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April 16, 2009

Ted Menzies, MP
Parliamentary Secretary to the Minister of Finance
House of Commons
Ottawa, Ontario

Dear Mr. Menzies:

**RE: Financial Sector Division
Department of Finance
Consultation Paper**

On behalf of the 95,000 members of the Saskatchewan Federation of Labour (SFL) and their families I write to comment on your pension consultations.

We are concerned that, while the issue is urgent, you have rushed the consultations and many concerned citizens have not had time to formulate their responses. As well, we contacted the office of the Minister asking to be put on the agenda for the April 17 meeting in Winnipeg. We had no response. Upon follow-up, we were informed that if we show up we may get three to five minutes to present. This process does not encourage participation.

Having said this we are an organization that although small, has a national organization – the Canadian Labour Congress (CLC) that has the capacity to closely follow pension issues and trends. They speak for organized workers and for those with no real voice because they cannot organize.

We support the submission of the CLC to this consultation program. Their call for pension insurance, changes to federal bankruptcy laws that put workers first, a doubling of Canada Pension Plan benefits, and a 15% increase to public Old Age Security pensions would go a long way to protect citizens, their pension funds and their retirement options.

We are concerned that the hasty decisions that you may make will further threaten retirement income or make it impossible for workers to ever consider retirement. Consider the plight of autoworkers – whether employed, unemployed or retired. What is to come in their future?

Any changes to pension legislation and the regulatory framework should promote defined benefit pension plans. These plans provide the best security for workers and enable better retirement planning. Defined contribution plans in contrast operate like Casinos subject to a toss of the marketplace dice. Consider what this has done to pensions in recent times. Defined benefit plans will serve us best.

We are of the belief that if solvency relief is offered, it must be on a case-by-case basis and on a temporary basis. In addition, we believe that solvency funding is not appropriate for public

sector plans, where its only impact is to increase pension costs for employees and taxpayers, or in multi-employer arrangements, where the impact is simply to reduce future accruals.

With respect to contribution holidays, we believe that many of the pension plans that will no doubt seek solvency-funding relief have also taken contribution holidays during the last decade or more. It is clear that investment returns are cyclical, and that gains during one period will be followed by losses the next. If contribution holidays are taken during the good times, then the size of the deficiencies in the following downturn will only be magnified. For this reason, it is essential that contribution holidays be banned. It is also important that the federal cap on pension plan surpluses be raised from the current level of ten percent of liabilities.

In the event that a plan experiences gains during the solvency relief period, it is very important that those gains be applied to reduce the duration of the solvency relief period, and not to reduce the amount of payments required during the solvency relief period. The basis for providing solvency relief is that sponsors are unable to make the required payments within a given timeframe. Should gains arise, they should be used to enhance benefit security, by reducing the amortization period. Gains should not be used to reduce employer funding beyond the reductions that are already built into the schedule.

We believe that member and retiree consent, or bargaining agent consent on behalf of active members where a trade union has been certified to represent employees, is an essential part of solvency relief. Members and retirees are being asked to take on considerable additional risks through solvency relief, and to extend considerable credit to their employers. It is only decent that their consents be obtained before their retirement incomes are subject to increased jeopardy. Moreover, there will no doubt be cases where employers do not need solvency relief and are quite capable of meeting their existing obligations, or where an extension of an amortization period to something less than ten years would be more than adequate. Where consent is required, a trade union or employee group would be able to protect their interests by ensuring that solvency relief is tailored to the individual business situation.

At a time when worker's employment and retirement are under attack it is important that steps be taken to secure jobs and retirement savings. It is ridiculous that Corporate Executives are retiring, resigning or laid off with multi-million dollar parachutes and similar annual pensions while the workers who created their wealth struggle with day to day existence. It's time to say enough is enough! The wealth of this world belongs to us all – not just the corporate elite.

A solvency deficiency is, in effect, a debt owed by an employer, to a pension plan. Under a moratorium, no payments at all would be made for the period of the moratorium, and under an extended amortization schedule, payments would be made over a period of ten rather than five years. In both cases, the risk to retirement income security is clear: should the sponsor become insolvent with an under funded pension plan, the pension incomes of members and retirees would be in jeopardy.

An important condition for solvency relief should be reform of the federal *Bankruptcy and Insolvency Act* ("BIA"). Under current rules, the balance of any unfunded solvency deficiency, at the time of insolvency, is classified as an "unsecured claim". Unsecured claims are only paid after secured creditors are paid in full. Depending on the level of an insolvent company's secured and unsecured obligations, unsecured creditors (including a pension plan), may receive only pennies for every dollar owed to them.

As a condition for solvency funding relief, the SFL believes that the value of any such relief should be treated as a secured claim in insolvency. In this way, funding relief can be provided to employers who are experiencing serious economic difficulties, while providing some protection to members and pensioners. If the BIA creates a secured pension charge equal to the value of any solvency funding relief, then members would have this protection in the event that the sponsor becomes insolvent.

The SFL believes it important that governments take a fresh look at the problems of pension coverage, and pension income adequacy in this environment. Unless the current pension system can deliver affordable benefits that are secure, it does not work, and will fail its most elementary objectives. The current economic crisis poses severe challenges for both affordability and benefit security in the traditional pension sectors, and should trigger a review of all means to provide retirement income security, including through enhancements to the CPP.

The SFL recommends that governments in Canada accept the call for a National Pension Summit, at which an improved CPP can be considered.

This is a time when we should be taking all steps to ensure that our pension plans are enhanced and protected. Any lessening of the rules in favour of employers would jeopardize future pensions. Solvency relief to us equates to passing this debt and responsibility to the next generation of workers and will let some/many employers off the hook. They have taken in their profits, forced concessions on workers and now seem not willing to honour their contract promises. Our weak regulations have allowed this to happen.

The financial markets cannot be trusted with regulating themselves or protecting pension funds. Greed beats fiduciary responsibility. This has proven true of deregulation in many fields. Let us improve, protect and expand pensions for all Canadians.

Sincerely,



Larry Hubich
President

cc Ken Georgetti, CLC
SFL Pension Committee
SFL Executive Council

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