

## Ontario's pension safety net imperilled

### Report warns one big bankruptcy could wipe out Pension Benefits Guarantee Fund

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Ontario's unique pension-plan safety net that makes payments when companies go bankrupt is teetering on the edge of being wiped out and could fold if a large corporation were to go under soon, experts warn.

The provincial government is currently accepting comments on a report it commissioned in 2006 – the first review of pension laws in 20 years – and lead author Harry Arthurs concluded the Pension Benefits Guarantee Fund, the only such program of its kind in Canada, could soon become history.

"I think one sufficiently large company or several large companies (going bankrupt) would cause the plan to go broke," Arthurs said in an interview, adding that the Ontario government is in no way required to save the pension-insurance program.

"They certainly have no legal obligation to bail it out ... and I think it's an interesting question – if there isn't enough money, what happens next?"

Since 1980, the Pension Benefits Guarantee Fund has provided pensioners with up to \$1,000 per month in the case that a pension plan fails to provide its full benefit, or any at all.

The program is funded by corporate payments and had been run successfully for decades.

But the report notes it's increasingly common that companies are reporting high levels of unfunded pension liabilities – shortfalls in funds needed to pay out its pension requirements – and the provincial fund is threatened by a possible "shipwreck scenario."

That could occur if a bankrupted company with many employees flooded the fund with claims and the government found the shortfall too expensive to make up.

Similar fears have been raised in the past because of troubled companies like Algoma Steel, Massey Combines and Stelco, and special provisions were made by the government to keep the fund afloat.

But the plan last reported a deficit of \$102 million, and there's no guarantee the government would be willing to again prevent a shipwreck scenario, said Simon Archer, a senior staff member of the expert commission that wrote the report.

He said a shipwreck scenario appears to be "pretty realistic" considering the plight of companies like Nortel, and struggles faced by automakers, manufacturers and the pulp and paper sector.

"If the question is how likely is it, I'd say there's pretty good odds these days that there's going to be a major insolvency and that will put pressure on the PBGF," Archer said.

While pensioners with large corporations would likely be among the first to be looked after in the case of a government bailout, a failure of the fund is a scary proposition for employees with smaller companies, he added.

"The big guys are going to get attention one way or another but the little guys need this insurance system to keep their pensions in place," Archer said. "Problem is, if you're a tiny little auto parts plant in Brantford or

wherever, the government's not going to step in because you're not powerful enough ... to attract political attention."

The report recommends that the government not only find a way to maintain the fund, but also boost its premiums to a maximum of \$2,500 a month to reflect the current cost of living. "Nobody loses a pension, what a good public policy that would be," Archer said.

The head of the Financial Services Commission of Ontario, which oversees the fund, was not made available for an interview. An Ontario government spokesperson also wouldn't comment.