

National Consultations on Private Pensions

Executive Summary

Honorable Mr. Menzies and Committee,

On behalf of the members of Local 2.on branch Local 1, Service Employees International Union (SEIU) in London Ontario and the members of the Canadian Brewery Workers Alliance (CBWA), representing members employed with and retired from Inbev –Anheuser Busch and its wholly owned subsidiary Labatt, across the country. We truly appreciate the opportunity to forward our thoughts and concerns regarding the legislative and regulatory framework for private pension plans and our general concerns with the pension system in Canada.

For the record, our private pension plan, which was first registered in 1938, is not federally regulated. However, it is our expectation that aside from any advice you may consider from our submission connected to the public pension system (CPP), any pension reform that is adopted at the Federal level will work its way through to the Provincial regulator in Ontario, the FSCO as well as the other Provincial and territorial regulators.

It is our respectful belief that a significant and thorough review of the legislative and regulatory framework governing private pension plans in Canada is long overdue. The fact that it has taken what can only be described as an economic disaster to bring about this sort of a consultation is profoundly disturbing, however, we do appreciate that it has come to be and we are looking forward to participating in the process in any way we can. Your conclusion towards the end of the year as promised, will be observed with much interest.

As I mentioned earlier, our pension plan has existed since 1938. As you would expect, there have been several changes along the way with the last significant one taking place in 1973. We have been fortunate in that we have been able to negotiate reasonable enhancements to our pension plan over the years as a result of the fact that overwhelming economic challenges to the business have been able to be avoided. We hope to continue on this path. What has been lacking however, and this is not at all uncommon, is the commitment to fund ongoing defined benefit promises beyond the statutory requirements. This has resulted in actuarial valuation reports that are showing both considerable going concern and solvency deficits. Notwithstanding the current economic situation, which has exacerbated the concerns considerably, we have not felt at all well served, under the current regulatory structure, given the consistent history of profits flowing out of the balance sheets of our employer.

It would be our hope that any reforms contemplated would not permit solvency funding relief or smoothing of commitment without a test for financial viability and of course without the consent of the members. It is our opinion that the sole sponsor employer of our pension plan should not have been permitted to maintain the current funding deficit. We would also be very much in support of any recommendation that full plan funding would be insured on plan termination.

Obviously, we are extremely interested in any improvements with respect to plan disclosure requirements and an obligation for providing a statement of funding policy. The more information that plan members can access the better.

It would be our hope that a formal policy speaking to the plan sponsors approach to the concept of contribution holidays would be required to be disclosed to plan members. And the possibility of a contribution holiday could only be considered in a year in which an actuarial valuation report has been issued.

We are of the opinion that it is unconscionable that almost 80% of the private sector work force have not been afforded the opportunity to participate in a private sector pension plan of any sort and will have to rely on CPP, OAS and what is left of their assets upon leaving the workforce. It is our expectation that responsible governments would ensure that these vast quantities of individuals are not left to essentially fend for themselves.

Given what we have seen recently with respect to the hardships that individuals must face when something happens that affects the financial viability of their employer. And their employer has not fully funded the pension plan that they had hoped to rely on. You as a government cannot fail to try your best to mitigate against this problem occurring in the future and do whatever is necessary to ensure that the brunt of the consequences of this failure to establish a system that would prevent these unfortunate occurrences, does not fall on the shoulders of these well meaning and hard working Canadians.

It would seem to make sense to us that any employer who desires to do business in this country was required to participate in not only the CPP/QPP but a significantly enhanced program that results in a commitment to a pension that is guaranteed by the government. We are certain that models exist in other jurisdictions, more specifically, Western Europe, that could easily be adapted to suit.

In summary, we have little cause to suspect, that we can confidently anticipate, the most recent individual who has been vested into our pension plan will have the opportunity to be at ease over the next 40 years of employment, not to mention the 30 plus years of retirement that he should hope to enjoy, without seeing some of the reform proposals that we have touched on above being implemented. Actuarial funding deficits, along with other problems in the current pension system are indeed cause for

concern , and we look to you, though the process that you have entered into, to enact a process of substantive, permanent reform .

We look forward to engaging with you in the very near future with respect to the very serious issue of pension plan reform.

Kevin Lomack

Local 2.on, Branch Local 1, Service Employees International Union.

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