

# Canadian Federation of Pensioners

## REVITALIZING THE DEFINED BENEFIT PENSION PLAN

*Submission to the Ontario Expert Commission on Pensions  
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### OVERVIEW

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#### **THE CANADIAN FEDERATION OF PENSIONERS: who we are**

- A pensioner advocacy organization whose primary objective is to improve the long term security of retiree's DB plan pensions by representing the interests of pensioners in the development of public policy.
- 7 actively participating pensioner groups monitoring both provincially and federally regulated DB plans and a network of 13 other similar groups.
- CFP speaks on behalf of *100,000* DB pensioners.

#### **PROPOSED SOLUTIONS TO ACHIEVE A REVITALIZED DB PLAN**

##### **End the Pension Plan Information Void**

- Require pension fund administrators to provide full information to retirees on the financial and overall status of their pension plan coincident with regulatory filings via the internet, with hardcopies available when requested.

##### **Update Funding Requirements to Ensure Continuous Full Solvency**

- Eliminate funding deficits of DB pension plans. This would resolve most current issues and signals that funding deficits are an unacceptable business practice.

##### **Support Continuous Solvency by Establishing a Reserve Fund**

- Require the establishment of a reserve fund as an integral and protected part of every plan. This replaces the 'surplus' funding concept and provides even more security by smoothing funding requirements and buffering against reductions in rates of return and during periods of economic turmoil. It could also be a way to pre-fund plan amendments.
  - Each reserve fund would have a minimum funding level (re adverse deviation) and an upper funding limit – as determined by the plan's actuaries.
  - Stakeholder(s) contributing directly to the pension reserve would be eligible to withdraw excess funding, subject to regulatory and Canada Revenue Agency approval.
  - The rigid funding limits specified in the current Income Tax Act would be eliminated.
  - Establish a transition period for the creation of a reserve fund to allow plan sponsors time to achieve continuous full solvency.

##### **Expand and Accelerate Reporting to the Regulator**

- Introduce an annual key indicator report on the financial health of the pension plan to be filed with the regulator within 45 days of the end of the plan year.
- Shorten the current reporting schedule to 6 months including the filing of actuarial reviews, instead of the present 9 or 12 months.

### **Introduce Independent Reviews and Pro-Active Regulatory Monitoring**

- Introduce a requirement for independent opinions on the actuarial review findings of a pension plan.
- Expand the mandate of the regulator to allow for proactively monitoring of all aspects of the long term financial security of vested pension plan entitlements.

### **Eliminate the Pension Benefit Guarantee Fund**

- Eliminate the PBGF coincident with the implementation of the CFP proposals for continuous full solvency funding basis and the creation of a reserve fund. Any plan wind-up would see members and pensioners receiving the full pension benefits to which they are entitled.

### **Review Current PBGF Payment Guidelines for the Interim Period**

- The Canadian Price Index (CPI) has risen 250% since 1980 but the PBGF schedule of pay outs has not changed. CFP recommends a review be undertaken to ascertain the financial hardships encountered by pensioners and former members with deferred pensions whose DB plans were wound-up in the last five years with significant solvency deficits.

### **Prescribe Annual Indexation of Pensions**

- Pensioners are living longer and need protection from increases in the cost of living which, over time, can significantly erode their spending power. Indexation should be a part of every pension plan with an annual adjustment ceiling as a minimum requirement.

### **Resolve the Issue of Surplus Ownership (“Assymetry” Issue)**

- Regulations are required to make sponsors, members and pensioners agree (through arbitration if necessary) on surplus ownership terms wherever current plan texts are inadequate – pending implementation of the above proposal for pension reserve funds.



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