

## **DEFINED PENSIONERS NEED FEDERAL PROTECTION NOW**

The Covid-19 pandemic has revealed many cracks in the societal foundations that were supposed to protect our seniors. Now is the time to repair those cracks. This must include addressing the lack of pension protection for defined benefit pensioners. Canada's seniors have a right to age with dignity and financial security.

We have seen seniors pay the price for inadequate pension and insolvency regulations. Companies like Nortel, Sears and many others have largely abided by regulations and yet left pensioners facing significant losses in income for the rest of their lives.

The Canadian Federation of Pensioners believes that there are solutions that can further protect pensioners without putting a burden on government or taxpayers. In recent years, CFP has made several proposals in that regard.

**The federal government is uniquely positioned to address pension unfairness because it regulates both pensions and insolvency, and can lead federal and multi-jurisdictional change in three ways:**

- Implement changes to improve pension security through changes to the regulatory framework for federally regulated pensions.
- Improve pension security for all Canadians through changes to insolvency legislation.
- Play a leadership role in establishing a multi-jurisdictional solution to pension protection.

**Recommendation 1:** To better protect federally regulated pensions, the government federal should amend pension benefit legislation for federally-regulated pensions to:

1. Maintain the solvency target at 100%.
2. Require annual Actuarial Valuations.
3. Require the sponsor, in the event that the Actuarial Valuation solvency ratio falls below a prescribed threshold to:
  - a. Obtain a letter of credit to return to 100% solvency, or
  - b. Abide by restrictions on corporate cash management similar to Ontario's recent 520/20, until the solvency of the plan is restored, or
  - c. Obtain informed consent of a significant portion of plan members (perhaps >75%) to implement a different solution, other than a. or b. above.

This recommendation is an integration of elements taken from the recent consultation *Strengthening Canadians' Retirement Security - Proposals to Support the Sustainability of and Strengthen the Framework for Federally Regulated Private Pension Plans*.

**Recommendation 2:** To better protect the pensions of all Canadians, the federal government, as a short-term measure, should introduce a refundable tax credit equal to the amount of pension loss an individual incurs when a pension fails.

**Recommendation 3:** To better protect the pensions of all Canadians whose companies file for bankruptcy, under the *Companies' Creditors Arrangement Act* (CCAA), the federal government should amend insolvency legislation to extend super-priority to the unfunded pension liability.

**Recommendation 4:** To better protect the pensions of all Canadians, the federal government should amend insolvency legislation to enable the creation of a Distressed Pension Facility in the event of a corporate insolvency.

If a defined benefit plan is underfunded on a solvency basis at the time of wind-up, its assets would be transferred to this new form of plan, and would ensure all Canadian pensioners receive 100% of their pensions and are treated equally, regardless of where they live. This would avoid costly annuitization and provide the potential to improve pension payments.

This is a multi-jurisdictional solution. We believe the federal government is well-positioned to lead this change, working collaboratively with other jurisdictions.

### **About the Canadian Federation of Pensioners**

The Canadian Federation of Pensioners (CFP) advocates on behalf of defined benefit pension plans and their members. Founded in 2005, the CFP is the united voice of 20 retiree groups, representing 270,000 defined benefit pensioners, who work together to improve pension security across Canada. CFP is affiliated with CARP, FADOQ and the National Pensioners Federation.

Our organization has a long history of working collaboratively with provincial and federal government agencies responsible for pension regulation. Our active engagement at the federal and provincial levels includes pre-budget consultations, committee hearings, legislative consultations, stakeholder meetings, lobby days, media campaigns and face-to-face meetings with senior ministers and other elected and government officials.

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