



**The Canadian Federation of Pensioners**  
Advocating on Behalf of Pensioner Groups & Their Members

September 3, 2009

The Honourable Dwight Duncan  
Minister of Finance, Ontario  
Frost Building South  
Floor 7, 7 Queen's Park Crescent  
Toronto, ON, M7A 1Y7  
Via Fax: 416-325-0374

### **Forced Wind-up of Insolvent DB Pension Plans**

Minister Duncan

The Canadian Federation of Pensioners (CFP) is writing to express concerns on behalf of a number of its member groups, such as the Nortel retirees (NRPC), whose constituents could see potentially significant losses of retirement income due to their defined benefit (DB) pension plans being forced to wind-up with large solvency deficits.

Minister Duncan, it would be very difficult for government to try to intervene in cases where DB plans with solvency deficits are currently in the wind-up process. But there are other DB plans, some of which are very large, whose sponsors are under court supervision re the Company Creditors Arrangement Act or whose US parent companies have recently been subject to "Chapter 11" proceedings. It is a very real possibility that any or all of these sponsors might still fail financially and thereby force the further wind-ups of DB plans with solvency deficits in Ontario.

CFP wrote to you on February 26, 2009 with comments and suggestions regarding the October 31, 2008 final report of the Ontario Expert Commission on Pensions (OECF). We wish to refer you to page 11 of our response and in particular to the OECF recommendation, 5-2, *the Lieutenant Governor in Council should establish an Ontario Pension Agency to receive, pool, administer, invest and disburse stranded pensions in an efficient manner*. CFP responded, "CFP urges government to make this a high priority in light of today's economic and financial crises. It presents a viable alternative to the forced wind-up of a pension plan in times of poor rates of return..." In addition, this provision could allow time for pension funds to benefit from improved stock market prices, such as we hopefully are currently starting to see.

Minister, it is recognized that it would take time to put such an agency in place. But we urge that immediate consideration be given to announcing the government's intentions regarding this recommendation and to make at least temporary provisions for such an agency in case it becomes necessary to provide a 'safe harbour' for DB plans currently in jeopardy of being forced into involuntary wind-up.

CFP would be very pleased to discuss this very urgent issue with you, your staff or Ministry of Finance staff at any time.

Sincerely,

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Jim Murray

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The Canadian Federation of Pensioners (CFP) was formed in 2005 to bring together retiree groups for the purpose of exploring pension plan issues from a pensioner point of view. Currently CFP is focusing on the need to improve the long term security of single employer defined benefit pension plan (DB plan) pensions by:

- Participating in government and other forums that have been formally established to review issues and challenges with DB plans; and
- Identifying pensioner issues with the current Canadian legislation for when a business is sold or merged, declared insolvent, bankrupt or is forced to wind-up, and the pension plan is underfunded.

CFP is a growing organization which currently has a growing number of actively involved pensioner groups whose DB plans are sponsored by a wide spectrum of businesses and whose individual members encompass retired corporate officers, senior executives, management, non-management, union and professional employees. In addition, CFP liaises with other retiree groups which, together with the active groups, represent the interests of 150,000 DB plan pensioners.