

BULLETIN

## Pension plans worth thinking and knowing about

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by CINDY STEWART



**With tax season just around the corner**, many of us are thinking about RRSPs and other financial plans we should be making by the end of the fiscal year. Increasingly, as our membership ages, HSA members are focusing more on retirement planning. Those of us fortunate enough to have pension plans are building up the down payment on our future.

But for many Canadians, that down payment can be stripped away. Without proper management of our pension plans, we can be vulnerable.

It is concern for workers pension plans that drove the federal NDP Labour Critic, Pat Martin, to introduce Bill C-281, the "Workers First Bill" in December.

Each year, too many Canadians have their pensions cut or lose them altogether because when companies pay back creditors after declaring bankruptcy ... workers are at the back of the line. Under present laws, a companys taxes, lenders and suppliers are all paid before employees are paid their pensions, benefits, vacation pay, severance pay, or even their wages for work they already completed.

In introducing the proposed legislation, Martin said: "Every week in this country there are roughly 200 commercial bankruptcies, 1,000 bankruptcies a month, and roughly 10,000 bankruptcies per year, many of which leave behind employees who are owed back wages, benefits and pension contributions. The total figures we can only estimate. Over \$1 billion per year is a figure that has been used."

"It is workers who pay the price when workplaces shut down. This is specially true when these shutdowns are triggered by bankruptcy, because not only do the employees lose their jobs and their source of income, they often lose wages owing, as well as vacation pay, termination pay and severance pay."

Carole Lavallee, the Labour Critic for the Bloc Quebecois supported the Bill when it was introduced and referenced the closing of the Canadian Steel Foundries in Montreal in 2003 as an example of how workers can get left behind. When the foundry closed, the guaranteed creditors were owed \$5 million, which left nothing to pay for the companys unfunded liabilities, including a \$260,000 shortfall in the pension fund. The employees pension benefits were reduced but the bank was able to recover its \$5 million.

The Federal Liberal governments initial reaction to the bill is not as supportive.

"The solution proposed in Bill C-281 is straightforward, an unlimited super priority for all employment related claims to all of the assets of the bankrupt company. In addition to wages and vacation pay, it would add termination, severance pay and other benefits. It could also add protection for pensions, including unfunded liabilities," David McGuinty said on behalf of the Liberal Party.

The Liberals are concerned that the magnitude of the super priority of the workers entitlements would have serious effects on credit and capital access, particularly for higher risk new businesses. -Particularly high technology companies, over 1,500 of which exist, for example, in my region here in the National Capital Region," he added.

So Mr. McGuinty says he would like to see a -more balanced" approach. For decades the people who earn their living working for companies taking financial risks have been at the back of the line when the companies couldnt cope with those risks. The banks are paid, other creditors are paid, but the employees are abandoned.

Wages and pensions are the economic underpinning of every local community. Even in the high tech sector Mr. McGuinty is so worried about, companies depend on people receiving a pay cheque to buy their products. And when we retire, we depend on our pension plans to live (and spend) in the communities in which we live.

Your pension plan, and how it is managed today, will make all the difference in your life tomorrow. Starting in this issue of The Report, we will be presenting a regular feature on pension issues. This months feature focuses on the importance of knowing about your pension ... even if youre just at the beginning of your work life. And check out Region 8 Director Bonnie Norquays column as she shares some of her thoughts about pensions from the perspective of someone entering the home stretch of their working career.

Pensions matter ... and it doesnt matter how old you are, if you are fortunate enough to be in a pension plan, as most HSA members are, you should understand the details of the plan and how it affects you. 

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