



# 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 work together to safeguard defined benefit pensions.

**Our 1 million members are counting on you to protect them. Let's take the politics out of 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.
- An estimated 78% of defined benefit pension plans in Ontario are underfunded. In the event of an insolvency, those pensioners will not receive their full pension. **This puts an estimated 850,000 pensioners at risk.** (FSCO 2018)

## THE FEDERAL GOVERNMENT MUST ACT NOW TO PROTECT PENSIONERS

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- 1.** 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.
- 2.** 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.
- 3.** Commission a third party study to **explore alternative legislative and regulatory solutions** that will ensure pensioners receive 100% of their pensions in the event of corporate insolvency. This research must include input from all sector stakeholders, including the provinces, pension administrators, academics, actuaries, employee representatives, and defined benefit pensioners.

# CANADA LAGS BEHIND THE US AND UK IN PENSION PROTECTION

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

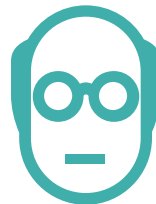
In Canada, Sears pensioners have lost their health and dental benefits, and, outside of Ontario, 20% of their pensions

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

**CANADIANS EXPECT THEIR  
MPS TO WORK TOGETHER  
TO PROTECT THEM.**

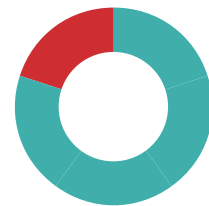
**LET'S TAKE THE POLITICS  
OUT OF PENSIONS.**

## Case Study: A Sears Retiree



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 20 retiree groups who work together to improve pension security across Canada. CFP is a member of the National Pensioners Federation.

### Contact:

Michael Powell  
President  
Canadian Federation of Pensioners  
m.powell@pensioners.ca  
(905) 441-5527  
www.pensioners.ca

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## About the National Pensioners Federation

The National Pensioners Federation (NPF) is a national, non-profit, non-partisan umbrella organization of more than 350 seniors chapters, clubs, and groups across Canada. We work together to influence government policy and legislation to support a better life for all ageing Canadians. With over one million collective members, the NPF is a clear, unified voice for older Canadians and the issues that matter most to us.

### Contact:

Trish McAuliffe  
President  
National Pensioners Federation  
trish.mcauliffe@npfmail.ca  
(905) 706-5806  
www.nationalpensionersfederation.ca

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## About CARP

CARP is a non-profit, non-partisan association representing more than 320,000 older Canadians across Canada. We advocate to uphold the rights and improve the lives of Canadians as we age. Learn more about CARP's national policy platform, The FACES of Canada's Seniors, at [www.carp.ca/faces](http://www.carp.ca/faces)

### Contact:

Marissa Lennox  
Chief Policy Officer  
CARP  
marissa@CARP.ca  
(416) 607-2472  
www.carp.ca