

To: Minister Sorenson and Department of Finance Regarding Pensions

From: Mike Moeller—Canada Post Employee

Topic: Target Benefit Plans Announced by The Conservative Government Regarding Existing Crown And Federal Private Employer Defined Benefit Pension Plan members-Workers and Retirees

May 15Th, 2014

To whom it may concern:

Firstly, I have attached my opposition to the 4 year solvency deficiency relief for the Canada Post Pension Plan that was introduced by the Finance Department on December 10th, 2014. Attachment titled “**Relief of Canada Post Pension Plan**”

This presentation was sent to Mr. David Murchison back in early January. I have done so to emphasize the already mounting risks being placed on Canada Post Pension Plan Members.

Secondly, Canada Post employees are being slammed once again. I now would like to express my consternation, disappointment, and literal outrage at what the present Conservative Government is proposing regarding new Target Benefit Plans to *replace defined benefit pension plans in Crown Corporations such as Canada Post, as well as Federal private sector plan members for over 3 million members*. This does not even include the Public Service Superannuation Plan (the PSSAA)-yet!

Is the Federal Public Service Pension Plan the next “target”?

Submission of Comments

Written comments and an indication of your interest in TBPs as an option for federally-regulated employers and employees should be sent by June 23 via email to: pensions@fin.gc.ca.

<http://www.cbc.ca/news/politics/the-value-of-a-target-benefit-pension-plan-1.2621137>

<http://www.cbc.ca/news/politics/voluntary-target-benefit-pension-scheme-proposed-by-ottawa-1.2620601>

[60 days to go online](#)

Target benefit plan—what does this mean?

A **target benefit plan** is a type of [pension plan](#) *that is similar to a [defined contribution plan](#)* in that it involves fixed contributions, or a fixed range of contributions, which are set independently of a plan's funded position. Benefits are based on affordability projections. *Plan members share plan risk through adjustments to their benefits.*

A key element of the target benefit model is the existence of pre-determined guidelines linking benefits to funds available in the plan. Benefits and contributions are linked in a way that does not exist with traditional defined benefit or defined contribution plans.

It is similar to a defined contribution plan in that the plan *does not guarantee any benefit will be paid*. The plan's only obligation is to pay whatever benefit can be provided *by the amount in the contributor's account*. The actual earnings on the individual accounts may differ from the estimated earnings used in the assumptions and the investment performance of that account through the years. How can this be even remotely acceptable for workers and retirees for any security for retirement? It isn't. It is about creating an ideological option that can and will reduce the risk and obligation of the employer almost entirely. Releasing employers from obligations as providers is shameless with the proposed targeted benefit plans replacing DB plans, and could result in increased poverty, health issues, more unemployment, and definitely more insecurity for pension plan members.

“Targeted Plans provide

- for the reduction of pension benefits for both contributing employees and pensioners
- there is no guarantee that the promised benefit will be maintained in retirement.
- Risk is completely shifted from governments and corporations to vulnerable employees and retirees with limited financial capacity to absorb reductions in income.” *(Extract from the PSAC Bulletin in April 2014)*

This is asinine and a truly ideological draconian piece of legislation. This could actually lead to a full social implosion for one, and perhaps two present generations within Canada for their future and current plan members. This is the basic replacement of existing secure defined benefit pension plans.

The only ones who will advantage are the Plan sponsors. Not the Plan members.

Only the province of New Brunswick has the full legislative structure required to operate target benefit plans, which in that province are called shared-risk pension plans. *And even this was negotiated, not legislated.*

“Proposed solution to a problem that doesn’t exist

- Current federal pension legislation and regulations provide sufficient protection against the reduction of accrued pension benefit entitlements of existing pension plan participants and retirees.
- With the improving investment returns and gradual increases in long-term interest rates, the funding status of defined benefit pension plans is improving significantly.
- For example, the defined benefit pension plan for Air Canada reported for 2013 a solvency deficiency of \$3.7 billion. However, in January of 2014, Air Canada had announced the complete elimination of the pension solvency deficiency.” *(Extract from the PSAC Bulletin in April 2014)*

The DB plans at Canada Post and all other employers that are regulated by the Pension Benefit Standards Act (**PBSA**), are not in the dire straits that employers, government, and the media has everyone believing The government is proposing and telling all Canadians that any deficiencies in DB plans will require these astronomical and devastating changes to employees AND retirees. By *replacing DB plans with insecure and volatile Targeted benefit Plans* it could be the single largest economical change for people in the last thirty years that will actually result in the reduction of spending by consumers/retirees that could lead to another recession.

Defined benefit plans provide a high degree of benefit certainty for members, which in turn stabilize community and provincial economies. Remember, defined benefit pension plans have between 7.5 and 10% of employees salaries deducted each pay, and these plans are “negotiated deferred salaries”, as the employees chose these over wage increases.

I am imploring this government that in no way should Targeted Pension Plans be implemented to replace federal Crown Corporation or federal private defined benefit pension plans. These are *replacement plans that serve the employer*, not the employees and retirees. The employers are basically absolved of their fiduciary responsibility to have to pay any shortfalls to a pension plan deficiency when an actuarial valuation is performed. This will allow employers to keep their full profits and not have to make any special solvency payments to the plans, that they are currently obligated to do according to the PBSA when there are solvency deficiencies. Employers will concentrate far more on profits for the **profits sake**. This could certainly be perceived to interfere with the administration of the pension plans as trustees as well as employers. Having less liability and regulations to properly act as trustee, could leave less concentrated

efforts on the actual administration of these plans by the employers regarding deficiencies. They are currently to follow regulations according to law and regulations in the PBSA when they are the plan administrators. Reducing these obligations will lead to less security of and for plan members.

DB Plans are under attack, and by replacing them with employer friendly Targeted Benefit Plans, it creates a future for all retirees and plan members of insecurity and financial instability as it will "fluctuate" as the markets dictate. That was not what retirees and plan members agreed to when negotiating their pension plans. People have determined their decisions to retire on DB plans, and retirees cannot now suddenly be expected to have anything negatively change their guaranteed and negotiated income that they depend to survive after retirement. Workers can negotiate new plans with the employer. But to "legislate" something to replace what already exists and was agreed to borders on criminal to those who have invested their monies in DB plans, in my opinion. To legislate this new type of plan to replace DB plans is just ethically and morally wrong, especially to those who have retired. There is room in the PBSA and under the implementation of Bill -78 (when the Canada Post portion of the superannuation pension plan monies of Canada Post was severed from the PSSA in 1998 and became the Canada Post Defined Benefit Pension Plan in 2000) that allows Bargaining Agents for Canada Post to negotiate changes, however not for retirees. Bargaining Agents do not represent retirees. But legislating this for current and future plan members as well as retirees? It is wrong on so many levels.

Defined Benefit plans were and are negotiated with Crown Corporations such as Canada Post, provincial, federal employees, and private employers. Not legislated. Workers of all ages who pay into a DB Plan should expect their plan to be secure. Current workers and those who have retired deserve better than this new option that is being offered from the Conservative government, *with the full backing of most employers*. This proposed legislation was not just created when Minister Sorenson announced these on April 25th, 2014. These changes have been in the works for years, and because of ideology from this government and with pressure from lobbyists representing employers, we are now facing a drastic period of social change in society that could and probably will lead to negative results for our country.

Retirees at Canada Post do not have a voice or vote regarding their DB Plans, other than a *recommendatory* Pension Advisory Council that meets three times a year. The Council is not a body that makes decisions or negotiates. Bargaining Agents have that ability with the employer for workers. Retirees will be left to fend for themselves if this drastic legislation is implemented.

With full confidence, I can and will predict that if target benefit plans are used to replace defined benefit plans, the possibility is that there will be another economic crisis to contend with that is not even being discussed by employers, the government, or the media. In an economy that is so fragile and insecure, possibly millions of workers and plan DB members will NOT be retiring when and as early as they had planned if this is implemented. They will now stay at work *many years longer* than they anticipated because of this new legislated insecurity. And this is longer than anticipated by both economists and government. This will have an enormous impact on the young people seeking to fill retired job vacancies in all sectors that have DB plans. *There will no longer be these anticipated vacancies to be filled with youth and unemployed*, as plan members will decide not to retire to a risky pension plan for as long as possible. Therefore millions of youth and unemployed will not have the advantage to gain employment of decent jobs as has been past practice for generations. The outcome to the economy is obvious. More unemployment, poverty, societal issues increasing, and fewer retirees who depended on income security all of their working lives. Retirees contribute greatly to the whole of Canada, both economically and through various aspects such as volunteer and community activities, and many of these behaviours will cease with their continuation working, rather than having time to commit to these essential activities. There are over 1200 pension plans that will dramatically be affected and negatively.

Perhaps Canada should be first looking at Members of Parliament DB pension plans before attacking federal Crown and federal private workers DB pensions. There are over 1200 plans that will be dramatically affected negatively. The MP's are the ones that need reforming, *as the public servants, Crown employees and federal private workers DB plans are not gold plated as portrayed by the media, government, and employers*. MP's should not benefit at their current accumulation compared to federal workers. The double standard is unmistakably hypocritical, and if changes are to be made, leading by example should be considered before destroying hard earned DB plans for millions of workers, and Canada Post employees.

The Canada Post Pension Plan has provided Pre-retirement seminars for the last ten years. First and foremost, since their inception, participants have been outright guaranteed by the facilitators, that the plans finances and benefits were secure, and "could and would never be changed in any manner" after retirement. Many retired plan members based their retirement decision on the information provided at these seminars and they asked and received guarantees from these *trained professionals* who said that any changes could never happen to their life's future earnings, as per the PBSA and defined benefit plans. This was false information as the target now benefit plans being proposed to replace the DB plans of retirees takes all guarantees away. This proposed legislation would destroy people's retirements. More than one generation will be affected by these

proposed changes. Up to three generations of paid plan contributions could be sacrificed if this ludicrous piece of legislation is allowed to proceed.

The Conservative government and Finance Department referred to Canada Post as “an Agent of the Government” several times. Canada Post falls under the Canada Post Act of 1981, and when there were profits, dividends of over 1 billion dollars were paid to government. The government cannot pretend that this service is a private business, and have it both ways, and not be the responsible party if there was ever a complete solvency.

To conclude, and secondary to my opposition to the proposed replacement target plans, please show support the Canadian Labour Congress (CLC) [“Retirement Security for Everyone”](#) campaign as the most effective means of securing the future retirement incomes of working Canadians. The CLC campaign consists of three basic components:

- The doubling of existing Canada Pension Plan benefit entitlements;
- Increases to the Guaranteed Income Supplement
- Establishment of a national pension plan insurance fund

Leave the DB plans alone. Have more employers provide pension plans where profits allow, and increase the Canada Pension Plan for all workers.xxxxxxxx

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