

# WORKPLACE PENSIONS

Submission to the Joint Expert Panel on  
Pension Standards Review for Alberta &  
British Columbia

Submitted by the B.C.  
Federation of Labour

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## INTRODUCTION

I am writing on behalf of the British Columbia Federation of Labour in response to the joint review of Alberta British Columbia Pension Standards and the Panel's mandate to conduct a full and independent review of pension standards in the two provinces and make recommendations to the governments for sustaining and improving the pension system for Albertans and British Columbians. The basis for the Federation's comments is the Panel's discussion paper ***A Better Pension System for the Future: Finding a Balance***. The primary focus of the review and, therefore, our comments is private sector occupational pensions.

In addition to the Federation's submission, we look forward to the opportunity to discuss the matters presented here with Panel members in the course of the Panel's consultations.

### **Retirement and Pensions**

For many Canadian workers, retirement is a topic of much discussion, planning and eager anticipation. The ability to retire and the satisfaction derived from retirement is very much determined by having a reasonable retirement income and the financial security to leave paid work at an age when one is still physically and mentally able to enjoy life.

As outlined in the Panel's discussion paper, workers' retirement income is generally derived from three sources, or "three pillars": Old Age Security, the Guaranteed Income Supplement and the Canada/Quebec Pension Plan; occupational pension plans and personal savings and annuity arrangements. All three pillars are considered necessary to provide individuals with the income necessary to retire with an acceptable standard of living.

Very concerning is the fact that occupational pension plans have been on the decline for sometime in both coverage and

monetary adequacy. At the same time, increased cost of housing, an increase in part time, low-wage jobs, lack of affordable childcare, the interruption of employment to provide elder care, and the increased children's post secondary education costs are, but, some of the reasons why more and more workers are finding it difficult to put aside adequate personal savings earmarked for retirement. Moreover, statistics show that workers are, in fact, retiring in debt, as opposed to making substantial contributions to their personal savings. The simultaneous erosion of both occupational pension plans and workers' ability to contribute to their personal savings means there is a greater reliance on the modest income provided by Canada's public pension plan or the necessity for workers to continue to work beyond their planned retirement age.

For women workers, the problem is accentuated. According to Statistics Canada between 1991 and 2001 retired women earned 60 percent in pension income compared to retired men. The gender gap in pension income is due to a number of factors: women workers still only earn 70.5 cents for each dollar on men's wages; women interrupt their employment to take care of their children and senior parents; high concentration of women workers in part-time and low-income work.

It is critical that the Panel's recommendations to the governments of British Columbia and Alberta to improve and sustain pensions take these socio-economic factors into account. In our view, to ignore them will result in a set of incomplete and insufficient solutions.

The Canadian labour movement, through the Canadian Labour Congress, provincial Federations of Labour and affiliated unions, has led the way in demanding pensions for workers, pension protection and retirement security. We strongly believe:

1. Workers should get the pension they earned
  - Put workers interests first in corporate bankruptcy
2. All workers deserve a decent pension
  - Expand CPP benefits

- Encourage unionization and large defined benefit plans
3. We must respect today's and tomorrow's retirees
    - Increase public pensions so no retiree lives in poverty
    - Address retiree concerns in pension plan governance
    - Public elder care and affordable prescription drugs
  4. Our pension money should work for us, not against us
    - Encourage responsible investment for pension plans
    - Ramp-up union pension education
  5. A national "good jobs" strategy is critical so a dignified retirement is possible
    - Implement a national strategy for family supporting jobs

It is this perspective that informs the Federation's response to the Panel's questions.

## **Panel issues**

### **1. Occupational Pensions**

A key concern that must be addressed by the Panel is the fact that private sector occupational pension plans have eroded significantly. Currently only 22 percent of British Columbians employed in the private sector have an occupational pension plan. Having adequate income to retire is essential. Participating in an occupational pension plan should be an opportunity available to all workers in British Columbia, not only a select few. Occupational pension plans should therefore be mandatory.

Mandatory occupational pension plans could be established in several ways. For example, the federal government could use the Canada Pension Plan to increase mandatory pension coverage and increase the pension payments, or the BC government could establish provincial multi-employer

pension plans and make participation of all employers and workplaces mandatory. Some countries such as New Zealand and the Netherlands have taken this approach.

## **2. Pensions Standards Legislation**

Pension legislation must be relevant on an ongoing basis. Therefore, legislation must deal with the current reality, but, be flexible enough to deal with issues as they arise. Regular ongoing review of the regulations and a regulation review process that would consult with labour, business and pension experts in the field would ensure that the regulations remain relevant and address issues as they change.

The goals of the pension legislation should be to develop a regulatory framework that supports the establishment and maintenance of occupational pension plans, and as stated earlier, it must focus on ensuring workers employed in the private sector have a pension plan. Pension legislation should also ensure that pension benefits be used for what they were intended for - retirement. Therefore, lock-in provisions are appropriate.

Maximum rate of return cannot be the only criteria for pension trustees in making investment decisions. Research shows that responsible investing - investments with positive environmental, social and governance characteristics can have a positive material impact on investment performance, yet there is a reluctance to incorporate these criteria into investment decisions. To address this, legislation must be amended to enable pension trustees to consider responsible investment factors.

## **3. Broad Pension Policy Issues**

Private sector occupational pension plans are provincially regulated except where the plans are established in a federally-regulated industry. Given that workers move from one province to the next to work, the Panel's discussion paper asks the question: should pension plan legislation be harmonized? As the paper points out, reciprocal agreements between the provinces and with the federal government are in place, however, court decisions have revealed the weaknesses of the agreements.

We are not opposed to harmonization in and of itself, but the concern always is that harmonization means a race to the bottom, an implementation of the legislation that provides the least protection for the workers. Any harmonization efforts must be to provide the best situation and must be on a national level, a single statute of national application with a single regulator, not harmonization of legislation between two provinces.

The Panel is also examining whether pension legislation should be principles-based or rules-based. In our view, a combination of the two is most appropriate. The legislation must take into account that there are a variety of different plans; therefore a combination of the two is the most appropriate. It is critical that the legislation clearly lays out the minimum standard and ensures that compliance is easily understood. Enforcement of the legislation is equally important and, in our view, it must be the regulator's responsibility to ensure the standards set out by the legislation are enforced.

#### **4. Specific Standards**

The Panel's discussion paper examines the issue of benefit security and the issue of ownership of the pension plan's surplus assets. An important role of the pension legislation must be to ensure that workers are the benefactors of a safe and secure retirement income. It is important for the government to establish rules requiring private sector pension plans to be fully-funded and set out a realistic timeframe within which plans must be in compliance. Other options are to develop a comprehensive, employer-funded pension insurance system and bankruptcy laws that would ensure that workers would not be the losers where their employers fall on harsh economic times.

In terms of plan surpluses, the Federation does not support any regulatory change that would make it easier for employers to access plan surpluses. Labour's view is that surplus ownership lies with the pension plan members, not the employers.