June 11, 2021

The Canadian Federation of Pensioners (CFP) is pleased to provide its comments regarding the Financial and Consumer Affairs Authority of Saskatchewan's consultation: *A Review of the Pension Funding Framework For Single Employer Defined Benefit Plans In the Private Sector And Other Complementary Reform Measures Applicable to All Defined Benefit Plans.*

CFP is an organization dedicated to improving the security of defined benefit (DB) pension plans in Canada. Each of CFP's twenty-three member organizations advocate for the interests of the active and retired members of workplace DB pension plans. Collectively, the CFP member organizations represent the interests of more than 300,000 individuals and their families across Canada.

CFP's position with respect to retirement security continues to be based on three tenets:

1. Pensions are deferred wages. They are earned while working, payable after retirement.
2. Pensioners deserve the pension their former employer committed to.
3. The responsibility to ensure pension protection falls on government. Government has not provided pensioners any control, input or approval of changes to their pensions. Government has reserved this power to itself.

Based on these three tenets, CFP has, over the years, proposed solutions to better protect pensions; particularly in the event of an insolvency.

In general, CFP is opposed to reductions in solvency targets unless the increased risk to pension plan members is fully mitigated.

Therefore, the Canadian Federation of Pensioners opposes the changes proposed.

Below we offer reasons for our opposition, and provide an alternative that:

- improves protection for pensioners,
- provides flexibility for sponsors, and
- provides for the voice of the stakeholders most impacted, the pension plan members, to be recognized

Reasons CFP opposes these changes

Presumption there is a liquidity issue to be solved

These solutions presuppose there is an urgent liquidity problem to be solved. We see no evidence of this in Canada and the Saskatchewan government has provided no evidence of a unique, Saskatchewan liquidity problem.

We know, for example, Ontario fearing pandemic related liquidity issues offered relief. To obtain relief, sponsors would have to abide by certain restrictions. O. Reg. 520/20 placed restrictions on the applicants use of cash for other purposes such as dividends, share buy backs, executive bonuses. In other words, Ontario was willing to provide relief if the liquidity problem was genuine, impacting all areas of the business. Ontario was not simply going to use pensions as a piggy bank for perceived corporate liquidity problems.

Not a single company applied.

CFP strongly opposes solving a perceived liquidity problem solely on the backs of pension plan members. This does not properly consider "the competing objectives of benefit security and plan affordability" in our estimation.

There is no evidence that reducing the cost to sponsors protects DB pensions

Quebec, Ontario and B.C. have all reduced solvency requirements saving sponsors billions of dollars. They continue to experience a decline in the number of DB plans, a trend that has gone on for decades.

Using a broadcast solution instead of a focussed one

The main proposed option permanently provides solvency relief to all DB pension plans without ascertaining whether they need the relief, and without giving plan beneficiaries any say in the matter.

Federally regulated plans can access a distressed pension plan workout scheme if they establish need. Ontario has recently begun using a Supervisory Approach for actively monitoring SEPPs that employs a collaborative process with plan administrators to assist plans deemed at significant risk; this has been positively received.

Putting the future financial well-being of pensioners at risk without their informed consent

Once again, government is treating seniors as some form of unfit wards of the state. Using legislation and regulation to take all control of their financial future away from seniors.

This is a policy disconnect that CFP struggles to understand.

All governments in Canada, virtually all seniors' organizations in Canada have policies recognizing and combating elder abuse.

They are all a little bit different, but are generally similar to the definition to be found on the Saskatchewan Seniors Mechanism's website:

"One might "define Elder Abuse" as any action(s) or inaction(s) which jeopardize(s) the physical or mental health or well-being or which harm(s) or threaten(s) the material or financial status or security of (an) elderly person(s)."

Clearly a pension is vital to an elderly person's financial security.

Clearly the alternatives contained in this proposal threaten the financial security of elderly persons.

All without any attempt to obtained the informed consent of these vulnerable seniors before putting their future financial security at greater risk.

CFP strongly opposes putting the future financial well-being of pensioners at risk without their informed consent.

Alternative

The Canadian Federation of Pensioners is pleased to offer an alternative.

1. Maintain the solvency target at 100%.
2. Require annual Actuarial Valuations.
3. Require the sponsor, in the event that the Actuarial Valuation solvency ratio falls below a prescribed threshold to:
    a. Obtain a letter of credit to return to 100% solvency, or
    b. Abide by restrictions on corporate cash management similar to Ontario's recent 520/20, until 100% solvency of the plan is restored, or
    c. Obtain informed consent of a significant portion of plan members (perhaps >75%) to implement a different solution, other than a. or b. above.

This proposal is respectful of seniors and provides flexibility to sponsors.

Option a *(Obtain a letter of credit to return to 100% solvency)* provides full protection of the pension.

Option b *(Abide by restrictions on corporate cash management similar to Ontario's recent 520/20, until 100% solvency of the plan is restored)* acts as a means test to ensure the liquidity relief is truly necessary and the impact is not borne solely by the pension plan members.

Option c *(Obtain informed consent of a significant portion of plan members (perhaps >75%) to implement a different solution, other than a. or b. above)* provides the flexibility of sponsors and plan members to arrive at a unique solution best suited to their situation. It also ensures that the sponsor obtain the informed consent of the plan members. This option could allow the sponsor to use the Financial and Consumer Affairs Authority as an expert resource.

The Canadian Federation of Pensioners would be pleased to discuss this submission, or any pension related issues at any time.