,000/month now).
- In 2017 during the Sears saga, members of the PC party voted 84% to adopt a policy to protect pensions – which the party promised in "The People's Guarantee".
- The People's Guarantee departed with former leader Patrick Brown.
- New leader Doug Ford promises to "stick up" for the little guy and protect the taxpayer. Specifically on pensions, the PCs provided the following:

The PC party of Ontario statement on pension security:

"Improving pension security for Ontario workers is a priority Doug Ford and the Ontario PCs. We will work with the federal government and public and private sector pension plans, among other stakeholders, to review all options available to provide protection beyond the current Pension Benefits Guarantee Fund (PGBF). For a year, Kathleen Wynne stood idle when it came to the Sears pensioners. Now, only in the face of an election have they agreed to retroactively apply PGBF changes to assist them. We believe it's time the government stopped playing politics with the hopes and emotions of pensioners. We are determined to ensure that what has happened to the Sears pensioners is not repeated."

How the PC party of Ontario statement fails pensioners:

- It promises only a "review" – nothing else;
- It rules out improvements to current pension insurance (PBGF);
- Its review relies upon the federal government and diverts responsibility. The Ontario Government already has the ability to implement the necessary improvements to pension insurance;
- It specifically promises to consult with plan sponsors (whose interests often oppose those of pensioners);
- It omits specific consultations with pensioners or pensioner organizations;
- It ignores a specific request to consider the CFP's no-cost-to-taxpayers pension insurance proposal;
- Its vague intent to review options offers nothing more what the PCs accuse the Liberals of: "playing politics with the hopes and emotions of pensioners".

CFP Rating of the PC party statement: E-minus

The NDP party of Ontario:

- During debates in the Ontario Legislature on the Wynne government legislation, NDP MPPs forcefully advocated in favour of pension security.
- The NDP platform promises to "increase the Pension Benefit Guarantee Fund guaranteed amount to $3,000 per month indexed to inflation,"
- While that guaranteed amount is not sufficient to provide 100% pension security, it is a step in the right direction and it uses an appropriate means - pension insurance funded by plan sponsors, not the taxpayer.

CFP Rating of the NDP policy: B-plus