



February 14, 2018

Office of the Superintendent – Pension Commission
Room 1004 – 401 York Avenue
Winnipeg MB R3C 0P8

Please find attached CARP's submission regarding the Pension Commission's Recommendations for Reforms to the Pension Benefits Act of Manitoba. We comment specifically on the need for a pension guarantee, similar to Ontario's Pension Benefit Guarantee Fund.

Yours sincerely,

A handwritten signature in blue ink that reads "Wanda Morris".

Wanda Morris
VP of Advocacy

A handwritten signature in blue ink that reads "Marissa Semkiw".

Marissa Semkiw
Director of Policy and Government Relations



Overview

CARP is pleased to participate in the Pension Commission's consultation on reforms to the Pension Benefits Act of Manitoba. CARP is a national seniors' advocacy organization with 300,000 members across the country. In a recent survey, 98% of our members indicated that they voted in the last federal election.

Defined benefit plans are an integral part of Canadians' retirement security. Pensions are often retirees' primary asset; without an employer pension, the vast majority of Canadians have inadequate retirement savings¹. A recent report found that less than 30% of Canadian seniors have five years worth of replacement income saved. Pensioners who have less financial security in retirement are more likely to require government support, forcing taxpayers to pick up the additional cost for public social security programs.

Background

Pensioners today are dually exposed. First, companies aren't funding their pension commitments, so if they go bankrupt, there isn't enough money set aside to keep pensions whole. Second, when companies go bankrupt, pensions are at the back of the line, so the assets that are available go to secured creditors – not to make up for pension underfunding. CARP's federal policy calls for super-priority for pensioners in a bankruptcy or restructuring. However, even if pensioners are rank ahead of other creditors, there will be instances where companies do not have enough assets to fill the pension liability. Consequently, it is critical that provinces also take ownership of this issue.

CARP recognizes that solvency rules are an ongoing negotiation between the province and corporations that do business there, and that there is a need for give and take. However, in the absence of a robust pension guarantee similar to the Pension Benefit Guarantee Fund (PBGF) in Ontario, CARP cannot support any softening of pension plan funding rules, including reducing the solvency threshold to 85%, and eliminating solvency funding, in whole or in part.

CARP calls on the Manitoba government to make company funded pension insurance mandatory (see details below).

CARP Members Call for Action

CARP members surveyed are strongly in favour of all provinces and territories having a pension guarantee. A recent poll revealed support of 85%, with 4% opposed and 11% neutral.

¹ Richard Shillington. "We're Facing a Wave of Seniors Living in Poverty - and We're Not Ready." *IPolitics*, 17 Feb. 2016, ipolitics.ca/2016/02/17/were-facing-a-wave-of-seniors-living-in-poverty-and-were-not-ready/.



It's Time for a Pension Guarantee

CARP calls on the Manitoba government to introduce a pension guarantee fund in Manitoba. Similar to Ontario, this fund would be financed through employer contributions, in order to help retirees in the event of bankruptcy or insolvency. While Ontario's PBGF tops up an employee's pension to a maximum of \$12,000 per year, CARP believes this is woefully inadequate, and calls on the Manitoba government to index its pension guarantee to the year's maximum pensionable earnings (YMPE), as defined under CPP. The YMPE for 2018 is \$55,900².

If the province proceeds with reductions in solvency funding, that will provide substantial relief to corporations. It is critical that part of that relief be directed to a pension guarantee fund that covers at least YMPE for all employees.

Canadians who earn pensions over years and decades depend on this income in retirement. If the payments stop, their quality of life is at stake. Corporations should not be allowed to shirk their responsibilities to pensioners or offload them to taxpayers.

² "Year's Maximum Pensionable Earnings (YMPE)." *Service NL*.
<http://www.servicenl.gov.nl.ca/pensions/ympe.html>.