

Put Pensioners First



The Issue

Many corporate pension plans have significant unfunded pension liabilities. On average, Canadian corporate pensions are 80-85% funded; companies facing financial difficulty may have larger unfunded pension liabilities.

Under current legislation, when companies enter into bankruptcy or insolvency, unfunded pension liabilities are unsecured and have little likelihood of being paid. This translates to cuts in pensions and retirement benefits for pensioners.

Consequently, pensioners have less financial security in retirement and are more likely to require public support. Taxpayers are forced to pick up the bill for this public support because our laws have failed to hold corporations accountable for their obligations to former employees.

Background

- Sears' pension plan is underfunded by more than \$250 million. This is putting the retirement security of over 16,000 pensioners at risk.
- Sears' pensioners could see their pensions cut by 20% and their retirement benefits, including extended health and dental care, eliminated.
- 1.3 million Canadians have corporate defined benefit pensions. The bankruptcy or restructuring of those companies would put their pensioners at risk.

History

- Nortel Canada filed for bankruptcy with significant unfunded pension liabilities of over \$2.5 billion resulting in 12,000 employees facing pension cuts of 40%.
- Wabush/Cliff Mines filed for bankruptcy with a \$30 million pension plan deficit. As a result 700 former employees face pension cuts of 20% to 25%.
- Over 10,000 employees of Indalex, Algoma, Grant Forest Products and others have had their pensions cut as a result of a lack of protection in existing laws.

Alternate remedies

Losses from unfunded pension liabilities could be reduced by requiring 100% funding of pensions, or by treating these liabilities as super-priorities in the event of a bankruptcy or restructuring.

The Solution: Put Pensioners First

CARP believes that it's past time for federal legislation to put pensioners at the front of the line (by giving unfunded pension liabilities super-priority status).