



February 12, 2019

Dear Prime Minister Trudeau,

We are writing to you today to seek a commitment by you and the Liberal Party of Canada to protect Canadians with defined benefit pensions in the event of an insolvency.

Over 1.3 million Canadian retirees and their spouses have defined benefit pension plans. These plans are funded by employers and employees and benefits are paid to employees when they retire. Yet, their retirement security is not guaranteed. The [last FSCO update](#) on defined benefit plan funding reports that 78% of Ontario plans are less than fully-funded on a solvency basis.

The federal government has a key role to play in protecting Canadian pensioners. While defined benefit pension plans are subject to both federal and provincial legislation, there is minimal legal protection for pensioners in the event of an insolvency. The risk to these pensions occurs when a company becomes insolvent with a pension that is underfunded.

We have identified two immediate areas for federal action:

1. Create a **Pension Insurance Plan** that insures 100% of the pension liability.

This should be fully funded by the plan sponsors. If pensions were 100% insured, pension solvency requirements could be relaxed, resulting in a break-even or reduced cost for 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 (specifically the CCAA and BIA) to extend **super-priority** to the unfunded pension liability. While this would not guarantee pensioners receive 100% of their pensions, it is an action the federal government could take to provide increased pension security to all pensioners of companies entering insolvency.

Last fall's Chapter 11 filing by US-based Sears once again highlighted the disparity between US and Canadian pension protections. In Canada, Sears pensioners have



lost their health and dental benefits, and, outside of Ontario, 20% of their pensions. In contrast, 90,000 Sears pensioners in the US will be shielded from the fallout because the company's underfunded pension obligations will be covered by the federal US Pension Benefit Guaranty Corporation.

**This disparity is un-Canadian and must be addressed immediately.** Canadian laws fail to protect pensioners against under-funding even as significant bonuses are paid to executives, and asset liquidations enrich shareholders.

**Pensioners have worked hard all their lives and deserve to have their pensions protected.**

We look forward to receiving your response and sharing it with our 4 million combined members and their families. We would also be happy to meet with you to learn more about your party's plan to address this critical issue.

Regards,

Wanda Morris, Chief Advocacy and Engagement Officer, CARP  
Hassan Yussuff, President Canadian Labour Congress  
Michael Powell, Canadian Federation of Pensioners  
Trish McAuliffe, President National Pensioners Federation