

March 23, 2020

Right Honourable Justin Trudeau, Prime Minister of Canada - [pm@parl.gc.ca](mailto:pm@parl.gc.ca)

Honourable William Morneau, Minister of Finance - [bill.morneau@parl.gc.ca](mailto:bill.morneau@parl.gc.ca)

Honourable Deb Schulte, Minister of Seniors - [deb.schulte@parl.gc.ca](mailto:deb.schulte@parl.gc.ca)

House of Commons

Ottawa, Ontario K1A 0A6

Dear Prime Minister Trudeau and Ministers Morneau and Schulte,

### **URGENT: Protection for Canadian Pensioners Needed Now**

The Canadian Federation of Pensioners is encouraged to see the Federal and Provincial governments rallying to mitigate the financial impact of the COVID-19 pandemic on businesses and Canadians. But immediate action is equally needed to protect Canadian pensions in the case of corporate insolvency.

The COVID-19 pandemic is placing businesses under severe stress. There will almost certainly be business insolvencies and pension failures. As *The Globe and Mail* reported today, pension liabilities in Canada are skyrocketing. Mercer Canada's Pension Health Index has fallen 23% since the global outbreak of the Corona Virus and Aon PLC's measure of pension solvency reports solvency funding has dropped 11.9% since January.

**We are calling on the federal and provincial governments to work together to protect pensioners today.**

**As an immediate first step, the federal government must introduce a recurring refundable tax credit equal to the annual pension loss experienced by a pensioner in the event that a company becomes insolvent and is not able to meet its pension obligations.**

Pension insurance is key to pension security. **We are calling on the federal and provincial governments to create a pension insurance programs that insure 100% of the pension liability.** These programs could be modelled on the Ontario Pension Guarantee Insurance Fund (PGIF). In Ontario, where insurance is capped at \$1500/month, the government should also consider increasing corporate contributions to the PGIF to fully cover all pension losses.

The focus to date has been to put in bridging mechanisms to get through the pandemic. To provide income to people who are laid off, forced into isolation or forced to stay home to care for

children or others. To aid businesses by maintaining liquidity, ensuring access to credit, and improving cash flow.

Once again pensioners seem to have been forgotten. Despite the government's efforts, there is a strong likelihood that companies will fail and, based on current legislation, pensioners will suffer income reduction for the rest of their lives. Not just for the time span of the COVID-19 pandemic.

Large companies like Nortel, ubiquitous companies like Sears and small companies like Co-Op Atlantic and many others have failed in normal economic times. These companies left pensioners facing reduced incomes of 20 - 40% for the rest of their lives, even though the funding rules for these pensions were 100% solvency. The next round of pension failures will likely be worse. In the past few years many jurisdictions have reduced pension solvency requirements, putting vulnerable seniors at greater financial risk.

For over a decade, the Canadian Federation of Pensioners and other senior's advocacy groups have carried a consistent message to governments. Pensioners should receive 100% of the pension. The time for action is overdue.

I look forward to discussing next steps as soon as possible.



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