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Standing Committee on Finance and Economic Affairs

Comité permanent des finances et des affaires économiques

Securing Pension Benefits Now and for the Future Act, 2010

Loi de 2010 sur la pérennité des prestations de retraite

Chair: Pat Hoy
Clerk: Sylwia Przezdziecki

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Wednesday 24 November 2010

Mercredi 24 novembre 2010

The committee met at 1231 in room 151.

SECURING PENSION BENEFITS NOW AND FOR THE FUTURE ACT, 2010

LOI DE 2010 SUR LA PÉRENNITÉ DES PRESTATIONS DE RETRAITE

Consideration of Bill 120, An Act to amend the Pension Benefits Act and the Pension Benefits Amendment Act, 2010 / Projet de loi 120, Loi modifiant la Loi sur les régimes de retraite et la Loi de 2010 modifiant la Loi sur les régimes de retraite.

The Chair (Mr. Pat Hoy): The Standing Committee on Finance and Economic Affairs will now come to order. We're here for public hearings on Bill 120, An Act to amend the Pension Benefits Act and the Pension Benefits Amendment Act, 2010.

OSLER, HOSKIN AND HARCOURT LLP

The Chair (Mr. Pat Hoy): Our first presenters this afternoon are Osler, Hoskin and Harcourt. If you'd come forward please.

Good afternoon. You have 10 minutes for your presentation. There could be up to five minutes of questioning. I'd just ask you to identify yourselves for our Hansard recording, and you can get started.

Mr. Ian McSweeney: Sure. My name is Ian McSweeney. I'm a partner with Osler, Hoskin and Harcourt in Toronto.

First of all, I'd like to thank the standing committee for allowing me to attend today to present some of my comments on Bill 120. The Ontario government, in my view, is to be commended for its significant efforts to put forward a much-needed pension reform in a number of areas in the 2008 Arthurs report; one which intended to promote the objectives in that report, which included better securing pensions to deliver the pension promise, clarifying surplus rules, improving plan administration, reducing compliance costs and strengthening regulatory oversight.

To date, the PBA reforms that have been brought forward pretty much track the Arthurs report recommendations. These recommendations were based on three fundamental assumptions: First, that the DB single-employer pension plan model is dead or essentially a thing of the past; second, though dead as far as new creation goes, while existing DB SEPPs continue they require strict regulation, particularly in the areas of funding; and third, multi-employer and jointly sponsored target benefit plans will be the preferred model going forward in the future.

I lament the demise of the DB SEPP. I believe that the traditional single-employer DB model provides strong security for member retirement benefits as long as such benefits are responsibly designed or negotiated and properly managed through funding and investment, which reflects liabilities. However, my comments today are intended to be limited to specific areas of Bill 120 identified in my letter to Minister Duncan of October 27—which I believe the committee now has—which deals with several of the provisions of Bill 120, including the payment of plan expenses, employer contribution holidays and surplus withdrawal rules and related new arbitration provisions.

The common themes in my submission to Minister Duncan in these areas are, first, the need to remove ambiguities in Bill 120's wording to properly reflect the government's intent and to avoid, where possible, the need for FSCO interpretations which, in many circumstances, tend to be ultra-conservative and practically problematic; second, the need to ensure that the stated government goal of improving plan administration and reducing compliance costs is carried out; and finally, urging the government to prioritize its primary goals, like improving pension coverage and delivering promised benefits, ahead of perpetuating expensive stakeholder squabbles relating to largely unintended results of historical plan drafting.

First of all, with regard to plan expenses, the committee will be aware of the significant amount of litigation over the years, ending in 2009 with the Supreme Court of Canada decision in the Kerry case relating to whether a pension plan administrator can charge even reasonable expenses of administering the plan to the plan fund. Bill 120 proposes to codify the common law result allowing such expenses to be charged to the fund, subject to certain limited exceptions.

Two of these exceptions raise ambiguities that should be clarified, first, through an amendment to delete certain words in subsection 22.1(2) of the new PBA to ensure that the plan provisions or regulations which do not prohibit the payment of expenses but which may provide for such payment in different ways, such as payment first by the plan administrator and then reimbursement from the fund, will not be unintentionally caught by the exception; and second, to revise the wording of subsection 22.1(5) to clarify that plan administrators will not be precluded from charging fees of external service providers, such as custodians and actuaries, that relate to plan administration to the plan just because the plan or the regulations may prohibit the administrator from charging its own fees to the fund.

My final point on plan expenses is also my only comment on Bill 120's contribution holiday provisions. For both issues, Bill 120 arguably codifies the current common law requirement of determining the validity of what the plan documents say by legal analysis of its historical terms. In my experience, while I am happy for the work, such requirements add significant costs to plan administration, promote expensive litigation and sometimes lead to unintended windfalls to plan members that are completely collateral to the main purposes of the pension plan.

In my submission, Bill 120 should be amended to eliminate this administrative burden by clarifying that when determining whether the plan documents contain some prohibition or restriction on the payment of plan expenses or the taking of employer contribution holidays, the administrator needn't look beyond the current plan documents. This is the right result from a policy perspective.

With respect to pension surplus, and assuming we are ever again blessed with sustained rises in global markets and assuming long-term interest rates rise above their current historic lows, there are a number of revisions suggested in my October 27 submission: first, the need to clarify the availability of entitlement-based surplus withdrawal, and second, the need to clarify that while partial windups are with us, partial windup surplus consents are limited to the members of the partial windup sharing group as opposed to the entire plan population, which would make partial windup surplus-sharing next to impossible.

In addition, Bill 120 proposes the availability of arbitration in relation to surplus allocation on full and partial windup. While I'm not opposed to such arbitration, I believe that the existing wording of Bill 120 needs to be reviewed to make sure it achieves the intended result and is constructive and not destructive to the process of surplus distribution.

I have three main comments: First, the wording of new subsection 77.12(1) of the PBA, which describes the circumstances under which arbitration may be invoked at the discretion of the superintendent, needs to be revised to clarify that arbitration relating to entitlement-based surplus withdrawals is distinct from arbitration relating to consent-based surplus-sharing. In other words, the "and" between clause (a) and clause (b) of subsection 77.12(1) should be an "or."

Second, it is important to understand that the prescribed time periods referred to in those clauses are each very different and should be prescribed having regard to very different processes relating to entitlement-based withdrawal compared to member consent-based sharing. Perhaps that comment goes more towards the supporting regulations than to Bill 120 itself.

1240

Finally, to assist the superintendent in dealing with difficult situations, for example, where a dissident member group is seeking arbitration to defeat a surplus-sharing process being supported by the majority of affected members, clear guidelines should be adopted that provide the superintendent with clear direction and authority on the exercise of the arbitration discretion, including authority to reject arbitration requests which could operate to the prejudice of consenting members and other parties.

The Chair (Mr. Pat Hoy): You have about a minute left.

Mr. Ian McSweeney: I'm almost done; I won't need it.

In such circumstances, the courts should be deciding dissident member rights, if any, not an arbitrator.

Mr. Chair, those are my submissions. I'm happy to take questions.

The Chair (Mr. Pat Hoy): Thank you very much for that submission. The questioning will go to the official opposition. Mr. Miller.

Mr. Norm Miller: Thank you, Mr. McSweeney, for your presentation this morning. You started out by saying—I believe you said there was a conclusion from the Arthurs report that defined benefit pension plans are dead. Can you expand a bit on that?

Mr. Ian McSweeney: Well, they're dead for a number of reasons. We've seen, over the course of the last several decades, the gradual decline of single-employer pension plans. There's really a number of factors that have contributed to that, like the increased cost of administration.

Perhaps the most striking thing, I think, and I haven't touched upon it here, is the trapped capital concern. That is, employers are being, on the one hand, encouraged to better secure their plans and better fund their plans in times of market volatility, knowing that if they do better fund their plans or fully fund their plans, in times when the markets rebound and surplus is created and a partial windup occurs, the surplus relating to those overcontributions will be subject to the distribution process, which requires member sharing. So on the one hand, there's the push for better security; on the other hand, employers know that if they put too much money into the plan, it could be trapped there and distributed, at least in part, to members on an unintended basis.

Mr. Norm Miller: You mentioned the increased cost of administration. Will you speak to that a bit? Has it gone up dramatically in the last number of years?

Mr. Ian McSweeney: I suspect that with the increased burden of regulatory requirements, plan administrators have been forced to enhance their governance and other processes. I'm not saying that's a bad thing; plan governance is a good thing. I'm just saying that the government needs to be mindful that, in order to perpetuate pension coverage for single-employer DB plans, there has to be an acknowledgement that these plans are incredibly expensive and very complex to run and have high liability associated with them as far as the plan administrators and plan sponsors that run them.

Mr. Norm Miller: Would this bill help with the costs, make it worse or have no effect?

Mr. Ian McSweeney: No, I think this bill is very helpful. But for the reasons that I've mentioned, I think that from a policy perspective, one of the striking areas of administration cost is the constant need—as I said, I don't mind the work—to go back and look at historic plan documents to justify things that are collateral to the main purposes of the plan, such as the payment of plan expenses.

What I'm suggesting is that the government should say, "We understand that the plan may have historic ambiguities, historic problems with drafting, but as a policy matter, going forward, we're going to allow plan expenses unless they're prohibited under the current documents, and we're going to allow contribution holidays," because it all goes to the same issue. That issue is, are we going to allow the assets that are in a plan to be dedicated to paying the liabilities of the plan and the expenses of running it?

Mr. Norm Miller: So that was your point under the contribution holidays: Use current plan documents only, not historic documents.

Mr. Ian McSweeney: That's correct.

Mr. Norm Miller: Were there other recommendations from the Arthurs report that you thought should have been adopted by the government that haven't been?

Mr. Ian McSweeney: Not to sidestep the question, but I must say that in my view, the single most interesting recommendation—it came out of the JEPPS report out west—that has not been picked up is the addition of greater security to pension plans that would be afforded by pension security accounts. In other words, getting at this trapped capital issue, if the pension plan sponsors were allowed to establish a separate fund underneath the plan and contribute to that fund and know that those contributions, in the event that they generate surplus or overcontributions down the road, would not be caught by the surplus distribution requirements and other entanglements of the legislation. If they were devoted purely to securing member benefits, then sponsors would be much more willing to better fund their plans. They'd be much more willing to fund their plans over and above the minimum statutory requirements, because they know that if that money which is being contributed for the purpose of funding benefits up to 100% of the liability—if, for some reason, too much investment returns create excess funds, then it's not going to be trapped. The balance sheets, and this is important for public companies, are not going to potentially reflect a loss or a writeoff in the event that an unforeseen circumstance requires the distribution of that surplus out.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

CONGRESS OF UNION RETIREES OF CANADA

The Chair (Mr. Pat Hoy): Now I call on the Congress of Union Retirees of Canada to come forward, please. Good afternoon. You have 10 minutes for your presentation. There could be up to five minutes of questioning following that. I would just ask you to identify yourselves for our recording, and then you can begin.

Mr. Malcolm Buchanan: Thank you very much. My name is Malcolm Buchanan. I'm the president of the Hamilton, Burlington and Oakville chapter of the Congress of Union Retirees of Canada.

Ms. Betty Ann Bushell: I'm Betty Ann Bushell, treasurer of the Congress of Union Retirees of Canada.

Mr. Pat Kerwin: I'm Pat Kerwin, president of the Congress of Union Retirees of Canada.

Mr. Malcolm Buchanan: Thank you for the opportunity to address the standing committee. I'd just like to tell you that the Congress of Union Retirees of Canada is a national intergenerational voluntary organization representing retirees from numerous unions across Canada. We act as an advisory organization to ensure that the concerns of senior citizens are heard and addressed. Specifically, CURC's purpose is to petition legislators for the introduction and support of legislative measures to improve the health and welfare of all retired persons and to fight for the rights of retired persons to have an equitable standard of living.

A key component of well-being includes economic and financial security in retirement. The Canadian pension plan, CPP; and old age security, OAS, along with the guaranteed income supplement, GIS, are two key pillars in Canada's retirement income system. The third is a combination of private pension plans such as those negotiated by unions, RRSPs and savings. Only 37.5% of Ontario workers belong to an employer or workplace pension plan.

Today's pensions are at risk. Many of today's retirees face the problem of loss of or reduction in their pensions when their former employers enter restructuring, bankruptcy or liquidation proceedings. Others have lost much of their personal or defined contribution plans in the stock market meltdown. Tomorrow's retirees face even greater financial challenges. For many of them, the old advertising slogan Freedom 55 has now turned into the revised hope of Freedom 75.

Today employers are threatening to either eliminate pensions for new hires, turn defined benefit plans into defined contribution plans or drastically increase employee premium contributions and reduce benefits. For example, US Steel in Hamilton is attempting to change the existing defined benefit pension plan to a defined contribution plan for new employees and remove indexing for retired workers.

I think Nortel is another example of how badly retirees have been treated.

1250

CURC, or the Congress of Union Retirees of Canada, is asking that all levels of government must act to face the fact that an increasing number of Canadians have no—or limited—pensions. There are 11 million working Canadians with zero employer-sponsored pension plans. RRSPs are underused and skewed to higher-income earners and do not guarantee financial security, since they are subject to market irregularities. The current retirement security system is basically not working for many Canadians, including a growing number of Ontarians.

Pat?

Mr. Pat Kerwin: Thank you very much. The national body of the Congress of Union Retirees of Canada made a presentation to the Arthurs commission, and this, in many ways, is a follow-up to it.

The thing I want to stress is that what you decide here is not just affecting workers in Ontario. It's affecting workers who live right across Canada, because of the way pensions are governed: by where the head offices of companies are. So we take a real interest in this, not only for Ontario retirees, but for retirees across Canada.

The second general thing is that we're in the midst now of a discussion of what will happen to the CPP. The Ontario government has just released a discussion paper out there. I commend them on doing that, because Arthurs—although it wasn't his mandate—did ask the government to take that on.

We think the government's not going far enough on this. We believe it should be 50%—we'll talk about that again when we get the recommendations—and to not wait for 40 years to bring it in, but to do it in more like 10. The government's suggestion of increasing yearly maximum ensionable earnings to 150% in that year is not a bad one.

The other general reality today is that workers, especially with the meltdown and the closure of the plants assigned them, people who thought they had secure pensions, whether they're defined benefit or whatever, think it's very much different today. A lot of times people look to retirement and say, "Well, I'm looked after. I'll go on." This is not the case. I met yesterday for lunch with salaried employees from GM and Bell Canada. They've got their association and they appeared last week here before you. Everyone realizes—the retirees—that it isn't over. You don't have a guarantee of whatever benefits you're entitled to.

Whatever happens, I think that the law should really stress that retirees will have a role—not "may." Whether it's the unions doing it or whether it's the companies doing it, it should stress that the unions will have a role in all these areas. It's important for transparency. The issue of surpluses and pension holidays—I think they've got to be very clear to people and people have got to know what's happening.

Arthurs, when he wrote his report, wanted a pension advocate; a new agency set up. I think that's important. He saw a council backing it up. Again, retirees should be part of that council. This is something that we want to be involved in for certain.

The issue of portability is a big one. Workers move between jobs. They don't stay there for 30 years in one employment plan, so I think that's really important. Again, there is the importance of CPP, which is, to take Arthurs's words, the best large multi-employer target pension plan. So it's going to be there for the benefits.

We're not so keen on waiting for yet another innovation from the financial industry, to put it bluntly. RRSPs did not work out the way a lot of people thought they were going to.

I'll just conclude with one story told by another vice-president, who was a Nortel employee in Kingston. When that plant shut down, the 320 workers left there had the option of either leaving their money in the Nortel plan or taking a cash payout. Eighty-five percent of them took a cash payout, and what did they do? They put the money into Nortel stock. Both of them are real big losers today.

Betty Ann?

Ms. Betty Ann Bushell: We've given you a number of conclusions and recommendations. It is certainly our view that enhanced CPP is in the best interests of all workers in this country. It is portable and there are ways to have it apply to everyone.

This is a legacy issue. It's up to this Legislature to leave the people of Ontario in a much better position in terms of their retirement and pensions than they are now, and I would urge you to do it well and do it with long-term thoughts in your minds. We can't proceed with little patches here and there. It's already been pointed out that the majority of workers do not have a pension plan and they face a life of insecurity as they age.

We should point out that CPP benefits have been kept deliberately low because of pressures from banks and employer lobbyists. Historically, these benefits were kept low because the employers promised to create better pension options on a voluntary basis, and banks offered to create a better system through RRSPs. We know neither of those things has happened. In fact, we've seen disaster in the area of RRSPs as the only pension security. We urge this committee to recommend and to support a move to expand Canada pension plan savings to double the future benefits.

We are opposed to any move to replace defined benefit plans with defined contribution. We see those coming largely from overseas companies who would like to bring our standards down to the lowest common denominator.

We would also urge you to recommend immediate increases in both old age security and guaranteed income supplement. An increase of 15% for all retirees would make an enormous difference, particularly to those below or near the poverty line.

We support an enhanced pension benefits guarantee fund that would increase the coverage from the current $1,000 per month to $2,500 per month. This could be done gradually, over time.

We certainly support initiatives for more stringent and transparent requirements of disclosure of contribution holidays and surpluses. We have serious misgivings regarding contribution holidays, and surpluses are assets of the pension plan and should not be used to reduce employer costs.

The Chair (Mr. Pat Hoy): You have about a minute left.

Ms. Betty Ann Bushell: Thank you.

We urge the standing committee to recommend that retirees be represented on pension community advisory councils. We recommend that pension portability issues be dealt with, and we have serious misgivings about the granting of any new powers to private financial institutions and the insurance industry to provide pension products. There are too many outstanding issues regarding pension design, governance, regulation and windfall profits, to name a few, and when you look at those plans, please look seriously at who benefits first and who benefits most.

The Chair (Mr. Pat Hoy): Thank you. The questioning will go to the NDP and Mr. Miller.

Mr. Paul Miller: Thank you for coming today, and thank you for your presentation. I must start off by saying I am in complete support of enhancing CPP. I'm not quite sure I share your optimism on what Mr. Harper is going to do with the CPP. You have a very interesting request: doubling it; 50% more. I'm not quite sure that's going to happen. Our suggestion from the NDP, as you know, was an Ontario pension plan to supplement the CPP for people in Ontario. We certainly feel that that would have made a big difference.

I'd like to remind you that CPP is based on contributions, and not everybody contributes to the CPP and not everyone's entitled to large CPP payments. I think the maximum is $960 right now. A lot of people get 100 bucks; a lot of people get 200 bucks, and even a 15% increase to that certainly isn't going to make a change in their life and take them out of poverty. You have to look at that perspective too.

I'd also like to remind presenters that 76% of the pension plans in this province fall under Ontario's auspices, and the Ontario government at this point, the one that's in power right now, is pushing for CPP because they don't want the responsibility of starting a pension plan in Ontario which is similar to CPP, which we think would be certainly beneficial to our future generations.

I've got three questions for you. As you know, this was in the Arthurs report. I guess, Malcolm, to you: Do you support a gradual and responsible increase to the PBGF maximum, the monthly benefits guarantee fund, to $2,500, as suggested by Mr. Arthurs? If yes, why? If not, why?

1300

Mr. Malcolm Buchanan: Well, we obviously do support that. It was part of our submission to the Arthurs commission that that fund had to be enhanced. We do believe that through a phase-in period—I think right now the contribution is less than $5—it could be increased over a period of time up to, say, $10. That would get you up to the $2,500. We fully support that.

Mr. Paul Miller: Good. Do you support the creation of an Ontario pension plan? If yes, why? If not, why?

Mr. Malcolm Buchanan: As long as it's supplementary to the Canada pension plan, I see no fault with that, as long as it's one in which all the players are involved, it's open and transparent, and it's not necessarily run by the financial or the insurance industries. It has to be a public plan.

Mr. Paul Miller: That's what ours was. It was a public plan run by the Ontario government, similar to the way CPP is run.

I have a real problem with the last presenter's idea of surplus distribution. His idea was that there would be a fund created by the employer, a separate fund, that would be there for surplus, and they'd be able to tap into it. What he didn't mention in his presentation is, five years down the road, if there's a recession or a depression and they have dipped into their little side fund through the surplus, and the remainder has dwindled away in the last five years because of the recession, bolstering the plan that's in place—they didn't say anything about why you wouldn't leave the surplus in there for bad times. They want to tap into it in the good times, but they didn't talk about the bad times. How do you feel about that?

Mr. Malcolm Buchanan: We believe that all of the monies, especially the surplus, are assets to the fund. They have to stay in the fund. We have seen all sorts of shenanigans in past years, including Conrad Black pirating pension plans, Dominion Food workers' in particular. Yes, we do not believe that the surplus should be removed for any other purpose than for the benefit of the plan contributors and sponsors—period.

Mr. Paul Miller: Good. I notice you mentioned the Stelco situation, US Steel, and how they've come into this country and ignored our laws, thumbed their nose at contractual law and done whatever they've done because of the lack of government action, federally as well as provincially, to bring this company and other companies like it into line. How do you feel about that?

Mr. Malcolm Buchanan: Well, I think it's criminal, from a personal point of view. I think that the federal government has got a responsibility here in this so-called agreement that they made that it had to be in the interests of Canada. There were guarantees about job creation. Of course, the provincial government has a stake in this, too, because they helped bail out the pension plan there before.

Moving towards a defined contribution plan, I think, is going to have some serious repercussions, not only in the steel industry but also in other areas, because other employers are going to be encouraged by that.

Mr. Paul Miller: Thanks. My last question would be, the last presenter also said—which was to my dislike—that defined benefit pension plans are dead. I don't feel that way.

If that presenter had taken a look at the most successful pension plan in Ontario—it's called HOOPP, the hospital workers of Ontario—they are fully funded. Even through the recession and all the things that went bad in the market, they only lost 6% because they have good actuaries, they have good investors and they get good legal advice.

How do you feel about the last presenter's opinion that defined benefit pension plans are dead and that contributory plans are good?

Mr. Malcolm Buchanan: Just very briefly, I will just refer you to comments made by Mr. Jim Leech, the CEO and president of the Ontario Teachers' Pension Plan, which is another very sound pension plan, which I'm a member of. He made a comment about why defined benefit pension plans are far superior to defined contribution plans or any other plan. He talks about management, he talks about the large pooling of monies that can be used and he talks about the ethic that these pension plans operate by. They are there for the service of the members and not the service of the bottom line or the profit. This, I think, is very important, so I would urge that the committee refer to the comments that Jim Leech made at the 2010 conference—there was a summit meeting on pensions. He was one of the keynote speakers at that. I would urge the committee to refer to his remarks talking about the importance of a defined benefit pension plan as opposed to a defined contribution plan.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

BUCK CONSULTANTS

The Chair (Mr. Pat Hoy): Now I call on Buck Consultants, please.

Good afternoon. While you're setting up there, if you would begin by introducing yourselves, and then we can start with your presentation. You have 10 minutes, and possibly five minutes of questioning. Go ahead.

Ms. Cindy Rynne: Good afternoon. I'm Cindy Rynne. This is my colleague Dan Clark. We're from Buck Consultants. I want to thank you very much for allowing us the opportunity to provide comments to you today regarding Bill 120.

With the short amount of time, we want to get directly to the point. Our purpose here today is target benefit plans.

As all of you are aware, the third pillar of the Ontario pension system, which covers employer-sponsored pension plans, needs strengthening. Defined benefit plans are not working for most employers in the private sector due to the escalating costs as a result of volatile markets, unaffordable benefits and increasing administrative complexity.

Defined contribution plans are not working for most employees, as many will be surprised to find insufficient funds at retirement, primarily due to the investment and longevity risks that they are being burdened with.

This was recently made very real to me by a client who has a number of DB plans that in the last couple of years have either converted to DC or have DC components—are frozen. They said, "Cindy, these DB plans are not working for us, and the DC plans are not working for the union. What to do?" I said, "Hold on. We're hoping to come up with a solution shortly." That solution, we believe, is target benefit plans.

Target benefit plans are for the best of both the DB and the DC worlds and offer a very real solution to the ever-increasing problem of decreasing pension plan coverage to Ontario workers.

What is a target benefit plan and how does it work? As the name implies, the benefit provided at the end of the day is targeted to be at a certain level. To the extent that actual experience differs from that assumed, the benefits can be increased or decreased. It is a contingent benefit. Both benefits and contributions are defined, so the objective is DB but the promise is DC.

To see real-life cases of how these target benefit plans work, you can look to today's multi-employer pension plans, or MEPPs, as they're called. At Buck Consultants, we are actuary to numerous MEPPs covering over 500,000 Ontario workers, so we do know how successful these plans can be. Target benefit plans are a practical alternative to the traditional DB or DC plan.

The next slide has a quick visual on how it works. Employee/employer contributions go in on a defined contribution basis. Investment income is earned, and then out of the plan come the expenses. The benefits to employees are on a defined benefit basis. So contributions go in on defined contribution but they come out on defined benefit.

There are five fundamentals to allow for an effective operation of a target benefit plan: First, you must have the ability to reduce accrued benefits, not just prospectively but retroactively.

The employer liability must be limited to fixed contributions, so all deficits do belong to the members but so do the surpluses.

These plans must be viewed as DC for accounting purposes. This allows for simplicity and gets rid of a lot of the administrative complexity, because the pension expense is simply equal to the contribution of the plan.

The plans must also be viewed as DC for tax purposes. This allows for the pension adjustment also to be equal to the contribution.

Finally, there can be no solvency funding requirement. Again, no associated PBGF coverage goes with them: These plans are self-sufficient.

Target benefit plans can be more effective for employers, compared to defined benefit plans. As I said before, surplus/deficit ownership issues are eliminated.

No solvency funding allows employers not to be impacted by short-term market conditions and volatility, although they still need to disclose the solvency position.

Accounting complexities, admin costs and unexpected hits to the financial statements are eliminated as a result of the plan being considered DC.

And finally, unpredictable costs are eliminated, due to the fixed contribution nature of these plans.

Mr. Dan Clark: We also believe that the target benefit plans can be more effective for employees than DC plans. They allow the employees to pool some of the retirement risks—longevity, or the risk of outliving your money; mortality; or ensuring that your surviving spouse has an adequate pension—and they pool and share the investment risks.

Large pension plans have economy of scale with respect to investment and administrative fees. Fees for very large pension plans can be as low as 50 basis points. This is generally less than the fees for an individual's RRSPs.

The target benefit plan will allow the trustees to add DB ancillary benefits, such as disability benefits or subsidized early retirement benefits.

1310

In general, investment returns for large plans should be better than returns on an individual's RRSPs. There will be some years when an individual can have a very good return on his RRSP, but their challenge is to have those same returns for the next 40 years.

The main advantage of a target benefit plan for employees is that the employees would be part of the governance structure, and the trustees would have a fiduciary responsibility to the employees and not to the employers.

Where would the target benefit plan work best? In order to achieve the economies of scale, we believe the plans must be large. This doesn't mean that the employers need to be large since we see these plans being opened to small employers. We see the target benefit plans as an opportunity for professional or industry associations to provide a DB-style retirement plan for their membership. These associations could pay the start-up costs until the plan is large enough to be self-sufficient.

We also see this as an opportunity to increase pension coverage to the 60% of workers who currently have no coverage by opening the target benefit plan up to unrelated employers, big or small.

We're here today to suggest only one change to Bill 120. Currently, the bill adds a definition of a target benefit plan to section 39.2 of the PBA. The current definition of Bill 120 limits target benefit plans to the unionized environment. We would like to see the target benefit plan opened up to the non-union environment; there are no reasons not to. We propose that in the definition of "target benefit," the word "collective" be dropped. By simply deleting one word, Bill 120 can have a major impact by providing a framework for expanding pension coverage to the 60% of Ontario workers not currently covered by a pension plan.

But we recognize that the devil is in the details. Regulations will need to address governance and funding issues. In addition, regulations will need to address how an existing DB plan or DC plan could be converted to a target benefit plan. The challenge for the sponsors of these plans would be to educate their employees or members on how a target benefit plan works and their role in its governance, but we don't believe that any of these challenges are insurmountable.

We will be making a written submission to finance with solutions to these issues and challenges, and would be pleased to work alongside finance to make target benefit plans a reality.

With that, we're open to your comments and questions, and we would like to start by asking you a question: Are there any issues that you would consider showstoppers to opening the target benefit plan to a non-union environment? Thank you.

The Chair (Mr. Pat Hoy): And thank you for that submission. If you do write in, send your comments to the clerk. She'll ensure that everybody on this committee gets a copy of it.

Mr. Dan Clark: We will.

The Chair (Mr. Pat Hoy): The questioning will go to the government. Ms. Pendergast.

Ms. Leeanna Pendergast: Thank you, Ms. Rynne, Mr. Clark and associate—I'm sorry, I didn't get your name.

Mr. Michael Moriarity: Michael Moriarity.

Ms. Leeanna Pendergast: Michael, welcome. Thank you for being here as well.

Just two quick questions, if you don't mind. Thank you for the slides. In all my time on the committee, we've never used the TVs or the slides, so thank you for that. As an English teacher, I love that kind of thing. It caught my attention.

On slide 2, when you're talking about TBPs, you mention that most multi-employer pension plans are TBPs. So I wanted to ask a question to get your feedback on multi-employer pension plans. Do you have any specific feedback on the rules that we've set up specifically in regard to multi-employer pension plans?

Mr. Dan Clark: I think the main thing Bill 120 does is make the solvency relief permanent. I think that's a great thing that Bill 120 does.

Ms. Leeanna Pendergast: Any other feedback in terms of the multi-employer pension?

Mr. Dan Clark: Other than that, that's what we were looking for for multi-employers, and I think we got it. I think you got it right.

Ms. Leeanna Pendergast: Excellent. See the communication? Did we get it right? Thank you.

I did take note, also, of your comment on the TBPs; I've written that down.

I do have another comment, though, and it's about balance. This is a complicated issue, as you well know and clearly understand. I'm wondering if you think that the current reforms to Ontario's pension system strike the right balance between all stakeholders.

Mr. Dan Clark: They attempt to. Time will have to tell whether it is the right balance. It's probably too early to say it is or it isn't. I've listened to your presenters, and I've read some of their comments from last week. I think we just have to wait and see if it is the right balance.

Ms. Cindy Rynne: In talking to some of our clients and walking them through the changes that are coming and helping them to understand, I think the employers feel that they did not get the right balance. There's obviously a lot of good stuff in there to strengthen the pensions, the security of the pensions, the disclosure to members and a lot of good stuff for members. I think that ties in to a previous speaker's comments that it unfortunately adds costs, and the employers are the ones having to pay the cost for all that additional complexity and disclosure that needs to be done.

That's just some examples, but I do think that employers generally feel that they got a bit of the short end of the stick in that. This is why we're coming forward with an alternative, the target benefit plan that, I think, does strike a good balance between employers and employees because it really does capture the best components of the DB plan, which the members want, and the DC plans that the employers want. We do have some challenges to get through to make them work and open them up to more than just the current multi-employer plans, but we really do see a lot of promise. I think our clients will as well, and the employers in the industry.

Ms. Leeanna Pendergast: Thank you. So members, yes; employers, costs?

Ms. Cindy Rynne: Yeah.

Ms. Leeanna Pendergast: Fair enough. Okay, thank you very much.

Ms. Cindy Rynne: Thank you.

The Chair (Mr. Pat Hoy): Thank you for the presentation.

CUPE ONTARIO

The Chair (Mr. Pat Hoy): Now I call on CUPE Ontario to come forward, please. Good afternoon, you have 10 minutes for your presentation. There could be up to five minutes of questioning. I ask you to identify yourselves for our recording.

Mr. Fred Hahn: Hi there, my name is Fred Hahn. I'm the president of CUPE Ontario. With me today is Chris Watson, who's our legislative liaison.

Many of you will know that CUPE represents more than 230,000 workers in Ontario in hospitals, municipalities, long-term-care facilities, utilities and social service agencies. As members of dozens of different pension plans in the province, our members have substantial first-hand experience and knowledge in terms of being able to contribute to the debate about pensions. Specifically, we want to thank you for this opportunity to respond to Bill 120.

We want to start by saying clearly and plainly that not enough people in the province of Ontario have access to pensions. Not enough workers are in a pension plan that will provide secure retirement income for them. We also want to start by saying, before we get to the substance of the bill, that there are those out there calling for some new directions in pensions in Ontario, specifically arguing a move away from defined benefit pension plans to defined contribution plans.

Part of that argument relies on this perception that public sector pension plans are super-rich and gold-plated. That perception is simply inaccurate. Our retirees belonging to OMERS, Ontario's municipal employees retirement system, Ontario's largest single pension plan, on average, receive pension benefits that pay out $16,000 a year, sometimes substantially less; that's an average. The current level of pension benefits paid out to retirees at the University of Guelph, where we have a number of members, is just $9,078 per year, or $756.50 a month. No reasonable observer would ever imagine that such levels are gold-plated. We should be clear about the reality in which we're functioning. Pension benefits are actually quite basic. They need to be secured and improved, not reduced.

Our written submission, which you have before you, deals with five key areas. I want to focus my remarks today on two of them, those being the government's temporary solvency relief measures and contribution holidays to pension plans.

On October 24 of this year, the government announced temporary solvency funding relief for certain pension plans in the broader public sector. The problem with that initiative is that the new relief measures that were offered to enhance solvency relief made some conditions available to employers, namely slashing pension benefits, dumping employers' pension costs over to plan members and even encouraging members to convert to their defined benefit pension plans for future service into defined contribution plans.

1320

That last element is particularly disturbing to us. It goes back to this sense that pension plans are unsustainable, which is simply not true. We strenuously object to that proposal. We want to urge that certain overarching structural components of solvency relief could and should in fact be in legislation. Specifically, we recommend that the announcements of temporary solvency relief from this summer need to be revised and then set out in legislation in such a way that there are longer amortization schedules being permitted for plan members, but that those longer schedules be done with the demonstrated consent of plan members, with no cuts to those plans. Such provisions would be just a slight variation on the existing 2009 temporary measures for solvency relief, which have already demonstrated huge success, both from employers and from trade unions.

On contribution holidays, it's important to note that there's significant evidence available that the primary explanation for today's pension funding problems is not just due to the market. It is also due to the practice of employers failing to contribute the full employer normal cost to the plan that was recommended by the pension plan's actuary in the first place.

After more than a decade of contribution holidays eroding the funding base of so many plans, it strikes us as particularly unfair to focus on the members of the plans, the vast majority of whom—who, by the way, have continued to make their contributions—would have to be then responsible for somehow paying the price for this outcome, either in benefit cuts, member rate increases or a loss to their secured defined benefit plan.

CUPE welcomes the government's commitment to preventing contribution holidays within plans that are funded at a solvency level of 105% or less, but we believe that Bill 120 could have been used as an opportunity—in fact, we would request that it be used as an opportunity—to actually close the book once and for all on contribution holidays.

That being said, we would urge the government to follow the OECP final report's recommendations to have strong and effective disclosure requirements, if in fact employers are going to engage in contribution holidays. Our experience has been, as I said, that many of the problems of serious underfunding in workplace defined benefit pension plans have either been a direct result of or dramatically worsened by employers taking contribution holidays.

Again, at the University of Guelph, to use this as an example, they had a surplus of tens of millions of dollars that, over the last 15 years, they have used up through taking contribution holidays; and that has severely damaged the plan's funding integrity. These practices have only made the impact of the financial crisis in 2008 worse.

We expect employers to pay the price that they are obligated to pay to pension plans. We think that it is unfair to simply give the benefit only to employers in terms of allowing them to take pension contribution holidays. Pension funds are essentially the deferred wages of workers, and when there are surpluses in those funds, those surpluses represent the wages of those workers.

Most outrageously, too many employers have been using these surpluses to practise things that actually hurt plan members. The final report of the expert commission even recognized this when it observed that, "Quite apart from whether or when contribution holidays are appropriate, the fact that they are going to be taken should be transparent. Information about contribution holidays is essential for an understanding of plan funding, both for the regulator and for all plan participants, and should be ... fully accessible to them."

We're encouraged to note that the ministry's August 24 technical backgrounder promised such rules, but disclosure must be detailed and the obligations should include reporting on the extent, duration and impacts of any planned contribution holiday; and it should be fully and clearly, in plain language, reported to plan members in their annual statement.

Bill 120 doesn't deal with such disclosure rules, but we would take the opportunity to argue quite forcefully that it should. In our view, these disclosure rules are so important that they should be primarily entrenched within the Pension Benefits Act.

Just in closing, again I would direct you to our full submission. It talks about a number of different issues.

We'd welcome any questions from any members of the committee. Thank you.

The Chair (Mr. Pat Hoy): Thank you. The questioning goes to the official opposition, Mr. Miller.

Mr. Norm Miller: There are two Mr. Millers here. My cousin over here—

Mr. Fred Hahn: How are you?

Mr. Norm Miller: Thank you for your presentation today. I guess you started out by talking about regulations and concerns that it's more or less framework legislation and that a lot of the details are in regulations. I guess I would ask, do you typically get input in that regulation process and do you get to see the regulations before they're finalized?

Mr. Fred Hahn: That hasn't been our experience so far, no.

Mr. Norm Miller: Obviously, being a major stakeholder, if I can call you that, that would be something that you would want to be involved with?

Mr. Fred Hahn: We think it would make absolute sense for us to have access to discussion on the regulations, yes.

Mr. Norm Miller: OMERS is the administrator of your pension plan. Are you happy with the job that they're doing in administrating your—

Mr. Fred Hahn: A vast number of our members—in fact, the majority of our members covered by pension plans—are in OMERS, but we actually have members in HOOPP, in the nursing homes and related industries plan, in the multi-sector pension plan and in dozens of independent, stand-alone plans like in the university sector, for example. The administration of those plans, where they're jointly administered, we're quite happy with.

Mr. Norm Miller: Do all of your members have a pension plan?

Mr. Fred Hahn: No. There are literally hundreds of our members who don't have access to pension plans, either because their employers are unable to join pension plans based on the rules of those plans or because the rules of the plans make it impossible for them, based on the number of hours that they work, their job classifications etc. to join the pension plan.

Mr. Norm Miller: So what do those folks do? They're like the 65% or 70%? They just have RRSPs and their own—

Mr. Fred Hahn: Some of those folks have negotiated RRSP plans with their employers. Some of them have stand-alone, individual pension plans that are called pension plans but are really functioning like an RRSP. We have been part of developing a plan, the multi-sector pension plan, which allows employers and workers—it's a jointly sponsored plan that allows a number of people to have access to a pension plan.

Mr. Norm Miller: Of your members that have pension plans, are they all defined benefit plans or are some of them defined contribution plans? We've been hearing talk about that, and the last presentation was about these target benefit plans. Are all of yours defined benefit?

Mr. Fred Hahn: OMERS is a defined benefit plan, as is the HOOPP plan. The multi-sector pension plan is actually a target benefit plan. I think that the nursing homes and related industries plan may be one as well. Some of the stand-alone pension plans are a mix. There are some small number that are in defined contribution plans.

Mr. Norm Miller: You talked about contribution holidays, and certainly it would be my perspective that it's not normally a problem to have too much money in a pension plan, at least from the perspective of the people who are going to depend on receiving a pension. I believe that in this bill the figure for solvency that you have to meet, the target, is 105% before there can be a contribution holiday. Do you think that is a sufficiently high solvency target?

Mr. Fred Hahn: The solvency target is one issue. The question is what happens with the surplus, right? A plan being funded at 105% based on its actual assessment at the time sounds fine to us. The question becomes, what happens with the surplus? All too often, surpluses are used in a way that is thought of in short-term terms, right? Fifteen years ago, in a plan that had a significant surplus, people thought, "Hey, it's all good," and here we are today, managing with plans that are in some cases in quite a lot of trouble as a result of contribution holidays.

Mr. Norm Miller: That was your University of Guelph example you gave, then? Fifteen years ago, they had big surpluses, so they took a contribution holiday and now they're in trouble.

Mr. Fred Hahn: The employer was allowed to do that without consultation with anyone, without disclosure to anyone. They were just allowed to do that, based on the structure of their plan and the regulations in the Pension Benefits Act. We're saying that that shouldn't be something that's allowed.

Mr. Norm Miller: So your ask on that is "strong and effective disclosure requirements." Have you got specifics in mind to do with these strong and effective disclosure requirements?

Mr. Fred Hahn: Actually, the Arthurs report talks about how that might happen. From our perspective, if there are going to be contribution holidays, there should be strong, effective, clear-language disclosure that looks not only at the duration but also the impact of that contribution holiday. But our first position is that contribution holidays ought not to be allowed unless plan members and the unions who represent people, if they're in unions, would agree to them.

Mr. Norm Miller: Thank you.

The Chair (Mr. Pat Hoy): Thank you for your submission.

1330

CAAT PENSION PLAN

The Chair (Mr. Pat Hoy): Now I call on CAAT Pension Plan to come forward, please. Good afternoon. You have 10 minutes to present before the committee, and there could be up to five minutes of questioning. If you'd just identify yourself, please, then you can begin.

Mr. Derek Dobson: Absolutely. My name is Derek Dobson and I'm here today acting in the capacity of CEO and plan manager of the pension plan for the college system in Ontario, also known as the CAAT Pension Plan.

First of all, thank you for the opportunity to be here. Being brief for me will be very challenging because I have a great passion for pensions and also for Ontario. I have provided a summary of our thoughts in the submission before you and my comments will provide a high-level overview of why I'm here.

On the points you agree with, I'm representing the pension plan; on the points you don't, those are probably my personal views.

In my view, all pension plans' primary purpose is to deliver retirement income, ideally at the lowest cost and risk possible. Even though the goal is common to most pension plans, there are differences which need to be reflected in the legislation and supporting regulation.

Fundamentally, I believe that secure pension plans are good for Ontario. They not only provide pension income to participants, but also provide a future tax base when health care costs are expected to rise with demographic changes. They focus on long-term investing, including investing in Ontario's infrastructure. They reduce the incidence of pensioner poverty and the associated costs to government programs, and they help increase financial literacy. Surprisingly, pension plan participants have a more positive outlook on the economy, which is important for our future economic growth.

Although the goals of pension plans may be similar, I'm very pleased that pension legislation changes in Ontario recognize that pension plans are different, based primarily on two factors: The first one is governance structures or representation, and the second is risk-sharing. None of my comments would have any meaning without recognizing that some pension plans are, in fact, different.

The CAAT Pension Plan is a plan that has a joint governance structure with joint risk-sharing, also known as a jointly sponsored pension plan, or JSPP. Our primary goal is to deliver the pension promise to over 30,000 members who serve the community college system in Ontario, represented by 24 colleges and four other participating employers. We currently have over $5 billion in assets to secure those pension promises.

Even with 30,000 members and $5 billion in assets, we are the smallest of the JSPPs. Together, JSPPs are focused on securing the future of approximately 1.1 million Ontarians, with approximately $200 billion in assets.

The changes proposed in Bill 120 align with the focus of our pension plan in five points: long-term sustainability; appropriate contributions for benefits being earned; minimizing contribution rate volatility; dealing with intergenerational equity, in that today's contributors do not over or underpay relative to other populations or generations; and finally, open communication and disclosure.

The challenges to our pension plan are numerous. Dealing with the impact of the 2008 market loss, recognizing that our members are living longer and managing our investments in a low-interest-rate environment that has not been seen in 50 years. Together, these issues are difficult and must be prudently addressed, and they will be, but none of them threaten the sustainability of the pension plan. What does threaten the sustainability of the pension plan is solvency funding. Hence, the main focus of our submission is on solvency funding.

Of the 142 recommendations made by the Ontario Expert Commission on Pensions, this, by far, is the most important in delivering on our commitments on a cost-effective basis.

The issues of market volatility, longevity and low interest rates are significant changes in tides that need to be addressed. Solvency issues are akin to a tsunami; they are very unpredictable and could be devastating to a jointly sponsored pension plan.

We need relief effective January 1, 2011, so we hope that you pick an effective date with that in mind.

I can commit to you that all CAAT stakeholders agree on this issue; all the colleges, OPSEU, OCASA and Colleges Ontario are all aligned. I hope you appreciate that this does not happen on all issues.

All of these groups have committed their support in writing. All colleges have sent letters of support. No advocacy issue has seen this level of response in the college system. I expect some of you have personally received support from your local colleges on this issue.

It is not just those who directly govern our pension plan and college presidents; the support extends to our members. Our publications and presentations to members, both active and retired, outline this issue and have generated overwhelming support. Our communications to our members have been frank on this and other funding issues.

Bill 120 has our complete support in recognizing that jointly sponsored pension plans should have their differences recognized, most notably with the requirement to remove the funding solvency deficiencies. The college community's focus should remain on delivering quality education to meet the needs of Ontario, and not on pension funding challenges created by an inappropriate measure.

On a few more minor points on Bill 120, it would be consistent, in our view, to consider the following: the frequency of valuations, currently at three years, should be based on our going concern funding position. A healthy pension plan measured on this basis should not have the frequency of the valuations determined on the solvency basis, which is being recommended to be removed.

When members terminate their membership in the plan, they should not be entitled to remove more than their fair share of assets. Current termination values are based on a quasi-solvency basis. A better method is outlined in our submission.

Again, in summary, the changes proposed in Bill 120 align with the focus of our pension plan: long-term sustainability, appropriate contributions for benefits being earned, minimizing contribution rate volatility, intergenerational equity, open communications and disclosure.

Thank you for the opportunity to share our views. I hope that you have the opportunity to review our complete submission, and I would be happy to respond to any questions.

The Chair (Mr. Pat Hoy): Thank you. The questioning goes to Mr. Miller of the NDP.

Mr. Paul Miller: Good afternoon. Thank you for your submission.

Solvency is a problem in a lot of pension plans, as you know. What percentage is yours at right now? Do you have any idea?

Mr. Derek Dobson: In terms of the size of the deficit, it is more than 25% of our liability.

Mr. Paul Miller: So you're around 75% funded?

Mr. Derek Dobson: Interest rates change every day, but—

Mr. Paul Miller: Sure, so roughly?

Mr. Derek Dobson: Yes. In that magnitude.

Mr. Paul Miller: How do you hope to fund the deficiency? Because in Bill 120, there isn't any commitment from the government for increased money towards these plans. How are you going to fund your solvency deficiency?

Mr. Derek Dobson: If Bill 120 isn't passed, this would be very problematic, and the sponsors would have to come back to the table and decide. There are not any tools for them to deal with it because solvency is a point-in-time measure. So you can't reduce benefits; we're not legally allowed to, and contribution increases, on the current basis, would increase contributions by more than 50%.

Mr. Paul Miller: I've read the bill and there's a lot in there about administrative changes, windup procedures and things like that, but there's absolutely nothing about money to fund the deficiency. My concern is, where do the colleges expect to get the money from—the government?—to bring it up to 100% funding or 105%?

And how do you feel about holidays on funds, which has got us into some of the problems we're in now? What do you feel about that?

Mr. Derek Dobson: On the first issue, on a going concern basis, which is proposed in the bill, we think we can manage. We've had many discussions with all of our sponsors and we believe that, with a small contribution increase, we can manage through the 2008 deficit. So, on solvency, it's a completely different issue.

Mr. Paul Miller: Who are your sponsors?

Mr. Derek Dobson: Colleges Ontario, OPSEU and OCASA, which is an administrative and representation body as well.

Mr. Paul Miller: Okay, and the second part of the question?

Mr. Derek Dobson: You're going to have to give me a quick reminder.

Mr. Paul Miller: I forgot, too; that makes two of us.

Oh yes, it was the funding on the deficiency and how we are going to do that, and—you got me. I lost it, too.

Anyways, jointly sponsored pension plans: There were concerns about some that may wind up. Who is going to make up for—for instance, if one of your groups had a windup, how do you think that's going to affect the overall plan, and what do you see for a remedy for that position?

Mr. Derek Dobson: The windup of a college is a remote possibility, and our governance documents describe what happens there. It would be working with the bankruptcy person in charge of winding down that college, but since it's such a remote possibility, there's not a lot of description on what would happen in that situation.

Mr. Paul Miller: I hope you're correct because it certainly would be devastating. I do recall too-big-to-fail GM, Stelco—with these things, too, you never know, do you, really? That's interesting. Thank you.

The Chair (Mr. Pat Hoy): Thank you for the submission.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair (Mr. Pat Hoy): Now I call on the Ontario Public Service Employees Union to come forward, please.

Good afternoon. You have 10 minutes for your presentation. If you'd identify yourselves for our recording, you can begin.

Mr. Ron Langer: I want to thank you for giving us the opportunity to speak to you today. My name is Ron Langer and I am a member of the central employee/employer relations committee for the Ontario Public Service Employees Union. I have served in numerous other capacities with the union, including the board of trustees for OPSEU Pension Trust. However, I am here representing OPSEU and not specifically OPSEU Pension Trust.

With me is Shirley McVittie. She is a pension and benefits officer with OPSEU.

1340

We have prepared a written submission on Bill 120, An Act to amend the Pension Benefits Act. On behalf of the OPSEU membership, I would like to make the following points, that are illustrated in our brief.

OPSEU is a joint sponsor on three of the larger plans in Ontario: the hospitals of Ontario pension plan, HOOPP; OPSEU Pension Trust, and the Colleges of Applied Arts and Technology Pension Plan. We act as a sponsor on the sponsors corporation of OMERS and are a joint sponsor on the Canadian Blood Services pension plan as well.

But we also have a large number of members whose retirement security is far less secure. We have members in the broader public sector who are members of small, defined benefit or defined contribution plans. We also have approximately 15,000 members with no workplace pension.

Our first point is about our existing retirement security system in Ontario. We note that neither of the recommendations made in the Arthurs report with respect to creating the Ontario pension agency for workers with deferred or stranded pensions, or the new public pension champion agency to work with stakeholders and facilitate policy development, have been adopted.

We have seen a growth in part-time, casual jobs, and pension coverage for this increasing casualized workforce is almost non-existent. OPSEU represents many members in the developmental services sector, for example, where pension coverage is very limited or nil. And many part-time workers are discouraged from joining the pension plan, even when there is one. Manitoba has had legislation providing pension access to all workers for some time. We call on Ontario to do the same.

OPSEU welcomes the funding rules for jointly sponsored pension plans and the recognition that joint governance is an essential part of risk management in funding policy.

Pension plan surpluses represent the deferred wages of the workers who contribute to these plans. In plans that are not jointly governed, we believe the bill should include a requirement for membership approval for any contribution holidays. Bill 120 gives employers easier access to plan surpluses without a corresponding requirement by which members and pensioners can seek an order for exclusive surplus distribution. The absence of such a provision is contrary to the recommendation of the Arthurs commission and is neither balanced nor fair.

OPSEU is a member of the coalition of university unions, formed to improve the university pension system. We are concerned that the solvency relief measures that required the consent of plan members appear to have been replaced with a proposal for approving solvency relief that includes cost-cutting measures. This is a serious infringement of collective bargaining rights.

We know how devastating the loss of one's retirement security can be to workers whose employer has become bankrupt, and we support the call for higher limits for the pension benefits guarantee fund for plans that are not jointly sponsored.

Government restructuring and divestments have meant the transfer to new employers for thousands of OPSEU members and led to the loss of retirement income as these members' pension plans change. We believe a fundamental principle of pension transfers is to preserve and protect, rather than lose benefit security when members are transferred involuntarily from one workplace to another.

OPSEU members who are divested must be able to continue their membership in their originating plan for future service or to transfer with all the pension rights to the new pension plan, if they choose to do so. We are glad to see that the right to transfer to the new plan is in Bill 120, but there is no corresponding right for members in this situation to retain their rights in their original plan.

OPSEU is very concerned about the proposal to permit the financial industry to provide new retirement products to Ontarians. We know that high management fees are a major barrier to retirement security and the accumulation of funds. Our large defined benefit plans have the advantage of economies of scale.

We urge the government to ensure that the financial industry does not accrue windfall profits at the expense of the savings of working people. The Pension Benefits

Act should have clear standards for plan design to minimize high fees and the lack of transparency and to maximize plans with economies of scale and democratic governance.

That's my report.

The Chair (Mr. Pat Hoy): Thank you very much. The questioning will go to the government. Ms. Pendergast.

Ms. Leeanna Pendergast: Thank you, Chair. Thank you, Mr. Langer and Ms. McVittie, for being with us today and sharing your presentation.

Mr. Langer, I see that you have quite a history, very impressive, actually, of over 20 years in the private and public sector in business and finance. You are exactly the person I'd like to ask, if you could share your perspective and your insights with us, why you think that pension reform attempts in the past have failed in this province. Big question, eh? Over 20 years—you can do it. As you know, other governments have tried pension reform and we're still here where we are today, and so Bill 120 is so important for pension reform in the province. Why do you think it hasn't worked in the past?

Ms. Shirley McVittie: I would say that I think a lot of the impetus for change right now has come up because of the insolvency of a lot of pension plans and it's a lot more at the forefront of everybody's minds.

Ms. Leeanna Pendergast: It's a tough question, isn't it? I think it's one that we're all asking ourselves. If you think of the last 20 years and all of the attempts that have been made to reform pensions, it's a difficult, complex issue. Yet here we sit today, listening to the best advice, because this government knows that it must be done.

On that note, I wanted to talk about the CPP just briefly. As you know, in June of this past summer, 2010, Minister Duncan, our Minister of Finance, attended the finance ministers' conference in Prince Edward Island. He continued to push for a multi-pronged approach to pension reform, including a modest expansion of the CPP, which would be fully funded and phased-in.

I guess my question is, what do you think about our government's attempt at reforming the CPP?

Mr. Ron Langer: Well, we're certainly in favour of an expansion of CPP benefits.

Ms. Shirley McVittie: We're actually preparing a submission on that paper, as well.

Ms. Leeanna Pendergast: Okay, excellent. Thank you.

Just a third question about the PBGF: What do you think about increasing employer premiums under the PBGF?

Ms. Shirley McVittie: I understand employers don't want to increase the premiums, but the risk to the workers is tremendous, and obviously the limits that are in place right now are too low.

Ms. Leeanna Pendergast: We heard earlier depositions saying that employers are finding that the problem is the cost. The government is looking at striking that fine balance between the employee and the employer, and I think that's an excellent comment.

Thank you very much. I won't ask you any more "How do you solve the problems of the economy in Ontario?" questions.

The Chair (Mr. Pat Hoy): Thank you for your submission.

For the committee, our next presenter, the Ontario Federation of Labour, has cancelled, but there should be a brief at your desk for them.

Is the United Steelworkers union, national office, present? No.

1350

INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

The Chair (Mr. Pat Hoy): The International Association of Machinists and Aerospace Workers: Good afternoon. You have 10 minutes for your presentation. If you would state your name for our recording Hansard, you can begin.

Mr. Louis Erlichman: My name is Louis Erlichman. I'm the Canadian research director of the International Association of Machinists and Aerospace Workers.

We are a union representing about half a million workers in North America; there's about 10,000 of them in Ontario. Our members work in a broad range of industries: airlines, aerospace and various manufacturing and service sectors.

Most of our members in Ontario belong to single-employer workplace pension plans in both the Ontario and the federal jurisdiction. The IAM also sponsors a jointly trusteed, multi-employer pension plan registered in Ontario, which includes members in other jurisdictions.

Bill 120 is part of an ongoing process of several years' duration to update and amend pension legislation in this province and therefore needs to be viewed in the context of earlier legislative changes and announcements, in particular, the recommendations of the expert commission, which issued its report almost two years ago.

In addition, much of the substantive content of Bill 120, particularly in the area of pension fund rules, is in fact omitted from the bill, apparently to be issued later in regulations or policy statements. This not only makes it more difficult to respond to the bill at this point, but it also means that these elements will not be subject to legislative scrutiny when they are brought forward, which is problematic for us.

In terms of the substance of Bill 120, it's a major disappointment that the government is not following the recommendation of the expert commission to increase the maximum coverage level of the pension benefits guarantee fund from $1,000 to $2,500, which simply would compensate for the effects of inflation over the last 25 years. In fact, Bill 120 reduces PBGF coverage by exempting improvements made in the last five years, compared to the current three years.

The PBGF actuarial study commissioned by the government indicated that a further 45% increase over the premium increase which is being proposed would fund this long-overdue improvement to the maximum coverage level.

Bill 120 was preceded by the government's August 24 press release, which outlined a mixed bag of changes to the pension funding regime, most of which are not explicitly in the bill and will presumably be included in the regulations. These announced changes included a variety of limits on actuarial practice with respect to smoothing and excluding benefits, all of which would have the effect of tightening up our funding rules.

There's also been a tightening of funding requirements for benefit improvements, including eight-year funding of benefit improvements and a lump-sum payment, and five-year amortization where funding ratios are below 85%.

Without seeing the regulations, it's difficult to make a fair judgment on whether the new rules overall do a fair job of balancing prudence and flexibility.

Bill 120 provides for a 5% surplus cushion before contribution holidays are allowed, and a requirement for disclosure to plan members and beneficiaries and annual eligibility statements to the regulator. In light of recent history, we believe there should also be a requirement for membership approval for any contribution holidays.

While measures to strengthen defined benefit promises are welcome, we're concerned that Bill 120 will give employers easier access to plan surpluses, particularly from ongoing plans, where the level of required membership approval is being reduced from 100% to 66%.

We're also concerned that, in the name of clarifying surplus entitlement, the proposed changes to the surplus regime will undermine the current workable system for surplus sharing and make it easier for employers to take pension surplus without dealing with plan members at all.

While a system for binding arbitration on the division of pension surpluses on plan windup is welcome, a fairer and simpler system would be to require that all surplus distribution be subject to a negotiated sharing agreement between employers, members and other beneficiaries, with access to final binding arbitration where no deal can be struck.

As the sponsor of a jointly trusteed, Ontario-registered, multi-employer pension plan, we are pleased that the legislation recognizes some of the special circumstances of multi-employer target benefit plans, and we await more information on the regulatory changes to come.

We are, however, concerned about a couple of provisions of Bill 120 relating to MEPPs. First, section 39.2 seems to require that all employer contributions to target benefit plans be fixed by collective agreements. While this is generally a sensible rule, many MEPPs, including ours, allow a small number of non-unionized members to participate in the plan under limited circumstances. Perhaps the bill could be amended to allow a small proportion—up to, say, 10% of total membership—in a target benefit plan to make contributions under an agreement other than a collective agreement.

Second, the bill apparently offers relief from solvency funding for MEPPs, but only in cases where all members are in jurisdictions which allow this relief. This effectively denies relief to any Ontario-registered MEPP with members in any other jurisdiction, with serious implications for the funding requirements of such plans. In the light of the new CAPSA multi-jurisdictional agreement, it should be possible to remove the requirement for solvency funding for Ontario-registered MEPPs, including those with members in other jurisdictions.

The August 24 press release referred to "enhanced disclosure" requirements for target benefit plans. While we will have to wait for the regulations to see what those disclosure requirements will be, we're concerned that no similar requirements exist for defined contribution pension plans, which are typically the retirement income alternative to MEPPs for small and medium-sized groups of employees.

We urge the government to introduce strict requirements for the disclosure of fees, returns and risks to members of defined contribution pension plans, particularly since individual members carry all of the risks in those plans. We'd also urge the government to push the federal government to require similar disclosure for registered retirement savings plans. This is particularly important in the light of recent proposals to mandate broader DC coverage under the auspices of the financial services industry.

We'd like to thank the committee again for the opportunity to appear, and we look forward to commenting on the regulations when they are put forward; this on behalf of the Canadian vice-president, Dave Ritchie.

The Chair (Mr. Pat Hoy): Thank you. We'll move to the official opposition for questioning, Mr. Barrett.

Mr. Toby Barrett: Thank you, Mr. Erlichman, for presenting on behalf of the machinists. You indicate that you're representing over 10,000 machinists and related workers in the province of Ontario. I have a brief question; then I'll go to Mr. Miller.

You mentioned—lamented—the fact that a lot isn't in here, so you can't comment on it and assume that it will be in regulation or in other policy statements or policy directives down the road. Just to maybe recap, what are the most important issues you would like to see covered in regulation, and how would you like to see them covered in regulation? What are the big ones that are missing?

Mr. Louis Erlichman: Obviously, the most important issue we talked about is the improvement in the pension benefits guarantee fund coverage level. That's obvious; we already talked about that—

Mr. Toby Barrett: Which you mentioned, yeah, the $2,500.

Mr. Louis Erlichman: —in the legislation. Frankly, in terms of some of the guts of these proposals, there's a balance. If you go back to the expert commission report—the title was, I believe, A Fine Balance. We've taken the position, and we continue to take the position, that there are trade-offs to be made in funding. The more money you require to be put into a pension plan, the more expensive they become and the more difficult they are to sustain. The less money you put in, the more risky they are for the members. Part of the issue is trying to make sure that there's a kind of balance, that on the one hand you're not making plans less sustainable because you can't afford to put in improvements and so on, and that on the other hand you're not making them more risky. It's kind of hard to pick out a single slice of the package, because it's kind of the whole package that you have to assess.

Mr. Toby Barrett: Okay. Mr. Miller has a question.

Mr. Norm Miller: One of your recommendations was—you mentioned that you have workers who are non-union workers. Most of your workers are union workers, but some are non-union.

Mr. Louis Erlichman: In our multi-employer pension plan, there may be circumstances where you have a bargaining unit, say, and some of the people who are in the office are excluded from the union but there may be an agreement to say we're going to include them in the pension plan, with fairly specific, restricted conditions. We think that shouldn't disqualify this plan from being a target benefit plan.

Mr. Norm Miller: I know there was one presenter earlier in the day who recommended that the terminology change. The definition of target benefit plans says, "A pension plan provides target benefits if two criteria are satisfied: first, the employer's obligation to contribute to the pension fund is limited to a fixed amount set out in one or more collective agreements...." They suggested dropping the "collective" and just having it say "in one or more agreements" and it continues on.

Mr. Louis Erlichman: I think that's going too far. I think the argument for tying a target benefit plan to a collective agreement is that in that situation the members of the plan have some kind of say; they've negotiated the agreement. In a situation where you take that away, where they're in a non-unionized environment, the members are not in a position to negotiate that agreement.

1400

There are decisions to be made in a target benefit, right? If there's not enough money in the plan, do you reduce benefits? Do you increase contributions? And so on. If the members don't have a say in that, then I've got problems with opening up. Target benefit plans have the ability to do things, like reduce accrued benefit, that other plans don't, and I'm very concerned about extending that—

Mr. Norm Miller: How do you open up the target benefit plans for the non-union members of—

Mr. Louis Erlichman: What I suggested was that you put in a provision saying up to 10% as sort of a limited proportion. You could get fancier regulations in terms of who could be—but I think you could do on a—

Mr. Norm Miller: I'm getting the impression there are a few different pension plans that your members have, if you're interested in defined benefit. Do you have defined contribution?

Mr. Louis Erlichman: They're in defined benefit, defined contribution, single-employer, multi-employer; some of them have no pension plan at all. They're all over the map.

Mr. Norm Miller: Okay, so you're asking for enhanced disclosure for defined contribution plans?

Mr. Louis Erlichman: It's kind of funny. The federal task force on financial literacy that they set up put out a paper earlier in the year, and the co-chairs—the head of Sun Life and the CEO of BMO Nesbitt Burns—didn't mention pension fund fees. It's kind of shocking: They talk about financial literacy and there's no mention of pension fund fees. I don't think those people have got a really strong interest in expanding financial literacy that puts them under the microscope. I think that's why we have to move into some kind of regulation that says, okay, explain to people what the risks are in a DC plan—and it really should be for RRSPs as well—and what the effect of having a 1%, a 2% or a 0.5% fee is, and all that kind of stuff. Frankly, unless you do this stuff all the time, you don't understand it.

Mr. Norm Miller: I would agree with you on that. Thank you for your comments.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

UNITED STEELWORKERS, NATIONAL OFFICE

The Chair (Mr. Pat Hoy): Now we will hear from the United Steelworkers union, national office.

Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning. Identify yourself and you can begin.

Mr. Charles Campbell: My name is Charles Campbell. I'm head of the research department at the Steelworkers' Canadian national office. I'm appearing here today on behalf of Wayne Fraser, the union's director for Ontario and Atlantic Canada. It's a special honour to be the concluding witness in your hearings.

The Steelworkers union represents over 200,000 workers across Canada in virtually every sector. Our membership includes not only people in steel mills, mines and smelters, but also workers in universities, light manufacturing, retail, banking, health care, private security, and two members of the Ontario provincial Parliament.

The workers our union represents include members of other provincially and federally regulated pension plans, but most of our members do participate in pension plans that are registered here in Ontario.

We're pleased to have this opportunity to present our views to the standing committee. In addition, as an affiliate of the Ontario Federation of Labour, we participated in the presentation of the federation's detailed submission; I gather they were unable to present here in person, but they have prepared their brief. We endorse all the recommendations in the OFL brief and intend to use our limited time here at the committee to focus on a few key issues, rather than try to rush rapidly through the whole thing.

It's important to address Bill 120 in its proper context. It's part of a much wider effort, at the provincial and federal levels, to address a significant range of concerns about financial security for Canadians who are now retired or will be retiring in the coming decades.

The Ontario Expert Commission on Pensions, reporting in 2008, made a carefully considered and balanced set of recommendations. Some of those recommendations have already been moved on and some of them are put forward in Bill 120, but others that really should have been included by this point are not part of this legislation. I'm going to comment briefly on that as well.

Separately, the provincial and federal governments are considering a significant expansion of Canada pension plan benefits, as advocated by the Canadian Labour Congress, our unions and many others. We believe this expansion could be the most valuable initiative for improved retirement security our country has seen in many years.

Bill 120 also is not the only arena in which the Ontario government has addressed or will be addressing pension regulation. An area of particular concern to our union is the announcement in August that the government is planning regulatory changes relating to solvency funding of university pension plans. When that announcement was first made, we weren't necessarily alarmed, because the case for solvency funding relief in the sector is quite strong. But unfortunately, in a later technical briefing and on other occasions, it became clear that the government is considering criteria for this relief that would be completely unacceptable. In effect, university faculty and staff would be required to accept benefit reductions, cuts in take-home pay or conversion to a defined contribution plan if their institution is to qualify.

If this was a trial balloon, it deserves to be punctured without delay. Director Fraser has written to Minister Duncan, making clear the union's unwillingness to capitulate to these conditions. This is not an issue the committee will be dealing with directly in Bill 120, but we thought it important to bring the matter to your attention.

Turning to the provisions of Bill 120 relating to target benefit multi-employer plans, we are generally supportive of this policy, with some concerns. As it happens, I just listened to Mr. Erlichman for the Machinists, who outlined much the same concerns. We have basically the same position as he does, so I can probably save some time, and you have our written portion here.

A point I'm not sure he made that is in our brief and that you can pay attention to has to do with the provisions that would extend permanent relief only to plans, all of whose members are in Ontario. The Steelworkers members' pension plan has the vast majority of its members in Ontario, but does have some either resident in Ontario in federal jurisdiction or resident in Alberta. If this is enacted as drafted, it leaves us with two really pretty bad options. One is to leave the plan as it is and not be eligible for the provisions, and the other is to split it in two in ways where at least one of the two is not likely to be sustainable.

Moving on to funding, we support the recommendation from the Ontario expert commission for creating different funding regimes for single-employer plans, multi-employer plans and jointly sponsored plans.

For single-employer plans, it's worth taking note of the many plans whose employers saved large sums of money by taking contribution holidays and are now faced with major funding challenges from a combination of bad investment choices and historically low interest rates. This is the case in a couple of our large and significant local unions.

If the provisions of the federal income tax make it impractical to completely abolish contribution holidays, which it appears that they do, at the very least Ontario law should provide for extensive disclosure to plan members of the extent, duration and impact of any holidays.

Bill 120 also proposes to require rapid, and, in some cases immediate, funding of any plan improvements. This provision would be unduly restrictive in the context of the flat-benefit plans common in the private sector, which by their nature are subject to periodic, kind of step adjustments to keep pace with wage growth. We recommend that those provisions be taken out of the bill.

The proposed changes under Bill 120 also include amendments that describe the process under which surplus may be distributed on a full or partial windup of the plan.

Mr. Chair, how much time do I have left?

The Chair (Mr. Pat Hoy): You have four minutes.

Mr. Charles Campbell: Okay. I think I may be on track.

The current situation requires that employers seeking to make surplus withdrawals from plans get the approval and consent of the trade union if there is one, and if there isn't, of 100% of all members and former members of the plan, unless the employer can demonstrate clear legal entitlement to the surplus.

The latter course frequently has involved lengthy, expensive and protracted litigation for members of the pension plans in the courts.

1410

There are some welcome changes with respect to creating a dispute resolution process in Bill 120. The superintendent is given authority to determine whether an arbitrator should be appointed to deal with the dispute over surplus sharing if the parties are not able to enter into a surplus-sharing agreement within a prescribed period of time after plan windup. Unions, employers and plan members may also propose arbitration as a means for resolving surplus-sharing disputes. Parties may agree on an arbitrator, or one may be appointed by the superintendent.

It's not clear, however, from the legislation, what pool of arbitrators would be chosen, what background and expertise they would bring to the table, and what authority and interpretive principles would guide the arbitrator's decision-making. These details may well turn up in the regulations to the act, but we would submit that these are the kinds of issues that should be included in the text of the legislation so that they cannot be changed without legislative scrutiny and debate, and so that stakeholders can make submissions on the most appropriate and useful process.

We also support the amendments on surplus entitlement proposed by the OFL and discussed in greater length in their submission, including:

—creating a mechanism whereby members and pensioners can assert their right to a surplus;

—making amendments to provide that the plan sponsor has a right to the surplus only if there is clear provision for payment of the surplus exclusively to the employer;

—providing that surplus claims based on legal entitlement be adjudicated by the courts, without need for intermediate decisions from the superintendent or the tribunal;

—stipulating strict time limits for each step in the process so that it doesn't drag on forever, as some of these have; and

—providing that, in cases of pension plan surplus disputes, the costs be borne from the pension plan surplus, rather than making pension plan members, who are in a situation where their plan just got wound up, have to find the money to fund their appeals.

Turning to the other recommendations from the expert commission that really should be dealt with now, if not yesterday, the commission made important recommendations for improvements to the existing pension benefits guarantee fund and recommended an increase in the level of coverage to $2,500 from the current level of $1,000, which hasn't been changed in 25 years.

In addition, the commission proposed new regulatory structures, including the creation of an Ontario pension agency that could deal with stranded pensions efficiently and at low cost. Such an agency could pool, administer and disburse funds in a way that would provide a target defined benefit in these circumstances. We believe the committee should provide clear direction to the government to adopt and implement these important recommendations.

In conclusion, I want to thank the committee for the opportunity to share our views and wish you good luck with your further process on this fascinating legislation.

The Chair (Mr. Pat Hoy): Thank you. We'll go to Mr. Miller of the NDP for questioning.

Mr. Paul Miller: Thank you. Welcome, brother. I will declare that I won't be asking any questions about my former employer for a case of conflict, so I will keep this to general questions.

Obviously, you've already stated in your final paragraph that you are in favour of increasing the PBGF fund to $2,500, as recommended by Mr. Arthurs. I notice that there has no been no mention in the presentation—do you see a gradual amortization over a period of five to 10 years, to get it up that level? Because obviously, it's quite a large influx at once.

Mr. Charles Campbell: The Arthurs commission took a careful and detailed look as to how this could be done in a way that was sustainable for the fund. I'm not an expert on this, but I'm sure that just increasing it on December 1, 2010 wouldn't be a practical way to go about it, so phasing it in over a period of time makes sense.

As you know, when it was set at $1,000 a month, in—

Mr. Paul Miller: In 1980.

Mr. Charles Campbell: —1980, that was a reasonable amount and covered what was, at the time, a decent pension.

Mr. Paul Miller: It doesn't quite cut it now.

Mr. Charles Campbell: But now we've certainly had experience with members in plans where their employer went bankrupt, and the pension benefits guarantee fund is crucial in stepping up and at least limiting their losses. But for people with basically a decent pension plan, it doesn't come close to making them whole.

Mr. Paul Miller: How do you feel about—obviously the enhancements to the CPP seem to be the focus for most groups, that that would be good. My only problem with that, as I mentioned, and I'll reiterate: Earlier I said that not everybody gets the full CPP benefit. Some people might not get anything or some people might get $100, depending on how much they worked, or they worked part-time; they might get $200 a month. They've recommended a 15% increase. I don't really think that cuts it for a lot of people. Very few people get the max. That's not a big percentage.

You wouldn't be opposed to the NDP's proposal for an Ontario pension plan to supplement the CPP—and obviously, that fell on deaf ears. How do you feel about the Ontario pension plan?

Mr. Charles Campbell: I thought that the Ontario NDP's proposal was extremely constructive. We're in a situation where, first of all, even if the CPP is gradually doubled from its current levels, there will be many people, as you say, for whom that isn't sufficient for a decent standard of living in retirement. The situation that we face today with CPP at 25% of earnings—I think there's room for every jurisdiction to pitch in and address this problem, and I promote that.

Mr. Paul Miller: I know your organization was also supportive of the 66% of Ontarians that don't have a defined pension that could benefit from an Ontario pension plan. That would be a fair statement, would it not?

Mr. Charles Campbell: Yes. While we think that expanding employer-based defined benefit pension plans would be the best way to go, it's not realistic to think it's going to get to 100% any time soon. Proposals such as yours to create something that would benefit those people who don't have such plans we think are a good idea.

Mr. Paul Miller: That's great. Finally, I know you touched on surplus distribution. Have you got any insight on how that would come, from your perspective, on improvements to Bill 120? Do you see anything they've missed?

Mr. Charles Campbell: Well, to be honest, I think in my presentation I put forward what I know about surplus distribution and then some, so I think I'll stick to that. We did work with the OFL in terms of setting together their proposal for changes. That's what our position is.

Mr. Paul Miller: I'd like to thank you for that plug you gave me earlier. That was nice; thanks very much.

Mr. Charles Campbell: We're always proud of our members as they move on to glory.

The Chair (Mr. Pat Hoy): Thank you for your submission.

That concludes our submissions. We meet again as a committee on December 1 at 12:30 for clause-by-clause. We are adjourned.

The committee adjourned at 1419.

CONTENTS

Wednesday 24 November 2010

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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