



# CANADIAN PENSIONERS DESERVE REAL PROTECTION

Canadian pensioners have worked hard all their lives and deserve to have their pensions protected. We are calling on all MPs to support changes that will safeguard defined benefit pensions.

**Our more than 1 million members are counting on you to protect their pensions.**



## CURRENT LAWS DO NOT PROTECT PENSIONERS

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### There are no real protections for defined benefit pensions when a company goes bankrupt.

- The risk to defined benefit pensions occurs when a company becomes insolvent and its pension is underfunded.
- When companies are in trouble but haven't yet become insolvent, pensioners are powerless to intervene and secure their pensions. All other creditors can negotiate terms to protect their interests.
- Insolvency law does not treat pensioners fairly. Unlike creditors, pensioners are not automatically able to negotiate their terms when assets are divided. They aren't even allocated a seat at the table, unless the court grants them one.
- With Quebec, Ontario and BC permanently reducing/eliminating solvency requirements and the federal government temporarily reducing/eliminating solvency payments, well over 90% of private defined benefit pensions are now regulated in jurisdictions that have abandoned 100% solvency targets.

## THE FEDERAL GOVERNMENT MUST ACT NOW TO PROTECT PENSIONERS

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- 1.** Amending insolvency legislation and enabling the creation of a **distressed pension facility** in the event of a corporate insolvency. If a defined benefit plan is underfunded on a solvency basis at the time of wind-up, its assets would be transferred to this new form of plan, and would ensure all Canadian pensioners receive 100% of their pensions and are treated equally, regardless of where they live.
- 2.** Create a **pension insurance program** that insures 100% of the pension liability. This should be fully funded by the plan sponsors. While this would impact only federally regulated pensions, it would create a model for similar plans at the provincial level.
- 3.** Amend insolvency legislation to extend **super-priority** to the unfunded pension liability. While this would not guarantee pensioners would receive 100% of their pensions, it is an action the federal government should take to provide increased pension security to all pensioners of companies entering insolvency.

# CANADA LAGS BEHIND THE US AND UK IN PENSION PROTECTION

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The insolvency of Sears highlights the disparity between American and Canadian pension protections.

In Canada, Sears pensioners have lost their health and dental benefits, and, outside of Ontario, 20% of their pensions

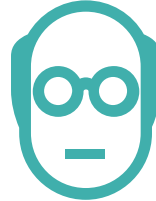
In the U.S., 90,000 Sears pensioners will receive their full pensions through the Pension Benefit Guaranty Corporation.

**CANADIANS EXPECT  
THEIR GOVERNMENT  
TO PROTECT THEM.**

**THE FEDERAL  
GOVERNMENT MUST  
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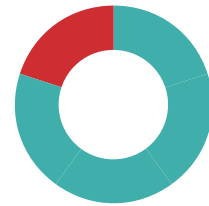
## Case Study: A Sears Retiree

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A **63-year-old** retiree with **47 years of service** at Sears was promised a **monthly pension of \$3,500** through the company's defined benefit pension plan.

When Sears became insolvent, its pension was **80% funded** on wind up. This left an **unfunded pension liability of 20%**.



**Depending on where they live,  
here is what the pensioner would receive:**



**U.S. \$3,500** - Fully protected by Pension Benefit Guaranty Corporation



**U.K. \$3,150** - At least 90% protected by the Pension Protection Fund



**ONTARIO \$3,100** - Only partially protected by the Ontario Pension Benefits Guarantee Fund



**Rest of Canada \$2,800** - No protection!!

# WHAT ARE DEFINED BENEFIT PENSIONS?

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- Over 1.3 million Canadian retirees and their spouses rely on defined benefit pension plans.
- Defined benefit pension plans are a part of an employee's total compensation package and are legally considered deferred compensation.
- The annual pension amount is calculated using a formula that reflects an employee's salary, length of service and age.
- Pensioners have planned their retirement based on their defined pension income.
- Pension income is taxable in the hands of pensioners.

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## About the Canadian Federation of Pensioners

The Canadian Federation of Pensioners (CFP) advocates on behalf of defined benefit pension plans and their members. Founded in 2005, the CFP is the united voice of 22 retiree groups who work together to improve pension security across Canada. CFP is a member of the National Pensioners Federation.

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