



Canadian Federation of Pensioners
Fédération Canadienne des Retraités

121 Ashbourne Drive, Toronto, Ontario, M9B 4H9

Presentation to the Financial Services Commission of Ontario Pension Division

September 14, 2011



Introduction

- Thank you for inviting us to speak and provide input today.
- FSCO is viewed as a key player in enhancing the security of defined benefit pension plans.
- Pensioners retirement income is increasingly reliant on a strong proactive pension plan regulator.



Presenters

- Bob Hilton (Slater Steel Pensioners Group),
- CFP President
- Jack Walsh (DuPont/Invista Pens's Assoc – Canada),
- CFP VP Ontario Affairs
- Brian Rutherford (GM Salaried Pension Organization),
- CFP Director



Topics

- Who we are
- What we do
- Priorities for enhancing pension income security
- FSCO as a responsive and proactive pension plan regulator



**Please ask any
questions as we go**



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- 14 organizations or pensioner groups
- 165,000 pensioners throughout Canada
- Provincial & federal regulated defined benefit plans
- All types of employees and plan sponsorships... union, non-union, management, professionals, etc.



Member Organizations

- DuPont/Invista Pensioners Association - Canada (DIPAC)
- Stelco Salaried Pensioners Organization (SSPO)
- General Motors Salaried Pension Organization (GENMO)
- Chrysler Canada Retirees Organization
- Nortel Retiree Protection Canada (NRPC)
- Novartis/Ciba Retirees Organization
- Society of Energy Professionals – Pensioners' Chapter



Members (cont'd)

- International Association of IATA Retirees
- Association of Store and Catalogue Retirees (Sears)
- Slater Steel Pensioners (HSB)
- Rio Algoma Pensioners
- Municipal Retirees Organization Ontario (MROO)
- Air Canada Pionairs
- Bell Pensioners Group (BPG)



Our Origins

- Born out of adversity. Original 3 “found each other” in 2004 (DIPAC, BPG, SSPO)
- *Key Driver:* Provincial & federal legislation inadequate for ongoing protection of pensioners’ retirement income

Distress

- **DuPont sold to INVISTA**
 - went from a public company to a private entity
 - from full pension fund financial disclosure to none; hence, we now rely solely on FSCO for any plan info
- **Slater Steel Bankruptcy**
 - 2 months prior to Slater Steel Bankruptcy (Welland), plans received an “OK” from actuary
 - administrator then finds plans 40% underfunded; pensions cut and “overpayments” clawed back
 - US pensioners made whole through P.B.G. Corp.

Distress (cont'd)

- **Stelco creditor protection:** “*too big to fail (Reg 5.1)*”
 - provincial government assistance required
- **General Motors bailout:** “*too big to fail*”
 - government bailout
 - legislative changes hurt pensioners (prior year balance, PBGF)
- **Nortel bankruptcy**
 - legislative changes required: BIA & provincial
 - issues with PBGF & annuity markets



In Ontario Today:

Pension Security is Far from Assured

- 7 out of 8 plan members are in an underfunded plan.
- Half Ontario's plans are underfunded by 14% or more.
- More than ¼ are underfunded by 20% or more.
- '09 DB deficits averaged over \$22k per plan member.
- DB deficits have worsened since, with no relief in sight.

Source: "Funding of Defined Benefit Pension Plans in Ontario",
7th Annual Report, March 2011



Our Mandate

- Protect members' pension plans.
- Advocate for balanced, effective legislative & regulatory improvements.
- Assist member organizations in specific situations.

Pensioners' Biggest Risk

occurs when an underfunded plan is wound up - pensioners are *permanently* affected.

Lost retirement income can't be replaced.

- Plans in deficit recover by amortizing (some of) their deficit, as required under the PBA.
- Fully funded wound-up plans provide all benefits by definition.
- One can't control or predict when companies might get into difficulty, so.....

Continuous Full Funding is *the* goal

What We Need

- Better solvency funding.
- Transparency by plan sponsors and regulator.
- Timely proactive government regulation.
- Flexible pensioner options in wind-up.



Advocacy

- Significant and thoughtful input to OECP. Commission acknowledged the CFP's "meaningful recommendations"
- Input on Bill 236 & 120, spoke in Committees
- Responded to CAPSA consultation requests
- Respond to all provincial and federal pension changes with positive, balanced recommendations



Advocacy (cont'd)

- Continue to advocate for positive, timely changes in PBA regulations
- Input on recommended pension reforms in Alberta
- Advocated federally in several areas (see below)
- Consulted with OSFI re Bill C9 on solvency and transparency issues
- Worked with all parties and spoke in committee on Federal Bill C501 re need for preferred status for pension deficits in bankruptcy



Priorities for Enhancing Pension Security

- **ANNUAL VALUATIONS FOR ALL PLANS** Valuations are now not frequent enough to catch problems in time to recover.
- **FILE NO MORE THAN SIX MONTHS AFTER VALUATION DATE** Valuation reporting is now not prompt (given today's IT world).
- **VALUATIONS MUST INCLUDE ALL STATED PLAN FEATURES** Regulations are now not based on all commitments, e.g. indexation.
- **TARGETS MUST INCLUDE ADVERSE DEVIATION BUFFER** Current funding targets are insufficient to buffer against adversity.



Priorities for Enhancing Pension Security (cont'd)

- **FUND TO CORRECT DEFICITS IN FIVE YEARS OR LESS**
Prompt & adequate funding increases should occur to correct deficits as quickly as reasonable.
- **PROACTIVE REGULATION TO IDENTIFY AND CORRECT AT-RISK PENSION PLANS**
Regulation is needed to counterbalance sponsors' competing interests (pensioners – shareholders).
- **ANNUAL REPORTING TO ALL PLAN MEMBERS**
Pensioners currently do not receive timely, adequate plan status information.
- **REVISE BANKRUPTCY LEGISLATION**
Pension plans currently have marginal creditor status to protect plans of companies in bankruptcy



Effective Regulation is Critical to Pension Security

- Regulator must provide objective support for plan members & their plans' security
- Counterbalance sponsors' competing interests, e.g. pension plan members vs. shareholders and other investors
- Pensioners hope Risk-Based Regulation will improve security
 - CFP supports the principles & objectives of RBR
 - CFP awaits to gauge its effectiveness in Ontario

Regulation Looking Forward

- FSCO needs to be a powerful advocate for additional measures needed to protect pension security.
- Identify missing but necessary regulatory tools:
 - FSCO needs to be proactive in pursuing legislative changes for improving its role as an effective and proactive regulator.
 - CFP, as a respected advocacy organization, can assist.



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In Conclusion

- We appreciate the invitation to be with you today.
- We appreciate your recent attention to pensioner concerns.
- We need you more than ever going forward.
- We remain committed to assisting you.