

Post COVID & Pension Security for Retirees

by:

The National Pensioners Federation

**Written Submission for the Pre Budget Consultations in
Advance of the Upcoming Federal Budget**

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Recommendations

Recommendation 1: That the government create a national pension insurance program that insures 100% of the pension liability and is fully funded by the plan sponsors.

Recommendation 2: That the government amend insolvency legislation to extend super priority to the unfunded pension liability.

Recommendation 3: That the government, as a short-term measure, introduce a refundable tax credit equal to the amount of pension loss an individual incurs when a pension fails.

Recommendation 4: That the government enable the creation of a distressed pension facility, when a corporation becomes insolvent and the pension is underfunded, to avoid costly annuitisation and provide the potential to improve pension payments.

Recommendation 5: That the government establish a commission with the explicit goal of determining the best way to ensure pensioners receive 100% of the pension they paid into and to which their employers committed.

Submission

COVID-19 impacts seniors financial stability and the time for Action is NOW:

The National Pensioners Federation respectfully requests your committee to include measures to enhance pension protection in its pre-budget recommendations.

The National Pensioners Federation (NPF) is a national, not-for-profit, non-partisan, non-sectarian organization of 350 seniors' chapters, clubs, groups, organizations, and individual supporters across Canada with a collective membership of 1,000,000 seniors and retirees devoted entirely to the welfare and best interests of ageing Canadians. Our mission is to stimulate public interest in the welfare of ageing Canadians. Our goal is to help seniors and retirees live a life of dignity, independence, and financial security. NPF is an organization devoted entirely to the welfare and best interests of Canada's elderly.

The National Pensioners Federation (NPF) have joined with other leading seniors' advocacy groups like the National Association for Federal Retirees, CARP, Canadian Federation of Pensioners and Vibrant Voices Coalition to defend the financial security of over 1.3 million defined benefit pensioners and their families. We collectively do this because it appears we remain solely and without government, focused on ensuring pensioners receive 100% of their pension. Truly we are solution agnostic, but indeed Pensioners should receive 100% of the pension to which their employer committed as deferred wages.

Unfortunately, over the last five years, governments' response has been to lower/eliminate solvency requirements. Governments have deliberately chosen not to listen to pensioners when it comes to pension security. This, in our view, is against the public interest and has prioritized corporate interests ahead of people.

Over 1.3 million Canadian retirees and their spouses rely on private defined benefit pension plans. The Pension Regulatory Framework in Canada is very complex. Canada has two tiers of legislation that directly impact pension security. Eleven different jurisdictions are responsible for pension legislation and regulation. Federal insolvency legislation lands paramount over pension regulations. In the event of a conflict, it supersedes other pension-related legislation. We feel it is in the federal government's jurisdiction to support the economy and its retired citizens by initiating pension security measures now especially in light of Post COVID uncertainties. Our membership is demanding this attention.

COVID economic crisis is weighing heavy on seniors.

The possibility of a pension crisis becomes a reality when companies file for insolvency under federal jurisdiction. Insolvency legislation holds paramount over pension

regulations and the problem of underfunded pensions, be they large ones like Nortel, small ones like Co-op Atlantic or ubiquitous like Sears, has roots in the failure of regulators to ensure pensions are 100% funded on a solvency basis. Today, a majority of defined benefit pensions are operating to a target of 85% solvency or less, so the impact of an insolvency on pensioners will be dramatically worse now.

The Federal Government Must Act Now to Protect Canadian Pensioners

To protect pension security, the NPF and our affiliate group memberships are calling on the federal government to:

1. Create a national pension insurance program that insures 100% of the pension liability. This should be fully funded by the plan sponsors.
2. Amend insolvency legislation to extend super-priority to the unfunded pension liability. While this would not guarantee pensioners would receive 100% of their pensions, it is an action the federal government should take to provide increased pension security to all pensioners of companies entering insolvency.
3. As a short-term measure, introduce a refundable tax credit equal to the amount of pension loss an individual incurs when a pension fails. This is a stop-gap remedy in the absence of a pension insurance program and amendments to insolvency legislation.
4. When a corporation becomes insolvent and the pension is underfunded, enable the creation of a distressed pension facility to avoid costly annuitization and provide the potential to improve pension payments. Today, pensions of insolvent companies are annuitized. Typically, when the pension funding level is at its lowest and annuitization costs are at their highest, thereby reducing the amount of pension income realized by pensioners.
5. Establish a commission with the explicit goal of determining the best way to ensure pensioners receive 100% of the pension they paid into and to which their employers committed. This must not be an open-ended discussion that has so often in the past focused on barriers to achieving this goal. Pensioners must have a voice in this process, along with industry stakeholders and federal and provincial regulators.

Government Has a Duty to Act in the Public Interest and Protect Pensioners.

Governments have, through legislation, taken control of pensions from pensioners. Pensioners have no ability to influence or control what happens to their pension and their future financial security. When governments change legislation to reduce solvency requirements, they do so unilaterally. Governments have made decisions that negatively impact the future financial security of seniors without direct consultation,

consent or even communication. This is not in the public interest and must be remedied now.

The time for action is overdue. With Insolvencies Looming Due to Covid-19, Inaction Is Not an Option Canada is facing challenging economic times due to the COVID-19 pandemic. There are likely to be waves of insolvencies with underfunded pensions left behind. When we look back to Nortel, Co-op Atlantic, Sears and the impact on those pensioners, we must keep in mind that those failures were all under a 100% solvency target regime. Governments have eroded even that level of protection without adding any level of protection for pensioners to compensate.

We urge the government to immediately and seriously address this issue before it becomes the next “Sears” debacle headline. We respectfully ask the FINA Committee to carefully consider our recommendations through the lens of protecting pensioners, rather than focusing on the obstacles to enhancing pension security. The financial security of over 1.3 million defined benefit pensioners and their families is too high a price to pay for inaction.

The National Pensioners Federation would appreciate the opportunity to present our recommendations to the FINA Committee.