



**The CBC Pensioners
National Association**

Preserving our Future, Sharing our Past

**L'Association nationale
des retraités de la SRC**

Assurer notre avenir, partager notre passé

HELP SHAPE OUR FUTURE!

PNA DISCUSSION PAPER # 2 – IN DEFENCE OF DEFINED BENEFIT PENSION PLANS

This is the second in our series of federal election discussion papers. This time, we're focusing on the importance of maintaining defined benefit pension plan, like the one depended on by thousands of CBC retirees.

There is little debate among pension experts that the gold standard in pensions is the one that provides predictable and adequate income for people in their retirement years. There is also little argument that a defined benefit pension is the best vehicle to guarantee income security for the vast majority of working people.

Yet, DB plans - as they are called - have been under nearly constant attack for decades by both governments and employers. It's unfortunate that only a relatively small number of Canadian retirees enjoy the benefit of DB plans. The basic argument against defined benefit plans comes down to cost, and who bears that cost and with it, the ultimate risk. But the preservation and growth of DB plans is not just about costs. ***Read on...***

Send us your comments: advocacy@cbcpensioners.ca

THE ISSUE: Ensuring the preservation & growth of Defined Benefit Pension Plans.

WHY IT MATTERS:

Undermining DB plans ignores a significant and positive aspect of their contribution to the Canadian economy. The attack on DB plans is short-sighted and solely aimed at shifting the burden of retirement income planning to working women and men while exempting employers and government from any long-term





responsibility. Additionally, and not to be overlooked, is the role DB plans play in battling poverty among older Canadians. The poverty rate for Canadians aged 65 and older was 6.0% in 2022, which is lower than the rate for children and working-age Canadians. However, the rate has been increasing since the mid-1990s.

(Source - Statistics Canada)

Contributions to a pension plan are an investment in the future. Corporations and government should not be exempt from making that investment. DB pension plans provide retirees and their families with a predictable stream of income during retirement, which serves as a powerful economic driver.

In Ontario alone, DB plans contributed more than \$60-billion to the provincial economy. Nearly all of that money was spent in the province. DB pension plans drive consumer spending, stimulate business growth, create jobs, and generate tax revenues for all levels of government.

Spending by retirees with DB pension plans supported 251,900 full-time, full-year jobs in Ontario in 2023 and generated \$16.8 billion in wages and benefits. This includes 49,500 jobs in the retail sector and 26,000 jobs in accommodation and food services. ***(Source – Conference Board of Canada)***

Canada is a country made up of mostly smaller communities. The smaller the community, the larger the impact of pension benefits on the local economy. For small towns such as Moose Jaw, Nanaimo, or Orillia, DB pensions form on average 9% of the total retiree earnings in these communities. For small Ontario towns, the percentage of total earnings constituted by DB pension benefits was 11.5%. When combined with the CPP, OAS and individual RRSPs, DB pension earnings constitute about 18% of all earnings in small towns.

DEFINED BENEFIT PENSION PLANS EXPLAINED

There are two basic models of pension plans. Defined Contribution (DC) plans are a type of savings plan where both employees and employers contribute a set amount annually. The pension derived depends on the return on investment. In other words, it is unknown. Defined Benefit plans are created from the return on employee and employer investment (contributions). But the critical difference is



that the pension is known and guaranteed for life. The contribution levels are adjusted annually based on the performance of the plan's investments against the cost of paying the guaranteed pension benefit. Most also include a cost-of-living adjustment provision

WHERE THE PARTIES STAND:

Liberal Party of Canada

The Liberal Party has not taken a firm position on the future of Defined Benefit plans but has made a couple of concerning moves. It has taken nearly \$2-billion out of the public servants' pension plan and placed it in general revenue which means it could be used for spending beyond providing retired workers their pensions. In 2016, the party introduced Bill C-27, legislation that would make it easier for employers to shut down their DB plans and introduce a so-called "targeted benefit" which would merely target a pension amount but without guaranteeing it.

Conservative Party of Canada

The Conservative Party has been clear on its policy of eliminating the Defined Benefit Plan enjoyed by federal public servants. "The Conservative Party is committed to bring public sector pensions in-line with Canadian norms by switching to a defined contribution pension model, which includes employer contributions comparable to the private sector." (**Source: *Conservative Party Policy Declaration – September 2023***)

It should be noted that most private sector workers are not covered by any registered pension plan (RPP). Fewer than 40% of Canadians have an employer-sponsored pension plan. Of those, the majority are enrolled in a DB plan.

New Democratic Party

The NDP says it's committed to strengthening public pensions and improving retirement security for all Canadians and providing a basic guaranteed livable income for seniors. The party says if it formed government, it would create a



**The CBC Pensioners
National Association**

Preserving our Future, Sharing our Past

**L'Association nationale
des retraités de la SRC**

Assurer notre avenir, partager notre passé

Pension Advisory Commission to develop a long-term plan to enhance Old Age Security, boost the Guaranteed Income Supplement to lift all seniors out of poverty and strengthen the Canada Pension Plan. It would also make automatic enrollment in OAS and GIS retroactive, so no retiree misses out on benefits that they should be receiving, and support efforts to make sure Canadians have good retirement financial literacy.

Bloc Québécois

The Bloc Québécois does not appear to have any policy focusing on defined benefit plans. Most of its attention has been focused on the broader issue of old age security.

Green Party

It's not clear whether the Green Party has a policy on the issue of Defined Benefit plans although it has called on the government to protect pensioners from losing their benefits due to the bankruptcy of the employer (i.e. the plan sponsor)

WHAT THE PNA SAYS:

There is no debating that providing stable and predictable incomes for retired workers will cost money but as noted earlier, corporations and governments need to be major players. The preservation and growth of defined benefit pensions is about investing in tomorrow – an investment that benefits business, government, communities and all Canadians.

We believe that the preservation and growth of defined benefit pension plans is essential for the benefit of all Canadians. They are vital in preserving livelihoods for retirees, benefiting the communities in which they live, and strengthening the overall Canadian economy. We oppose all efforts aimed at undermining or eliminating defined benefit plans.



Ask candidates in the upcoming election to clearly state where they stand on the preservation of DB pension plans, and consider their answers when it comes time to vote.

SUGGESTED QUESTIONS FOR YOUR CANDIDATES

1. Do you think people who have worked for decades are owed a decent retirement income? How will your party to make that happen?
2. Given the obvious and demonstrated benefit of DB plans to Canadians and the communities in which they live, what are your party's intentions for preserving these plans?
3. If it is your party's policy to eliminate DB plans, what is your justification given the significant role the plans play within our economy?



Sources:

<https://www.optrust.com/documents/DB-Pension-Plans-Strengthening-the-Canadian-Economy.pdf>

<https://opseu.org/news/defined-benefit-db-pension-plans-supporting-ontarios-economy/247035/>

<https://www.osfi-bsif.gc.ca/en/supervision/pensions/understanding-your-pension-plan>

<https://www150.statcan.gc.ca/n1/daily-quotidien/240426/dq240426a-eng.pdf>

https://optrust.com/documents/defined-benefit-pension-plans-2024.pdf?utm_source=web&utm_medium=banner&utm_campaign=ontario-impact-research&utm_id=ontario-impact-research