



Canadian National Pensioners Association

Submission To

The Consultation on Enhanced Retirement

Security of Canadians

We recently learned about the above-mentioned consultation from Canadian National Railways (CN) which, we understand, was also just informed thereof. We wish to take the opportunity to provide input to the valuable task your Policy Branch has undertaken and been commissioned to perform.

The Canadian National Pensioners' Association (CNPA) represents over 35,000 retired Canadian employees of Canadian National Railway and its subsidiaries. Our CNPA members are located in every province, territory and corner of the country and beyond. Our members range from 55 to 104 years of age. As volunteer executives of the Association, we advocate for the well-being of our members and among other things, issues affecting their pensions, benefits, and health care.

TRANSFER TO SELF-MANAGED ACCOUNTS:

We understand when a federally regulated (Defined Benefit Plan) DB plan is terminated, it must purchase annuities that replicate plan benefits. We recommend that individuals be allowed to request their commuted value, or annuity value in a lump sum, provided it can clearly be shown, that such action will not adversely affect the remainder of the pension population. Should that be the case, we propose that the option be available to pensioners less than 71 years of age

CREDITOR RANKING OF BANKRUPT DB PLAN

Existing legislation does not protect pensioners when a company declares insolvency or bankruptcy. DB plans are ranked behind secured creditors when remaining assets are distributed, consequently they are in the unsecured category. From our research, we know of a supreme court decision that declared the pension actuarial deficit would be reimbursed after the secured creditors, which means it is in the unsecured creditor category. We certainly understand that public companies with a DB plan present a complexity for shareholders and financial institutions.

Such a complexity can properly be dealt with, and we at CNPA recommend that DB plans be recognized with the rest of secured creditors, and ranked within the secured category.

CONDITIONAL BENEFITS

We strongly support the position as stated in CN's letter dated January 23, 2019 from Kim Madigan Senior Vice-President, Human Resources, addressed to Mark Schaan, Director General, Market Framework Policy Branch.

Quote: "Specifically, several of CN's pension plans provide for future year CPI-linked indexation benefits that are conditional on cumulative asset returns or cumulative gains and losses on assets and liabilities in prior years (**Conditional Indexation Benefits**). For example, in the CN Pension Plan (**CNPP**), CN's largest pension plan, in addition to the guaranteed minimum annual indexation, Conditional Indexation Benefits are only payable in the following year where the cumulative gains and losses on plan experience attributed to retirees in prior years, as tracked through what is called "Indexation Account", are sufficient to fund the benefits." End quote

It is our recommendation **not to restrict** CN's ability to provide the CNPA 35,000 pensioners the Conditional Indexation Benefits as provided by our CNPP to our membership, as it is a model of a well-functioning, sustainable benefit design.

As stakeholders of one of the largest DB plans in Canada, we believe the Minister for Seniors and the Minister of Employment and Social Development as well as additional Government Ministers and MP's need to be aware of our position. We would also be very grateful to be added to the consultation list regarding these important matters.

On behalf of, the Canadian National Pensioners' Association

Sincerely,

Yves G. Bourdon
President

January 2019

