CANADIAN LABOUR CONGRESS
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April 2, 2020

Lynn Hemmings
Director General
Financial Crimes and Security Division
Financial Sector Policy Branch
Department of Finance
90 Elgin Street
Ottawa, Ontario
K1A 0G5

By email: Lynn.Hemmings@canada.ca

Dear Ms. Hemmings,

On behalf of the 3 million working men and women represented by affiliates of the Canadian Labour Congress, I'm writing to you with respect to potential federal measures to provide relief to federally-regulated pension plans.

A combination of factors, including the extensive public-health orders issued in response to the pandemic, have triggered major economic shifts, including significant losses in equity markets and a drop in long-term bond yields. These developments have in turn put pressure on the cash-flow position and funded status of many pension plans, especially multi-employer pension plans facing reduced current contributions and increased lump sum payouts as group and individual terminations spike.

We do acknowledge that the Office of the Superintendent of Financial Institutions (OSFI) has announced that effective immediately, it will temporarily prohibit portability transfers and annuity purchases pertaining to the DB portion of federally-regulated plans. OSFI is also extending the deadlines for certain reporting requirements, and has suspended a number of consultation initiatives and work on developing revised guidance.

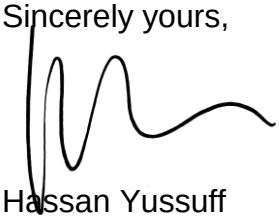
In our view, the federal government should now immediately suspend solvency funding requirements for negotiated-contribution defined-benefit pension plans (NCDBs). In October 2019, the federal government committed to moving forward with adjustments to solvency funding rules, on a priority basis, with the intention of implementing a new framework by the end of 2020 for NCDB plans. We submit that the government should immediately suspend solvency funding requirements, even though the new permanent funding framework continues to be developed, and is not yet in place. There is no sense in continuing to require solvency funding for these plans in meantime, particularly with the drop in long-term bond yields. Suspending solvency funding obligations for these plans will bring immediate and welcome relief for negotiated contribution plans.

To assist plans facing severe liquidity constraints, the federal government should consider providing interest-free loans to multi-employer pension plans, registered federally or in other jurisdictions, for up to 12 months of pension payments, repayable within 5 years.

With respect to single-employer defined-benefit plans, there can be no blanket changes or ‘one-size-fits-all’ approach to solvency funding relief. The funded status and temporary cash-flow challenges of these plans differ widely, as do the solvency position of their sponsors. In some circumstances, plan members and unions might conceivably wish to negotiate conditions for any assistance to strengthen benefit security, such as restrictions on share buybacks, dividends and executive compensation. In other instances, members may wish to advance specific conditions for plans that have adopted de-risking measures in the recent past, including benefit level reductions. In all cases, the fully-informed consent of plan members must be obtained before the government contemplates relaxing solvency measures or any other steps that potentially reduce benefit security. We also wish to underline the importance of continued going-concern contributions to pension plans in order to maintain cash flows, avoid distress liquidations of assets, and protect benefits through this crisis.

Finally, we urge the government to examine all options to improve the position of members of defined-contribution (DC) plans whose retirement savings have suffered significant losses in recent weeks. On Wednesday March 25th, the government enacted a 25% reduction in the minimum withdrawal rate for those receiving variable benefit payments under a DC pension plan. We encourage the government to continue to look at measures to strengthen the retirement savings accounts of federally-regulated DC plan members.

Sincerely yours,



Hassan Yussuff
President

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