Third Session - Thirty-Eighth Legislature

of the

Legislative Assembly of Manitoba

Standing Committee
on
Human Resources

Chairperson
Ms. Marilyn Brick
Constituency of St. Norbert

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON HUMAN RESOURCES

Thursday, April 14, 2005

TIME – 6:30 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Ms. Marilyn Brick (St. Norbert)

VICE-CHAIRPERSON – Mr. Bidhu Jha (Radisson)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mses. Allan, Oswald

Ms. Brick, Mr. Dewar, Mrs. Driedger, Messrs. Faurschou, Jha, Murray, Reid, Santos, Schuler

APPEARING:

Mr. Kevin Lamoureux, MLA for Inkster

WITNESSES:

Mr. Charles Cruden, Manitoba Society of Seniors
Mr. Bill Turnbull, General Manager, Co-operative Superannuation Society Pension Plan
Mr. John Klassen, Private Citizen
Mr. John Corp, Private Citizen
Mr. Jim Neil, City of Winnipeg Retirees Association
Mr. Albert Cerilli, Manitoba Federation of Union Retirees
Ms. DeeDee Rizzo, Retired Teachers' Association of Manitoba
Ms. Darlene Dziewit, President, Manitoba Federation of Labour
Mr. Wesley M. Stevens, Private Citizen
Mr. Brian Peto, Credit Union Central
Mr. Jerry Woods, Private Citizen
Mr. Webster Webb, Private Citizen
Ms. Lori Bourgeois, Private Citizen
Mr. Robert Ziegler, Private Citizen

WRITTEN SUBMISSIONS:

Ms. Doris Mahoney, Private Citizen

MATTERS UNDER CONSIDERATION:

Bill 10–The Pension Benefits Amendment Act

* * *

Clerk Assistant (Mr. Rick Yarish): Good evening. Will the Standing Committee on Human Resources please come to order.

Your first item of business is the election of a Chairperson. Are there nominations for this position?

Mr. Gregory Dewar (Selkirk): I would like to nominate Ms. Brick.

Mr. Clerk Assistant: Ms. Brick has been nominated. Are there any other nominations?

Hearing no other nomination, Ms. Brick, will you please take the Chair.

Madam Chairperson: Good evening. Will the Standing Committee on Human Resources please come to order.

Our next item of business is the election of a Vice-Chair. Are there any nominations?

Mr. Dewar: I nominate Mr. Jha.

Madam Chairperson: Mr. Jha has been nominated. Are there any other nominations? There are no other nominations. Mr. Jha is elected Vice-Chairperson.

This meeting has been called to consider Bill 10, The Pension Benefits Amendment Act.

We have a number of presenters registered to speak this evening as follows: Rod Reykdal, a private citizen; Jim Neil, City of Winnipeg Retirees Association; Albert Cerilli, Manitoba Federation of Union Retirees; DeeDee Rizzo, Retired Teachers' Association of Manitoba; Darlene Dziewit, President, Manitoba Federation of Labour; Wesley M. Stevens, private citizen; Bill Turnbull, Co-operative Superannuation Society Pension Plan; John Klassen, private citizen; Brian Peto, Credit Union

Central; Jerry Woods, private citizen; Webster Webb, private citizen; Charles Cruden, Manitoba Society of Seniors; John Corp, private citizen; Lori Bourgeois, private citizen.

If there is anyone else in attendance who would like to make a presentation this evening, please register with staff at the entrance of the room.

For the information of all presenters, 20 copies of any written versions of presentations are required. If you need help with photocopying, please speak with our staff.

As well, I would like to inform presenters that, in accordance with our rules, a time limit of 10 minutes has been allotted for presentations with another 5 minutes allowed for questions from committee members.

Also, in accordance with our rules, if a presenter is not in attendance when their name is called, they will be dropped to the bottom of the list. If the presenter is not in attendance when their name is called a second time, they will be removed from the presenters' list.

A written submission on Bill 10 from Doris Mahoney has been received and distributed to committee members. Does the committee agree to have this document appear in Hansard transcript of this meeting? *[Agreed]*

On the topic of determining the order of public presentations, I will note that we do have out-of-town presenters in attendance marked with an asterisk on the list. Included in that group is presenter No. 7 on your list, Mr. Bill Turnbull, who has come from Saskatoon for this meeting. Mr. Turnbull's return flight is at 8:50 this evening, and he hopes he is able to make it home tonight. As well, I would like to note for the committee that presenter No. 12 on the list, Mr. Charles Cruden, was just released from hospital earlier today and asked if he might be moved up on the presentation list. With these considerations in mind then, in what order does the committee wish to hear presentations?

Mr. Ron Schuler (Springfield): If Mr. Turnbull would be agreeable, could we have Mr. Cruden come forward first, and then Mr. Turnbull, if that is okay for the committee?

Madam Chairperson: I see nodding at the back of the room, so if that is the will of the committee–is that the will of the committee? *[Agreed]*

Is it the will of the committee to do out-of-town presenters after our two presenters we have discussed? Agreed? *[Agreed]*

In addition, in light of Mr. Cruden's release from the hospital today, it is suggested that we allow Mr. Cruden to have a seat at the table. Is that agreed by the committee? *[Agreed]* Thank you.

As of 6:30 this evening, there were 14 persons registered to speak to this bill. Therefore, according to our rules, this committee may sit past midnight. How late does the committee wish to sit tonight?

An Honourable Member: Till we conclude the business.

***** (18:40)

Madam Chairperson: Till we conclude the business? Thank you.

Prior to proceeding with public presentations, I would like to advise members of the public regarding the process for speaking in committee. The proceedings of our meetings are recorded in order to provide a verbatim transcript. Each time someone wishes to speak, whether it be an MLA or a presenter, I need to first say the person's name. This is the signal for the Hansard recorder to turn the mikes on and off. Thank you for your patience.

We will now proceed with presentations.

I will now call on Charles Cruden. Mr. Faurschou?

Mr. David Faurschou (Portage la Prairie): Madam Chairperson, I wanted to make certain it is clear that we will sit until business is concluded. It was not presented to committee for agreement.

Madam Chairperson: I am sorry. Is it the will of the committee to sit until our business is concluded this evening and to not see the clock? *[Agreed]*

Bill 10–The Pension Benefits Amendment Act

Madam Chairperson: Mr. Cruden, from the Manitoba Society of Seniors. Mr. Cruden, did you have presentations you wanted to distribute? We can have the Clerk do that for you.

Mr. Charles Cruden (Manitoba Society of Seniors): There you are.

Madam Chairperson: Whenever you are ready, Mr. Cruden, please feel free to start.

Mr. Cruden: I appreciate the opportunity that you have given me. Good evening, my name is Charles Cruden. I am a volunteer member of the Manitoba Society of Seniors, MSOS, Issues Committee. MSOS is an organization with over 6500 paid-up members. On behalf of Webster Webb, another member of the MSOS issues committee who is here with me this evening, we wish to thank you on behalf of MSOS for the opportunity to speak.

I am only going to address a small portion of the contents of Bill 10, Section 21(4) referring to locked-in pensions, on pages 14 and 15 of the 29-page document. The mission statement of MSOS is to represent Manitobans ages 50-plus by voicing their needs and concerns and by promoting a positive image of older adults in the community. The MSOS objectives include serving as a representative voice on behalf of seniors.

I cannot recall many other issues in the past 10 years that appear to be so misunderstood and had such a devastating effect on many people's lives. The fact people have to lock their own money away and having it controlled by legislation is certainly a question that many people ask. Locked-in fund holders regard their money in the same classification as RSP and RIFs rather than in the classification of defined benefit pensions.

Manitoba MLAs revised their pension plan, I believe in 1995, so when their position with government was completed, they could, in fact, put the pension money in RSPs or RIFs. If legislators can make this arrangement, should the people that elected them not have the same opportunity?

Since 2002, when MSOS embarked on this issue, there have been many phone calls and testimonials from Manitobans who have been affected by the current legislation on locked-in pensions that are proof of why immediate changes are necessary. A few examples are: communications of the fact that money would be restricted on withdrawal. I have yet to speak to a person who was aware of the fact that their withdrawals would be restricted on retirement. A far more serious situation received was a husband, who in fact, committed suicide when he was unable to withdraw sufficient funds to maintain the standard of his living with his wife and himself.

I spoke with a gentleman in August 2003, who needed $1,500 for medical, but he had already withdrawn his $1,500, his 6 percent. He was unable to get additional funds. I later found out that he died in January 2004. You draw your own conclusions if the $1,500 would have made a difference.

People with need for home repairs, mortgage payments, vacations, transportation, who have considerable amounts in their locked-in funds, but have had to borrow at financial institutions, higher rates than they are receiving on their locked-in retirement funds, and the story goes on.

At this time, I would like to acknowledge the efforts of the Honourable Stuart Murray and his party members, particularly Ron Schuler for his presentation of Bill 212 in June, 2004. Bill 212, in our estimation, was a definite catalyst to bring us where we are tonight. MSOS would like to acknowledge and thank the Honourable Nancy Allan for opening a line of communication that we had not experienced with previous ministers on this important issue. MSOS stands by its position of preferring similar legislation regarding locked-in pensions to that of Saskatchewan.

However, as seniors, we know there is a need for flexibility and compromise, no smiles. In the estimation of MSOS, Bill 10 offers a reasonable compromise that will enable owners of locked-in funds to have a much-improved access to their funds than under the current legislation. Hopefully, sometime in the future, legislation will be enacted to get locked-in pension holders full access to their funds as required.

MSOS heard a Manitoba minister state that the Saskatchewan legislation was a disaster. On checking with the superintendent of pensions in Saskatchewan there was no evidence that there were any problems with the legislation that had been enacted in 2002. Available information from countries like Australia, that apparently do not have legislation on locked-in pensions such as Manitoba, also indicate there are no major problems. The big question is should it be necessary for government to protect and control individuals' personal finances.

Taking the positive approach that Bill 10 will be proclaimed in the next few months, and from conversations with Manitobans that have locked-in funds that come under other provincial and federal legislation, it would be hoped that the Manitoba government would communicate its progressive new legislation with other provinces and the federal legislation regarding making changes to their locked-in pension funds in order that many more Manitobans will become more financially solvent.

In summation, the Manitoba Society of Seniors supports the efforts of the Minister of Labour, Honourable Nancy Allan, on this particular issue and accepts the section in Bill 10 pertaining to locked-in pensions as a reasonable solution to a major financial concern for many Manitobans.

Premier Doer, in a hallway scrum, promised changes to the locked-in pension act by fall 2004. It is now spring 2005. Hopefully, we will see changes in effect by summer 2005. It would be hoped that Bill 10, and particularly the portion of the bill dealing with locked-in pensions, will be fast-tracked and proclaimed so that many Manitobans' financial position could be improved by the close of the current session, which I believe is in June.

I thank you very much for your time and your patience in making this presentation.

Madam Chairperson: Thank you very much. I wanted first of all just to thank you on behalf of the committee for coming out when you are under the weather. We hope you feel better as time goes along.

I have taken a speakers' list, and I already have three people on the speaking list.

Mr. Stuart Murray (Leader of the Official Opposition): Chuck, thank you very much for the presentation. It just is tremendous to see you here tonight. You know, the fact that you were just released from the hospital and that you are here making a presentation, I think, speaks volumes about your commitment, your drive to seniors to ensure that the right thing was done. I want to just say that it was very generous of you to mention myself and my colleague from Springfield, but frankly we only did what Manitoba seniors were asking to do and that was the right thing. So that is why we did that.

I do want to make a comment that on the basis that you do represent 6500 paid-up members and I think that it is important that, please, on behalf of the membership, please convey that we, as was alleged by the Premier (Mr. Doer), we are in no way trying to hold up legislation. I think the facts should be known by the people of Manitoba, the seniors, that that was erroneous. We have asked them to apologize, frankly, because this is the time of legislation, frankly, where all legislators should get behind because it is the right thing for the Manitoba seniors.

***** (18:50)

We were somewhat upset when we heard that the Premier (Mr. Doer) was somehow blaming the opposition parties for holding up this legislation. It is factually incorrect. So, please, take that message back to the Manitoba Society of Seniors.

Again, I want to just say to you, Chuck, congratulations. I know where you wanted to go with this. This is a step in the right direction, and it is because of people like you and the belief that you have in doing the right thing that these kinds of initiatives can take place. So I just want to say congratulations to you. Godspeed, and I hope you are feeling much better because of this and because you are here. Thank you very much.

Floor Comment: Thank you and duly noted.

Madam Chairperson: Mr. Cruden, I just have to recognize you. You can go ahead.

Mr. Cruden: Okay, thank you, and duly noted. I will pass that on to MSOS.

Madam Chairperson: Thank you very much.

Hon. Nancy Allan (Minister of Labour and Immigration): Thank you, Chuck, it is very nice of you to be here tonight. I know that it would not have been a very interesting evening to have had this committee meeting for the pension legislation without you here because you have been an integral part of this pension bill. I just want to thank you for your comments that you made in your presentation. I have appreciated the opportunity to get to know you.

I have appreciated the opportunity in all of the meetings and all of the telephone calls that we have had over the last year in regards to the pension legislation.

It helped tremendously when we sat down with the members of your organization, the Manitoba Society of Seniors, and we really started looking at the very difficult issue of unlocking and how to proceed and what was fair, particularly when there was only one other jurisdiction in Canada that had done this. We did not have a lot of evidence from Saskatchewan in regards to how this had played out. So I have really appreciated the opportunity to have had a chance to work with you and your organization, and I wish you all the best for a speedy recovery.

Mr. Cruden: Thank you very much, Ms. Allan. I must say, and I will say it in Hansard again, that you have been most co-operative. Of the three ministers that have sat on the Ministry of Labour, you have been the one that opened the door to allow us to work to get to where we are tonight. It has been a long, arduous, frustrating situation, but working with you, I must say, has been a pleasure. Thank you.

Mr. Schuler: Over the years that I have worked on this file, and it has been years now, there are basically six heroes of this bill, and certainly you are one of them. When something is written about this, you will play a very important role in that. You were always very polite about it, but you were always very firm. When we first met several years ago, you explained to me that your name was Charles, and I noticed that everybody else here gets to call you Chuck. So I am just wondering when I have the right to also call you Chuck or if it is still Charles. Perhaps, that is for another time.

You, and the organization you represent, did it with great integrity. I think this Chamber owes you a lot of appreciation, and your organization and the membership owes you a lot of thanks. Later on, when we have other comments, I want to speak about some of the other individuals who in the beginning met and met and met, and we have come to this part. No, it is not everything we wanted. We will agree to disagree, the minister and I. We would have liked to have seen it go further, but we happen to think that this is a very healthy compromise. There is always tomorrow. We will see this come to pass, and then there is always tomorrow for getting the rest of it.

So, in the meantime, it is very important for you to get your health back on track and continue to represent the seniors of Manitoba with the kind of leadership, the kind of credibility that you do. We wish you God's blessing as you heal and get back on your feet. Thank you for being here.

Madam Chairperson: Thank you very much, Mr. Schuler. That is the end of our time. I really do appreciate you coming.

Mr. Cruden: Could I have just one minute?

Madam Chairperson: Okay, well, about one minute.

Mr. Cruden: Thank you very much, Ron. I appreciate what you said, but I am just one of many people. I like to think I am a background guy and maybe a pusher, but I will tell you without the people that we have had the opportunity to work with–because it has been an unbelievable learning experience. I know nothing about pensions. I knew nothing about pensions, and I still know a thimbleful, but this locked-in pension has been a challenge, and to see what they estimate, 180 000 people in Manitoba affected, it is one that could not die and had to go on. I thank everybody. Thank you very much for your time.

Madam Chairperson: Thank you very much.

I would like to call Bill Turnbull from the Co-operative Superannuation Society Pension Plan from Saskatchewan.

Mr. Bill Turnbull (General Manager, Co-operative Superannuation Society Pension Plan): Can I proceed, Madam Chair?

Madam Chairperson: Mr. Turnbull, you can go ahead and proceed. Thank you.

Mr. Turnbull: Thank you. Madam Chair, committee members, ladies and gentlemen. Good evening. I am here this evening as the general manager of Canada's largest private money-purchase pension plan. I am also the past president of the Pension Benefits Committee of the City of Saskatoon and still serve on that committee. I am also on the board of directors of the Association of Canadian Pension Management. I am here, however, to speak on behalf of the members of the Co-operative Superannuation Society.

I would like to give the committee a brief background on the society. The society is over 60 years old, incorporated by a private act. It is a multi-employer plan set up to provide administration, education and trustee services to co-operatives and credit unions originally in Saskatchewan but now across Canada. It is a multi-employer plan. There are over 500 co-operatives and credit unions that use our services, 111 of those are in Manitoba. There are over 30 000 non-retired members in our plan, about 6000 of those are in Manitoba. There is over $2.5 billion in our pension plan available to the members to provide their benefits and belonging to the members; $345 million of that belongs to Manitoba members. We typically pay out 60 to $90 million a year in lump sum benefits out of the plan. A considerable part of that comes out to Manitoba members, about a fifth. We pay a pension payroll of about $36 million a year. Likewise, about 15 percent or so of those retired members are in Manitoba.

My submission is on behalf of these employers and these employees. One of our main policy objectives as a pension plan is to provide our retirees with greater flexibility at retirement. Now we are a jointly trusted plan. The plan is controlled by its members, and equally controlled by the employees and the employers. They each appoint an equal number of delegates to our control structure. They each elect an equal number of directors to our board. The stakeholders have balanced control of the thing and, therefore, it should not be a surprise that the national objective that we set about five years ago in terms of retirement-income flexibility, as we provided to the Canadian Association of Pension Supervisory Authorities or CAPSA, was that half the members' account should become unrestricted at retirement. That was worked out in consultation with our employee and employers stakeholders, and was seen to be a reasonable compromise.

As part of that, we felt that in order to provide necessary flexibility, in addition to removing the restriction off of half of the account, we thought that it would be of great benefit to our retirees, if life-income funds and locked-in retirement income funds LIFs and LRIFs could be combined into one product, with the maximum annual withdrawal based on a minimum interest rate of 8 percent rather than 6 percent.

That is our position nationally. That was our position as submitted to the Manitoba Pension Commission when public consultation was done with respect to this review of your act. I will come back to both of these points as I provide you with my comments on Bill 10.

In general, I think it is fair to say our members support the bill. It was time for an overall review of pension legislation in Manitoba. It was over time. It had been many years. So we are pleased to see that several of the changes that are being made will go, at least part of the way, a significant part of the way, to standardizing the legislation of Manitoba with that of the other provinces in Canada.

***** (19:00)

We have members in seven provinces and three territories. We also have a few members governed by federal legislation. So it makes our job easier when these administrative requirements can be standardized across the country. We are happy to see you standardizing the tests for part-time eligibility at 35 percent of YMPE or 700 hours.

We are happy to see you standardizing the spousal survivor percentage for the required pension at 60 percent and that you are going to permit pre-retirement waivers. We are happy to see that you are drafting provisions intended to simplify the division of pensions on retirement. Manitoba was the only province that had the mandatory 50-50 or nothing, with the people really having no ability to come up with any other sharing which other provinces do permit.

We are happy to see that you are bringing in provisions that will allow phased retirement, although complementary amendments will be required to the Income Tax Act. To make that fully workable, at least you will have your end done.

We do not have significant issues with the changes you propose to make to distribution of surplus because we are a money purchase plan. Our plan is the type where each member has an account to which they and their employer contribute. They build up their retirement savings and when they retire, they can use the balance in their account to provide retirement income. We do not have big issues there, but it does not have a big impact on us either.

We do not have big issues with the proposal that a pension committee must be the administrator of any plan that is not jointly trusteed or governed by some kind of a dedicated pension administrator created by statute. Of course, that does not impact us either as we are a pension administrator created by statutes. I would like to let the committee know, though, that through my involvement with the ACPM, I know the single employer sponsors of large defined benefit plans may be discouraged by the changes you are intending to make with respect to surplus and with respect to pension committees, but, that is not an issue for our members.

We do not have serious issues with the changes you intend to make to bring in immediate vesting, safe to say that you will be only the second province to do that. Québec is the only province that has that, so again, we need a special rule instead of having a standard rule across the country. We do not have members in Québec, not actively contributing members.

Finally though, and most importantly, we are very pleased to see you are intending to bring in provisions to reduce the spending restrictions on locked-in pension savings at retirement, but we have some technical concerns. It seems to us, as the provision is drafted, Section 21.4 in the bill, it does provide for the situations, I guess, that Mr. Cruden was speaking to, and that is, people who are already retired, who have funds in a LIF or a LRIF and does indicate that half the balance will be able to be removed into a new prescribed RIF where there will not be an annual maximum withdrawal provision. So, that is certainly good for the scenario where you are already retired and your money is already out in a LIF or a LRIF.

For our members though, there are two other potential scenarios. For most other defined contribution or money purchase pension plans, these will become important potential scenarios once the current draft changes to the Income Tax Act regulations go through, which is expected to be at any time. They are simply awaiting for a federal Order-In-Council.

What those amendments will do is let money purchase pension plans pay retirement income directly out of the plan. That brings up the possibility of these two other scenarios. One would be where the funds are still in the money purchase pension plan, but the member would like to unlock half. It appears the way it is drafted now, they would have to take all their money out of the plan into a LIF or LRIF, unlock the half and then bring the locked-in half back, which we would suggest is unnecessarily complicated and expensive, and will not be well received by financial institutions if they are going to have to open up a plan just to collapse half of it and is unnecessary.

We think that it is possible, if care is taken in drafting the regulations that will accompany this bill, that it might be half the commuted value of the account at retirement could go straight from the money purchase pension plan into the prescribed RIF without having to go through the intermediate step, which would be easier for the member, and I think, would be better received by the financial institutions who will be administrating these products.

The third scenario is one that will not come up until these changes to the Income Tax Act go through. It is therefore, understandable it is not dealt with yet, but we think again, through careful drafting of the regulations that will accompany this bill, that it would be possible that half of the commuted value of the member's account at the date they start retirement income, could be unlocked even if it stays in the pension plan. People will be allowed to leave their money in the pension plan throughout retirement. Our members want you to know that that is an important option to them. The reason is, for many of them, they do not know outsiders that would help them with the investment and administration of their retirement savings and would prefer to stay with us whom they know and trust. Although there are many good advisers available, many of our retirees have not had an opportunity to work with any, do not know anyone and would rather stay.

The other reason that they want to stay is the cost of retail products. Members of the committee may or may not know, but typically mutual fund fees are about 2 to 2.5 percent of the balance investment. Because of the size and the age of our plan and the large membership we have, the cost to the members inside the plan is about two-tenths of one percent.

So members are loath to go out into retail products at 10 times the cost if they do not have to, some members. Some members do want to go out into these retail products because they want to make individual decisions and want more freedom than is allowed within the rules of the plan. About half of the people tend to want to stay and about half go. So this is a significant number that would like to have the option to stay–

Madam Chairperson: Mr. Turnbull, you have 30 seconds remaining, okay? You have 30 seconds remaining in your presentation.

Mr. Turnbull: Yes, thank you. So those are the two scenarios that we hope can be addressed through the regulations. We are willing to be involved in a consultation process if there is any public consultation process on the regulations.

I close simply with a reminder that we are still seeking changes to the LIF and LRIF to combine them and move that interest rate to 8 percent, which can only be accomplished through changes to the regulations. Thank you. Those are our submissions.

Madam Chairperson: Thank you very much. I do already have two people on the list to ask questions. Mr. Murray.

Mr. Murray: I would like to say, Mr. Turnbull, thank you very much for making the trip from Saskatchewan. I do not know if you are a football player, so we will not necessarily get into football discussions other than: Always go blue.

But I did want to say that I think your presentation is very important because of the detail that you lay out and the experience that you bring, not only from Saskatchewan, but obviously across Canada.

I wondered if you might just share with us because, as you heard from our earlier presenter, Mr. Cruden, there has been a lot of discussion that took place in the province of Manitoba over this issue. Perhaps, you could share, if you could, with us what it was that allowed the locked-in pensioners in Saskatchewan to convince the legislators in Saskatchewan to access their full pension as opposed to just a portion as we are seeing here in Manitoba?

Mr. Turnbull: That initiative actually–

Madam Chairperson: Mr. Turnbull, I want to recognize you and just also say that if you could keep your answer to about one and a half minutes, so that we can have someone else. Thank you.

Mr. Turnbull: That initiative came from the government. That initiative did not come from the public. It may or may not be relevant that Saskatchewan MLAs are in a money-purchase pension plan.

Ms. Allan: Thank you. It is actually the Civil Service Commission, so I will answer the Leader of the Opposition's question for him.

Thank you so much for your presentation tonight and for coming from Saskatchewan. I really appreciate it. The information that you presented with us tonight and some of the concerns that you have as we move forward in drafting the regulations is very, very important.

We understand that we are going to have to do some consultation, particularly with the financial institutions to make sure that we get the drafting of these regulations right so that it makes sense for the institutions as we work with them. I just chatted briefly with Deb Lyon, our pension superintendent, and I can guarantee you that Deb will get in touch with you and have a conversation with you about that so that we can make sure we get the drafting of those regulations right.

Mr. Schuler: Mr. Turnbull, thank you very much. As someone who has got a few years before he is going to be hitting his pension years, I did not really take a lot of interest in all the pension details. That is one thing that I have learned about this whole process is there are actually a lot of minefields when we go through this. We certainly appreciate you bringing up various points that you did.

I had the opportunity to sit with the minister and with Deb Lyon, who is just a mastermind at this, and the bill is very comprehensive and certainly there would not have been any opportunity for us to have pulled those technicalities out. We appreciate the fact that you came and pointed them out to the committee. We appreciate that very much.

***** (19:10)

Mr. Turnbull: Madam Minister and Mr. Schuler, to the extent that there is an opportunity for us to be involved, we will be happy to be involved. We started out coming here to meet with the previous minister on this, and so we are in this for the long haul.

Madam Chairperson: Thank you. Seeing no other questions, we thank you very much for coming all the way here.

The committee will now be calling out-of-town presenters, and we have two of those.

Would Mr. Rod Reykdal, a private citizen, please come forward? Once again, I am calling Mr. Rod Reykdal, a private citizen. We will be putting Mr. Reykdal at the bottom of the list and calling him one more time. At which time, if he does not come to the mike, he will no longer be allowed to make a presentation.

Our next out-of-town presenter is Mr. John Klassen, a private citizen. Thank you, Mr. Klassen. Do you have 20 copies you wanted the clerk to distribute?

Mr. John Klassen (Private Citizen): Yes, I have. Whenever?

Madam Chairperson: Mr. Klassen, you can proceed. Thank you.

Mr. Klassen: Well, thank you, Madam Chair and members of the committee. Thank you for the opportunity to make a presentation to this committee.

A little background on myself. I am an accountant. I do have my CMA designation. I have worked within the credit union system for some 25 years. I audited credit unions, firstly, for 5, and then I worked for a credit union in Brandon West for 20 years. I was their comptroller, operations manager, and, upon retirement, I held the position of vice-president of Finance. In those positions I was, of course, responsible for the designing of our LIFs and LRIFs and all the registered products so I have a pretty good knowledge of what I am talking about. That was just on the side.

There are, as Mr. Turnbull suggested, about 7000 Manitobans within the co-operative and credit union system that are looking forward to changes to this particular legislation.

When I retired, I basically had three options with my retirement money. One was to leave it with Mr. Turnbull which would have been okay, and to receive a monthly pension. I could also have purchased an annuity, and the third one, we could transfer the funds from CSS to a financial institution and invest it in a LIF or LRIF. The first two options, I am sure you are all aware were not good options at the time. Interest rates were very low. Annuity rates were very low. I think they were 5.85 percent when I retired and that was, of course, committed for life so 5.85 did not turn my crank. There was also no estate preservation when you buy an annuity. When you die, your wife is gone, there is a whole bunch of money left in the annuity. It goes to the insurance company, not to my kids. That is a bad option.

I did transfer it. I did invest it in a LIF at my particular financial institution. There has been so much said about spousal consent. Well, when I transferred mine from the pension fund to a LIF, I had to get spousal consent. That is not an issue. Spousal consent had to be obtained. My wife granted that. Thank you, Bev.

With the way things were, this sparked my interest in trying to get pension legislation changed. The change was needed because under LIFs and LRIFs we could only withdraw roughly 6 percent per annum, adjusted somewhat for age which is not a heck of a lot, but certainly the 6% limit in my mind and, I think, in everybody's mind that has a defined contribution pension plan would like to see that changed.

What did I do? On January 6 of 2003, I made a presentation to the Pension Commission of Manitoba's hearings in Brandon, Manitoba. I asked for three things. I asked for the elimination of the lock in on the employee portion of my pension plan together with all the interest that it earned over the years. I wanted to combine LIFs and LRIFs into one product. Why should I worry about having to move it from one to the other when the two are virtually identical anyway? Of course, I wanted to have the withdrawal rate on the remainder of the lock-in increased to the greater of 8 percent or what it earned in the prior year. Should we get back into 12% interest rates, I should be at least allowed, on the remainder of the lock-in, to withdraw at least the 12 percent. So, those were my three suggestions.

The report that was issued by the commission kind of ignored our suggestions. It did not accept any of them. So November, 2003, this is when things began to happen. Mr. Merv Tweed, MLA for Turtle Mountain, phoned me in Brandon, suggested I meet with him in Killarney, in his office, which I did. We talked about the legislation. Then he suggested that perhaps I make a presentation to the Tory caucus and thanks to Mr. Murray I did that. We discussed the issues and that, I am sure, was the catalyst for Bill 212.

In April of 2004, I met with the Honourable Nancy Allan. I put forward the same three suggestions. On May 10, 2004, over 100 senior citizens, me being one of them, filled the gallery the day that Bill 210 was being introduced. After Question Period, I met Mr. Doer in the hallway of the Legislature where he promised me change by the fall of 2004. Well, it is the spring of 2005. Changes are due now.

This brings me to today. Bill 10, The Pension Benefits Amendments Act, was introduced by the NDP government, which is very good. The proposed legislation allows for a one-time withdrawal of 50 percent of the balance in the locked-in retirement pension plan and put it into a prescribed registered retirement income fund that is not locked in. That is exactly what my half was all about. So, you have done that, or you are going to do that. However, I think the bill is still silent, or regulations are silent, on the 8 percent. I do not think that is in there yet. To leave that at 6 is not desirable. And, of course, I do not think there is anything in there that would combine LIFs and RLIFs into one product. As I mentioned before, these two products are so similar, they may as well be combined.

So the question now remains. When will these changes take place? I believe that it is time for Bill 10 to pass, to be proclaimed as soon as possible. Mr. Doer, this week on CJOB radio, promised a caller that changes, unless held-up by the opposition, that he would see no reason for this for this to take any longer than six weeks. So I am going to hold him to that, as I was going to hold him to the fall 2004.

I might add, for those of you who do not know, my name is John Klassen. I presented flowers to the Premier on June 10 in the hallway of the Legislature. These flowers were indeed a beautiful hanging plant of impatiens. That should describe where I am at. So with that, thanks once again for the opportunity to make this presentation. A special thanks to the Conservative Party, to Mr. Murray and above all, to Mr. Schuler for all the time, efforts and understanding that they have given me. Thank you.

***** (19:20)

Madam Chairperson: Thank you very much, Mr. Klassen. I do have a list of people who want to speak.

Mr. Murray: Madam Chairwoman, John, again, a tremendous report. Thank you very much for your presentation. Again, I think it comes back to the reason that, at least, we are at Bill 10 because of people like you who were committed, who took time to come out here to push for what you believed was the right thing to do. There are a lot of people that frankly, get discouraged along the way. You are clearly not one of them.

I think those individuals in Manitoba that are dealing with locked-in pensions have to thank you for what you did. I know you organized a number of people to come down to sit in the gallery. Indeed, I remember very well the day that you presented the impatiens to the Premier in the hallway just outside of the Chamber. I think you were making a very, very important statement.

Again, I want to commend you for believing. I think you are one of these people that we can talk about that when people believe strongly in something, they stand on their principles. You may not get everything that you want, but you certainly go down the road to seeing some level of success. I think that you are proof-positive, John, of that.

I also just want to, again, I appreciate it very much because you do make the comment the Premier made about whether we would hold this up. I think it is very evident and I hope it is evident throughout the course of the evening. The facts are that we are opposed to holding anything up. We want this to go ahead. We want this to be part and parcel. If it takes six weeks, that is too long, frankly. We would like to move this as fast as we possibly can because it is, at least, the first step and the right thing to do.

Again, I want to congratulate you for what you did. I would just ask John again because I know you have a lot of contacts and that you ensure the truth of what this bill is all about. It is not the opposition trying to hold it up. We are trying to push it through. So thank you very, very much for your comments.

Madam Chairperson: Mr. Murray, excuse me. I am sorry, I apologize for interrupting. I just wanted to raise a point. Being that the matter discussed was raised in the House as a matter of privilege on Tuesday, April 12, 2005, the matter was taken under advisement by the Speaker and has not yet been ruled on. With this in mind, it is inadvisable for members to be raising this issue before the Speaker has delivered his ruling. I thank all members for their co-operation.

Yes, Mr. Murray?

Mr. Murray: Sorry, Madam Chairwoman. I was only making reference to what was in the comment that John had talked about that the Premier made on CJOB.

Madam Chairperson: Thank you very much, Mr. Murray. Mr. Klassen, did you want to respond?

Mr. Klassen: Well, when you really believe in something and you know this is something that a lot of seniors believe in, and when you know certain people continually think they need to control my funds, how I am going to spend my money, when you believe in all of those things, you carry on. I will not stop until the proper legislation has been passed.

Currently, the 50 percent is exactly what I asked for; the 8 percent is exactly what I asked for; the combining of the two, that is exactly what I asked for. Do those three things. When you compare that to Saskatchewan, we are not asking for the world. We are asking for the government to be fair. Let us not bring in all this spousal consent, it is already there. I have already had to get that. So let us cut out the chaff and let us deal with the issue.

Above all, when I listened to CJOB, and I am a private individual, I can say this, when I listened to the gobbledygook that came out in that interview, one individual in this province owes a lady by the name of Jean and an individual by the name of Richard an apology for the crap that was handed out. I want him to know that. Thank you.

Madam Chairperson: Thank you. At this point, Minister Allan, do you have a question or comment? Please proceed.

Ms. Allan: Mr. Klassen, thank you very much for coming from Brandon this evening to present to the committee. We appreciate you being here this evening.

The previous presenter talked about the importance of working on the regulation, and that is the stage we are at right now in regard to working on the regs so that we can move forward with this legislation. I know you brought flowers for the Premier, and I am just thinking about the day that we pass this bill and wondering what I am going to get.

Madam Chairperson: Just a moment, Mr. Klassen, did you want to respond?

Mr. Klassen: Flowers and a bottle of champagne, how would that be?

Madam Chairperson: Mr. Schuler, quickly. You have 30 seconds, 20 seconds.

Mr. Schuler: Okay. John, when I talked about the six heroes, clearly you are one of them. You started this in the beginning, and Chuck Cruden brought the institutional credibility. You brought the private-citizen credibility to this argument. I had no idea the difference between a defined contribution or a defined benefit and you sat down and laid it out for us very clearly what you were talking about, what you wanted. Congratulations to you and all the people that you represent, hardworking men and women who would like to access more of their pension. I consider it an honour to have worked with you on getting us to this point in Bill 10.

Madam Chairperson: Thank you, Mr. Schuler. Thank you very much, Mr. Klassen.

John Corp, a private citizen. Mr. Corp you can proceed whenever you are ready.

Mr. John Corp (Private Citizen): I should start by saying that I apologize to the people I have jumped in the queue. I am from out of town but St. Adolphe is not very far.

My name is John Corp. By profession I am a consulting actuary. I advise clients on the design and funding of their pension plans. I have done so in Winnipeg for the last 30 years so the legislation you are considering tonight will have a direct effect on all my clients in Manitoba.

I should also add that in 1983, when the last comprehensive change to the legislation was made, I was chairman of the Pension Commission. Before discussing my specific objections to Bill 10, I want to speak about the current environment for defined benefit pension plans. Mercer's, who are the largest actuarial consulting firm in Canada, has recently reported that 70 percent of its clients' defined benefit plans are in a solvency-deficiency position. That means that if the plans were wound up, there would be insufficient assets to cover the benefits. The last thing those plans need is additional cost and that will be the effect of Bill 10, Madam Chair.

Further, there has been a tradition in Manitoba pension legislation that legislative amendments which increase costs should not be made on a retroactive basis. You have a situation where not all employers have pension plans and not all employers are required to have pension plans. If you are going to retroactively increase costs, that is totally unfair to the good guys who have instituted pension plans. The people who have not instituted pension plans are not affected. Bill 10 provides for retroactive legislation, Madam Chair.

My specific concerns are as follows. The proposed legislation effectively provides for a normal retirement age of 65. That seems normal and appropriate except that some plans have a different arrangement. Two of my clients' plans, The University of Manitoba and the University of Winnipeg provide for a normal retirement date for the faculty at the end of the school year following the attainment of age 65. That seems also a perfectly reasonable approach, but under Bill 10, it will get back to 65. That will increase costs for those plans. If it is necessary to define a normal retirement age, why not simply provide that it must be no later than one year after attainment of age 65.

***** (19:30)

Next issue is the value of pension after late retirement. Currently, when a member retires and when a member continues after normal retirement age, the member continues to accrue benefits and then retires and receives the full pension. As long as the member is entitled to accrued benefits, everything is fine but Bill 10 is going to say, well, you have to increase the value of those benefits because the member has delayed his retirement past 65. So the member is not only getting salary until 69, he or she is also getting an increase in the value of the benefit. Now, this is another provision which will increase costs on a retroactive basis, and guess which employers have the most employees who continue to work after 65? The universities.

The next issue is one that was introduced in 1983. I did not like it then, and I do not like it now. Manitoba is the only jurisdiction in Canada which requires that, if an employer has a pension plan, all employees must join it. Now, that would make sense if there was a requirement that all employers have pension plans, but there is not. So my experience has been that that particular provision has prevented employers from implementing pension plans.

Let me try and explain that. An employer wants to put in a pension plan. He wants to have the employees contribute 3 percent and the employer will contribute 3 percent, say, but if he is going to make that compulsory for all the members, then suddenly the members are paying 3 percent of the pension plan where they were not paying before. They are not going to like that very much, and so the employer says, "I will not do it that way. I will do it some other way." I will set up RRSPs and do it that way. So, the legislation is driving people away from pension plans which does not make a lot of sense to me.

The value of the survivor benefit. Under the current legislation, this provision only applies to post-1984 service. The proposed legislation is going to take it back to 1976 when The Pension Benefit Act first came into effect. Now, I do not understand what the rationale for this change is. There are no people out on the lawn saying, give us our pre-1985 death benefits. So why do it when it adds cost to the plan totally unnecessarily?

Finally, the pension committee. This is in my view the most intrusive and impractical aspect of the draft bill. Here is how a defined benefit plan works. A benefit level is established and the employer and in many cases the employees make contributions, but what happens if the plan goes into deficiency? Well, in most plans it is the employer's obligation to fund that deficiency, and the employer alone. Now, if you, as an employer, have that responsibility as the ultimate guarantor of the pension, should you not then be able to decide how the plan is going to be invested?

But that is not what Bill 10 says. Bill 10 says there will be a committee, and the committee will be the administrator of the plan, and the committee will direct the pension investments. So, the committee says, well, let us invest in Crocus, and the plan does not do very well, and there is a deficiency. Who funds it? The employer. If, Madam Chair, you are going to have a situation where the employer is the ultimate guarantor, that employer should be able to direct the investments as he or she so wishes.

It is also a highly impractical proposal. Take, for example, a multi-jurisdictional plan, and most plans, apart from some of the teachers and the civil service, are multi-jurisdictional. I am going to give you one as an example. It is the Richardson group of companies. Their main business is grain, and because of Canada's, I call it "goofy" pension system, those employees who are in the grain business, James Richardson International, come under federal pension legislation, but there is also a bunch of people in Winnipeg who do not work for the grain company. They work for the head office, if you like, and they come under Manitoba's legislation. Now, it depends on what level the minimum number is required that there will be a committee needed to be set up. The pension commission suggested 25 in their original proposal. So, you have the situation where there are more than 25. You have to set up a committee for the Manitoba members, and that committee will be responsible for the investment and administration of the plan, but they only represent a small fraction of the total membership. Does that make any sense?

I should remind you that the existing legislation already contains a provision that if a majority of plan members request it, the employer must establish a committee containing an equal number of employer and employee representatives, and the purpose of that committee is to monitor the administration of the plan. That provision makes it very clear that the investment management of the assets is not within the purview of the committee.

Within this framework, many pension plans have committees. And I am not against committees. I work with committees all the time.

Madam Chairperson: Mr. Corp, you have one minute remaining.

Mr. Corp: I am just going to finish in time.

What I am against is the mandatory imposition of this. So, in my view, the proposed requirement for a committee to administer most pension plans is bureaucratic overkill.

One of the provisions of The Pension Benefits Act, which is unaffected by Bill 10, is section 10, which deals with the duties and functions of the pension mission, and that states, "The commission shall actively promote the establishment, extension and improvement of pension plans throughout Manitoba."

I believe that the requirement of most pension plans should be administered by a mandatory committee would have the total opposite effect. Thank you very much.

Madam Chairperson: Thank you very much. Mr. Schuler, you have the first question.

Mr. Schuler: Mr. Corp, thank you very much for coming out this evening. Nobody said that this was going to be an easy task going through this bill, just knowing deadlines, walking us through it in an hour and 45 minutes, and we still were not entirely through. I think all members on this committee certainly appreciate the points that you brought forward. As we move this bill through, we will be looking toward the minister to see what kind of direction comes from her. Certainly we will be discussing and looking at the points that you brought forward. Thank you very much for coming forward and articulating this in such a fashion.

Madam Chairperson: Mr. Corp, you may respond.

Mr. Corp: Thank you.

Ms. Allan: Thank you very much for your presentation. I have never had the opportunity to meet you or have any opportunity to hear some of the concerns that you have in regard to the legislation that we brought forward, so I appreciate the fact that you have come here tonight and made this presentation. Thank you very much for being here.

Madam Chairperson: Thank you. Mr. Corp, did you have a response?

Mr. Corp: No.

Mr. Kevin Lamoureux (Inkster): One very short question. Can you indicate if you could only make one change, one amendment, which would be the amendment?

Mr. Corp: There is a provision in the plan which– one of the ones I raised, or anything in the bill?

Mr. Lamoureux: If you could make one amendment, which one would it be?

Mr. Corp: The one amendment that needs to be done and desperately needs to be done that is in the bill deals with optional ancillary contributions which are sort of technical stuff, but these are additional contributions that a member can make to improve the benefits.

The current legislation does not allow for that without getting into other issues, but the new legislation does, and I am delighted to see that in there. I am glad to be able to say something positive about Bill 10.

Madam Chairperson: Thank you very much. Seeing no other questions, the committee thanks you very much for coming tonight.

The committee will now hear from in-town presenter Mr. Jim Neil, City of Winnipeg Retirees Association.

Mr. Jim Neil (City of Winnipeg Retirees Association): Thank you. I am speaking on behalf of the City of Winnipeg Retirees Association. It is a non-profit organization of former employees or survivors in receipt of a pension benefit from the City of Winnipeg.

We were incorporated in July of 1996, and we act as an advocacy organization for our members. At the end of 2004, we had about 1450 members.

***** (19:40)

As you can see, the purposes and objectives are to provide information, guidance and support to retirees, to advocate on behalf of retirees on matters of pensions benefits, and to act as an advisory resource for the City of Winnipeg.

Just to start, I would just like to congratulate the Government of Manitoba for undertaking this review and making proposals to update the pension act. We are pleased to have this opportunity to present our comments and recommendations on Bill 10.

The members of our association recognize the importance of pensions and how a good pension can be the difference between a retiree enjoying his or her golden years or spending his retirement in survival mode. We would like to offer the following recommendations and concerns for your consideration.

The past few years of an unsettled economy have seen pension plans perform poorly and come under attack by employers through the collective bargaining process. This process does not include retirees and places them at risk and dependent on government legislation and regulation to protect them, which leads us to our first area of concern, and that is the non-active retired member representations on boards and committees 26.1(4)(b).

Our association has met with the former government and Minister Radcliffe and with the present government, under Ms. Barrett on this issue, and now we are here to see if we can change your minds yet. We still have not been successful.

We would like to make a recommendation that subsection 26.1(4)(b) be revised to read as follows:

Non-active members as a group are required to appoint or elect at least one trustee.

The reason behind our recommendation on this issue is that non-active representation to Multiple Pension Plans, or MUPPs, should be treated the same as the recommendation for non-active representation on pension committees. The non-active members on pension committees are required to appoint or elect at least one voting member of the committee as set out in section 28.1(1.2) of Bill 10.

Now MUPPs are usually created through negotiations between employers and unions or associations. Retirees are excluded from this process.

MUPPs are governed by joint boards of trustees with equal responsibility. This usually removes the guaranteed pensions for retired members.

Pensioners, or non-active members, comprise a considerable and growing component of pension plan membership. This is best illustrated by the shift from contributing members to pensioners in the civic pension plan, which is our plan, between 1998 and 2003. During this period of time, contributing membership dropped from 59.2 percent in '98 to 55.3 in 2003. Conversely, the pensioner membership increased from 35.6 in 1998 to 39 percent in 2003.

Non-active members may have separate and distinct positions from active employees and employers when it comes to investment strategies, initiatives or decisions on plan benefits.

We have attached excerpts from a Court of Queen's Bench of Manitoba decision between the City of Winnipeg and the members of the City of Winnipeg Employee Benefits Program. This was a court-ordered review of a negotiated agreement to create a MUPP. When they negotiated the MUPP, it had to change The City of Winnipeg Act, so they had to come here to do that. When they came here, somebody had the foresight to say, "Everybody should have a say in this," and they said they were going to have a court-ordered review. When it went to the Court of Queen's Bench, they said retirees should have a voice in this and have a say in it, and I was one of the three people that were appointed to represent retirees in that hearing.

Now, there are three or four pages at the back which are pages from the Court of Queen's Bench, and from the decision on that issue. They did accept the change to The City of Winnipeg Act. They did accept the MUPP, but in doing so, you will note the stars, comments by the judge on areas that he thought retirees were not being heard or were not having a say in this application. In the end he said, "In all of the circumstances, I would approve of the Amending Agreement, but only subject to a condition that the Class have at least one member representative on the joint Board of Trustees."

We do have a member on that committee, but it is for all the other MUPPs that are out there and that are coming, because that is the move in pension plans these days, is to go to the joint-trusteed type of a plan and take away the responsibility from the employers and share the responsibility.

Pensions are the main source of income for retirees. People are retiring earlier, living longer and deserve a voice on how their plans are administered. The proposed legislation fails to allow non-active members of multiple-unit pension plans the right to elect or appoint a trustee in the same manner that non-active members are allowed to appoint or elect representation on pension committees. The legislation needs to treat all pensioners fairly and equally regarding representation on their pension plans.

I am going to comment on one other. It is not a recommendation, but it is on an issue that you have been hearing a lot so far this evening, and that is the one-time transfers to RIFs.

Let me start this portion of the presentation by doing what we did when we looked at this issue and when we were considering how we should comment on it or whether we should. We went to definitions. We went to the definition of a pension plan, which says it is a plan, scheme or arrangement organized and administered to provide pensions for members and former members pursuant to which an employer is required to make contributions. A pension benefit is the amount payable to a member or former member during the lifetime to which they will become entitled at a normal retirement age.

Now, if this 21.4(2) does apply to pension plans, then you have to start looking at it as a pension plan. In that manner, it has been our experience that being a member of a pension plan has significant benefits over individual accounts. For example, a larger investment pool of capital provides the ability to diversify investments which, in turn, provides stability to the plan during periods of downturn in the markets.

Not all investors have the time or knowledge to manage their retirement investments. Being a member of a pension plan allows members with less knowledge to benefit from plan members with more knowledge.

If you allow this proposal to be adopted, it is our observation the members most likely to take advantage of this clause are those who have the required knowledge to manage their funds. The result will be that it will leave members in plans who are most vulnerable with depleted investment capital and administration knowledge.

Pension plans are to provide income, deferred wages in other words, to members when they leave the workforce. The pension plan is not intended to be a savings account but rather a vehicle to collect, invest and dispense future benefits to the members. Thank you.

Madam Chairperson: Thank you very much, Mr. Neil. Questions?

Ms. Allan: Thank you very much, Mr. Neil, for your presentation. I just want to be very clear that I understand the concern that you have in regards to representation. Is it the fact that you would like the representation on the committee to be elected by the retiree organization instead of the management group? Is that the concern you have?

Mr. Neil: One of the first things you notice is when you retire you are no longer a manager or management or an employee or a union member.

You are all in the same boat. We would like to see a retiree sit on the board, and we would like retirees to have the option to choose that person. Right now our plan says somebody will be appointed to look after retirees, but it does not say it is going to be a retiree and it does not say it is going to be appointed by retirees.

Ms. Allan: Thank you very much for clarifying that. I appreciate that. I just want to also touch base with you in regards to the comments that you made around the unlocking provision in Bill 10. Unlike what the other jurisdiction has done, we have put some structure around this unlocking: spousal consent, particularly, informed decision-making, creditor protection and also the whole issue of maintenance enforcement orders being recognized. We know this is a difficult issue, and I appreciate your comments this evening.

Mr. Neil: The comments were just in general for your consideration.

Madam Chairperson: Thank you.

***** (19:50)

Mr. Schuler: Mr. Neil, thank you very much for coming to this committee. Certainly, the points you have brought up are important, especially with the way we make up boards and who should have a right on the board and have a say at the time when investments are made. Clearly, we are right now in this Legislature dealing with one of those companies, and it is very important that you have everybody represented. Certainly, the committee, I am sure, will be looking at it and discussing it. I appreciate the fact that you came forward and presented it in a very credible fashion. Thank you very much.

Mr. Neil: Thank you for your consideration.

Madam Chairperson: Thank you, Mr. Neil.

Mr. Albert Cerilli (Manitoba Federation of Union Retirees): I will ask for a chair because I am recovering from a stroke.

Madam Chairperson: Okay, is there leave? Thank you very much. Leave has been granted.

An Honourable Member: For Al Cerilli, anything.

Mr. Cerilli: I am glad to hear you say that.

Some Honourable Members: Oh, oh.

Mr. Cerilli: Okay, there you go. Now he is trying to get on my good side. I do not know if you will say that after I am through, though.

Madam Chairperson: Mr. Cerilli, I recognize you. You can proceed to start your presentation.

Mr. Cerilli: Thank you very much and welcome to you all and nice to see you again. I certainly want to say that we have an opportunity here to do something about pensions, but not the way I see it. You have it on Bill 10.

I want to draw your attention to page 2 that the deathbed condition remark in the middle of the page should be, it only refers to a defined contribution plan. It is an error on my part and I apologize for that so if you take that into consideration, you can take that out.

We did contact the Saskatchewan pension commission and certainly this information was valuable. I hope you all did that.

Mr. Bidhu Jha, Acting Chairperson, in the Chair

By the way, the minister has our complete file and so does Mr. Murray. He asked me for a copy of our brief to the commission and he has that. The pension unlocking allowing pension fund withdrawals up to 50 percent. Some elements of the credit union community, a small number of seniors with a Conservative Party private member's bill, have been advocating for legislative change that would allow for early and increased withdrawals from the pension plans. Requests have been made to amend the act to allow complete withdrawal of pension funds. We argued for a similar provision as in Saskatchewan, up to 100% withdrawal.

We have contacted the jurisdiction and the information that we got is quite interesting. The restrictions in Saskatchewan unlocking pension funds are restricted and, like I said, the defined contribution plan and you should make that change there because it certainly needs to be done that way.

The surviving spouse has to be protected and has to agree. This bill is trying to set pension survivor benefits back to the Dark Ages in not caring for survivor's benefits for the spouse. Change in pension law, provincial and federal, has not kept up with modern needs. The unlocking of pension funds does nothing for long-term protection of pension funds and you should not cave in.

To take out 100 percent of any pension plan, or 50 percent, it would cut your benefits down to 50 percent. Cut that again with the surviving spouse and that is cut back again so it is not a direction that we want to go. My generation has fought for pensions for a long time and this was contemplated back in the Dark Ages and we certainly do not want to return there. For the long term of pension funds, you should not cave in.

It has been demonstrated that the withdrawals of pension funds from pension plans to allow self-directed investing often results in severe losses for individuals. Affected in recent years, TransCanada PipeLines allowed members of the company, to withdraw from the defined pension plan, to opt out in favour of self-directed pension fund investment. About 50 percent of the plan members chose this option. Within a few years, most of the employees experienced substantial losses in their investment portfolios, and they were looking at financial hardships in their retirement years.

If, indeed, they were to be in a position of retirement at all, the tax laws would need amending so that this provision could help the retiree. We are not sure that Ottawa will agree to change it. I must say, right now, that this federal government has not agreed to any change. Our experience with them has shown that the present Prime Minister has taken $83 million out of the surplus of the seamen's pension fund, and that is the kind of change that we are trying to stop for the seniors of this country, to give them full access to their money, but not in the way you are suggesting.

Let us return to the above example on TransCanada PipeLines. The severe situation led the company to reverse its policy in the interest of employee retention and allowed the opted-out employees to return to the pension plan at additional expense in order to keep employees. The reality is, even though many people feel that they can invest smarter and better than their pension fund managers, few individuals have experience and abilities to successfully direct their own pension funds, especially as they age.

We fear that this is a bad plan to change, to provide for retirees and future retirees. The proposed change to withdraw funds affects more people than just the plan members. What about the spouses and dependent family members who rely on the same retirement income for their financial security? They will also be adversely affected by any losses. There is certainly increased risk of older surviving spouses living their remaining years in poverty.

Let us return to the pension plan and tax incentives based on provisions for achieving a public policy objective, to ensure that Canadian seniors have adequate income after the paid employment period of their lives is completed. It is a policy that is also intended to reduce the risk to the public purse of needing to support senior citizens who no longer have employment income. Pension plans are not savings accounts. That is what will happen. They will take this money out, go on a holiday and then they will wish they are not going to. They are going to buy a new car, and they are going to wish that they would not. So I am begging you not to fall into this trap of allowing this unlocking to happen, to spend as they will.

Allowing this significant withdrawal of pension funds would jeopardize this tax incentive based on public policy objectives. We suggest withdrawals occur at a time when interest rates are low, threatening the pension income stream. Funds should be left for the long-term cycle when higher interest rates are likely to benefit retirement funds. It must be stressed that no jurisdiction has plans to tinker with unlocking of pension funds. Quite simply, it is a bad idea and poor public policy.

You should be protecting women of our society, not throwing them to the wolves. You should stand up and say no to this bill, even if it means saying no to the whole bill. Act like protectors not like accomplices to theft of pension funds. The last two prime ministers tried to make family total income a condition to receiving the old-age security by women and the GIS and by the time the seniors were through with them, they had backed off.

I am saying to you that this is similar. You are attacking women. For the last generation, why in the hell are we attacking women when we should be freeing them up? The two prime ministers, Mulroney and Chrétien, soon found out that seniors had a certain impact in the country's election process. By the time we told them that their grandmothers and great-grandmothers were drawing $10 old-age security based on pensions at that time, because J. S. Woodsworth introduced the bill in the House of Commons for that purpose, they soon backed off of that fact of making it a family income and left the pensions as they were. Women of today are receiving pensions because of that. It was our organization, and you can read about us in the last two pages, that made them stop, told them to stop and they listened.

***** (20:00)

So we are asking you to listen and pay attention. What we should be doing is changing pension holidays for the companies to stop taking money out of surpluses and using them for their own benefit. What we want people to do is to give those contribution holidays to their pensioners so they can buy drug plans, dental plans and so on. That will be easier on the purse of the Province.

Mr. Vice-Chairperson: Mr. Cerilli, you have only one minute. Sorry to interrupt.

Mr. Cerilli: So we say, "Say no to the authorities, say no to the MSOS and say no to the credit unions. We are not interested in unlocking pension plans for the sake of this provision." Thank you.

Mr. Murray: Thank you, Mr. Cerilli, for your presentation. I think one of the things about these committee hearings that is important is that you get various viewpoints. I must be very candid with you. I could not disagree with you more, but, certainly, I appreciate your opinion. I wondered, Mr. Cerilli, did you get a chance to make a presentation to the Pension Commission hearings in Manitoba?

Mr. Cerilli: We sent you the copies of our brief–

Mr. Vice-Chairperson: Mr. Cerilli, excuse me. It should be addressed to the Chair.

Mr. Cerilli: Through you, Mr. Chairman. I sent you a copy of our brief. I had presented three briefs to the commission outlining the history of pensions, and also the legislation of the federal parties that supported that surpluses belonged to the members, not the bloody companies. You have all that information, Mr. Murray.

Mr. Murray: I thank you very much, Mr. Cerilli, again for your comments, and I would just say again to you, sir, that I appreciate the work that you have put into this and the study that you have put into it. I do know many seniors. We have heard some tonight who have a different opinion than you have, but again, as I say, this is part of the democratic process, and I appreciate you coming to appear before us this evening. I can tell you again that I certainly will be supporting Bill 10, just so that you understand.

Mr. Cerilli: Well, we hope you can change your mind because women are going to be adversely affected. Of course, you do not care about women, so what the hell.

Mr. Schuler: Al, you have done it again. Six years of being an MLA, and you have got me at a crisis of conscience. One, you have a presentation here that trashes an NDP government bill. You know, I am almost tempted to agree with you, except I have to keep reminding myself the reason why we are here is because I have been pushing this.

Mr. Cerilli: That is the only way I want to get you.

Mr. Schuler: I am here at a crisis of conscience, but we certainly do appreciate you coming forward and presenting your views. Certainly, we disagree and we have heard a lot of presentation, especially from women. I am sure it would come as no surprise if I told you and the minister in this committee we received not hundreds but thousands of letters, and I would have to say to you it was predominately in around 80 percent of those were women.

The feeling was that women are just as capable as men at deciding where they want to go with their pensions, how they want to invest. I can tell you from experience. I am married to a very modern woman and she has made it very clear to me that she will make the decisions on where she invests her pension money. Thank you very much to myself, she will take care of that, and does. I think this bill reflects a new dynamic. I think it reflects a new era of men and women, and I think it is responsive.

You know what? I think we are all entitled, and we certainly do appreciate the fact that you come out and you bring a perspective to this committee. Always great to see you, even though we have yet really to ever agree on anything, but it is still always great to see you at committee and we really do appreciate the fact that you take the time when many do not, you take the time to come in an evening like this and make a presentation. It was great to see you.

Mr. Cerilli: Well, one woman hurt is one too many. I am saying to you that with all the restrictions in the bill and all of that, an agreement they have to give, is still not sufficient. They are still going to get trashed and they are still going to be taken advantage of, the same as we are doing in this century. It is a shame that we have to revert to this, to say to you that it is about time we stopped this crap. We talk about bullying in the schools, this is bullying women. Still bullying, financially, and one is too many.

Mr. Vice-Chairperson: Thank you, Mr. Cerilli.

Ms. Allan: Well, thank you, Brother Cerilli, for being here this evening and for your presentation. I know that you have been on the forefront fighting for pensions. You are of the genre of my mother in this party. As I have been walking through this path for the last few months, I have been saying to myself, you know, with this unlocking thing, my mom is going to be rolling over in her grave and Al Cerilli is going to come to committee and he is going to kick the crap out of me. I would not even begin to think tonight, Al, of getting into a debate with you on this bill–

Mr. Cerilli: Do not.

Ms. Allan: Because you are right, I know I would not win at the end of the day.

Mr. Cerilli: No, you would not.

Ms. Allan: So, thank you so much for being here. I really appreciate it.

Mr. Cerilli: Even if they put me down in the gunk hole, I will still say no to it because it is wrong. It is a bad bill, and it should not be passed, or even thought of simply because the unlocking of funds is dangerous to the benefits that people will receive. You take 50 percent of any fund, that is 50 percent less that you are going to receive, and then survivor's benefit on top of that, you are going to get smacked in the mouth. I am just saying do not do it.

Mrs. Myrna Driedger (Charleswood): Mr. Cerilli, I am not quite sure where to start on your comments, but I guess I have a few points to make. One is the comment that you made a few moments ago to our leader in terms of not being supportive of women. I guess I would like to say, as a member of this caucus that, in fact, he is very supportive as are my male colleagues–*[interjection]*

Mr. Cerilli: I thought I would get a rise out of you.

Mrs. Driedger: You did. I would like to indicate sincerely that there is a lot of support in our party for women, not just in words, but in action. That is one point I would like to say. The other thing I guess I would like some clarification from you because I have talked to a number of women and we had a number of women speak to our caucus who are absolutely adamant that they are quite capable, quite intelligent, quite able to make their own decisions in their growing age in terms of what they can do with their money.

I guess as a woman in this world moving on through all the various stages towards my own retirement I would feel quite insulted to think that, as you might be inferring, and are you inferring I guess I would want to ask, that I am not capable of managing my own pension, that I need a man, in fact, to do that?

Mr. Cerilli: That is not what it says.

Mr. Vice-Chairperson: Mr. Cerilli, your time has expired, you have 30 seconds.

Mr. Cerilli: Thank you. That is not what it says. I challenge you to read that in those remarks. What it says is the women in pension plans or survivors will be the ones that are going to get hurt. So, survivors– it does not restrict only on women, it restricts on men too. You got a pension plan here, is your husband not going to be a survivor?

Mr. Vice-Chairperson: Thank you, Mr. Cerilli. Thank you. The time has expired so thank you very much for your presentation. This next speaker is DeeDee Rizzo. Thank you, please proceed.

***** (20:10)

Ms. DeeDee Rizzo (Retired Teachers' Association of Manitoba): My name is DeeDee Rizzo, I am president of the Retired Teachers' Association of Manitoba. RTAM, Retired Teachers' Association of Manitoba, is an organization of 5700 retired educators.

Madam Chairperson in the Chair

We maintain strong interest in pension matters and did make a submission in response to recommendations of the Pension Commission's report on The Pension Benefits Act of Manitoba reforms. We welcome, therefore, the opportunity to respond to Bill 10. The government is to be congratulated on doing the first major review of the totality of The Pension Benefits Act since 1984. It has been long overdue.

The government should also be congratulated for the inclusive nature of its consulting with the public in devising these changes. We do, however, have three main objections to the current Bill 10. Firstly, we object to being excluded from those pension plans that will be able to have one of its retired members on a pension committee that administers the plan. As we stated in our submission of March 24, 2004, to the Pension Commission, retired teachers need a voice independent of the Manitoba Teachers' Society. We need this because of our numbers which are over 9000. We need this because of our economic interest which is 47 percent of this plan, and we need this because democratic principles warrant this.

When the government provides for some retirees to have a voice in the administration of their pension plan and specifically excludes other retirees from that same participation, the government is being unfair and discriminatory. What makes one group of retirees so special that they deserve a voice in the administration of their pension plan and others do not?

The Pension Commission, in its March 2003 report and recommendations, seemed to have a much broader notion of pension plan administration. It cited the following as being some of the reasons for the new proposed administrative structure that included retiree participation: increased membership participation, conflict of interest resolution, better optics. Which of these three does the government feel is unacceptable for the retired teachers of Manitoba?

Secondly, Bill 10 provides for only the narrowest uses of surplus generated by a pension plan. The Pension Commission's discussion envisioned a much broader perspective and suggested that enabling legislation be passed such that individual pension plans would devise uses for surplus that were prudent and responsible subject to certain conditions specified in the act.

Retired members of the Teachers' Retirement Allowances Fund represent almost 50 percent of the plan's assets. Fairness and equity dictate that retired members should have some say over the disposition of any actuarially determined surpluses. Currently the plan is not able to pay even a modest cost-of-living adjustment despite inflation running at relatively benign rates. The plan's actuary has signalled the funding of COLA in the plan as a problem since 1987. Successive governments have placed the issue on the back burner for too long. It is time that government pass legislation enabling retired teachers to have an independent voice in the decision-making process for the disposition of any surplus that the plan generates.

Thirdly, Bill 10 allows for pension plan administrators to consider non-financial matters when investing pension funds under their trust. It seems to absolve them from being found in breach of their fiduciary responsibility. This is totally unacceptable. Pension plan administrators must act in a fiduciary manner in all their decisions.

The Pension Commission stated that it received the submission for non-financial consideration after the closure date for submissions to the commission but felt it had merit. It therefore forwarded it to the minister for consideration without providing any explanation of what merit it saw in the suggestion.

RTAM fails to see what benefit this portion of Bill 10 would have for members of the pension plan. It would seem to open the doors to a pension plan accepting a lower financial return. To what end? How does this help a plan and its members?

I would like to thank you on behalf of the Retired Teachers Association for the opportunity to present our views this evening.

Mr. Murray: Well, I am a little bit nervous about going ahead after the last presentation, but I will do my best and try and see how I make out.

I appreciate, Ms. Rizzo, your comments. I just want it for clarification. You stated in your submission that the pension commission had received the submission for non-financial consideration after the closure date for submission to the commission, but felt it had merit. Then you went on to say, thereafter, it was forwarded to the minister for consideration without providing any explanation of what merit it saw. Was the merit in the presentation, or was the merit in one of the proposals that you put forward? I just wanted you to clarify that please.

Ms. Rizzo: I am sorry. I guess what we were looking for was some explanation of why it was felt that there was merit in putting this proposal forward. There was no explanation that we could see given for this.

Mr. Murray: So, in essence, you felt that you had a fair hearing from them and that they recognized what your issues were, but then you felt that maybe something slipped through the cracks, or there was nothing that was followed through in terms of when it went towards the minister?

Ms. Rizzo: I am sorry. I think there might be some confusion. We were not present when this occurred.

Mr. Murray: Sorry. I understand, because I understand, as you are saying here, that it was after the closure date.

Ms. Rizzo: Yes.

Mr. Murray: I just want to make sure I understand. Was the merit in terms of the submissions that you had the proposals that you were bringing forward tonight? Those are the merits you are referring to?

Ms. Rizzo: I am sorry. The merit I am referring to is specific to this issue of non-financial. I hope that clears that up.

Mr. Murray: Thank you very much.

Madam Chairperson: Madam Minister.

Ms. Allan: Oh, sorry. I thought Mr. Schuler was going to speak next.

I just wanted to touch base with you and thank you very much for making your presentation tonight. I just wanted you to know that we think that all seniors are special. We really do, but unfortunately Bill 10 does not affect your pension. Your pension is governed by the teachers' retirement act. I know you have had correspondence with the Superintendent of Pensions in regard to some of the concerns that you have had, and the correspondence has gone back and forth. I also just wanted to mention the non-financial criteria that you raised in your letter. It may only be used as long as it meets the prudent-person rule, but we do appreciate the fact that you have forwarded this information this evening and come forward with some of your concerns.

Ms. Rizzo: Yes. I would like to make two comments, if I may. The prudent-person rule, I do not think we saw that quite the same as the fiduciary responsibility, which is why we made the comments. With reference to The Teachers' Pension Act, we have had a lot of difficulty getting clarity as to which act supersedes the other. We were told that in some situations The Pension Benefit Act would supersede the Teachers' Act, and we were hoping that there would be uniformity with regard to all pensions on these issues, especially in dealing with retired representation.

Mr. Schuler: I will keep my comments close. I just want to thank you very much for coming out this evening and for bringing your issues forward. Certainly, the committee has a lot more work to do beyond this bill, and we are very aware of your issue. We have received a lot of phone calls, a lot of mail, a lot of lobbying, and we appreciate that. There are a lot of issues that are coming forward as we have an aging society. People are getting more and more concerned about their retirement years and their pensions, and I certainly appreciate the fact that you came forward to this committee.

Madam Chairperson: Just a moment. Ms. Rizzo, did you want to respond?

***** (20:20)

Ms. Rizzo: Yes, I did. I am delighted to hear that you were hearing from people, and I can guarantee you that you will hear a lot more from us. I also would like to say that, although we are an aging population, we are a very involved population, and we want to be fully involved in issues that concern us. *[interjection]*

Madam Chairperson: If it is 10 seconds.

An Honourable Member: Not likely.

Madam Chairperson: That is fine. Thank you very much, Ms. Rizzo. We appreciate your presentation.

Darlene Dziewit, president of Manitoba Federation of Labour. You can proceed whenever you are ready.

Ms. Darlene Dziewit (President, Manitoba Federation of Labour) Thanks. I should let the members here know that I did not jump the queue even though I live in Lorette. I thought St. Adolphe was a bit of a stretch.

The Manitoba Federation of Labour is pleased to share its views on Bill 10 with this committee. We are an umbrella organization representing unions in Manitoba that are affiliated with our national structure, the Canadian Labour Congress. Our membership is about 95 000.

The MFL is committed to the following principles that we consider the foundation of sensible pension policy: (1) That all Canadians should have access to an adequate pension plan; (2) The defined benefit model is the most effective and equitable pension currently available; and (3) Pensions' funds including surpluses are deferred income and are the property of workers who are entitled to them. They are not the property of the employer, and they should not be used for any purpose other than retirement income for those entitled to share in the fund without their knowledge or consent.

In general, we are pleased with the content of this bill, and we feel that it goes a long way to setting the stage for the preservation of pension plans registered in Manitoba and the establishment of new plans for working people not currently members of workplace-based pension plans.

This is particularly important since at the end of 2002 only 39.6 percent of Canadian paid workers were covered by registered pension plans. That is down from 40.6 percent a year earlier. In Manitoba the statistics are better marginally in that as of January 2003 about 50 percent of the paid workforce belonged to a registered pension plan. This speaks to the critical need for the promotion of registered pension plans, particularly among young workers not in the unionized workforce and their employers.

Because this presentation is only 10 minutes long, I will touch on a few of Bill 10's highlights and some of our concerns. If we do not mention an issue, it is only because of the time limitations and not a lack of concern.

With regard to pension committees, the MFL is pleased to see amendments to The Pension Benefits Act that will establish in certain pension plan types the use of pension trustee committees to administer pension plans. We approve that employee representation on trustee committees is enshrined in law, including retired members in some cases. As it stands now, the plan administrator is also the employer, which creates an inescapable conflict of interest.

But why limit a good idea? The MFL recommends that the requirement for employee representation be extended to all registered pension plans with the minimum number of seats for plan members set at 50 percent.

We support the idea that the pension committee would be an administrator of the plan as long as the plan members hold the majority of the seats on the committee, including the chair. This recognizes that pension funds are the property of the plan members, and the administration of the funds should be under their control. The role played by non-active members and beneficiaries on the committee should be determined by the union democratic process in unionized workplaces and by the act in non-unionized workplaces.

The responsibility for setting the provisions of the plan should be filled by the pension committee, particularly in those instances where the employer remains to be the administrator of the plan or at the very least a product of the collective bargaining process. In the event there is no bargaining agent, it should result from mutual agreement between the plan's sponsor and the workforce subject to a two-thirds secret vote endorsement by the workers. Inability to reach mutual agreement could be resolved through an arbitration process.

Vesting and locking in provisions: The MFL also welcomes the steps taken by the government to fully vest and lock in pension funds on eligibility to become a pension plan member as a sensible measure to help ensure that workers in retirement realize the delivery of pension promise, which is the lifetime retirement income.

With regard to the unlocking provisions, throughout the review process some of the elements of the credit union community in Manitoba and some seniors have been advocating for legislative changes that would allow for early and increased withdrawals of pension plans. We are disappointed that the government did not accept the advice of the Manitoba Pension Commission on this matter.

Unfortunately, Bill 10 contains an amendment to allow a one-time transfer of up to 50 percent of certain locked-in pension plans to an unlocked vehicle. The MFL is opposed to this kind of amendment for the following reasons. It has been demonstrated that the withdrawal of funds from a pension plan to allow self-directed investing often results in severe losses for the individual affected. In the mid-1990s, TransCanada PipeLines allowed members of the company's defined benefit plan to opt out in favour of the self-directed pension fund investing. About 50 percent of the plan members chose this option. Within a few years, most of the employees experienced substantial losses in their investment portfolios and they were looking at financial hardship in their retirement years, if indeed they were to be in a position to retire at all.

The severity of the situation led to the company reversing its policy in the interest of employee retention and allowing the opted-out employees to return to the defined benefit pension plan that still existed for the other half of the workforce, even though TransCanada PipeLines undertook significant additional expense in order to do this.

The reality is, even though many people feel that they can invest smarter than their pension fund manager, few individuals have the experience and the ability to successfully direct their own pension fund. We fear this will occur in Manitoba if The Pension Benefits Act is amended to permit substantial pension withdrawals for the purpose of self-directed pension fund investing or for personal expenditures.

We also believe that permitting withdrawals will put the affected pension funds at risk and unable to provide adequate pension income for the plan members who choose to remain in the fund. The decision to withdraw funds affects more people than just the plan members. Spouses and dependent family members who rely on this same retirement income for financial security will also be adversely affected by any losses. Even with the informed consent provision, there will certainly be an increased risk of older surviving spouses living their remaining years in poverty.

Pension plans are tax incentive-based vehicles for achieving a public policy objective, to ensure Canadian seniors have adequate income after the paid employment period of their lives is completed. It is a policy that is also intended to reduce the risk to the public purse of needing to support senior citizens who no longer have employment income. Pension plans are not savings accounts for retirees to spend as they wish. Allowing significant withdrawals from pension plans would jeopardize this tax-incentive-based public policy objective.

Surplus pension funds were not addressed in the act, but I would like to address them here. As I said in the outset, organized labour's position on surplus pension funds is that they are owned by the workers. A pension fund has two immediate, and sometimes three, sources of revenue. The first is worker payroll contributions, the second is employer contributions that are arrived at through the collective bargaining process. When a workforce and their employer settle pension plan provisions through the collective bargaining process, employer contributions are most often arrived at in return for workers accepting lower wages or fewer benefits. This kind of contribution is, in fact, deferred wage income. The third source of revenue for a pension plan is not as predictable a factor in the same way that worker and employer contributions are. It is pension fund investment revenue. If investments work out, or interest rates are high, there is revenue. If that is not the case, there is no revenue.

In the last 30 years, we have seen both circumstances: Pension fund surplus development that resulted from high interest rates and a volatile stock market and pension fund losses, sometimes serious losses, which resulted from low interest rates coinciding with a flat stock market.

When surpluses exist, we hear from employers that it is their property and is classed as a corporate asset. When fortunes fall and plans become underfunded, employers say it is the responsibility of workers to accept benefit cuts or to increase employee contributions. It is our view that employers should not be entitled to surplus pension fund withdrawals or contribution holidays, which are a back door form of surplus withdrawal.

***** (20:30)

So-called surplus funds should remain in the plan, and should be used for benefit enhancement, rather than reducing the size of the fund or reducing the requirements for contributions. Let us be clear. We cannot support the view that surplus fund withdrawals and contribution holidays are acceptable. Surplus funds should be devoted to benefit maintenance and improvement such as indexing, or the maintenance of employer and employee contributions during short-term employment suspension, if the plan does not otherwise provide for these matters.

In conclusion, Bill 10 is an excellent start to a long overdue process. We urge this committee to fix the shortcomings we have mentioned today, and others we have identified to the Manitoba Pension Commission as part of this review. I thank you for your attention.

Madam Chairperson: Thank you very much. Any questions?

Ms. Allan: Well, thank you very much, Sister Dziewit, for this presentation this evening. As I would have suspected, it is well thought out and presented very, very well. I appreciate having the opportunity to look at some of these issues that you have raised tonight, and thank you for being gentle on me on the unlocking issue. That was very kind of you.

Once again, thank you very much for being here this evening.

Ms. Dziewit: Thank you.

Mr. Schuler: Thank you very much, Ms. Dziewit, for coming out these evening. As the labour critic for the opposition, perhaps at some time we could sit down and talk about other issues. I certainly look forward to that.

We appreciate the fact that you put forward your concerns and issues, and certainly as the committee starts going through the stages of moving this bill forward, we will be discussing these.

Again, on behalf of this side of the committee, we appreciate very much you coming forward.

Ms. Dziewit: You are welcome.

Madam Chairperson: Mr. Wesley M. Stevens, Private Citizen. You can proceed whenever you are ready.

Mr. Wesley M. Stevens (Private Citizen): Thank you very much, Madam Chair.

I am giving you a long, seven-page statement here. I am not going to read it, or even mention some of the things that are in it, but perhaps it would be worthwhile if some other time for you to look at these matters.

Many of the things which have been brought up tonight that I am interested in have already been mentioned, so I will be very selective of what I bring forward.

First of all, my friends, the MLAs from the Progressive Conservative Party will know me very well as a thorn in their flesh, for I have supported the NDP in St. James–

An Honourable Member: Really? I am surprised.

Mr. Stevens: Well, I am going to still do it. I have supported the NDP in St. James for many decades now. Perhaps you will recall that St. James was one of those three ridings that changed in 1999 and really turned you out of government. I do not apologize for that, but really, we had quite a decent man from your party in St. James at that time.

Nevertheless, while you were in government, guys and gals, I was invited to this room and I spoke on a bill that was before you all to do with creating the commission on post-secondary education. Apparently, the minister, the Honourable Linda McIntosh listened to what I had to say because she really incorporated exactly what I asked for in the bill. This is extremely rare, and I did not expect that, but I am very grateful to deal with rational people.

I think we are all rational and honourable here, but mostly some people do not listen. Okay, they did that time, you did, I take it.

You have heard from Mr. John Corp, a friend of mine who, as he said, headed the commission that brought in the text of the bill in 1983 which created the current Pension Benefits Act. It took a couple of years. It went through committees like this. It was amended, and it was finally presented by the Minister of Labour, the Honourable Al Mackling, another friend of mine then from St. James, and by, of course, Howard Pawley, the Premier at that time.

I believe it was a good law then. It has been amended slightly since then. I have not been able to follow that, but I have read that law. I do not know if you have. I think it is a good law. It would be a pity to break into it and throw away good things. I appeal to you not to do that. I do not favour Bill 10. I think it is a mistake in many, many details. I have tried to outline a few of these details for you. Others have done probably a better job in that regard.

One of the last things that the Tory government did in 1999, April it was, was to amend the pension benefit regulations, not the act, but the regulations. That did not have to go to the Legislature or to any committee. They just did this on their own in Cabinet, and you know that the present Cabinet can do that sort of thing, too. I hope they do not. It is not very good, and I hope you agree with me.

I was asked by the honourable Minister of Labour, Becky Barrett, to compare the regulations in '96 and in '99. I did so in greatest detail. I found some very fine strengths in the '99 regulation, particularly the establishment of the solvency deficiency rules. I do support those rules, and I am glad they are there and glad they are being used now as they are.

I also found that some of the requirements for the use of the earnings of a pension fund were softened so that it became much easier for an employer not to improve benefits unless they wanted to. It became discretionary if there was extra money, how to apply it. One would hope that good benefits could be made slightly better if you are financially careful, and that is a problem sometimes because of fluctuating markets and so forth, but it does not even have to be considered at all now after the regulations of 1999 came in. So I recommended to Becky that she look at that and a few other things. I never heard another boo with anything, a word, no response for several years.

Later on–when was it, 2002, that she called? The Pension Commission had open hearings on not the regulations but on the act itself. Quite a few members of my group came and presented, and we heard many presentations, especially from financial planners and brokers, lots and lots of them. They wanted to loosen up the money, that is, give choice to people about who is going to handle the money, the financial planners, obviously serving their own interests. I do not blame them for that. I do that, but the presentations from all the worker groups, employer groups and retirement groups, like my own–I have been retired for 10 years now–we were there, too, and presented our briefs. As far as I can tell, nothing ever came of that on the side of the workers and the retirees, but here, Bill 10, represents an awful lot of interest to financial planners, and I find that very strange. Did I work to elect a government that had that kind of interests? I do not believe I did. Something has happened in the meantime, which I do not really understand.

I am going to skip over to the very end of my report, and you do not have to read it yet because I think I know what it is. I can just say it.

***** (20:40)

Reference has been made, and very intelligent reference, to surplus earnings of pension fund investments. Think about what a trust fund is, or a pension plan creates, a pension plan in court is a contract that creates a trust. The money is alienated from its original sources, whether it comes from the employee or the employer, and about that, the law is very good. The act is very good.

The money gets in with impression of trust. That phrase is not used in the act or in the regulations, but any trust lawyer in this city will tell that that is what 28(1) and 28(3) create, that that money has impression of trust and, therefore, it is not subject to contract law in which one can bargain over the use of it or the use of its earnings. It is not.

What does this bill do? It simply says, without cause that I can, find trust law will not apply to the surplus. Come on. Make an exception because it is good money, and it has been taken by quite a few employers in this city. I was taken by a millionaire from Manitoba Club. He explained to me, "Look around," he said. "They are taking money out of their pension plans. How are they doing it?" It became rather a happy thing for employers to raid their pension funds for a while and this Bill 10 says, "Go ahead, boys. Have your fun." I hate this bill. It stinks. Thank you.

Madam Chairperson: Thank you, Mr. Stevens. Questions?

Mr. Lamoureux: Just listening to your presentation and other presenters and sometimes I know you speak out of turn with them. I am a bit surprised in the sense that I can recall the debates on final offer selection, and that was about union first contracts, and so forth. I saw very passionate, strong arguments and lengthy lines of people coming to slam the then-Tory government.

Then I contrast that to the pension issue, and I would have thought the pension issue would be a critically important issue, as equally important. I have seen a few passionate positions expressed, and I thank you and other presenters for doing that. I truly am open-minded in going into this committee thinking that there is a need for change, and I just wanted to thank you for expressing it in the fashion you did and previous individuals. I think that it is a very important perspective, and I am not going to close my mind to what it is that you are saying.

Madam Chairperson: Mr. Stevens, you have a response?

Mr. Stevens: Thank you very much. I appreciate that.

Mr. Schuler: Mr. Stevens, over the years I have passed you in hallways at the University of Manitoba. I have heard about your reputation, and certainly appreciate the first paragraph, always great to have a learned individual come forward. You present your side with great credibility. Clearly, we will not necessarily agree on all the points but we certainly appreciate individuals coming forward and with great integrity and, I think, with great respect, putting forward their position. As the committee moves forward and the debate moves forward, certainly we will be looking at what you have said, and I will make sure I read the rest of the presentation. I know you did not have time to present it all. Thank you very much for coming forward with this presentation.

Mr. Stevens: I made this little speech last night to my wife over the supper table, and she said this morning, "Cool it a little bit," because, honestly, I am so angry. I was going to be serious but, including my final remarks, they are lots milder than I feel. I am really quite angry.

Ms. Allan: Thank you, Mr. Stevens, for being with us this evening and sharing your brief. It is quite obvious by reading through your brief that there is lots you did not get to here tonight. There are also some things in your brief that my office would like to get back to you on, so I can guarantee you that you will be receiving a letter from me in regard to some of the issues that you have raised in your letter this evening. Thank you once again for being with us.

Mr. Stevens: Thank you. I am just reminded that John Corp mentioned different ways in which this bill might create new costs for employers. I worked with Mr. Corp for a long time on our own pension plan. He has taught me a great deal, and he did tonight. I had not noticed how that would be true, but I know the bill well enough to have recognized what he was saying, and I think that is true.

I think you will find that I have pointed out some ways in which it would create new costs for pension trust funds, and hopefully not, but perhaps push them further into difficulties, so thank you very much for your kind attention.

Madam Chairperson: Brian Peto, from the Credit Union Central.

You may proceed, Mr. Peto.

Mr. Brian Peto (Credit Union Central): Thank you, Madam Chair, Minister Allan and members of the committee. Thank you for allowing me to present to you this evening. I hope you will be relieved I knowing that my presentation is brief, mainly because many, many of the points that have come before you are, certainly, points that we support in terms of our organization in the Manitoba credit union system.

I appear before you as a division manager of human resources and consulting with Credit Union Central of Manitoba on behalf of Manitoba credit unions and their employees concerning Bill 10, the Pension Benefits Amendments Act.

Manitoba credit unions provide financial products and services throughout this province. The provincial system which is comprised of 57 credit unions with 177 branches and total assets of $9.2 billion employ more than 2700 Manitoba employees and they have an annual payroll of over $92 million. Approximately 1900 of these employees are actively contributing members of the Co-operative Superannuation Society Pension Plan. As you heard before, it is a large multi-employer defined contribution plan that includes more than 503 co-operative and credit union employers operating across Canada. It actually happens to be the second-largest defined contribution plan in Canada. This plan also administers pension benefits on behalf of former employees of Manitoba credit unions.

A few comments on Bill 10. It should be noted that in preparing our submission, we have chosen not to go into a great amount of detail on technical questions. We have left the detailed technical analysis and commentary to the Co-operative Superannuation Society, which has made a submission to the committee and whose position we support.

Having said that, we would like to highlight several areas of this proposed legislation that deserve comment. They are as follows:

Number one, the unlocking of locked-in pension funds. We are particularly pleased with the proposed change to allow one time transfer of up to 50 percent of the balance in an individual locked-in retirement plan. This change will not only allow more flexibility in developing retirement plans, but it will also ensure that long-term retirement income is provided.

Secondly, administrative requirements. We would like to see the administrative requirements for LIF and LRIF retirement income products simplified. Our preference would be to have one product which would be subject to the maximum withdrawal amounts, noted in point three below.

***** (20:50)

Maximum annual withdrawals. Our recommendation is to permit a maximum annual withdrawal from a combined LIF-LRIF equal to the greater of the current LRIF maximum, which is the prior year's earning, and the current LIF maximum, using a minimum interest rate of 8 percent rather than the current 6 percent. We have provided as Appendix 1, examples of the impact using a rate of 8 percent would have on an individual's LIF and LRIF. As you can see, the funds would not be fully depleted until after the age of 90. The other thing that we did assume in the examples in the appendix is that the unlocked portion would be depleted by age 80.

Harmonization. We would like to see Manitoba legislation harmonized with the planned changes to CCRA rules that allow defined contribution plans to provide LIF-type products. This is important as the CCRA rules will give defined contribution plan members access to investment products at reduced costs. In other words, they will not have to go to the traditional retail market to find suitable products. This cost-saving approach will likely result in more retirement funds staying in the hands of retired employees.

On a more operational level it is important that the Manitoba government discuss with financial institutions what changes, if any, need to be made to banking systems to accommodate the new creditor-proof RRIF plan.

Madam Chairperson: Thank you very much.

Mr. Murray: Thank you very much, Madam Chair. Brian thank you for the presentation and the graphs. I think sometimes in these situations a picture is worth a thousand words. I think what you have done here, and I just glanced at it briefly, is a really nice overview and a snapshot of some of the issues that you see.

In particular, the fact that you represent so many people here in the province of Manitoba and I just followed you through your presentation on the five points. Particularly, as you point out in number five, in the operational level, looking at the Manitoba government discuss with financial institutions changes, if needed, if any to the banking system. I think that is a very good recommendation, and I am sure the minister will be, as she has made indication to others through this process, open to that.

I wanted to thank you for the hard work that you have put in on behalf of your members. I think you have always been there to represent the benefit of a broader picture, if I could use that term. This has been a long process with a lot of debate. I think the points that you have made have always been very consistent and so I just want to say I very much appreciate your presentation, the time, effort and energy that you put in on behalf of thousands of Manitobans. Thank you.

Mr. Peto: Thank you.

Mr. Schuler: Thank you very much. I keep referencing the six heroes, and Mr. Peto you are one of them. The time you put into this, the effort you put into this was just amazing and a lot of thanks. You represented those individuals who rely on you to do this kind of work. You represented them with great integrity, and I have to tell you it was a great pleasure working with you over the years. Bill 10 and what it does for those who have been looking forward to this for a long time owe you a deep gratitude for your efforts and certainly look forward to working with you on other issues. Thank you very much for coming forward and giving a presentation, especially the charts, as referenced by the Leader of the Opposition. Again, thank you very much for all the hard work over the years.

Mr. Peto: Just a comment. One of the things that I have learned through this process is that my participation has been as a paid employee of Credit Union Central of Manitoba and one of the things that has impressed me is the passion of the volunteers who put forward the time and effort. So for me as an individual, it has been a terrific learning process and an opportunity to see democracy in the works. Thank you.

Hon. Theresa Oswald (Minister responsible for Healthy Living): Mr. Peto, thank you very much. The minister has graciously afforded me a moment of her time. I wanted to thank you, in particular, for the private lessons you have afforded to so many members of this Legislature and Manitobans generally.

There are many, many Manitobans that understand the complexities and nuances of pension law and pension implications, and there are many that do not. Your being able to educate people in a language that can actually be understood and with really fabulous charts that also can be understood is a gift. Your consistently gentlemanly manner in helping us understand this, and in advocating for what you believe to be right, has been really impressive. So, certainly, if there is a moment for the minister, I will allow her that last second, but say thank you.

Mr. Peto: Thank you very much.

Madam Chairperson: Madam Minister, you have about 45 seconds.

Ms. Allan: Thanks very much, Brian, for being here tonight. I just wanted to add my thanks to everyone else's tonight at the table. I had a couple of really good meetings in my office with you and a couple of the members of your organization. It was helpful. Yes, we did go over those charts and scratch our head and try to sort it out. It was really helpful to me as a minister in trying to determine where we were going to go with this piece of legislation. So I just want to thank you very much.

Mr. Peto: Thank you.

Madam Chairperson: Mr. Jerry Woods, private citizen. You can proceed whenever you are ready, Mr. Woods.

Mr. Jerry Woods (Private Citizen): Thank you, Madam Chair and members of the committee. My name is Jerry Woods and I have been a new retiree for about two years now. I was privileged to work for many years as a national representative for the Communications, Energy and Paperworkers Union of Canada. I consulted with them on this brief. I am going to be presenting on behalf of them as well.

For fourteen years, I represented brothers and sisters working in various economic sectors in Manitoba. I negotiated hundreds of collective agreements in the media, paper and energy sectors. I am proud that many of the workers for whom I negotiated have good pension plans that will allow them to live a dignified and fully active life in retirement. Unfortunately, there are still too many employers who do not offer pension plans, or offer inadequate ones.

I know how important pension plans are to our members. For a majority of workers, this is indeed one of the key priorities at the bargaining table, along with social benefits.

However, I have noticed that it is increasingly hard to set-up a good pension plan in workplaces that are without one, and even to keep the existing plans in place. Employers reject the responsibility they have to offer good pension plans to their workers. At the bargaining table, more and more employers demand to switch from a defined benefit plan to a defined contribution plan, or to a group RRSP, simply because they do not want to assume the long-term financial risks inherent in defined benefit plans and only want to commit to plans where they know how much they will contribute. The risk is then assumed by the workers who cannot know in advance what their retirement annuity will be.

While unions continue to fight at the bargaining table to reverse this trend, we welcome progressive laws and regulations that will offer better protection for workers' rights. The current Manitoba Pension Benefits Act, which governs offered by employers in the workplace is a good example of such progressive legislation. For example, Manitoba is the only province in which registered pension plan coverage is compulsory if offered by the employer. This gives our province one of the highest rates of workers that benefit from a workplace pension plan in Canada.

But more work still needs to be done. The percentage of paid workers covered by employer pension plans is slowly eroding in Manitoba. We are down from 52.7 percent in 1992 to 46.1 percent in 2002. The proposed amendments to the act further its original goal to promote the establishment, extension and improvement of pension plans throughout Manitoba, and also to further protect members' rights under pension plans.

***** (21:00)

In our view, some key elements should guide legislators in their quest to improve the current Manitoba Pension Benefits Act. First, all Canadians must have access to an adequate pension plan. Public pension plans such as Old Age Security, the Guaranteed Income Supplement and the Canada or Québec pension plans are no longer sufficient to ensure a decent income to retirees. For example, an elderly couple, both over 65, who rely entirely on public pension programs live below the poverty line if they live in the city, as described by StatsCanada's low income cut-off.

Legislation which offers the best access to workplace pension plans is important to provide decent income to retirees. We consider that funds contained in pension plans are deferred revenue. Consequently, they belong to workers. These funds must not be used for purposes other than providing retirement income. Workers should have access to pertinent information to make informed decisions and should have equal representation on pension boards and committees.

Special attention needs to be paid to spouses and dependents of workers who contribute to a pension plan. While there are more women than men who contribute to a pension plan in Manitoba, there are still less women than men in the job market and with lower wages in general. This means they will need to rely more on their spouse's retirement income after they leave the labour force. It is important to offer them the best possible protection for receiving adequate income if a member dies or after a divorce.

The type of pension plan that provides the best retirement income is, without a doubt, the defined benefit plan with indexation and bridging for early retirement. This kind of plan allows workers to know in advance the amount of the annuity they will get once they retire. Generally speaking, the proposed amendments aim at clarifying and improving certain aspects of the existing legislation. However, we recommend the following amendments to improve The Pension Benefits Act.

The one-time transfer to a RIF. One proposed amendment to the act will allow a one-time transfer of up to 50 percent of the balance in a locked-in retirement benefit plan to a prescribed registered retirement income fund that is not locked in, subject to informed spousal consent. Permitting such a transfer can seem very attractive to some new retirees. It seems to offer more flexibility for personal expenditures and investing. In reality, it offers more financial insecurity in the long run. Experience shows us that self-directing investment does not lead to more money in investment portfolios, but to substantial loss after a few years. The end result is less income for the retiree's remaining years, and this also affects the retiree's spouse and dependents. This proposed amendment is a clear departure from one of the main goals of The Pension Benefits Act, to ensure a decent income for seniors after they retire. This amendment should be withdrawn.

Composition of pension committees and distribution of surpluses. Since pension funds are deferred revenues that belong to workers, workers must be fully involved in decisions related to their plans. Parity of seats on pension boards and committees between employers and workers will ensure they control all pension matters. Furthermore, any surplus generated by the pension fund should be used to offer better benefits to workers and retirees. Employers should not be allowed to withdraw surplus funds or to use them to get a contribution holiday.

Consent of cohabiting spouses or common-law partners. In order to protect the rights of spouses or common-law partners and dependents, some well-intended amendments now require that a spouse or common-law partner waive his or her entitlement to a joint pension or a survivor pension or before allowing a member to withdraw up to 50 percent of funds from a RIF or a non-resident to make a lump sum withdrawal of the commuted value of the pension fund.

The amendments provide for a spouse or common-law partner to receive prescribed information in accordance with the regulations before giving his or her consent or signing waiver forms. It is clear that legal advice is required before making such a decision. However, we have some concerns in cases where spouses or legal partners cannot afford to pay such legal costs. We further recommend that the Pension Commission either provide the needed legal advice or make some arrangements so that such a service is provided at no cost.

Minimum pension payable to a survivor. Current legislation stipulates that the minimal pension payable to the spouse or common-law partner be a 66.7% survivor pension annuity. The proposed amendment is that the surviving spouse or partner receive a minimum of 60 percent the amount that was payable to the member.

Manitoba has decided to reduce the amount payable to the surviving spouse or partner in order to harmonize its legislation with the rest of Canada. We do not believe that harmonization should be used to lower benefits. In this case, we agree with our colleagues at the Manitoba Federation of Labour that the survivor benefits should, in fact, be raised to 75 percent.

Phased-in retirements. Amendments to the pension act propose to provide phased-in retirement, if there is a joint agreement between an active member and the and the employer to reduce the member's hours of work.

Although at first glace this seems to be a good idea both for the employer and the employee, this would cause retirement annuities to be reduced in order to offer partial pre-retirement allowances. Depending on the deal with the employer, such a decision may lead to insufficient retirement income. That is why it is preferable to find alternative agreements that allow workers to reduce their hours of work without digging into their pension plans.

Social Criteria and Investment Strategies. We welcome the amendment that allows administrators to use criteria other than the rate of return on investment when managing pension funds. There is no doubt that administrators should aim for the best rate of return, but not at the cost of investing in companies that adopt unethical practices and policies. Plan administrators will be able to include social and other factors to make investment choices that will be in line with values stood up for by the labour movement.

And that is my presentation, and thank you for listening.

Madam Chairperson: Thank you very much, Mr. Woods. Any questions?

Mr. Schuler: Mr. Woods, I apologize I missed the first part of your presentation. I quickly stepped out, but I did read through it and caught up where you were. I know the committee appreciates you coming forward with your concerns as a private citizen and someone who has dealt in these issues for a long time. It is important that we hear all the different concerns, not just those who support it but also those who find some flaws in it. Again, I appreciate very much you coming forward this evening and making your presentation.

Ms. Allan: I would like to thank you very much, Mr. Woods, for your presentation this evening. Both your presentation and the presentation that was made by the Manitoba Federation of Labour mentioned that the change in the minimum joint and survivor pension payable at retirement, the move from 60 percent to 66 percent, that you were not in favour of that.

I just wanted to comment that it is my understanding that, with a joint and 60% survivor pension, the member and his or her spouse or partner receive a higher pension while the member is living and the spouse receives a slightly lower pension after the member's death. I had quite a long discussion with my staff about this particular change in the legislation, and it is my understanding that there is not that much of a reduced pension. I just wanted to make that comment.

I do appreciate some of the items that you have raised in your presentation tonight, and I wanted to thank you very much for being here this evening.

Mr. Woods: Yeah, and we recognize that it was not a great deal of difference, but we do not think there should be any difference. In fact, if the person is receiving more after a death in the family or whatever, then there is no reason why they should not receive more before. We do not think it would be a big stretch for the government to go there.

Ms. Allan: Thank you very much.

Mr. Lamoureux: Mr. Wood, I just acknowledge your past in terms of union involvement. Based on that, I am wondering if you can just give some sort of, even if it is a guesstimate, in terms of what you feel a percentage might be of people that would support, of those union members that would support the type of position that you are presenting this evening. Could you give us any sort of a guesstimate?

Mr. Woods: I can only speak for my members, and we have 150 000 members. I would bet they would all support it.

Mr. Lamoureux: Thank you very much. You figure 100 percent would actually be behind this. You do not think there are members that would be saying, "Look, we want to be able to have access to our own pension contributions." within your membership?

***** (21:10)

Mr. Woods: I think they would at first blush, but I think if they knew all the information and the experience, they would not be.

I can tell you a little bit about myself. I left the paper mill in the late '80s. We had a defined benefit pension plan. Through my ignorance and bad advice, I opted to take that out and invest it in the market. Big mistake. If I would have left that in there, at the paper mill, I would be receiving a pension from that plan, now, around $20,000 which is not a great deal, as I earned $60,000 the last year I worked there, but after investing it in the market and retiring two years ago, I received a little less than $9,000. So I did not do myself any favours by self-directing my own pension funds.

Madam Chairperson: Any further questions?

Seeing no other questions, Mr. Woods, I want to thank you very much for your presentation. It was very enlightening.

Mr. Webster Webb, private citizen. You can proceed, Mr. Webb.

Mr. Webster Webb (Private Citizen): Before I get into the actual written presentation, it has been quite interesting. My presentation is going to be rather boring because it gives us the technical aspect, but I have noticed throughout this, there have been many contentious issues and I did want to raise a couple of concerns.

I work as a financial planner and my interest in this arose because I ran into a number of clients who were survivors of a divorce and received half a pension from the break-up and ended up, in many cases, having practically no income. I met one person last week that MSOS told me to talk to who was on welfare even though they have a significant locked-in pension which they will eventually be able to claim when they get to be age 65. Well, they can start to claim at 55, this person cannot yet, but when they become 65, they will also qualify for the Guaranteed Income Supplement, which we will take half back because they will get a fairly small pension income from their locked-in pension. So, although I agree with many people who have talked about the benefits of public policy to ensure that there is retirement for life, in the individual cases there are many situations where people's needs need to be considered.

Now, the other thing that people have spoken is the question of unlocking funds versus having self-directed funds and they are really two separate issues. As it is now you can have control of your funds whether it is in a locked-in retirement account or a LIF or an LRIF. You still have control on how you invest it and although then it becomes unlocked, it does not change anything as far as that goes except if you have need you may be able to get out your funds.

I am a licensed insurance broker in Manitoba who focusses on retirement and estate planning. I began in the insurance business as an actuarial student and have acted as a technical adviser, administrator and a personal adviser for a period of more than 30 years.

One of the concerns I have always had was how to make something hopelessly complex, whether because of the mathematics or because of the administrative requirements of my business, understandable to those who need to make good decisions. With locked-in pensions I often feel like this is a real uphill battle, particularly since the decisions being made in the cases I now see often have a very real impact on people's lives.

I am very pleased to see that Bill 10 will allow more people to have the flexibility to build better retirement income streams with half of their locked-in funds. I am disappointed that the other half remains subject to restrictions which assume that the best use of this particular asset is lifetime income. People who have been in this business for a while, with a relatively sophisticated view, will understand that this is not always the case.

However, I am not here to argue for more unlocking. I am pleased to note that with this change, Manitoba becomes one of the more progressive jurisdictions, and I thank the minister for taking this bold position that she has.

The issue that I wish to address concerns primarily the treatment of the remaining locked-in funds. The only comment I have about the unlocked pension is that I believe that preventing the conversion to a prescribed RIF prior to age 55, which as I understand the legislation provides, in some cases will create very severe hardship cases. I wonder whether a hardship rule might be employed for those under 55.

My primary concern is about the simplifying of the locked-in portion by replacing the current LIF and LRIF vehicles with a single type of RIF. My understanding is that this is to be handled through the regulation and so is actually not part of the act, but I want to address this so that my concerns can be read into the record.

Many people have expressed the hope that the current 6% withdrawal rate will be replaced with an 8% rate. My understanding is that people are generally referring to the current LRIF administration which allows 6 percent during the first year, the greater of 6 percent and the actual return during the second year and only the actual return in subsequent years.

There was a belief that allowing the greater of 8 percent or the actual return will be a better approach. I agree the current LRIF is flawed. It is a very poor instrument for those who rely primarily on the LRIF for retirement income. The reason is that in order to seek a higher average return on their income, people will have to invest in equities to some extent, which have a history of superior long-term growth, but very erratic year-to-year changes. The current LRIF could generate $20,000 one year and $5000 the next year, based on a $100,000 investment. The second problem is that a relatively stable investment will never effectively pay down the principal under an LRIF.

The current LIF, on the other hand, does provide gradual payout of the principal. This is very important, and attached to the second page, from the Manitoba government Web site, the current withdrawal factors for a LIF, you can see that by age 71, the very lowest percentage, which is based on a 6% prevailing rate, is 8.1 percent can be taken out of your LIF when you are age 71 so there is a bit of misconception about what can be taken out at present.

If one could pay down 60 percent of the principal by age 85, on an investment earning 7 percent instead of the 30 percent they might now attain with an LRIF, you can have about 50 percent more actual income. The comment I hear most commonly is that too much is left on higher years. I, more than most, know how complex a formula for a reasonable balance between pay down of principal and protection from unexpected exhaustion of the principal can be.

I am concerned that in the effort to simplify we do not throw out the baby with the bathwater. Whatever vehicle is ultimately implemented, it is very important that two principles be incorporated: (1) slight stability from year to year. To the extent that people need income, they need to be able to maintain a relatively secure income from year to year; and (2) the ability to use the principal in a reasonable amount, particularly in the early retirement years. It seems to me that a suitable vehicle would be one that allows the payout of the greater of the current earned income plus an amortization factor or the current LIF factor, which Brian Peto and I are on very close ground.

I do not wish to see this legislation delayed, so I would urge, until a better, widely accepted replacement vehicle is defined, at the very least, the current LIF be maintained as one of the options for payout. Thank you.

Madam Chairperson: Thank you very much, Mr. Webb.

Ms. Allan: Thank you very much, Webster, for your presentation. I appreciated the opportunity and so did my staff when we had the opportunity to meet with you in my office when you were there with the Manitoba Society of Seniors. Thank you very much for your presentation this evening.

I did want to mention there are only two other jurisdictions in Canada that have hardship provisions in their legislation. I kind of wanted to put that on the record, but I do appreciate some of the other comments that you have made that we can have a look at as we move forward with developing our regulations. So thank you for being here this evening.

Mr. Webb: Yes, thank you. I appreciate that.

Mr. Murray: Thank you, Madam Chair. I would just like to say, Mr. Webb, I very much appreciate your presentation. I would have to think that as issues like this come forward, and in particular talking about locked-in pensions, I think there is always a level of difficulty trying to wrap one's mind around the direction and the advice that one could take.

I would just have to say that you would be one of the people I think would offer, as you did, I believe, offer very sound advice. You are very reasoned in the way you approached it. You have concerns, and that is fair enough, but your overall theme is that it is something that should happen and should move forward.

I just want to say again, I am always impressed with charts and graphs and you have included something here which is important for us to look at because it is always a point of reference. I think that it is important to be able to use that to compare with the verbal part that you put in. I just want to say I very much enjoyed listening to your presentation. I think it is one that all of us around the table, as we move forward to do the right thing, will benefit greatly from. So thank you very much.

***** (21:20)

Mr. Webb: Yes, thank you, and I do recognize through my association with MSOS that both the Conservatives and the current party have done a great deal to move this ahead. It is a bold position, and I have real clients who are going to benefit from this. Thank you.

Mr. Schuler: Thank you very much, Mr. Web. I had the opportunity to meet you on another occasion. The work that you do for MSOS is to be commended. We appreciate that very much.

When we talk about the hardship clause, you may or may not remember Peter and Sabina Long, who unfortunately had to leave the province because of hardship. They actually moved closer to the children, because of ill health. They were two of the catalysts for us driving Bill 212. In fact, they fought long and hard for this. Again, I always talk about the six heroes. They were two others of those six heroes. They really put their heart into this and thought hard for it. I think the hardship clause is an area that, later on, we will have to look at again.

It is certainly appreciated what you put into your presentation and thank you very much for having the patience and wait out this committee to make your remarks. Thank you.

Mr. Webb: Thanks, Ron. I do talk to Peter from time to time, so I will pass on these comments. I certainly do reiterate that hardship does exist, and I think it needs to be addressed. Thank you.

Madam Chairperson: Thank you. Oh, sorry. Mr. Webb, could you come back?

Mr. Lamoureux: Yes, no problem.

Madam Chairperson: You are doing great.

Mr. Lamoureux: I do appreciate your presentation. And much like the credit association, I think the graphs are very valuable, and the tables. Having said that, we had a few presenters, whether it was Mr. Woods, Mr. Cerilli, Manitoba Federation of Labour, who expressed some concern in terms of people being able to take out money and, at the end of the day, lose out. There could be some losers in this. I would just be interested in your thoughts, how would you suggest we best approach that particular argument.

Mr. Webb: I am sorry. There are two separate issues. One is whether people take money out. Right now, under money contribution plans or people come out early out of a defined-benefit plan, they get to take their money and handle it like a regular RSP with restrictions as to lock-out. So all the issues about how to manage your money exist. This occurs whether it is a pension fund or your own RSP. People do need better education, there is no question.

What I have found, though, is that most people tend to try and leave their RSP at the very last minute, till the very end and sometimes that is what amounts. They might take the minimum payout, if they can afford to they will take the minimum payout, and end up leaving a pretty good estate tax bite for the federal government and the Province. Most people will not play with their money. They will take it very seriously. So I do not think that, as far as locked-in issues, it is a concern. The people who want to take the money out are people who need it.

As far as managing–

Madam Chairperson: Thank you, Mr. Webb. We appreciate your presentation.

Lori Bougeois. Ms. Bourgeois can proceed whenever you are ready.

Ms. Lori Bougeois (Private Citizen): Thank you. Good evening, Madam Minister, and the committee. I thank you for the opportunity for coming and talking to you.

I would like to first say that I am glad that we are finally at this stage of the pension reform. It has been a long time since I submitted my first letter on July 18, 2002, requesting pension changes to the then-Minister of Labour Becky Barrett, and the first consultation paper was provided by the Pension Commission in the fall of 2002.

Although I would have preferred to see the proposed pension legislation provide for 100% release of defined contribution pension funds at retirement age, as I have been following this whole process, I have come to realize that the 50% release is the best that we will be able to achieve under this government. The addition of the ability for a spouse to wave his or her pre-retirement death benefit is welcomed. As a Manitoban with a disabled child, this now allows my husband and I to make our own financial decisions on where we wish our largest asset to be distributed on death, instead of forcing us to leave these funds to each other when that may not be in our or our child's best interest.

I am disappointed to see that one of the original recommendations in the consultation paper did not make the proposal, or at least, I did not locate it. The original recommendation advised that in regards to the 50-50 pension split on relationship breakdown that, quote, "The present framework duplicates the existing requirements in the MPA, Marital Property Act, that requires pensions and pension benefits be shared equally between separated spouses. Removing this duplication will align the provision of The Pension Benefits Act in this area with the pension legislation of other jurisdictions."

Manitoba is the only jurisdiction that has this requirement within their Pension Benefits Act. Once funds are moved from the pension plan to a LIRA, LIF or an LRIF, the administration of the requirements within the act and regulations become very difficult for financial institutions. There are still many lawyers out there that handle separations and divorces who are not aware of the pension regulation requirements and do not get their clients to complete the necessary opting-out form or handle the pension funds properly where there is a split. This government continues to have a paternalistic attitude in believing that it must protect women. I and others should have the ability when dividing marital property to choose how we wish our property to be divided. The division of our pension funds should not be legislated by the government.

I am uncertain if the following items are part of the act or the regulations of the act but would like to ensure that the following are noted:

1. With the introduction of the prescribed RRIF, that you ensure that the spousal entitlement on death remains in effect with the ability for the waiver of the death benefit. The Saskatchewan prescribed RRIF has both creditor protection, which also applies to all registered plans in that jurisdiction, and the spousal entitlement. Although the act mentions the creditor protection, I could not locate an indication of the spousal entitlement on death.

2. The combination of the LIF and LRIF product into one would allow Manitobans to get the benefit of the best maximum payment calculation without the need of transferring between two plans.

3. An increase in the minimum reference rate from 6 percent to at least 8 percent. Although the ability for the one-time 50% release of funds provides more flexibility on the payment stream on retirement, there are still 50 percent of the funds remaining as locked in. An individual at age 70, with $100,000 in LIF funds, is only receiving a maximum payment of $7,900, or $658 per month. With an 8% maximum reference rate, the payment increases to $9,100, or $758 per month. That $100 per month can make a world of difference as prescription costs continue to rise.

Mr. Bidhu Jha, Acting Chairperson, in the Chair

I thank you for the opportunity of addressing this committee.

Mr. Schuler: Thank you very much, Ms. Bourgeois. It is great to see you at committee, and we certainly appreciate your presentation.

This is the kind of thing we have seen over and over again, hundreds and hundreds of times, through letters and through e-mails. It was the reason why, certainly as a PC caucus, we drove Bill 212. I would also like to take this opportunity, if you would bear with me, I know your colleague is here and she is much too modest to make her own presentation, but of the six heroes, Audri Wilkinson was certainly there fighting on behalf of what she thought was important and fought for the right of women to be able to have direction and control of their lives. Audri was very strong. She is in the audience. It would be great if she would make a presentation herself, but she is too modest a person.

I want to thank Audri, as the sixth individual, who, the reason why this committee is here this evening, I have to say, Mr. Chair, and to the minister, is because of Audri Wilkinson and women like yourselves who pulled themselves together and said, "We are going to fight this one. We are going to take this one on. We want control of our lives, and we want to make sure that when we retire, we know what that means." They have educated themselves, and like your presentation, you have clearly laid out where you would like to go. Thank you so much for coming forward and spending all this time and being our last presenter.

We appreciate everything you have done for this cause. Thank you very much, and you are to be commended.

***** (21:30)

Ms. Bourgeois: Thank you very much, Mr. Schuler. This is a much shorter presentation than my two or three letters that have gone into the Pension Commission that had very many statistics and examples of what I could do with my money, whether it was in a LIF only, whether it was in a 50% release where I managed it. So there is a lot of detail in the letter, and if anybody ever wants a copy, they can just ask me for it.

Behind the scenes you gave Audri credit. She probably did five times, twenty times more than what you actually saw, as I worked with her from day to day, and she was a very strong advocate on that.

Mr. Murray: Ms. Bourgeois, thank you so very much for taking time to come this evening to sit through the process and be part of the evening.

I know that this is sort of the culmination of hours and hours and hours of work that has been done. I always find that particularly interesting when somebody like you who is able to give specific examples that deal with real people, in real issues, I think it has a profound impact. Certainly, I think you are seeing that kind of impact tonight on this committee, and as my colleague from Springfield said, I think it was one of the drivers that put us into the Bill 212 that we introduced, that ultimately culminated in Bill 10–the private member's bill, Bill 212.

I am delighted that you are here. I guess I would just like ask you one question. I take it from your submission that you do not think that Bill 10, as it is written, is in any way, shape or form an attack on women?

Ms. Bourgeois: I do not see how it is an attack on women. In listening, because we have been listening to the Legislature–it is very nice having the computer feeds and reading the Hansard–I find it very discouraging when I hear the party, the governing party, talk about wanting to protect women. What it is, it is an education issue. It is educating the lawyers out there, it is educating the financial planners who have a lot of education in this area, as well, to make people informed, so they are not making those quick decisions and taking the quick dollar. To have the government legislate and limit us, what it does is that it affects all of us, that we, then, do not have the choices because we are protecting the few.

Mr. Murray: Thank you very much for that comment. I think my wife and my two daughters would support you.

Mr. Vice-Chairperson: Thank you very much.

Ms. Bourgeois: Thank you.

Mr. Vice-Chairperson: Oh, sorry, I am sorry, Mrs. Driedger.

Mrs. Driedger: Thank you, Mr. Chair.

We know that women tend to live longer than men. There are a lot of senior women that live alone. They are struggling with illnesses. They struggle with not having enough money for the social activities. Prescription costs continue to go up over the last several years here through increased Pharmacare deductibles. Health is an issue. Housing is a very serious issue. Would you think that we might be doing more for retired women if there was 100% release of these funds?

Ms. Bourgeois: You tend to be looking at two different issues because we have the older, retired people there that that this is not really going to affect. In a lot of cases, when their pensions were purchased, they were annuity pensions, and they are getting a payment stream that will not give them access.

When I am looking at this, I am looking towards the future for us now who are in the workforce, for us that have retired just recently and looking for what we can get. I can understand them wanting to protect the women. I understand what happened in the sixties and seventies and early eighties, and why we had the pension changes in '84 to bring in those spousal entitlements because of all those things that happened back then, but this is now. Interest rates are different; investment is different; wages are different. We are making a lot more money now, so we are putting a lot more money into our pensions. Although we have to consider the past, we do have to look forward to the future, and this bill is at least halfway there towards the future.

Ms. Allan: Thank you very much for your presentation.

You have some questions that you have presented in your presentation tonight, and I have some incredibly expert staff standing at the back of the room. If you want to get the answers to those questions, the next presenter is–*[interjection]* Yes, exactly.

Madam Chairperson in the Chair

I encourage you to just touch base with Deb Lyon, who is standing right back there in the cream-coloured jacket. She would be more than helpful.

Ms. Bourgeois: I know Debbie Lyon.

Ms. Allan: Super. Thank you for your presentation.

Madam Chairperson: We have an additional presenter who has been added to the list. Also we have a presenter, Mr. Rod Reykdal, a private citizen, who has called and said he would not be attending. So our last presenter is Robert Ziegler, a private citizen.

You can proceed whenever you are ready, Mr. Ziegler.

Mr. Robert Ziegler (Private Citizen): Thank you very much, committee. I really had no intention of speaking tonight until I heard a number of the people here. I am here as a private citizen, not in my other hat that I wear in another role on this issue. I have got to tell you, I have been passionate about pensions for 25 or 26 years. Over those 25 or 26 years, I have probably spoken to thousands and, more appropriately, tens of thousands of Manitobans and Canadians about pensions. The passion is there; it has been a long-founded area.

I am going to restrict my comments to one issue. First of all, I applaud the government for the review. It was timely. The review, the last one in 1983 was the last major review. Working conditions, part-time jobs, full-time jobs, a lot of areas have changed, as a lot of people have said. My one concern is about the unlocking. I think it is a mistake the way the government is doing it, and I think the issue is that it is a short-term solution to a longer-term problem.

The problem is not the system. The problem is really that people are retiring, and they do not have enough money for their retirement. That is caused by two areas. One, they did not save enough, and, two, today's interest rates. I can appreciate democracy, and I accept the solution that has been brought forward. It is one that I can support and go forward, but I still think it is the wrong solution. I think we will see in the future the effects of that. Just because of my feeling the passion, I had to be on the record to say we are making a mistake.

There are issues that we had to deal with, and I think there may have been other ways we could have looked at it, but the one part I will close on is saying is that I appreciate that the government has said, "We will look again in five years." In five years, we will have eight years of experience with Saskatchewan, and we will have a bit of a view. I think five years may even be too early.

So I just had to go on the record that I think it is a mistake. I think there was an issue. I think we took a short-term answer to that issue. Those are my comments.

Madam Chairperson: Thank you, Mr. Ziegler.

Mr. Schuler: Mr. Ziegler, first of all, great to see you. I hope that in the next weeks, months, perhaps we could sit down and talk about issues together. I would really appreciate that, and actually I agree with you. I think you are absolutely right. We are facing two problems right now as a society. One, people are not putting enough away. In fact, we know that personal debt is, by and large, statistically speaking, way out of control. That is across North America. Instead of putting money into savings plans, people are consuming goods like never before.

Interest rates are another problem, especially getting squeezed on the market. Here and there, you are lucky if you bought oil a year ago, you would be high flying today, but if you were in Crocus or Enron or something, you have nothing. I think you are right there. Those are issues that we have to deal with, and whether we deal with them here at this Legislature or it is done at a national level, those must be dealt with. Obviously, we will agree to disagree on the releasing of the 50 percent, but I did want to tell you that I certainly appreciated you standing up and bringing that forward, because I think that really does zero in on some of the problems we have in society as to issues that you identified. Thank you very much.

***** (21:40)

Mr. Ziegler: The comment on two things you have mentioned, Mr. Schuler. I spoke to people, and when they were making submissions, the average size of contributions is $50,000 to $70,000. There are people in the co-op plan, there are people in the credit union, who have $300,000, half-a-million-dollar defining pension contribution plans, but the average Manitoban is probably in the range of $50,000 to $70,000, and at today's interest that is not enough. I mean it is that concern that goes forward, and I said that I can support this being a solution that Manitobans wanted. I can understand that. I do not agree with it, but I can work with it and I can understand it.

Mr. Lamoureux: I appreciate your coming forward in a bold fashion last minute to express what you obviously feel very passionate about. You indicate that you are familiar with possibly thousands of individuals that are possible pensioners and so forth. May I ask what is it you do for a living?

Mr. Ziegler: I wear two hats. I am the president of the United Food and Commercial Workers Union. I was on the Pension Commission in 1985 until the late eighties, and then since 1991. I am currently the chairperson of the Manitoba Pension Commission.

I have spoken at educational seminars, both in Manitoba and all across Canada in different areas. I have gone to seminars. So, as my role of president, as a negotiator, I have spoken to people, and to family members as a Manitoban, because it is an area I am passionate about for 26 years now, since my father who got sick took his money out of his pension plan and thought this is something and used it on things that probably were not appropriate. Then he got even sicker and could not work anymore. That drove my first passion on that.

So it is my role as a president, my role in the Pension Commission where I have had those experiences, but that is not why I am here today. I am here as a citizen who has spoken to–like last year alone I probably spoke to 3000 or 4000 people during negotiation time about this issue. I have spoken to administrators, and I have spoken to plan sponsors and employers also through various functions that I deal with.

Ms. Allan: Thank you, Brother Ziegler, for your presentation tonight. I appreciate the fact that you came forward as a private citizen to share your passion about pension issues.

I am also pleased that you put on the record this evening that there is absolutely no question that most of our pensioners and people in our society have not put away enough money for their senior years. My understanding of the average pension plan is that it is $107,000, but you know what, it is still not enough. So thank you very much for being with us tonight.

Mr. Ziegler: Just again, it is the passion; I am hearing people. It is something that I wish more people were here tonight. I wish more people had made submissions to the commission. People sort of do not think about their pension quite often until it is too late, and that is too late. Just, I hope they put more effort and transparency into the process.

Madam Chairperson: Thank you for your passion and your commitment to educating Manitobans.

Are there any other presenters here that have not made a presentation and wish to do so? Thank you. This concludes the list of presenters I have before me.

Seeing no other presenters here who wish to make a presentation, is it the will of the committee to proceed with clause-by-clause consideration of Bill 10? *[Agreed]* Thank you.

Does the minister responsible for Bill 10 have an opening statement?

Ms. Allan: I am going to keep my comments very, very short because this has been an evening where many presenters this evening have sat and waited to present and now it is time to go through the clause by clause.

The only thing that I would like to do is take this opportunity to thank the pension review committee for the work that they did on this very important piece of legislation. As Robert said, 1984 was the last review of The Pension Benefits Act, and the minister was Mary Beth Dolin.

I would like to take this opportunity to thank some individuals that made this pension legislation possible, Deb Lyon, the pension superintendent here in Manitoba, who has done an excellent job, and I really want to thank the drafters in Legislative Counsel. Quite often they get overlooked, but they are just in the back rooms churning out legislation for us politicians. They just do an absolutely phenomenal job. So thank you.

Madam Chairperson: We thank the minister.

Does the critic from the official opposition have an opening statement?

Mr. Schuler: Yes, I do. Thank you very much, and I too also want to keep myself fairly short. I do not ever want to stop thanking the individuals who worked so hard on this. I call them the six heroes, and if the committee would bear with me, I want to mention them one more time: Chuck Cruden from MSOS, Brian Peto, John Klassen, Peter and Sabina Long, Audri Wilkinson. The work and effort that these individuals put in is over and above what can normally be expected from individuals. They certainly did not get paid for the effort they put in.

I would also like to acknowledge one other individual, and that is Doris Mahoney who spent a lot of time and effort on this issue. I know she could not make it this evening but did make a presentation. We would like to thank her and everybody on the list who made a presentation. Thank you very much to all of you who came forward and took the time to speak to this committee and give us some very wise and sage advice. We would like to thank you all for that, and we would like to see the committee now move on in its deliberations. Thank you.

Madam Chairperson: We thank the member.

During the consideration of a bill the enacting clause and the title are postponed until all other clauses have been considered in their proper order. Also, if there is agreement from the committee, the Chair will call clauses in blocks that conform to pages, with the understanding that we will stop at any particular clause or clauses where members may have comments, questions or amendments to propose. Is that agreed? *[Agreed]*

Clauses 1 and 2–pass; clauses 3 through 5–pass; clauses 6 through 9–pass; clause 10–pass.

Shall clause 11 pass?

Some Honourable Members: Pass.

Madam Chairperson: Clause 11 is accordingly passed.

Ms. Allan: I have an amendment, and it is to clause 11(17). So I just wanted to let the Chair know.

Madam Chairperson: Could you move your–

Ms. Allan: I move

THAT Clause 11(17) of the Bill be amended by replacing the proposed clause 21(26)(b) with the following:

(b) if there is no spouse or common-law partner entitled to a pension under clause (a), pay an amount to

(i) the member's designated beneficiary, other than the member's spouse or common-law partner,

or

(ii) the member's estate, if there is no such designated beneficiary.

Madam Chairperson: The amendment is in order. The floor is open for questions.

Mr. Schuler: I would like to take this opportunity to thank the minister and, in particular, Deb Lyon for having given us advance notice. We received a briefing on it and certainly appreciate that.

***** (21:50)

Madam Chairperson: Are there any other questions?

Amendment–pass.

Clause 11 as amended–pass; clause 12–pass; clauses 13 and 14–pass; clauses 15 and 16–pass; clause 17–pass; clause 18–pass; clauses 19 and 20–pass; clause 21–pass; clauses 22 and 23–pass; clauses 24 through 26–pass.

Shall clauses 27 through 29 pass?

Mr. Lamoureux: I do have a question. One of the presenters made reference to 28.1(2.2) where it states that an administrator who uses–

Madam Chairperson: Mr. Lamoureux, could you move the mike a little closer, please. I am sorry. I am having a hard time hearing you.

Mr. Lamoureux: No problem. That is a first.

Madam Chairperson: No comment.

Mr. Lamoureux: In regard to clause 28.1(2.2) where it indicates "an administrator who uses a non-financial criterion to formulate an investment policy", I wonder if the minister can just comment on that. There was an–

Madam Chairperson: Mr. Lamoureux, which clause are you referring to?

Mr. Lamoureux: 28.1.

Madam Chairperson: 28.1.

Mr. Lamoureux: Section 28, page 32, "Non-financial considerations".

An Honourable Member: We have passed that.

An Honourable Member: That has been passed.

Madam Chairperson: Mr. Lamoureux, I am being advised that you are actually referring to clause 21(3) which has already been passed. So you need leave to refer back to that.

Mr. Lamoureux: I would then request leave to see if I can just get a response from the minister.

Madam Chairperson: Just a moment. Is there leave from the committee?

Some Honourable Members: Agreed.

Madam Chairperson: Yes, I hear that there is leave. Please ask your question, Mr. Lamoureux.

Mr. Lamoureux: Yes, it is just to indicate, if I can just get the minister to respond to the one presenter that made reference to the non-financial criterion to formulate investment policy, which would then not be deemed as committing a breach of the trust. If she can just give a comment on that.

Ms. Allan: The prudent person is exactly the same as the non-financial criteria, for fiduciary responsibility.

Madam Chairperson: Any other questions?

Mr. Lamoureux: I am not too sure if I understand, but that is the one.

Ms. Allan: Yes, it is no problem.

Madam Chairperson: Okay. I hear that we can continue to proceed. We have already passed that clause, so we will return.

Clauses 27 through 29–pass; clauses 30 and 31–pass; clauses 32 and 33–pass; clauses 34 through 37–pass; enacting clause–pass; title–pass.

Shall the bill be reported–sorry, excuse me for one moment. Shall the bill as amended, because we previously amended the bill, be reported? *[Agreed]*

The bill as amended is accordingly passed.

The hour being 9:53, committee rise, and thank you very much for your work tonight.

WRITTEN SUBMISSIONS PRESENTED BUT NOT READ

Re: Bill 10

On behalf of several members of Defined Contribution (DC) plans and Life Income Funds (LIF's) contracts, I am submitting our response to the government's introduction of (Bill 10) The Pension Benefits Amendment Act.

With respect to the proposed legislation noted above, a disturbing picture emerges as some of the most vulnerable citizens in our society, the poor and disabled senior women, are being forced to fight for an effective pension system that covers all facets of their lives.

Background

In 1984, the Pension Benefit Act of Manitoba was amended (under former Premier Howard Pawley's NDP Government) to restrict the amount of money permitted to be taken out of a registered pension plan (RPP). However, over the last 20 years, national pension standards have improved as one jurisdiction after another has made significant changes to their pension legislations.

This fact can be clearly shown by provisions made in Ontario on May 1, 2000, as regulation 909 under the Pension Benefit Act was amended by regulation 242-00, to permit individuals the right to withdraw additional money from their locked-in accounts due to financial hardship. Ontario's provision, permitting hardship withdrawals, is important because the largest number of Canadian pension plans is registered in that province.

Similarly, consider Alberta's progressive economic hardship clause, which now allows additional withdrawal of funds for low-income individuals who are in possession of a LIF, Locked-In Retirement Income Fund (LRIF) or Locked-in Retirement Account (LIRA) contract.

On April 1, 2002, the Saskatchewan Government permitted the commuted values of a RPP to be transferred out, at retirement, into an unlocked Registered Retirement Fund (RRIF) for all retired members where plan sponsors permit portability. The members of the legislative assembly in Saskatchewan have stated that they believe plan members are intelligent and responsible enough to make arrangements for their own money without any government interference.

With respect to the jurisdictions mentioned above, it appears that the Pension Benefit Act (PBA) of Manitoba supports the position of the unlocking of RPP's. The section 10(1)(A) of the PBA states as follows:

> "*The commission shall actively promote the establishment, extension and improvement of pension plans throughout Manitoba, the reciprocity between pension plans and the further protection of rights under pensions."*

In accordance with the regulation made to the Legislative Assembly Act, (which pertains to the retirement benefits of Manitoba's MLA's) Bill 55 was passed in April, 1995, allowing the MLA pension plan to be terminated and replaced with individual Registered Retirement Saving Plan (RRSP) arrangements. It is obvious that the government of Manitoba assumes they can manage their own money when they retire without the benefit of a Pension Promise!

According to the Pension Commission of Manitoba (PCM), the review of the 158 submissions sent to the commission by March 31, 2004 (dealing with pension laws), does not legally require the MLA's to be involved in the review process. The fact that the guardians of the people's money may have only moderate knowledge of how the proposed changes to the pension legislation will affect their constituents is a cause for concern.

The most significant challenge for multi-jurisdiction pension plan sponsors is to harmonize the liberating unlocking rules in Saskatchewan, Alberta and Ontario with the other jurisdictions.

According to pension legislation in Manitoba, the Canadian Association of Pension Supervisory Authority (CAPSA) is permitted to carry out duties on behalf of the pension regulators across Canada. Surprisingly, the organization's members consist of senior staff from Canada Revenue Agency, Finance Canada, Statistics Canada and superintendents of pension in many jurisdictions.

With respect to the amount of provincial funding the CAPSA organization receives from the Manitoba

Government, the Minister of Finance, Greg Selinger, commented that CAPSA, as with the association on the securities and insurance side, is funded on a proportional basis by its members. (The Manitoba 2005-06 assessment is 11,225.)

Regrettably, the CAPSA organization is refusing to allow the locking-in committee's report on pension reforms to be released to any interested stakeholders. If the government is in agreement that the disclosure of pertinent information promotes better understanding of pension legislation among the plan members, then the report must be made available to all stakeholders who have requested a copy.

To date, legislation has made it easier for individuals between the ages of 55 to 64 to access more money from their locked-in accounts. As of January, 2003, the LIF and LRIF Regulations were amended to provide members under the age of 65 at the end of the year preceeding the date of the application, with the option to apply for income called temporary income.

In respect to the amended legislation, the temporary income cannot exceed 40% of the year's maximum pensionable earnings (YMPE), under Canada and Québec pension plans unless any other temporary income is declared on the application that must be filed with a financial institution. It is evident that the current regulations could cause plan members with limited amounts in their accounts to possibly exhaust their funds by the time they reach the age of 65, thereby eliminating their opportunity to take advantage of the "Pension Promise" of a lifetime income.

It should be noted that the above-mentioned legislation does not extend to individuals over the age of 65, which in turn may allow age and gender discrimination to permeate within the context of Manitoba law.

Liabilities

In reference to the issue of Liabilities in employer sponsor pension plans (which deal with the government's obligation as an employer as well as government's obligation toward participants), the key facts are as follows:

(1) Over the last two decades the Manitoba government, under the leadership of both the New Democratic Party and the Conservative Party, did not fund its obligation to pension plans for Provincial and civil servants and teachers.

(2) While the annual employee contributions by each of these groups were deposited to their respective pension plans, the employer did not match these contributions.

(3) In 1996, the government passed legislation requiring that an annual budgetary provision be made for the repayment of its general purpose debt.

(4) The government's pension liability has grown to $2.6 billion as of March 31, 2000.

With respect to the information mentioned above, the evidence clearly illustrates that the Government of Manitoba has difficulty managing their own pension funds and should not interfere in members' private employer-sponsored plans under the guise of helping seniors maintain their "Pension Promise."

Housing

For your information, there is a substantial amount of evidence that shows a connection between the amount of pension income a single senior woman receives and their housing and health conditions.

One of the most important concerns of senior women is their ability to obtain safe and affordable housing and quality health care on a limited budget. According to the Women's Health Centre Clinic study on poverty titled, "Women, Income and Health in Manitoba", the key findings are as follows:

More than half (51.3 percent) of senior women who live by themselves are poor. This number has remained virtually unchanged in the last 30 years since the publication of the study by the Royal Commission on the Status of Women.

Poverty is an important factor in contributing to poor housing issues, higher heating costs, increased isolation due to fear for personal safety and functional impairments that could make day-to-day living painful and difficult.

Low incomes decrease senior womens' chances in maintaining autonomy and independence because of the costs of social care, medical expenses and adaptation to homes to compensate for disabilities.

The issues that promote healthier public policy for low income women should include addressing the wage gap between men and women, to issues of women's labour market attachment including pension issues for older women, to provincial and federal tax issues. *Source: Women's Health Centre study titled, Women, Income and Health in Manitoba, March 2002, Researcher Lissa Donner.*

In respect of the PWCHE (Prairie Women's Health Centre of Excellence) study, women need safe, stable and affordable housing. The key findings are as follows:

There is increasing evidence that shows single women with low income have acute housing needs and are at greater risk of living in unstable environments.

Women with low income and high rent have difficulties covering other expenses such as food, clothing, telephone and credit debts.

There is very little information about how housing policies can empower single senior women in their community.

The gap between the actual cost of living and women's income is exacerbated by the fact that there has been a decline in the total number of affordable rental units in Manitoba over the last twenty years.

Some of the Manitoba Housing Authority (MHA) buildings are labelled gang territories and greater measures should be implemented to ensure women's safety.

This supports the need for increased low income housing in Manitoba and is an indicator of the housing crisis in the province.

Currently, there is a waiting list of 3,033 individuals trying to get into a MHA property, an increase of over 93 percent since 2000.

Enhanced housing options are urgently needed for rental housing, especially with the Private Housing Market.

A co-operative (co-op) situation allows women safer housing with a diverse group of people with different income levels.

The cost of a membership in an Equity co-op program is prohibitive for many single women of low income.

The co-op housing model is founded on the "one member, one vote" principle and therefore created to meet the needs of all residents.

All co-op housing programs request background, credit checks for all potential members

The provincial government must create more subsidized co-op housing to reduce the current two to three year waiting time for low-income individuals.

The provincial and federal governments need to develop new rental housing initiatives with meaningful input from women of different backgrounds and investigate further how housing policies can support and empower women of low income to achieve financial security.

In September 1998, the Canada Mortgage and Housing Corporation (CMHC), the federal body responsible for housing transferred responsibilities to the Province of Manitoba for 17,500 housing units. *Source: PWHCE Study "Women Need Safe, Stable Affordable Housing, February 2004, Researchers, Molly McCrackern and Gail Vatson.*

In reference to the (PWHCE) report titled "Women Health and the Demise of Social Housing", the key findings are as follows:

Housing affordability issues such as having to pay more than 30% of income for shelter can mean women jeopardize other basic needs such as food, clothing, medicine, et cetera.

Over one million Canadians are facing affordable housing shortages especially people living alone, seniors' households and single parent families due to government cut-backs.

For most women, living in their own home has significant social and psychological importance beyond its physical structure as it helps enable women to have full lives and contribute to society.

The housing needs of single Aboriginal women, senior women and disabled women are significant in Manitoba.

All levels of government must do more to help women with low income to achieve their financial objectives. *Source: (PWHCE) Report Women Health and the Demise of Social Housing, November 2001, Researchers, Darlene Rude and Kathleen Thompson.*

Regarding the study titled, "The Effects of Social Isolation and Loneliness on the Health of Older Women" (based on focus groups in Manitoba), the key findings are as follows:

The housing options for senior women are severely restricted due to low income levels which limit their access to planned retirement community assisted home living, life lease arrangements and co-op housing situations.

Policy makers must involve women in all levels of discussion and decision making when addressing issues that concerns them, especially in the area of housing needs. *Source: Ageing in Manitoba Sturdy, University of Manitoba 199, Researchers, Madelyn Hall and Betty Havers.*

In an article pertaining to the Federal Housing Program, the key findings are as follows:

Joe Fontana commented that approximately almost 600 million of the one billion in promised federal funding is sitting untouched because most provinces have not put up the matching funds needed to unlock their share of funds.

Only the province of British Columbia and Québec have accessed close to their share of funds since the federal program was introduced.

The push to expand the supply of affordable housing comes amid stepped-up warning from social policy activists in May 2003, that the shortage of reasonable priced accommodations will drive the most vulnerable Canadian single parent, single senior and Aboriginal people and recent immigrants deeper into poverty.

The most recent Canadian Policy research study accuses the provinces of allowing the issue of housing to become a policy orphan despite its critical role in the health and well-being of Canadians. Among other things it recommends creating incentives to preserve and add to the stock of private and rental housing. *Source: Winnipeg Free Press, December 5, 2002, article written by Norma Greenway.*

Predictability?

It appears that the time is right to change the regulatory focus from limiting the flexibility of RPPs to ensuring that the appropriate legislation allows retiring plan members access to their retirement funds and accumulated interests. Paramount among the choices facing many single senior women of low income is whether they can achieve their financial objectives of being free of all debts in their retirement years. It is imperative that government understands the intent of pension legislation when introducing amendments to the Act.

The objective of the DC plans is to guarantee a specified amount of money will be contributed on the employees' behalf while they work and the income that is paid out in retirement with that money is not specified or guaranteed. In addition, the members have assumed the risk throughout their careers on the funds invested for them in their retirement accounts.

Regrettably, the governments introduction of LRIf and LIF contracts cannot preserve plan members' retirement money if the maximum pension rules severely restrict withdrawal amounts (for individuals over the age of 65) and their members' investments fall below a certain level.

On the other hand, prescribed RRIF accounts afford plan members the opportunity to invest their money, but eliminates the maximum withdrawal rules contained in LIF and LRIF contracts under current pension legislation. Furthermore, RRIF accounts provide protection for spouses in the form of a consent clause contract.

As an option, the government has the authority to amend the maximum commutable amounts legislation to provide for the commutation of locked in accounts if the balance falls below the threshold of $50,000. It is obvious that in these circumstances, the amount of $50,000 cannot provide retirees with adequate pension benefits of the span of their lives. It should be pointed out that individuals (usually women) hired at mid-career for whom an RPP (under $50,000) can provide only relatively small pension incomes each month would benefit more from an unlocked RRIF arrangement, thereby compensating retirees for a shorter service in the workplace.

It is apparent there may be investment risks associated with LIFE annuity contracts. The retiring plan members face the risk that the market value of their pension assets or the interest rate at which their annuities depends on is especially low on the date the members purchase their contracts. Therefore, providing the annuitants with no opportunity to take advantage of subsequent improvements in either. It should be noted that the value of fixed life annuity payments would eventually erode over time with inflation.

According to Peter Orzaq, a lecturer in economics at the University of California studying the effects of annuity costs, he estimates that the administrative fees and expenses cumulatively reduce the value of average individual accounts in Britain by 43% over a typical career and retirement.

Our society is changing shape as more seniors are experiencing the hard realities of living below the poverty level and being forced to apply for the federally funded Guaranteed Income Supplement Program (GIS), while receiving insufficient payments from their locked in accounts. For your information, when retired individuals of low income belong to RPP's and receive monthly payments in the form of annuity or LIF and LRIF contracts, then their GIS benefits are reduced considerably, thereby penalizing those who are not free to cash out their plans.

By rough estimates, taking into account standard of living and income tax deductions, most single individuals of low income who are at retirement age will need approximately 80% of their retirement income to enjoy a standard of living similar to what they experienced prior to retirement. Unfortunately, most retirees will receive under 50% of their pre-retirement income through federal pension programs. Statistics show that a considerable number of single low income individuals over 65 years of age are living on a gross annual income of $13,000 to $16,000 a year.

In accordance with Statistics Canada, low-income cut-off measures in 1997, 45% of Canadian Seniors living on their own had low income. Any improvements to their financial situation came from increased funding to their pension (CRP, RRSP, and private employee sponsored plans). *Source: The National Council of Welfare, autumn edition 2000.*

For your information, on December 10, 2004, the Crocus Investments Fund, which has 33,678 Manitoba investors, voluntarily halted trading. The Manitoba Securities Commission is presently investigating the Crocus Group for possible violations of the Manitoba Securities Act (MSA). It is evident from this information that investing in various funds at retirement age could potentially put the stakeholders at serious financial risk. Ultimately, both the retirees and governments will have to pay the price for this experiment!

Health

An important consideration for senior women of low income is to increase their retirement income, as adequate income is a prerequisite of good health. Regarding the study titled, "Effects of Social Isolation and Loneliness on the Health of Older Women", the key findings are as follows:

Many senior women of low income cannot afford to participate in program and leisure activities, thereby causing their health and well being to be diminished greatly.

The critical factors related to high levels of loneliness for senior women include lower retirement income, lower levels of social support and a greater number of prescription medication costs in their retirement years. *Source: Aging in Manitoba study, University of Manitoba 1999, Researchers Madelyn Hall and Betty Harers.*

In respect of the (WHC) study titled "Women, Income and Health in Manitoba, An Overview and Ideas for Action", the key findings are as follows:

Women's health status is influenced by a number of factors, including social status, income, education, social support systems and government intervention.

Priority must be given to the health issues raised by women who are subjected to inequalities in their daily lives, especially seniors, Aboriginal women and disabled women.

There are many ways poverty can contribute to ill health among women, including lack of access to medication and medical equipment, transportation and proper housing.

The provinces need to take a leadership role to improve the health conditions for Manitoba women living in poverty. *Source: Women's Health Clinic study, Women, Income and Health, Manitoba 2002, Researcher Lissa Donner.*

According to Steve Hwang, Professor at the University of Toronto who studies the link between poverty and health suggested in a recent article that there is a clear link between income, health and longevity. He is quoted as saying, "It's to some extent your ability to buy a better environment to live in". *Source: Winnipeg Free Press article, February 2, 2005.*

In reference to the Status of Women Report Canada (1997), the data shows women who were employed full time earned just 72.5 percent of what men who were employed full time made, thus ensuring increased economic hardship in their retirement years.

Conclusion

It is clear from the studies noted above that senior women with low income are failing to thrive in our society, in large part due to the lack of political will. There is an urgent need for the members of the Manitoba Legislative Assembly to create avenues of opportunities that empower women to achieve financial security and social equality.

In conclusion, it is imperative that the government is aware of the welfare of its citizens and allows moral values to take precedence over corporate influences.

Sincerely,

Doris Mahoney, Stakeholder