

**A Very Good Balance:
A response to the Report of the Expert Commission on Pensions¹**

Canadian Pensioners Concerned Inc. is a national and provincial organization of seniors founded in 1969 by a group of retirees who were concerned about the effect inflation might have on their pensions. Over the years, CPC has continued to advocate on the needs and rights of older people and others, who by virtue of illness, physical or psychological impairments, age and economic need, are especially vulnerable in a society driven by the market place and other economically determined values, often to the exclusion of other social values that enhance a fair, just and inclusive social order.

Canadian Pensioners Concerned, Inc. Ontario Division commends the work done by the Expert Commission on Pensions under the Chairmanship of Dr. Harry Arthurs. The research commissioned by the Commission is long overdue and the recommendations will go a significant way in addressing many of the outstanding issues facing workers, companies and the managers of pension plans in Ontario.

We are not experts on pension policy but, as our name clearly shows, our organization has had as one of its main concerns, the development and strengthening of pensions for all citizens – both public and private plans, contributory and non-contributory. We have had particular concerns over the steady decline in Defined Benefit Plans, the rise of Defined Contribution Plans, the threat to pensions by the collapse of broad sectors in the economy that previously had pensions and the growing number of marginal and contract workers who will never have an opportunity to participate in workplace pensions. The Commission has clearly pointed out that there is an apparent correlation between the loss of Defined Benefit Plans funded and administered by single employers and the loss of large single employer unionized jobs. This is a clear example of the changing nature of our economy and the nature of work and it highlights the need that the issue of worker pensions is brought into line with the changes in the workplace and the nature of employment.

¹ A Fine Balance: The Report of the Ontario Expert Commission on Pensions, established in November 2006 by the Minister of Finance, reporting December 2008.

We commend the Commission and its recommendations that are designed to bring greater equity, transparency, security and effectiveness into the administration and management of pensions in Ontario. We believe that the government must act on these recommendations immediately and not allow the Commission's Report to sit neglected on the Minister of Finance's bookshelf. However, we wish to draw particular attention to some immediate concerns that we believe require a quick policy response by the government.

A. The link between Poverty and Pensions

The poverty rates among older person have been significantly reduced through the introduction of Old Age Security (OAS), the Canada Pension Plan (CPP), Guaranteed Income Supplement (GIS) and the provincial Guaranteed Annual Income System (GAINS). However, a significant factor in the lowering of poverty levels among older Canadians has been the existence of private sector Defined Benefit Pensions. These plans have enabled workers to retire with pensions that have helped to keep them out of poverty and enabled them to contribute to the economy of the country. A study done for the Commission by La Rochelle-Cote, Picot and Myles² showed how the after retirement incomes of older workers had greater stability among those with private sector plans in comparison to those without. This stability will be even more significant over the next few years as financial market turmoil has affected investment income for both individuals and pension plans.

Defined Contribution Plans provide less risk to the employer in terms of financial responsibility for maintenance of the plan. They are far riskier for the employee and we believe that the management and development of Defined Benefit Plans should be improved and stabilized. We therefore support the focus of the Commission on improving conditions for the accessibility and stability of Defined Benefit Plans for all workers.

² Occupation Pension Plans and Retirement Income of Ontarians

It is clear that female workers and members of recent immigrant families are less likely to have relatively good pensions, particularly defined benefit plans, and we foresee growing issues of poverty among these particular populations as they age unless new strategies are developed that can increase their access to well paid employment with defined benefit plans. We support the Commission's recommendations that would strengthen the potential of creating Multi-employer Pension Plans (MEPPs) and Jointly Sponsored Pension Plans (JSPPs). These two approaches should enhance the opportunity for small employers to not only provide pension benefits but better pensions and portable pensions for their workers. In addition the proposals to open up access to the CPP or a comparable provincial plan also have the potential for helping workers who would otherwise have no access to work place pension plans. (Recommendations 9-2 to 9-5). These strategies would create larger pools of funds, spread the financial risk across broader populations and reduce volatility in fund performance – all desirable outcomes.

We are particularly concerned about Canada's failure to reduce significantly the level of poverty among its citizens. We have seen the benefits that have accrued to older persons through the introduction of OAS, CPP, GIS and GAINS. If we can successfully add to the possibility for all workers to contribute to pension plans through their workplace we can succeed in reducing poverty among older persons quite significantly.

B. Defined Benefit Plans as Centres of Investment Capital.

Defined Benefit Pension Plans have become major sources of capital investment in Canada. Their ability to use that investment power to improve corporate governance and investment strategies is and will continue to be a major source of economic investment in the country. We see this role as carrying great significance as these funds are increasingly engaging their beneficiaries and their working members in the policy making for fund investments. We see this as a good potential to improve governance and corporate practices in the private sector.

C. Transparency, Governance and Regulation.

We commend the Commission on its recommendations that target improved regulation and transparency in the governance and management of pension plans. We support the Report's

call for the greater engagement of beneficiaries and workers in the management of their private pension plans. We also support the continuation of the Pension Benefits Guarantee Fund (PBGF) and particularly support the suggestion that retirees in failed plans should be eligible for coverage under the PGBF of \$2500 of pension benefits per month. We urge the government to accept this particular recommendation and bring it into effect immediately. The current state of the Ontario economy has placed many workers at risk of losing their pensions through the collapse of their employer.

D. Conclusion

We wish to congratulate the Commissioner Harry Arthurs, his staff and the researchers whose work he commissioned. We urge the government to respond quickly and positively to the clear recommendations of the Commission. We hope that there will be strong support from all parties in the Legislature for this Report and this will encourage the Government to act expeditiously on this very critical area of public policy.