



Canadian Federation of Pensioners proposed changes to C-228

The Canadian Federation of Pensioners (CFP) is the united voice of 22 retiree groups, representing 300,000 defined benefit pensioners across Canada.

The key objective of C-228 is to put pensioners closer to the front of the line when a company becomes insolvent and its employee pension is underfunded.

The Canadian Federation of Pensioners strongly supports the sections of the Bill C-228 that:

- Extend super-priority to the unfunded pension liability in an insolvency under the CCAA and BIA. This is the heart of C-228 and is key to enhancing pension protection for vulnerable Canadian seniors. **PASSED**
- Establish formal reporting to Parliament of several health measures of federally regulated pensions. As these are already reported by OFSI, CFP has no objection to formalizing a report which would ensure parliamentarians are updated on important pension measures. **PASSED**

These are the most important facets of the proposed legislation and quick passage is vital to protecting the interests of the 4.3 million Canadian pensioners and their families who depend on defined benefit pensions for their financial security in retirement.

The CFP acknowledges that there are some amendments needed. Without these changes, the CFP is concerned that there is a risk that passage of this critical pension protection legislation will be, at best delayed, or at worst, defeated.

CFP asks the Committee to strengthen this bill by addressing the following:

First, CFP recommends modifying:

The transitional provisions which would delay the implementation of C-228 five years after it comes into force to allow sponsors and the financial community time to adjust to the changes. CFP believes five years is too long and one year would be sufficient.

- This would be aligned with Bill C-97. The Liberal government has referred to important improvements to pension security in Bill C-97 (2019) as *“We have already taken important steps to make insolvency proceedings fairer and more transparent, like ensuring better oversight over corporate behaviour by giving courts greater ability to review and claw back unreasonable executive pay in the*

lead-up to insolvency.” In this “*whole-of-government, evidence-based approach*” the lead -up to insolvency was determined to be one year. **AGREED TO 4 YEARS**

Second, CFP recommends deleting the two changes to federal pension legislation; the Pension Benefits Standards Act, 1985. **BOTH REMOVED**

- The first change would provide an option for a sponsor to buy insurance to cover the unfunded liability, the second would provide an option to move a distressed pension to another plan to, over time, bring the distressed plan to a healthy condition.
- CFP believes these are well-intentioned and could provide protection to pensioners. In fact, CFP has in the past made similar recommendations.
- CFP’s concern is that these are very complex solutions, involving many areas of legislation. Changes that are, in our opinion, beyond what a Private Members Bill can reasonably accomplish. There is not enough detail in C-228 to support these initiatives, and CFP is concerned that they will distract from the heart of C-228 which is extending super- priority to the unfunded pension liability.
- The insurance option is not defined at all. Many issues would have to be resolved, including:
 - what controls on investments, risk profile, etc. would be placed on the insurer?
 - would the insurance be backstopped like annuities?
 - what conditions would trigger insurance payment?
 - how would the insurance be protected from just being another asset in the asset pool to be divided amongst all stakeholders?
- Similarly, the proposal to transfer plan assets and liabilities does not have sufficient detail. Issues that would need to be resolved include:
 - The unfunded pension liability is a financial risk that must be specifically addressed. What entity will assume responsibility for this risk?
 - There is no protection for preserving the plan type or conditions. As written a defined benefit plan could be changed to a target benefit or a defined contribution plan.
 - There is no provision to obtain the informed consent of plan members to any changes to their pensions.

PROTECTION FOR SEVERENCE AND TERMINATION WAS ADDED BY THE NDP (AND PASSED)

