

Federal Liberals Prepare Assault on Defined Benefit Pensions

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How would you feel if you paid into a payment plan for twenty five years expecting to receive a an asset, only to have it taken away at the end of the payment plan?

Imagine showing up at your bank to make the final payment on your mortgage and they told you: "Thank you for making payments all these years, but we can't afford to give up our claim on your house. Don't worry though, you can still live in it . . . unless our other investments don't work out, in which case we reserve the right to sell it."

That would be outrageous.

Banks should never be allowed to change the terms of a deal at the end, and employers shouldn't be allowed to either. Yet, the Trudeau Liberals are proposing to allow federally regulated companies to do exactly that to hundreds of thousands of pensioners with defined-benefit pension plans across Canada.

These pensioners spent decades paying into a pension fund in good faith on a promise that they would receive a defined, secure payment out of the fund during their retirement. They built their lifetime financial plan based on that promise . . . and they don't have the option of starting all over again.

Bill C-27 would allow employers to pressure their workers and retirees out of their defined-benefit pension into a 'target-benefit' plan. A **target-benefit plan** takes away the legal responsibility of employers to ensure a secure pension if the plan's investments are underperforming. A **defined-benefit plan** instead requires increased contributions by the employer to secure your pension.

In other words, all the risk of bad investment gets loaded onto the pensioner and the company is left totally off the hook.

While the pensioner's consent would be required to transition the plan, we know employers have tools at their disposal to push people toward the outcome they want. For instance, they could use the carrot of a one-time lump-sum payment to those who transition, or they could raise fears about the solvency of the defined-benefit plan to scare people out of it.

Bill C-27 will let employers wipe billions of dollars in pension liability off their books, while pensioners who thought they were set for life are left wondering if they have enough saved up to pay the bills. Once the precedent is set, provincial governments may decide to do the same.

Pension promises must be honoured. The Prime Minister understood that during the campaign when he said: "[Defined Benefit Plans] which have already been paid for by employees and pensioners should not be retroactively changed into [Target Benefit Plans]." Unfortunately, he seems to have forgotten his promise.

Bill C-27 represents a serious attack on pension security in Canada. The government has no mandate for such a sweeping, destructive change. Let your MP know you want to stop Bill C-27.