



Second Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

INDUSTRIAL RELATIONS

31-32 Elizabeth II

Chairman
Mr. C. Santos
Constituency of Burrows



MG-8048

VOL. XXXI No. 8 - 10:00 a.m., WEDNESDAY, 17 AUGUST, 1983.

MANITOBA LEGISLATIVE ASSEMBLY**Thirty-Second Legislature****Members, Constituencies and Political Affiliation**

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, Hon. John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
DESJARDINS, Hon. Laurent	St. Boniface	NDP
DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	NDP
DOLIN, Hon. Mary Beth	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOWNATS, Abe	Niakwa	PC
LECUYER, Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
MALINOWSKI, Donald M.	St. Johns	NDP
MANNES, Clayton	Morris	PC
McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, Hon. John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
SHERMAN, L.R. (Bud)	Fort Garry	PC
SMITH, Hon. Muriel	Osborne	NDP
STEEN, Warren	River Heights	PC
STORIE, Hon. Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON INDUSTRIAL RELATIONS

Wednesday, 17 August, 1983

TIME — 10:00 a.m.

LOCATION — Winnipeg

CHAIRMAN — Mr. Santos (Burrows)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Mr. Storie, Mrs. Smith

Messrs. Harper, Mercier, Nordman; Mrs. Oleson, Messrs. Santos, Scott and Steen; Ms. Phillips

WITNESSES: Representations were made to the Committee with respect to Bill No. 95 - An Act to amend The Pension Benefits Act as follows:

Mr. Frank Speed, Vice-President and Actuary, Canadian Life and Health Insurance Association, Inc.

Messrs. Alasdair McKichan and Ross Rigney, Retail Council of Canada

Messrs. Jim Wright and Mark Fenny, Winnipeg Chamber of Commerce

Mr. Dennis Sutton, Canadian Manufacturers' Association

WRITTEN SUBMISSIONS: Y.W.C.A. and the Mining Association of Manitoba Inc.

MATTERS UNDER DISCUSSION:

Bill No. 95 - An Act to amend The Pension Benefits Act.

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MR. CHAIRMAN: Committee come to order. As a matter of courtesy for those people who are out of town, could they make themselves known so we can give them the priority in the presentations? — (Interjection) — Any others?

MR. A. MCKICHAN: Mr. Chairman, my name is Alasdair McKichan, representing the Retail Council of Canada.

MR. CHAIRMAN: Thank you. Mr. Speed, you can have the first crack — (Interjection) — they don't want it.

MR. F. SPEED: Thank you, Mr. Chairman. As I mentioned, my name is Frank Speed. I'm the Vice-President and Actuary of the Canadian Life and Health Insurance Association.

The Association is a voluntary trade association of 122 life insurance companies doing business in Canada. Our members have 99 percent of the life insurance business in force in Canada, and our members also administer roughly 70 percent of the pension plans in

Canada, covering about 13 percent of pension plan members.

Our Association has been very active in the debate on pension reform over the last few years. As we said in our submission to the Manitoba Pension Commission, we do see a need to improve Canada's retirement system. As a matter of fact, we have advocated many of the changes in legislation that appear in Bill 95; just to mention a few, the five-year vesting, improved portability, mandatory survivors' benefits and the requirement for minimum employer contribution. We have also strongly opposed several of the features in the legislation, including those having to do with retroactivity and those which would require equal benefits for equal contributions, regardless of sex.

I would like to return to those in a minute, Mr. Chairman, but I would like to say that, despite our strong advocacy for change and reform, we do recognize that this has a cost. It's very expensive, some of these reforms that are being proposed. We are concerned that if Manitoba moves too quickly and ahead of the other provinces to impose additional costs on employers in this province, it may have adverse consequences for employees and for employers. As everybody knows, we have come through or we may still be in a very difficult economic situation, and although there are signs of improvement, in fact, employers continue to be very cost-conscious.

I would point out that employers do have alternatives to establishing a pension plan. If you make the requirements for a pension plan too onerous, an employer does have an alternative to that plan. A small employer, for example, might turn to a registered retirement savings plan. A multi-provincial employer, for example, might find it necessary to remove his Manitoba employees from his master plan, and perhaps put them in a separate plan.

I would like to emphasize the importance of uniformity in pension legislation to national and multi-provincial employers. If there is not uniformity, then it increases the administrative complexity, the difficulties of dealing with the plan and, in fact, means that more money must be spent on administration which could or should go to providing benefits for employees. I would like to say that another problem with the lack of uniformity is when the legislation is directly conflicting.

One of the provisions of this bill, just to give you an example, Section 10, which would prohibit a 25 percent cash-out or which, in fact, terminates the provision in the present legislation allowing a 25 percent cash-out of vested benefits is directly conflicting with Saskatchewan's legislation which requires such a cash-out.

To illustrate the problems that this causes, I'd like to just refer to a plan that we in the life insurance industry have developed for small employers. It's called the Uniform Pension Plan, which many of you may have heard about, perhaps not, but it was designed with the co-operation of the regulatory authorities and the

taxation authorities, particularly with the interests of small employers in mind. It's been an accepted fact of the pension debate that those who have the least coverage among employed workers are employees of small employers. So, we have prepared this plan which is offered in all provinces, and in fact, there are employers in all provinces who are now participating in this plan except for the Province of Prince Edward Island.

It would appear that we might be forced to discontinue this plan in Manitoba if we simply cannot meet the legislative requirements of Manitoba and Saskatchewan, or we may have to discontinue it in Saskatchewan. We couldn't continue to offer it in both places. I offer this only as an example of the problems that occur when legislation is not uniform.

My suggestion to you would be that you not move so quickly with this legislation. January 1st, 1984, is frankly much too soon for an implementation date. At the very least, that implementation date should be put off another year, but preferably it would be better if Manitoba would enter into discussions with other provinces in an attempt to get some uniformity of legislation among the provinces. As you all know, the Federal Parliamentary Task Force on Pension Reform is due to report at the end of this year and it may help to serve as a catalyst among the provinces in obtaining uniformity of legislation.

Moving to the specific features of the bill, the first one I'd like to refer to is Section 12 of the bill, which refers to Section 21(5.5) of the legislation, and it's the retroactive feature of this provision that causes us some concern.

might say that this section is written by, I think, the proverbial Philadelphia lawyer because it's very difficult to understand. But my interpretation of it is that it provides for retroactivity in the requirement that an employer must pay 50 percent of the cost of the pension benefits at least back to July 1st, 1976.

We think that it's wrong in principle and that it's generally unacceptable to impose additional costs on employers who have voluntarily entered into pension arrangements under circumstances as they existed at the time. If they voluntarily entered into these arrangements, they are now hit retroactively with costs; if they didn't, they escape completely. The more generous their plans are, the more they're hit by retroactive legislation.

So tentatively I would suggest that perhaps you should strike out the reference to Clause 1(a) in that particular section. That would still provide for the employer to be required to pay 50 percent of the costs of vested benefits accruing after the date of the legislation.

The second point that we feel would be very ill-advised is the requirement that there be equal benefits for equal contributions to a pension plan. Here I'm referring to Section 14 of the legislation, Section 21.(6.4) of the plan.

I might say, Mr. Chairman, that we have no objection really to Section (a), (c), and (d) of that provision. Sections saying that there should not be different contributions by employees, we agree with, and that's a standard practise, it seems to be required by human rights legislation. I don't think there should be different options based on sex and there generally are not. The inclusion or exclusion from membership based on sex

should not be permitted and it is not under human rights legislation.

The requirement for equal benefits, though, poses a practical problem. Let me say, at this stage, that we have no objection in principle to the idea that an equally situated male and female employee should receive equal pensions. That's the case under defined benefit pension plans right now. Our objections are to the practical consequences of this particular type of requirement. It does affect both money purchase plans and defined benefit plans, but it affects most directly the money purchase plans.

Our concern is that these money purchase plans are the favoured plans of small employers simply because of their strict cost control and simplicity of administration. There are ways that the current legislation could be dealt with, but it would remove the simplicity and the administrative ease, it would remove the particular advantages of these types of plans to small employers. In effect, these plans would become unit benefit plans which would require actuarial assessments as to the amount of money that would be required to provide the benefits. In fact, the practical consequences of this rule may be that employers would turn away from these plans to other arrangements, to direct compensation in lieu of pension, to RRSPs, profit-sharing plans or whatever.

Another possibility, of course, is that they would choose to continue to put a conversion table in their pension and convert pensions basically on the basis of female mortality, which in fact would disadvantage the males without doing much for the females.

So we think the practical consequences of this particular approach would be not in the interests of employees. There seems to be an assumption of the advocates of this approach that it will in fact benefit women employees and I think that's not necessarily a correct assumption. So we feel that you should look very carefully at this before you proceed with this section.

Another section which we think would be unadvisable to proceed with at this time is the one having to do with compulsory membership. Section 14 of the bill and Section 21(6.5) of the act. We think that this could be an extremely costly feature for some employees, particularly the requirement for compulsory participation by part-time employees. There are undoubtedly many employers and many small employers who make considerable use of part-time employees, and we think to force them to include their part-time employees in their pension plans might be a reason for deterring them from having a pension plan or perhaps discontinuing the one that they have.

Our suggestion would be, at this time, that you legislate compulsory eligibility for permanent part-time employees. In other words, require that plans must allow a permanent part-time employee, who wishes to join the plan, to join the plan. Some plans at the present time, many plans I believe, do not allow part-time employees. We think this would be a significant first step, and that any move towards compulsory participation should be deferred, at least until the issues relating to compulsion upon employers to have a pension plan are resolved. It seems rather curious to insist that employees must belong if the employer has a plan, but not to insist that the employer have a plan.

We are not advocating at this time that employers be required to have a plan.

Another feature which we suggest you look at very closely is the one that requires the death benefit to be equal to the commuted value of the employee's pension, Section 16 of the bill and Section 21(12) of the legislation. There are real advantages to providing preretirement death benefits through insurance arrangements, rather than through pension arrangements. This type of requirement will not really provide a very large pension to the spouse. Typically, better provisions can be provided through life insurance on a more effective tax basis for employees. If this goes ahead, it will require many employers to re-evaluate and perhaps redesign their employee insurance plans. So we would suggest that this particular feature ought to be deleted.

I've mentioned the locking-in feature, the prohibition against commutation of 25 percent of the pension benefit. In fact, our association thinks that, as a general principle, this is a good thing. We, in fact, advocate that, but we are concerned, as I said before, with the inconsistency between provinces, with the difficulties that the lack of uniformity causes. So that, while we think this is a good provision and we are in favour of it, we think that it should be deferred until there is some agreement among the provinces to some uniform treatment of this feature.

The next feature that we would suggest that you look at is the provision dealing with marriage breakup, Section 19 of the bill, Section 27 of the act. This provision is subject to the regulations and the regulations aren't available to us, so we're not entirely sure what it involves, but it does seem to say that we're not prepared to permit the courts to make a decision in this particular matter or even to allow the partners in the terminating marriage to agree on a settlement. We think this is too rigid.

After all, when a person retires, you will allow the spouses to agree to some alternative settlement to a survivor's benefit. We think that if the partners agree and if there is a court decision on the matter, then that shouldn't be overridden by legislation.

I have one question with regard to Section 12 of the bill, which is the portability feature of the bill, which says, I believe, something to the effect that an employee cannot be prevented from transferring the commuted value of his pension to some other vehicle. I would simply suggest that this should be worded so that it cannot be prevented upon termination of employment. You wouldn't want, I don't think, an employer certainly would not want, and Revenue Canada would not permit employers to transfer money from their plan while they remained employed with the same employer, so I suggest that you look again at the wording of this particular section. The principle is fine, but something may have been overlooked.

And then in connection with the effective date in Section 23(4), I simply ask if that is supposed to be 1990 rather than 1980.

That's all the points that I have to make, Mr. Chairman. I just would like to reiterate that our association is very much in favour of reform, very much in favour of many of the things that are contained in this bill, but we believe that Manitoba is moving too quickly in this particular instance.

MR. CHAIRMAN: Are there any questions from the committee members?

The Minister of Labour.

HON. M.B. DOLIN: Before I ask a couple of questions, I would just like to share with you information that certainly I have just received in the past week having attended the First Ministers' Conference, and this is with regard to your concern about co-ordination and so on.

The Premier in Ontario will be convening, very shortly, a meeting of the Ministers responsible for pensions, and I'm sure you are aware that in some provinces this responsibility, if it lies with the Minister - I couldn't tell you who that Minister is because they simply don't have acts such as we do - and I'm sure you're also aware that in 1981 Saskatchewan moved ahead of the other provinces with their legislation. So, there is really not the reluctance among the provinces to begin to move in the direction of better pension coverages.

I believe that also the fact that we will have the pension commission here in Manitoba working very hard on the co-ordination of multi-employer plans and that particular difficult aspect of co-ordination over this next year will alleviate some of the concerns that you have as they reach some conclusions about how we should deal with that particular problem.

We also have a proposal for a voluntary employer pension plan here which you are maybe familiar with, which I am sure is somewhat similar to the plan that you mentioned. We are going to be looking at that very carefully, making sure it is updated and so on and since it has the agreement of all parties, we will most likely be proceeding with offering that kind of an opportunity to employers who perhaps are too small to become involved in a pension plan themselves on their own.

So, with those few remarks, let me just perhaps ask you couple of questions. I wonder if you could define for me what you feel to be regular part-time.

MR. F. SPEED: Regular part-time?

HON. M.B. DOLIN: You referred to part-time workers and you said they were usually employed by small employers.

MR. F. SPEED: Yes, I don't have a firm definition . . .

HON. M.B. DOLIN: Permanent part time, what does that mean? How many hours?

MR. F. SPEED: I think there are many part-time employees who have a permanent attachment to the work force, they may work two days a week, they may work half-a-day every day, whatever. In other words, they report regularly to their employer but it is on a part-time basis and their hours of work may be under whatever, 20 hours a week or whatever the definition is. It might be for a full-time employee but there are other employees who have a very casual attachment to the work force. They may be hired for a morning or for a few hours or whatever and it's very difficult to administratively include these kind of employees in a pension plan.

We would suggest simply that as a start those permanent part-time employees, that under some

definition have an attachment to the work force, and you know, there are all kinds of examples and I'm sure you'll hear more of that from some of the other organizations who represent the retailers and that kind of thing. But, the definition that's in the legislation right now, for example, I think in Section (c), it deals something about required participation for part-time employees. Perhaps that in discussion with some of these other organizations, some kind of definition like that might be used to determine what is a permanent part-time employee.

HON. M.B. DOLIN: What I was trying to get at is the number of hours you would consider that an employee would have to work to be considered regular part-time. My experience with part-time workers is that for the most part their hours are very insecure and, while they may work six hours one week, they'll work 30 hours the next week and then they'll go back to not working at all the following week because there's no call for them. This happens a lot with large employers who depend to a great degree on part-time employees. Some people are spending their entire lives doing what we now call part-time work. I'm trying to get at what you see as the definition of that part-time employee.

MR. F. SPEED: I do not have a specific definition to suggest to you, but I do believe there is a specific definition that probably would be acceptable to many people if we were to focus our attention. At the moment I cannot say, for example, that somebody who was employed 700 hours per year for the same employer for two years or something like that, that's the kind of formula that I think people are looking at. I just wouldn't want to say that's what we endorse, but it's something along those lines.

HON. M.B. DOLIN: There's one more point that I would like to question and that is: I wonder what your opinion is as to the disposition of monies left in pension funds by women who are moving in and out of the work force and therefore never benefiting from a pension plan, never having become vested in it? The employer contributions obviously remain in the fund. Could you give me your opinion of the disposition of those funds?

MR. F. SPEED: Well, in the first place, I think that with the improved vesting, five-year vesting for example, and with the requirement that the employer contribute 50 percent of the cost, there will be something in that to the advantage of such employees. Our feeling is that they should be allowed to take that money out, perhaps into a Registered Retirement Savings Plan or whatever on a locked-in basis that would provide for some accumulation of that money on say, you know, current market interest rates to provide them with a pension at retirement.

HON. M.B. DOLIN: I'm talking about what has happened in the past with monies left in a pension fund by women moving in and out of the work force and on occasion, perhaps, getting back their contributions with a 2 or 3 percent interest rate perhaps - the fund having earned much greater interest on investment than that and the employer contribution of course remaining in the fund.

MR. F. SPEED: Well, it's a question of vesting, I think.

HON. M.B. DOLIN: Who has benefited from that?

MR. F. SPEED: The funds that remain in the plan are used, you know, the employer's contribution and the employee's contribution go to provide the benefits and if there is some reversion from those employees who terminate without vested benefits then that goes either to reduce the employer's contribution or in effect to provide additional benefits for those who do stay in the plan until retirement. It's simply a matter of calculating the costs of the plan and making an estimate of what the turnover of the plan will be and how many people will leave the plan without vested benefits and so forth.

So, in the past, if women, not just women, men, left the plan before they had vested rights under the plan then, of course, any contribution made by the employer stayed in the plan and it was used in one of those ways to reduce his cost or else to allow him, if he'd taken that into account in determining what his cost for the plan would be, then it was in effect used to provide additional benefits under the plan.

HON. M.B. DOLIN: Would you also agree that most retirees in your experience, now let's say the majority of those benefiting from a pension plan, have been men? Is that true in your experience?

MR. F. SPEED: Well, certainly there have been more men in pension plans and certainly more of the women in the labour force have tended to move in and out of the labour force and that sort of thing, so I think that's correct, yes. But I think that's going to be corrected by some of the changes that are now being proposed, the shorter vesting for example. It undoubtedly will be, there is no question about it and we are not arguing against some of these changes. It's clear that some of the changes that must be made in pension plans must be made to give a better deal to women, there's no one that denies that. So, we're, I think, moving in the same direction.

HON. M.B. DOLIN: One last question, in your actuarial calculations do you have a number to attach to the percentage of women who live longer than the average and the number of men who die sooner than the average age?

MR. F. SPEED: Well, I would think half and half. Die sooner than the average age of death?

HON. M.B. DOLIN: Yes.

MR. F. SPEED: Well half die earlier and half die later.

HON. M.B. DOLIN: There are given life expectancies and so on beyond retirement, let's say. A certain percentage of women live longer than that and therefore would be on a pension longer if they had a pension in the first place, which most of them don't. But nevertheless, if they were on a pension, they would benefit from that pension plan longer. There are some men, a certain percentage of men I have been told,

who die sooner than the expected rate or the expected life expectancy beyond the point of retirement. And I have been told that these are fairly well matched and it's not a significant number. I'm wondering what your actuarial calculations are because I'm sure that most large companies do calculate this, that's why they want to retain the tables as they are.

MR. F. SPEED: I can see what you're driving at. I think that the answer is that half - if you're talking about how many men die before the average and how many die after the average it's half and half - but I think perhaps what you're referring to is what has come to be known as the overlap theory which is advanced for, or arguing that there should be equal benefits to males and females. What this in fact says, the way this theory operates, is that if you have an equal number of men and an equal number of women, age 65 and if you sort of matched the deaths from 65 until all of that group died, you find that there is an 80 percent overlap, that 20 percent of the men die on one end and 20 percent of the women live longer, sort of thing. That's an argument for saying, well, it really isn't that big of a problem. But that really is not a good argument for several reasons, if I could just take a moment.

If you use that argument then - if you look at age, for example, if you look at 1,000 men age 65, and 1,000 men age 56, and you perform the same mathematics that this overlap theory pursues, you find that there's an 80 percent overlap. Therefore, if you believe that argument justifies equal benefits for men and women, you must believe that it justifies equal benefits regardless of age. There's no magic in the 80 percent.

Let me give you one other example. If you take 1,000 women, age 59, and 1,000 men, age 65, and you perform the same overlap operation, you find there's 100 percent overlap which is why we charge the same rates for women age 59, and men age 65. So that particular theory is a fallacious theory; it doesn't prove anything in my opinion.

MR. CHAIRMAN: The Member for Wolseley.

MS. M. PHILLIPS: Thank you, Mr. Chairman. Sir, you commented on Section 19 27(2), the section on marriage breakdown. I'd like you to clarify that what your concerns were in that regard. You mentioned that it says as prescribed by regulation, except you didn't go on to mention 27(3), which does clarify how division of that family asset would take place. What are your concerns about that?

MR. F. SPEED: Well, perhaps I've missed something, but the way I read the legislation was that it said regardless of any agreement between the parties and regardless of any judicial decision that might be obtained in this matter the division of benefits shall be in accordance with the act and the regulations. I simply suggest that this is too rigid; that an agreement between the parties, and if the legislation permits that, then I apologize and withdraw my comment. I'm simply saying that agreement between the parties should be acceptable.

MS. M. PHILLIPS: Are you aware that presently pensions cannot be assigned or divided in the Province of Manitoba?

MR. F. SPEED: According to the legislation?

MS. M. PHILLIPS: Legislation, as it is presently. If the goal of pension legislation is to assure retirement income, what we have suggested here is that pensions - we will change from the present status of not having pensions assigned at all to having them divided in the event of marriage breakdown, but that they must remain as pension plans for either party to meet that goal of retirement income for people.

What you're suggesting then is if parties agree to trade, say, the pension plan against the car, that should be what we allow rather than what we have here which says, yes, they can be assigned but they can only be divided and each party will be assigned the proportion.

MR. F. SPEED: Well, let me say that we agree with the principle that monies that are contributed towards a pension should be used to provide a pension.

As I said before, we agree with the locking-in, in principle. Practical consequences though, are that if the amount of pension is very small and that, for example, there are other arrangements for retirement that are perhaps just as good as pension plans, say, for a home and that kind of thing, RRSP or whatever. I really don't want to make a big issue because if you've considered this point and said, well, in our considered opinion, you know, we want to do it this way. It's not a major issue, it's simply that we feel that it is too rigid, that there are other ways and agreements that can be made that would provide for retirement for the two parties just as good or a better way as what perhaps the Pension Commission might write out in regulation.

MS. M. PHILLIPS: On that point of rigidity then, Mr. Speed, Section (b) in 27(3) outlines that it could be a retirement benefit plan of the type prescribed in the regulations, which would give that variety in terms of, say, RRSPs or whatever, but would still designate that it must be set aside for retirement income. Is that still too rigid in your opinion?

MR. F. SPEED: I think that we would like to study it a little more. As I say, it's not a matter that we feel is a crucial matter.

I might say that we have had some difficulty getting our hands on this bill and therefore perhaps have not analyzed it in detail as much as we might have. So I would like to say that in principle we think that it's too rigid; that after we've examined the regulations and considered the remarks that you've just made, then perhaps we would want to comment on it again. I don't know. It just seems to me, and I might say that my thinking is influenced a little bit by the work that I've done with other organizations, and this business committee on pension policy and their views are I think somewhat the same, that we shouldn't build an unnecessary amount of rigidity into legislation.

MS. M. PHILLIPS: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for St. Norbert.

MR. G. MERCIER: Mr. Speed, have you, in the short time that the bill has been available to you, been able

to do any estimates of the effect of the bill on employers, that is, the increase in the cost to employers, for example, based on payroll?

MR. F. SPEED: We have not.

MR. G. MERCIER: Are you in a position to make any estimates?

MR. F. SPEED: No, I'm not.

MR. G. MERCIER: Okay, thank you.

MR. CHAIRMAN: The Minister of Economic Development,

HON. M. SMITH: Yes, Mr. Speed, perhaps building on the previous question, do you accept the notion of pension as deferred wages, and that therefore the amount contributed by employee and by employer can be looked at in that package and doesn't automatically lead to an incremental cost to an employer?

MR. F. SPEED: That's a very contentious issue at the moment. I think that we believe that it is much closer to deferred wages than it is to a reward for long and faithful service. There are some who would debate whether it's deferred wages or deferred compensation and what the difference is between the two.

I don't think it can be assumed that it would not result in an incremental increase in wages without avoiding the question of whether it's deferred wages or not. I think there would be additional costs for employers, unless the employers had the freedom not to adopt these plans and simply said, well, we'll provide alternatives.

HON. M. SMITH: Mr. Speed, I guess that what I would ask is, if you can't assume that it wouldn't be an incremental cost nor can you assume the reverse, that it couldn't be looked at as a total part of the compensation package. Therefore, if the company was growing and more profitable, it could lead to more cost. If it was in a stable, no-profit situation, in fact it could be a case where the total package compensation didn't change, but the balance of it changed internally. Would you agree that flexibility is still there for an employer?

MR. F. SPEED: Well, I think that a lot depends upon the arrangements between the employers and the employees. In a negotiated situation, there may or may not be that flexibility. In a situation where there is no union involvement, it's perhaps possible that an increase in pension costs could be balanced by a lower increase in direct compensation.

I'm not an expert on these matters, and so I feel unable to give you an authoritative answer.

MR. CHAIRMAN: Thank you, Mr. Speed.

HON. M. B. DOLIN: If I could make one comment to Mr. Speed, I want to assure him that we will make sure that he is on our mailing list in future. I believe that I received information from Gerald Devlin, and I also

want to assure you that our Pension Commission does not keep their documents in any way secret. Their recommendations to the government have been available since late May, so should you wish to contact them in the future, I'm sure that you would receive . . .

MR. F. SPEED: If I may clarify that, we did have the recommendations of the Pension Commission. It was the bill itself which we did not receive until, I think, the 26th of July.

HON. M. B. DOLIN: I believe that I spoke to it in the House at second reading on July 22nd, so your response was the first I received after that. If you understand our parliamentary procedure, it's not available until it's tabled in the House.

MR. F. SPEED: I just suggest that with the problem of holidays at this time of year and the fact that the bill was only available on the 22nd of July, it's very difficult to do a thorough analysis of the bill and be prepared to comment to this group on great authority at this time.

MR. CHAIRMAN: The Member for St. Norbert. Mr. Speed, you're still on.

MR. G. MERCIER: Mr. Speed, in view of that answer, would it be your recommendation to this committee that the consideration of the bill be deferred to perhaps a committee of the Legislature to hold further hearings after this Session is ended, so that people interested in this bill will have an opportunity to consider it fully and to analyze it thoroughly?

MR. F. SPEED: I would certainly make that recommendation. However, my first recommendation would be really that the whole thing be put over, or at least the effective date of the legislation be put off at least for another year. Yes, I would recommend that, because I believe there are many organizations who might like to appear who perhaps have not found it possible to do so.

MR. CHAIRMAN: The Member for Wolseley.

MS. M. PHILLIPS: I would just like to inquire from Mr. Speed if he was aware that the Pension Commission held rather extensive hearings at the end of March, at which time 79 different organizations did present their comments on the proposals which are not, in essence, other than some minor details or some time frames, much different than what's in the actual legislation. I guess, I would just like to assure Mr. Speed, we would have loved to have been out before holidays too.

MR. F. SPEED: We were one of those organizations. In fact, we were part of two of the delegations that appeared before the Pension Commission, but I guess we view a little differently an appearance before a committee of the Legislature than for the Pension Commission.

MR. CHAIRMAN: Thank you, Mr. Speed. This time you can get dressed.

Mr. Alasdair McKichan.

MR. A. McKICHAN: Mr. Chairman, Madam Minister, members of the committee, my name is Alasdair McKichan, and I'm representing this morning the Retail Council of Canada, of which I am President.

I have made available to the Clerk, Mr. Chairman, copies of our submission, which I believe are being distributed. I might say that, with your permission in the interests of time, I shall attempt to summarize parts of the submission, rather than read it word for word.

MR. CHAIRMAN: Thank you.

MR. A. McKICHAN: I should also mention, Mr. Chairman, that I am accompanied this morning by representatives of some of our members who have day-to-day experience in the administration of pension plans. If it's useful to the committee, they will be happy to help me respond to any questions the committee may have.

In particular, I have Mr. Ross Rigney, who is both Chairman of our National Employee Relations Committee and, in his primary function, is Manager of Employee Benefits for Simpsons Sears Limited; also, Mr. J.B. Kylo, who is Personnel Manager of the Central Region of the Hudson's Bay Company; and Mr. Bruce Cromb, who is Manager of Employee Relations of the National Stores of the Hudson's Bay Company.

Mr. Chairman, I should perhaps take a moment to describe who we are. Retail Council is a national association representing directly retailers of all sizes and in most specialties, who among them perform something over 60 percent of Canada's in-store business across the country. Indirectly, we represent a substantial number of specialty and regional associations which account for a further substantial percentage of retail business.

We are pleased to have the opportunity to appear before the committee this morning, particularly because our trade is extremely, as you know, labour-intensive. It also employs proportionately and absolutely more part-time employees than, I believe, any other sector.

Benefits arrangements in general are of unusual importance to our members. Our members also have unique experience in coping with the pension needs of a workforce which, because of the diverse nature of its working arrangements, has similarly diverse pension requirements.

I should also add, Mr. Chairman, that our organization has itself recently sponsored a registered pension plan designed for smaller members in the industry, who often find it expensive and cumbersome to establish their own plans because of the relatively small numbers of employees they have.

The views we're expressing this morning have been prepared and submitted on rather short notice, but they are based on two documents which we have made available to the committee's secretariat; first, the submission we made to the Pension Commission of Manitoba some months ago on the proposals for the amendment to the act, and the submission which we recently made to the federal Parliamentary Task Force on Pension Reform. You'll see in our submission, we narrate the principles on which we have proceeded, but which I will not take your time to repeat now.

In relation to the bill, there is indeed much which our member companies can support. Clearly, it is time for certain basic features of private sector pension plans, particularly with respect to compulsory membership portability, vesting and survivor benefits to be improved and guaranteed. In our view, however, the amendments must take into account:

- a realistic assessment of all the real costs to employers and employees and to Manitoba and Canada as a whole, and our collective and individual ability to afford them;
- the need for maximum co-ordination and consistency if the approach and timing among all the provinces.

I may say, Mr. Chairman, I was pleased to hear the Minister say that, in fact, that co-ordination and discussion is indeed under way, and we endorse that.

There is one other important concern we should cover at the outset. The bill concentrates exclusively on introducing stricter provisions for the operation of pension plans for organizations which already operate such plans. It does not deal with the substantial number of employers who do not offer any pension plan. In our minds, this direction may work against what is surely one of the chief objectives of all of us concerned with the retirement security of members of the work force now and in the future; that is to say, achieving coverage for a high proportion of those whose life circumstances make it desirable.

We're concerned that exclusive emphasis on the application of relatively rigid standards for employers who operate plans may discourage the formulation of new plans, and even induce employers who already have plans to wind them up. In the latter case, such employers may feel the future burden of operating them is greater than their corporate profitability may allow. We believe a reasonable balance has to be struck between protection of employees within plans, and the preservation of sufficient discretion for employers to allow them to operate plans within their financial competence and designed for the particular needs of their employee profile.

In its current form, some clauses of Bill 95 will require many companies which operate interprovincially to incur additional administrative costs of establishing separate plans for their Manitoba employees. It may make it more difficult for retail companies to transfer or hire employees to serve in Manitoba in the case of those which operate in several provinces. It could encourage some employers and part-time employees to establish new forms of working arrangements designed to avoid the triggering of compulsory membership in existing plans.

We believe these effects can only be minimized if the basic principles of pension reform in the areas of eligibility, of portability, vesting, rate of interest on contributions, and survivor benefits are achieved in a national context. That's why we were so pleased to hear about the discussions towards that end this morning.

We therefore commend to the committee, and through the committee to the Minister and Cabinet, the following priority amendment to Bill 95, which concerns the aspects of compulsory eligibility and membership, and the other specific comments on aspects of the bill, but we're saying that we would prefer

that the application of the bill itself should be suspended until the Parliamentary Task Force on Pension Reform has completed its work and the interprovincial discussions necessary as a result of the conclusions of that body's work are known.

Dealing with our priority amendment, and as we say, we have a concern in relation to this which supersedes all others in terms of its significance to our industry. We would urge most strongly that the section in question be amended to accord with the realistic needs certainly of this industry and perhaps of others.

First of all, in relation to Section 21(6.5)(a), we do support early membership of full-time employees in pension plans, but we believe that membership should not be made compulsory at an age when younger employees have heavy family formation and other expenses drawing on their limited incomes. We therefore believe that paragraph (a) requiring membership for full-time employees - that's to say after six month's employment - is too restrictive, and we make a positive suggestion later as to how that be amended.

I should just extrapolate there, Mr. Chairman, to say that in terms of an individual's future security, the expenditures which they may make in the early years of their working life, and possibly of their marriage in terms of establishing a home, may be just as important - perhaps more important - for their retirement security as contributions made to a pension plan. As you will see, it's our suggestion that fact be taken account of. It's also very difficult to persuade a young person that in fact, contributions made at a very early stage in their work life are in their best interests.

Next, Section 21(6.5)(b); as we have described in the more detailed documents which we've submitted to the secretariat, and which we abstract in the appendix to this submission, there is no single definition of what constitutes a part-time employee in our trade. We see as one of the difficulties of the bill that it attempts to apply a broad-brush requirement to a category which has a great many different variations. Most regular part-time employees in our industry are eligible for existing pension plans of our member companies on the same basis as full-time employees, but such is not the case for seasonal or contingent part-time employees. We do not agree that employers should be obliged to treat such employees as eligible for regular pension plans. We point out the considerations which lead us to that conclusion.

(a) First of all the vast majority of these employees strongly resist making pension contributions. Those who are young, as we have mentioned, have other priorities for their income (associated with the establishment of a home). Those who are older often have alternative arrangements for their future security. Compulsory eligibility may have the effect of signalling to those employees that they should opt to belong to a regular company plan when, in fact, that may not be in their best interests.

(b) The participation will involve a great deal of expensive administrative churning of records of such employees, which as a category, they have a high incidence of job turnover;

(c) Many employer plans are designed to provide benefits on a "final earnings" basis; certainly in our industry. This type of arrangement is really unsuited to coping with a spasmodic type of relationship between

employer and employee. To the extent that it's appropriate to provide coverage for some categories of part-time employment, a money purchase type of plan is often a more suitable vehicle. Employers, we believe, should have the freedom to establish such plans where needed, for their part-time employees in parallel to the different plan they have established for regular employees.

(d) Lastly, part-time employees who have the need, the inclination and adequate disposable income to provide for pension coverage and whose employers do not make available the facility, can, of course, do so through the use of RRSP's.

In relation to Section 21(6.5)(c), we also strongly oppose the wording of paragraph (c) which makes membership in existing pension plans compulsory for part-time employees who have been employed for a specific period of time and have earned a minimum of income related to the YMPE under the CPP. In our belief, the length of service is too short to constitute a "career" relationship with the company, and the earnings level proposed would trigger membership for a number of part-time employees whose family and other commitments and relationships argue against the need and/or the desirability for membership in a pension plan. It is our impression that most private sector groups with experience similar to ours in the employment of large numbers of part-time employees have, for similar reasons, opposed the approach set out in this sub-paragraph.

Section 21(6.6). This section provides for exemptions for students, for members of certain religious groups and for full and part-time employees who are in employment before January 1, 1984. We support the exemptions of the first two categories on self-evident basis. We question the advisability of excluding existing employees.

In our view, it would be more desirable to frame eligibility requirements in a way which takes more specific account of the wide variety of employment patterns which exist, exempting those where the relationship is not sufficiently consistent or substantial, but which is applicable to eligible employees whether or not employed before or after the effective date of implementation.

Also, we believe the first priority of government action should continue to be the stimulation of those employers who do not now provide any pension coverage, to provide that coverage.

A useful exemption not included in Bill 95 with respect to the application of this clause is one which would recognize those employees already covered by some other pension plan. Some part-time employees in the retail sector have full-time jobs elsewhere, such as firemen who have a lot of shift work and can work quite substantial periods for another employee. They are often fully involved in the pension plan in their primary place of work. We do not see the need or desirability to require such employees to join another plan.

Just in parentheses, Mr. Chairman, I might say that one of our larger members conducted a survey recently of their permanent part-time employees. When they excluded students, they found that as high as 40 percent of that sector of their work force were, in fact, holding another permanent full-time job.

We have already mentioned the desirability of the legislation recognizing that employers should have the discretion of creating new plans for certain groups of employees for whom an existing plan does not meet their special circumstances.

In summary then, in relation to these important sections, we continue to believe the most constructive and balanced approach is: first, to permit eligibility for full-time and regular part-time employees seeking pension coverage after two years of service; second, to require eligibility after five years continuous service or 30 years of age plus one year of work, whichever comes first and without the exemptions set out in Paragraph (c) and (d) relating to the existing workforce; to allow employers the flexibility to establish alternative plans or variations of existing plans for groups of employees with unique working arrangements or needs; to exempt from compulsory membership in pension plans those employees covered by other pension arrangements in other places of work.

These, as I have said, Mr. Chairman, were our priority recommendations, but there are other aspects of the bill on which I should touch briefly.

First of all, in "Definitions" and in relation to the common law relationship definition, as you know, Mr. Chairman, the Federal and Provincial Governments are attempting to bring some uniformity and greater fairness into family and marital laws. In our view, it would be unfortunate if Manitoba set a definition for what constitutes a common law relationship without reference to a national consensus. Such relationships are now recognized to varying degrees in the application of many tax and other regulations. We do not think The Pension Benefits Act should be the place where new ground is struck in this area.

We recommend that common law relationships, whether involving people of different or the same sex, not be dealt with in this legislation at this time.

The definition of temporary suspension of employment raises questions about administrative costs and also of fairness. Part-time employment in the distributive trades sector is an important aspect of human resources management. By its very definition - and there are many forms - part-time employment can entail long breaks from the workplace with the result, as in the case of contingent employees, it is not known when they have actually terminated their relationship with the company. Confining application of this definition to full-time employees (along with the implementation of the recommendations we have made in relation to part-time employees) would, we believe, resolve the problem.

In relation to the section dealing with continuing after retirement age, we are concerned with the costs to employers and employees of employees continuing as members of a pension plan after normal retirement age, at their discretion. A uniform national approach to this issue, we believe, is desirable. Moreover, eligibility for costly fringe benefits such as, in our trade, discount privileges, medical and dental care, are often tied to the retirement age stipulated in a pension plan. It would be difficult for employers to have their employees accept the notion that achievement of a certain age should limit their rights to some benefits but not to the major one of pensions. The cumulative costs of adding the other benefits is very substantial.

We deal with the effect of temporary suspension. With reference to our comments on the definition of a temporary suspension of employment, we seek clarification of the meaning of Paragraph (d). Is the temporary suspension assumed not to have occurred for the purpose of calculation of benefit entitlements? We simply raise that as a question.

On sex discrimination, we would argue against the approach of dealing with actuarially relevant differences in the life expectancies of men and women solely or even firstly in the context of pension reform. The estimated length of time of payout to the pensioner or his or her spouse is relevant, of course, to the costs of the plan. The implications of this clause for life insurance and automobile insurance programs should, we suggest, be assessed along with the issue in the pension context, because we suggest it is going to wash over in terms of the principle from one to the other. We think that this again is an issue on which we should attempt to achieve a comprehensive and national solution to the admittedly sensitive issue of whether or not actuarial experience by defined group should be recognized in the assessment of cost.

In relation to the death of a member and joint pensions, these two clauses, examined together, seem to discriminate against the survivor whose spouse dies after he or she retires. We query why the full commuted value of a pension should be transferred to a survivor whose spouse dies prior to retirement, and only two-thirds of that value if the employee dies after reaching retirement age.

On interest on defined benefit. In our view, it's most desirable that the basis of calculation of interest on premium contributions of members be established on a uniform national basis. We have recommended in other submissions that the basis be a rate linked to the five-year moving average on Canada Savings Bonds. We believe that criterion is finding favour with those concerned with the issue in other jurisdictions. It is, in any event, probably more fair to the members in that individual funds may, in any one year, experience results substantially worse than a more widely-based norm.

Lastly, on the subject of division of pension benefits. We have no quarrel with the concept of the provision for the splitting of pension benefits on marriage break-up. However, we believe it is inequitable that the employer - particularly of course smaller employers - should incur the administrative costs of tracking and policing such a court-ordered split of benefits, perhaps over many years and often through several relationships. We suggest that in such cases the Court be obliged to appoint a trustee to whom the employer pay the funds, and who becomes responsible for allocating amounts among claimants with costs being borne out of the benefits so split.

Mr. Chairman, that concludes our formal submission this morning but we shall be happy to amplify or respond to your questions.

Thank you.

MR. CHAIRMAN: The Member for Tuxedo.

MR. G. FILMON: Thank you, Mr. Chairman. Firstly, I apologize to committee for participating in the questioning and discussion because I'm not a member

of the committee but, in view of the fact, that I wasn't given the opportunity to speak on second reading on the Bill, I thought that it was important that I make some comments and questions at this time. I will restrict that to questions.

MR. CHAIRMAN: Not comments, only questions can come from members of the committee.

MR. G. FILMON: Thank you, Mr. Chairman. Firstly, Mr. McKichan, I appreciate the presentation you've made, and it's of particular interest to me because, as an employer, and facing some of the situations that you have laid out, many of the topics that you've brought up hold parallels and similarities to the situation that I have seen from within this legislation, in particular. Am I, firstly, correct in saying that your general view on many of the points that are in the legislation is positive, and that perhaps it's limited to a matter of a half dozen points that your organization is concerned with?

MR. A. McKICHAN: Well I'd say, first of all, I guess our chief concern is the fact that the legislation deals with employees who are already covered. In our minds the chief priority is attempting to have coverage for those employees who are not covered at all. We are somewhat concerned that a great deal of emphasis is placed on refining the provisions which apply to cover the employees when the priority, to us, seems to be to insure that those not now covered have some pension provisions. That would be our first concern.

Our second concern would be that the provisions not discourage employers from initiating plans, or alternatively do not encourage employers to wind up plans they already have because they feel they may not be able to afford them.

For instance, if all part-time employees were covered the cost to some employers, in our industry, could mean increases of over 50 percent of their current pension costs, and I would think that, in some cases, that would be more than the employer could bear.

MR. G. FILMON: Mr. Chairman, would it be fair to say, Mr. McKichan, that the point you're making is that there are different classes and groupings of employers, as there are different classes and groupings of employees, and that the overall effect is going to be vastly different.

For instance, the effect on major groupings of employees, such as, government employees as a class, or large union grouping or, say, the Manitoba Teachers' Society because I see their representative is here, would be vastly different because, in this case, we're facing groupings who already largely, almost all of them, or indeed maybe even all of them, are members of pension plans or will be members of pension plans because of their collective agreements?

MR. A. McKICHAN: Yes, I agree with that.

MR. G. FILMON: Okay. So you are then speaking on behalf of mainly retail employee situations in which you have a vast preponderance of younger people working as clerks, or in clerical positions, that sort of thing; second income people in which it may be the spouse of a major income earner; or part-time people.

Those groupings naturally dictate that there's a different approach in the persons mind to whether or not they deem the pension plan as a benefit.

MR. A. McKICHAN: That is correct.

MR. G. FILMON: Okay.

MR. A. McKICHAN: In many cases our members inform us that they, particularly their young employees, and many of their part-time employees, are fiercely resistant to being part of a pension plan.

MR. G. FILMON: Because, in this case, what you're saying is that those people take this job as a second income, or as a first primary income, because their concerns are to pay off the mortgage on the house, or the car, or maybe to get some orthodontic work done for a child, and so they specifically need that additional income and they need it now, not at age 65. So that's why it's a vastly different approach in their minds.

MR. A. McKICHAN: That's correct. We set out, in the Appendix to our submission, the three broad categories of part-time employee. I think it will be clear from reviewing these definitions that there are, in fact, very different needs among these categories of part-time employees.

MR. G. FILMON: Although my business interest is not per se a retail interest it has the same kind of breakdown where many are second income earners, many of them are younger people, under 30 category, and I can confirm, from experience, that they do not perceive it to be a benefit, in fact, they fiercely resisted it. Because I, as an employer, see the joining a pension plan by a staff is a desirable thing, something that I would like to promote. I'd like to have every member on staff join it because it implies to me a long-term commitment to my business, and that's what I'd like to encourage. But because they're in this unusual circumstance where they've gone for this employment in order to achieve present commitments, and pay off present commitments, they resisted it and, in fact, as an employer, would you say that your people will lose two ways, they will have the added cost of these people coming on to the pension plan and the dis-benefit of the fact that the employee will not regard it as a benefit, but in fact will say it's a negative and they'll be angry with you because they're forced to join. So you lose two ways.

MR. A. McKICHAN: You're correct. In fact, some of our members conjecture that if all part-time employees beyond the certain earnings limit were to be covered, there would be quite a movement among the part-time ranks to ask for less hours of work so that they would not qualify for compulsory membership.

MR. G. FILMON: The other area is, do you see any way that people in your organization who would be, I would imagine, in so many different categories, so many different circumstances, any way that you could quantify what this might add to the ongoing cost of operation for people?

MR. A. McKICHAN: Our members have only had the opportunity to make the roughest cut at that calculation, but one of our members, for instance, indicates that leaving aside the question of coverage of part-time employees, which of course is the biggest element in our industry, the other costs would probably be something of the order of 20 percent. But, if the part-time employee contingent were included, the increase in costs could be well over 50 percent off their existing substantial cost of running a good pension plan.

MR. G. FILMON: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Minister of Labour.

HON. M.B. DOLIN: I would like to ask you if you could give me some percentages with regard to the three categories in your Appendix, the kinds of part-time employees, first of all?

MR. A. McKICHAN: Mr. Chairman, through you to Madam Minister, I'm not quite clear what the Minister means in relation to percentages.

HON. M.B. DOLIN: Well, I'm not sure when you define the three types of part-time employees whether you're talking in the first instance, the regular part-time employees constituting 50 percent of a work force or 20 percent of a work force, or 50 percent of the part-time employees within a work force. I understand your definitions here but I don't know how many people we're talking about in any given work place or on an average.

MR. CHAIRMAN: The Minister I think is up to the population from which other categories are found.

MR. A. McKICHAN: I believe it would vary significantly by employer, but perhaps I might call on my colleagues to see if they can give some estimates in relation to their own companies.

MR. R. RIGNEY: My name is Ross Rigney from the Retail Council, Chairman of the Committee. It is difficult as Mr. McKichan has indicated to give percentages, but rough percentages. First of all the question, I guess, is what are the definitions.

A full-time category employee in most of the retail sector today is an employee who works somewhere between 37.5 and 40 hours a week on a committed 52-week-a-year basis to that employer. A regular part-time employee, as broadly defined at least by the major organizations in the retail area, would be employees who work in excess of 24 hours a week but less than 37.5 or 40 hours a week depending on what that work week is, but are scheduled on a regular committed 52-week-period a year. Contingent employees generally are employees who can accept or reject work at their option or at the employer's option, and they generally on average work 14 to 16 hours a week.

Within that category of contingent employees we have a further breakdown. About one-third of the contingent employees it seems are students, either at the high school or college level; about one-third of the contingents are people who have less than a two-year

relationship with the employer; the remaining third are employees who have more than a two-year relationship, a more durable relationship. But in most retail industries, with perhaps one or two exceptions, even that group are hired on the basis of acceptance or rejection of hours. They can take leave of absence. They can take them generally in most companies up to three to six months depending on what their own personal needs are at home.

As far as the category of regular part-time people - and I believe that was the question you had asked - and I can't speak for all the companies, but in our own instance it's about 22 percent of our employee population are regular part-time people. I might add, Madam Minister, that they also are mandated in all benefit programs in that category, including pensions.

HON. M.B. DOLIN: Excuse me, they are part of your pension plan?

MR. R. RIGNEY: Yes, they are.

HON. M.B. DOLIN: And that's 22 percent of your total number of employees? The balance would be full-time employees?

MR. R. RIGNEY: The balance would be full-time employees.

MR. A. McKICHAN: Madam Minister, just by way of comparison, I'm informed by my colleagues from the Bay that in their case probably 50 percent of their employees by number, not by hours worked, are full-time employees. A further 30 percent would be regular part-time employees; they are now eligible for participation in the regular pension plan; and the balance would be contingent employees.

HON. M.B. DOLIN: A further question on this same area. Would your seasonal or contingent employees, in the main, qualify as earning more than a quarter of the maximum pensionable earnings?

MR. A. McKICHAN: Some would and some wouldn't. I suggest that the non-seasonal contingents probably mostly would. The seasonals probably mostly would not.

HON. M.B. DOLIN: Does your organization have a counterproposal for retirement planning, for deferred wages, for adequate pension or retirement income for regular part-time employees?

MR. A. McKICHAN: Any time.

HON. M.B. DOLIN: I understand that some of them are covered, but certainly as you and I are aware, that is not the case.

MR. A. McKICHAN: Many of our companies do now offer eligibility to their regular part-time employees under the employees' option. Few of them offer it to contingent employees. Our proposal would be that eligibility could continue to be offered to full-time employees; but in the case of contingent employees

that employers be given the option of offering a parallel but separate, a money purchase plan, if they so want it. But we don't think it should be mandatory because the needs of these contingent employees are so different, individual by individual. Even if the employer does not have such a plan it's still, of course, open to that individual to make private arrangements in the cases where that's important. In our view that would be a very small minority of the cases.

HON. M.B. DOLIN: Could I ask just one more supplementary question and this is a bit in the way of opinion, but I think it's based on a lot of fact. Is it your opinion or the opinion of your organization that the 37.5 to 40 hour work week will continue as the basis of our current definition of full-time and that our definition of part-time will also continue in place for the next 20 or 30 years?

MR. A. McKICHAN: I'd hesitate to make that prognostication, Madam Minister. I guess in our industry we'll go as society goes. If society moves to a 35 or a 32-hour week then we will as well; but I'm no better able than I suggest you are, Madam Minister, to make that prediction.

One thing I should just add, however, and perhaps we should have emphasized it. In our industry, apart from the very difficult times of the last two years, it has usually been possible for employees who are working on a part-time basis to change their status either into regular part-time or full-time within a relatively short period of time. The most fertile and useful recruiting ground for an employer for full-time staff is obviously from his part-time contingent. In fact, in those companies which are unionized, the collective agreement usually provides that they must do so, that the part-time employees acquire seniority and the right to bid on full-time jobs. So, in reasonable economic times, there's usually quite a short space of time - anybody wanting a full-time job to be able to get a full-time job.

HON. M.B. DOLIN: The reason I asked you the earlier question is that I would think that you would be in the best position perhaps to comment on whether or not you see an increase in the use of part-time staff as opposed to full-time staff in the retail trade, in particular, or in other areas as well. It has, over the last five years, let's say, the number of part-time employees increased.

MR. A. McKICHAN: Our industry, I guess, moved faster to utilize a heavy component of part-time employees than almost any other. I don't think there is likely to be much more shifting in the balance of hours beyond the situation which now obtains, because many jobs are more efficiently performed by somebody who is going to be there for a substantial number of hours. I think we're probably close to seeing the ultimate division of time on that basis.

MR. CHAIRMAN: The Member for Wolseley.

MS. M. PHILLIPS: Thank you. Mr. McKichan, could you tell me, first of all, approximately what number of employees would your members represent. I'm specifically interested in Manitoba.

MR. A. McKICHAN: Across Canada our members represent something close to a million employees. We generally take it as a rule of thumb that our trade employs 1 in 7 in the labour force. I'd suggest in Manitoba that our ratio would be somewhat higher because of the significance of distribution within the economy in Manitoba.

MS. M. PHILLIPS: So out of that rather large number, what percentage of employees other than, say, your management category, would retire with pensions?

MR. A. McKICHAN: First of all, I guess we have to break it down by those having pension plans and those not having pension plans. Within our industry I'd suggest that, in numbers of employees, over 50 percent of employees would work for companies which have a pension plan, so that nationally it would be something over half a million employees. Within that category, I'd suggest that virtually all full-time employees obviously would be covered. I'd hesitate to give you a figure in relation to the part-time employees, but I'd suggest the percentage is quite low, but at the employee's option because, as I was mentioning, most of the large companies do make their plans available to regular part-time employees.

MS. M. PHILLIPS: Thank you, Mr. Chairperson. My question was, out of that number of employees then that belong to your pension plans, surely you must have . . .

MR. A. McKICHAN: I'd hazard 60 percent.

MS. M. PHILLIPS: Would retire with a pension?

MR. A. McKICHAN: Yes. A pension provided through their employer.

MS. M. PHILLIPS: In my previous life, I worked at the Women's Bureau in the Department of Labour. It was one of our major concerns that the vast majority in the 70-80 percent range of part-time employees were women, and correlating with that, the appalling statistics about elderly women in poverty. You have mentioned several times, employee reluctance, where they have an option to join the pension plan.

My question is, rather than this method, if we continue on one hand the voluntary approach with active outreach from the Pension Commission education programs, etc., and good will of employers in terms of setting up pension plans, or as you suggested, waiting until there is cross-country uniformity for compulsory pension plans in the private sector, finding that both those two extremes are resulting in this rather despicable situation of elderly women in poverty, do you not feel that this approach would make a major step in overcoming some of that discrepancy or coverage for some of that vast number of women who are in that kind of employment situation?

MR. A. McKICHAN: Let me say first that I think it's wrong to assume that current and recent experience is going to be perpetuated into the future, because we're looking at a period of history where the norm

was that fewer women were in the work force than were out of the work force, so that the generation who are now mature and beyond pensionable age, but who do not have pensions, were products of that set of social norms. Looking at the future and based on the experience of the present, we are seeing that a high proportion of women are, in fact, in the work force and a high proportion of that proportion do, in fact, have full-time jobs leaving aside the years which they devote to rearing families.

MS. M. PHILLIPS: Which interferes with their vesting.

MR. A. McKICHAN: That's true; that's another question. I certainly agree we do have an immediate problem in relation to the poor and the elderly who, unfortunately, are mostly women. I suggest that the remedy to deal with that primarily is the fixup of our immediate social benefits for that category. I think we should project our future policy in relation to what is actually happening now in the labour force, and certainly in our industry the situation has been - after we get over our current economic difficulties - and I would assume would be again, that most people who are able and want to work full time, will be able to work full time. Those who elect to work part time usually have taken into account the fact that they have other arrangements for their future security - that may be through a spouse or it may be through other personal arrangements. But I think we would distort the picture to base our policy on what has happened based on the experience of the last 30 years.

MS. M. PHILLIPS: As the Minister just said, I wish we could find them. I agree that more women are in the labour force in terms of being at the low end of the pay scale and having interrupted work careers, and working a part time - 70-odd percent of part-time employees are women who in many cases are not covered at all. With marriage being the undependable state of future security that it is these days and even resistance to sharing pension benefits, it's still a pretty sad state of affairs.

MR. A. McKICHAN: Just in parentheses, I might mention that particularly in our industry, a very high percentage of entrants now coming into management ranks are women. In fact, the preponderance of the graduates of retailing courses in merchandizing schools across the country are, in fact, women. They already account for a very substantial part of management at first rank of management. They are increasingly predominant in middle management, and I project it will not be long before they are perhaps predominant or at least very substantially represented in senior management.

MS. M. PHILLIPS: Thank you, Mr. Chairperson. That is quite exciting news. I hope that the industry is paying them equal pay, so that their pension contributions will be equal and so will their benefits after this legislation.

MR. A. McKICHAN: They are indeed.

MS. M. PHILLIPS: I'm wondering, your concern about uniformity and consistency across the country. What

happened to the plans of your members in Saskatchewan when they pulled ahead of other provinces? Was there massive dropping of pension plans? Was there massive opting out or non-renewal or no new growth in employers taking pension plans?

MR. A. McKICHAN: Most of them had to establish separate plans for Saskatchewan; that was the first result. The Manitoba provisions did not require any substantial change in the handling of part-time employees, which is the biggest concern to our industry. So I think the answer is, there was not to my knowledge any substantial dropping out, but I would distinguish that situation from the situation which might arise under the Manitoba legislation.

MS. M. PHILLIPS: One final question, Mr. Chairperson. Did I hear you correctly? Did you say that if part-time people are covered, and I think the legislation is fairly clear in terms of what your definition - is it contingency? That group, not very many of them would meet the qualifications in terms of the two years and the number of hours. Did I hear you correctly in saying that if all the other part-time people were covered, that your costs would increase 50 percent?

MR. A. McKICHAN: I suggested that if all regular part-time people were covered on a mandatory basis - and I refer not simply to application of the grandfather clause - but I mean if the grandfather clause . . .

MS. M. PHILLIPS: Grandparent.

MR. A. McKICHAN: Correction - were dropped and if contingent employees were made eligible, the combinations of these two plus the other cost increases caused by other aspects of the bill were applied, then the costs could increase by more than 50 percent.

MS. M. PHILLIPS: Was that 50 percent of the cost of operating the pension plans or . . .

MR. A. McKICHAN: Yes. I think my colleague wants to add a word in that, if he may.

MS. M. PHILLIPS: Certainly, I appreciate it.

MR. R. RIGNEY: We have not been able to complete that particular analysis because, when we really start to look at it, you're introducing a rather new element; in durable relationship, you're relating it to a dollar, 25 percent of the YMPE. Everybody isn't paid the same level of income, so we now have to look at everybody in Manitoba, establish what that job pays and when they will achieve that 25 percent. So a truck driver or a clerk, Grade 7 contingent - to use that term - would achieve the 25 percent at 350 hours of work in a year, whereas a sales clerk may take 750 hours to achieve that same particular level. So we are trying to do that analysis to try and get a fix. It would appear that it probably would add somewhere between 30 and 40 percent.

I would like to make two or three other comments, reacting to some of your other questions. There was a cost increase in Saskatchewan of about 17 percent,

total cost. Because where you take an offset into consideration such as you're considering in Manitoba, it isn't a cost to the employer after age 65 but, if he bridges prior to age 65, he has to pick up that cost of what the equivalent of the OAS might have been, whether it's the full OAS that he was bridging or partial related to service. So there is a cost involved. However, we set up a separate plan in Saskatchewan and we have a separate plan operating there and probably will have to consider one in Manitoba.

Secondly, we have completed some rather interesting statistics, because your particular approach to pensions has forced us to look at our employee populations in a way that we have never looked before. We find, for instance, that 58 percent of our contingent employees, taking the students out, are women - 58 percent - not 70 or 80 percent as we have perhaps ourselves said in the past. We just assumed that's what it was.

We also found out that only 40 percent of our contingents are housemakers. The rest of them are second employees. We're the second job. That was a rather interesting statistic and a rather shocking one because, if you had asked me during our last meeting with the Pension Commission here as to what that stat was, I would have said, it's probably 70 or 80 percent. I just assumed the same thing until we were able to get the cold facts.

So therefore, the eligibility concern that we have of second incomes and second jobs becomes a more real one, because there is no question that our employees, a number of them, will not want a second - I think there's a reaction of young people to pensions anyway - I reacted that way as a young person. I might tell you that we, right now, have a 25-year-old exclusion, up to 25. We have a 97 percent opting out of our pension plan up to age 25.

The third item I would like to make is, I would like to suggest that if we're looking at some type of a relationship and a pension plan for part-time people, contingent people, because we have one for part-time, I would like to suggest that maybe your eligibility requirements should be in years something more simple than trying to go through the process of worrying about whether or not a person has X number of hours in a year or has earned X number of dollars in a year. Maybe it should be two years.

I happen to be one of those people who firmly believes that the solution to the long-term problem of pension reform is in coverage and that the sooner we start trapping pension payments by young people, the better off they're going to be by the time they retire at age 65. I am a deep believer in that. As far as we're concerned, as you have seen in our previous brief, we strongly supported the 30-and-1 concept. We are bringing it down dramatically from what Ontario is recommending. I personally think it should be 18, if you want a personal opinion, because I think you should have an obligation at the private sector the same as you do as far as the Canada Pension Plan is concerned.

Then that brings me to my last point, and I'm not a politician, but it brings me to my last point. That is my deep concern that Ontario, the feds, the Green Paper, Saskatchewan and your plan all talk about pension reform, but it's only pension reform of existing plans. It does nothing for the people who are outside pension plans. We're still going to have to pay the heavy

cost of gains 25 and 30 years down the road if we don't solve that.

MR. CHAIRMAN: Thank you, Mr. Rigney.
The Member for Wolseley.

MS. M. PHILLIPS: I find those statistics rather shocking as well, specifically the fact that you're suggesting 40 percent of your part-time people have other full-time jobs. What that says to me in relation to the question from the Member for Tuxedo in terms of the mortgage payment, the car payment, the orthodontic work is that the wages in that full-time job must be pretty low for someone to have to take another part-time job, which also would mean their pension . . .

MR. A. MCKICHAN: May I just respond to that. I don't think that's the case. I think probably the great preponderance of these employees who are working on two jobs are employees who work shift work on their primary job and many of them are extremely highly paid jobs - they're jobs like firemen and policemen and so on - right up at the top of the industrial scale.

I think that figure which was quoted by Mr. Rigney is unique to his company. I don't suggest that is common across the industry. His company is a large warehouse operation which has a lot of industrial type work and that's characteristic of his company, and it would be perhaps of the other large department store operations. It would not be typical of either a specialty chain operation or of an independent merchant.

MS. M. PHILLIPS: I wrote so many things down. I think that's all I have to ask you, Sir. Thank you very much.

MR. CHAIRMAN: Thank you, Mr. McKichan.

MR. A. MCKICHAN: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Minister of Labour, is that to the same person?

HON. M.B. DOLIN: To the person who just spoke before, I'm sorry, I didn't write down his name. But in regard to his comments . . .

MR. CHAIRMAN: Mr. Rigney, please.

HON. M.B. DOLIN: Yes, regarding your comments. In the desirability of contributing to a pension plan universally, and from AJT as with the CPP and so on, I must say - and I think you perhaps know this - but I should communicate to you that we do believe that it is appropriate. We in fact have in the government a group of people working together to present our encouragement along those lines to the Federal Government. Of course in Manitoba we can't make it happen federally, but we are going to do our utmost to encourage improvements in the federal pension scheme.

MR. R. RIGNEY: I should clarify that I'm not in support at all of change in the CPP. Let there be no doubt.

HON. M.B. DOLIN: Well, universal coverage in whatever way, philosophically we are on the same side.

MR. R. RIGNEY: Yes, my support is that I think the private sector can do it through the private sector and that it should be at a younger age.

HON. M.B. DOLIN: That's right.

MR. CHAIRMAN: Thank you, Mr. Rigney.

The Chair now calls upon Mr. Mark Fenny, Winnipeg Chamber of Commerce.

MR. J. WRIGHT: Mr. Chairman, committee members, my name is Jim Wright, President of the Winnipeg Chamber of Commerce. I'm accompanied this morning by Mark Fenny who is Chairman of the Chamber's Pension Committee. We're pleased to appear this morning regarding Bill 95, An Act to amend The Pension Benefits Act.

As you probably know, the Chamber represents over 4,000 business and professional people and over 1,500 corporations and small businesses. The motives behind the Provincial Government's proposed amendments to The Pension Benefits Act as contained in Bill 95 cannot be faulted in any way. Both business and labour share a very real concern in providing adequately for retirement.

The Winnipeg Chamber of Commerce has been critical of the method in which the government has suggested achieving that means and continues to be critical. The regulations which are so key in estimating the costs and benefits of this reform to both employer and employee will not be available until September. In spite of this the government is attempting to pass Bill 95 at this Session without advising all Manitobans of the overall ramifications involved.

Determining the effects of many of the proposed amendments is virtually impossible without the knowledge of what the "regulations" are. Specific sections which require the regulations to determine the effects, include:

Sec. 21(5.5) - Employee's share of deferred life annuity

Sec. 21(5.6) - Effect of temporary suspension of employment

Sec. 21.4(1) - Rate of interest on defined benefit pension plan

Sec. 27(2) - Division of pension benefits on marriage breakup

Sec. 27(3) - Transfer of marital property portions

Sec. 32 - Regulations as amended.

By tightening regulations and restricting latitude on existing plans, the government fails to address the 60 percent of Manitobans without any pension benefits. The majority of those without plans are employed in small business with restricted cash flow. The likelihood of these businesses instituting plans will be clearly diminished by the increased regulations which have been proposed.

The responsibility of business is first and foremost to remain operative, to keep our economy solvent and to provide employment for the people of our province. If the corner has been rounded in the economic recession, many of our businesses have not experienced it yet.

The amendments proposed, many of which are admirable, will have the effect of widening the gap between those with pensions and those without pensions. The 40 percent presently with pensions includes a large number of public sector employees whose benefits are paid for, partly by taxation. This in itself feeds the inflationary cycle and it's caused in part by mounting government debt. This was an original concern of the Chamber and I'm sure the formation of a "pension elite" was certainly not the government's intent.

The Winnipeg Chamber of Commerce strongly urges the government to hold over Bill 95 until the next Session, when regulatory details will be available and business, labour and government can work together to provide more secure futures for all Manitobans.

This submission was approved by the Council of the Winnipeg Chamber of Commerce on August 9, 1983. With me today, as I mentioned earlier is Mr. Mark Fenny, Chairman of our Pensions Committee, who would be pleased to answer any questions you may have.

MR. CHAIRMAN: The Minister of Labour.

HON. M.B. DOLIN: Thank you very much, Mr. Wright. I would like to assure you that in the development of the regulations, most of which you probably are aware, through your representation at the Pension Commission hearings and so on, most of those regulations deal with items that were brought forward during those public hearings, but there will be consultation on the regulations before they are enacted. I can assure you of that.

MR. CHAIRMAN: The Member for St. Norbert.

MR. G. MERCIER: Mr. Chairman, I wonder if the Chamber has been able to arrive at any prediction as to the estimated cost of implementing the amendments to the act?

MR. M. FENNY: Mr. Chairman, based upon the legislation as we see it now and without the regulations, we don't feel it's possible to provide accurate or detailed estimates of what the costs will be. There is no question in our mind that there will be increased costs, but exactly what they're going to be and what the benefits will be for both employer and employee, we're not at this point in time able to determine.

MR. G. MERCIER: You couldn't provide what would only be a guesstimate, I suppose, of the increased cost as a percentage of payroll?

MR. M. FENNY: We did a projection based upon the original proposals found in the original government recommendations, the Pension Commission recommendations, and on the basis of that, there were increases estimated at 108 percent in terms of operating a pension plan. Given what's contained in the current proposals, we would suggest it would be somewhat less, considerably less, and again it would depend on how the part-time employees are going to be dealt with. We would suspect that the recommendations or the comments made earlier by the retail representatives

are probably quite correct; anywhere between 17 to 40 percent increase depending on who has to be added to the pension plan and what those increased costs will be in terms of termination funding, in terms of pension funding at retirement.

MR. G. MERCIER: When you say refer to an increase of 108 percent of administrative costs, can you indicate what that would mean, for example, as a percentage of payroll?

MR. M. FENNY: No, I can't. I want to clarify that the 108 percent which we're using here was based upon the original proposals, not the presentation of Bill 95. That's extremely important because obviously the costs are going to be considerably reduced; a number of proposals have been left out, and that's very positive from our point of view. We think that's excellent.

No, I can't answer your question.

MS. M. PHILLIPS: Thank you, Mr. Chairperson. So you're concerned about the effect of regulation, I understand from your brief, rather than the principles that are outlined in the actual clauses of the bill.

MR. M. FENNY: Yes, I would say that's a fair comment. I think that the Chamber is primarily concerned in two areas.

First of all, we like a lot of the things we see in the legislation. It's our opinion that a lot of it's overdue and should be implemented within a reasonable period of time, but there are a number of areas which are nebulous from the point of view of what the costs are going to be, what the specific benefits are going to be. Without seeing the legislation, we don't believe we can deal with that.

The other area that we're concerned about - it was raised earlier and I'd like to reiterate it - is the whole matter of who is covered by a pension plan in Manitoba. What does this legislation do or how far does it go in terms of increasing that coverage? We would support the concept of having people making contributions to a pension plan at an earlier age. But we also recognize - and being involved myself in the administration and sale of pension plans, if you will - there is a very real resistance on the part of the young people to getting into pension plans.

In fact, some of that is based upon their economic needs and that's very difficult to balance that. I don't think you want to force people to do things which are going to affect them in another area.

MS. M. PHILLIPS: I certainly agree that one of the goals in terms of the overall pension legislation and the job of the Pension Commission is to encourage and educate. That's a very important job. My concern that maybe you can help me with - again it's in terms of this Nirvana that we want to reach and how long it will take until there is a compulsory across-the-board plan, whether there's uniformity across the country and whether we wait to address the inequities in present plans in favour of working towards that or whether we can do both at the same time.

The particular sections that you address in your brief, some of them are dollar issues, others are administrative

such as the division of pensions on marriage breakdown. In terms of your administration costs, do you see that being a difficult or expensive procedure?

MR. M. FENNY: Expense is a relative kind of a situation. No, it's not going to be in terms of absolute dollar costs from the point of view of somebody sitting down and doing the calculation; it won't be expensive. But it may well be expensive if these pension benefits have to be carried on for an extended period of time within a plan as opposed to being able to transfer them out, and that's been dealt with in another area.

The whole concept of pension division on marital breakup, I think needs to be dealt with. But we also agree with the comment that was made earlier as to whether it's appropriate for the pension benefit legislation to override the courts or an agreement made between two people. In fact, we're dealing with an area of contract here and whether or not, if two people are prepared to accept division, someone else should override them - for whatever reasons - is a matter that we don't think should be dealt with.

MS. M. PHILLIPS: On that issue, at present of course, by legislation, we have overridden any possibility of even discussing that issue if pensions are not assigned at all. In my opinion, I would like to know if you agree in terms of flexibility or giving the individual in that marital relationship, the option. We have, in fact, moved closer to what you're suggesting that it be able to be assigned.

MR. M. FENNY: To be able to be assigned I think is the key and we agree that it should be able to be assigned. I think the Chamber and certainly the committee agrees that pension benefits tend to be family income. It's not his or her income; it's family income. If there's a split up in the family it should be split as any other asset would be dealt with. But the manner in which that split will take place is probably better determined by the courts or the individuals themselves.

MS. M. PHILLIPS: On that then, in terms of our shared goal of covering more people under pension plans and through the private sector employees and employers together entering into pension plans to provide retirement income as our goal that we're working towards, would it make sense to you to leave that totally open so that the pension plan can in fact be traded for half the house or for the car or other things and leave one party uncovered with the possibility of ending up at retirement age, being a burden on the public in general because the car wore out?

MR. M. FENNY: Right. I would perhaps suggest that if there's a split, an economic split of assets, if someone gives up half of their share of the pension plan or their share of the pension plan, and they receive for it some other benefit; that's a trade-off that they have to make themselves based upon their own particular needs. I'm not sure that we or the government should be involved in that particular area.

I agree wholeheartedly, as does the Chamber, that there should be that ability in a pension plan to split the benefits - no problem with that at all.

MS. M. PHILLIPS: My concern then, as a legislator, is to weigh the goal that obviously we share and the distribution of pension assets that, where agreed to, be set aside for future retirement income and what the consequences of moving that far would be in terms of our overall goal of having everyone covered by some kind of private plan.

MR. M. FENNY: I guess the response would have to be that in theory that makes a lot of sense, but in terms of the practical application of a marital breakup where one spouse requires the house and can't afford to have it sold - so they're prepared to give up part of their pension. There's a reality involved here in terms of how things have to be dealt with and I don't know that looking at it from this distance we can really deal with that to be honest.

MS. M. PHILLIPS: Of course up to this point in time, if one party required all the house and had to choose whether it was going to be sold or what, they couldn't even discuss the pension plan as an alternative.

MR. M. FENNY: We believe that's incorrect. If I could just amplify on this for a moment - we look at pension income as being deferred compensation or deferred wages. There may be a semantic difference, but we don't really look at that. As a result, as employers in the community, that becomes part of the package which is offered to an employee. Changing that package increases costs. Whether they are not that significant or not depends on the type of plan involved, and the employee, whether he is full time or part time, and a variety of other things. But we do believe it is the employee's right to have access to those funds down the road, whether or not he stays in the employment of that employer or he moves; so the aspect of the portability, the aspect of early vesting, we support.

MS. M. PHILLIPS: Thank you very much.

MR. CHAIRMAN: The Minister of Economic Development.

HON. M. SMITH: Mr. Finney, I am sensitive, particularly to your concerns about business liability in economic recession times. I guess, looking at it from a government policy point of view, we are also concerned about income security for people during retirement, because if we haven't planned for it in an orderly way through pensions, we are going to have to pick it up, not just government but the public, through taxes, through special social support services. So our bias is obviously to put in place, as quickly as we are able, a planned and orderly pension system.

Now, questions have been asked you what the incremental costs would be for employers, and I guess I would like to put the same question to you that I did to the earlier speaker. Do you not see the pension system, the pension plans as a deferred wage package and therefore something that an employer and an employee must work out in that context, and therefore is not necessarily an incremental cost?

MR. M. FENNY: As I've said, we would agree that it's a deferred income, deferred compensation package.

If there is a change in the package and that results in a cost, it's a cost regardless of whether they have agreed on it or whether it's considered to be a part of the employment package. It doesn't matter how you do it. If there is an increased cost in administration of the pension plan and funding the pension plan, that is a cost to the employer, which the employer must bear and remove from profits.

HON. M. SMITH: Is it not possible that there is also a countervailing saving by having more contributors to a plan, that there can be economies once you get a plan designed, if you have more members participating, there can be some saving on the other end; so that we have to be cautious in projecting increased costs?

MR. M. FENNY: I agree; we have to be cautious in projecting increased costs, but I don't necessarily agree that there is an economy scale involved with having more people involved. There are a broad spectrum of products available now for small business and middle-size business provided by the insurance industries, the trust industries, which provide very low cost money-purchaser, defined-benefit-type plans. Those costs are generally fixed and will increase marginally with the number of people involved, but they are not likely to decrease.

HON. M. SMITH: Perhaps just one more follow-through. Since we are finding that with computerizing many of these plans, we can accommodate variations once they are fed into the system, and it's a question perhaps of getting over that initial feeding in of the data where the incremental cost occurs, but once the plan is operative, that per capita cost should go down. There may be special problems with the smaller operator, in which case I would be interested to hear whether you have any special proposals to assist the small business person or to encourage more small employers to develop plans.

MR. M. FENNY: I think I will deal with the second part of your question first. We don't believe that this type of legislation or the regulations and the restrictions that are being developed here in many of them, not all of them, are conducive to employers starting up new plans. In fact, we believe if this legislation is passed in this existing form, there are two scenarios which can be developed.

The worst scenario is that there will be an absolute decrease in the number of pension plans and the number of people covered, consequently. The best scenario we see is a levelling of the number of pension plans and the reluctance of employers to get into new plans, which will mean they will go to other areas - DPSPs, Registered Retirement Savings Plans, and the like.

We would suggest that costs can be reduced for small- and middle-sized employers by reducing the administrative morass that administrators and employers have to go through to establish these plans and maintain their ongoing registration with the Federal Government and with the Pension Commission of Manitoba.

Now, we understand the reason for a certain amount of the difficulty and the reasons for a certain amount

of the administration that's required, but we think that would probably be more beneficial. There is a certain amount of education that has to go on, and I would suggest to you, certainly, that the employers in this province are well aware of the needs of their employees in terms of providing pension benefits and they would like to be able to provide better pension benefits.

I can't think of an employer who I know, and I deal with a lot of small businesses in my practice, who looks at a pension plan as being anything other than a positive aspect for their employees, but it's an administrative headache - or can be - both for the administrator, the fund managers and for the employer. Those kinds of things could probably be dealt with and reduce the cost significantly, but in terms of other specific proposals, beyond saying that we would like to see deregulation of the pension area, beyond saying that perhaps there are certain principles which the Pension Commission is in favour of, i.e., increasing the number of pensions available in the public sector, in the private sector and so on, I can't think of any.

MR. CHAIRMAN: Thank you, Mr. Fenny.

MR. M. FENNY: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Chair wishes to make an announcement. Before we call in the next presenter, we intend to recess the committee and meet again after question period. When we recess at 12:30, we will resume the sitting of this committee after question period in the House, which is approximately 3:00 p.m., and we will continue sitting until 12:30.

So the next question is I give it the option on the part of the . . . We will call on the next presenter, John Walsh, Manitoba Federation of Labour. They have requested to sit together because they have many of them, I guess, and I would ask the permission of the committee that they be granted this privilege.

MR. G. MERCIER: Just for the further information of those people who are here wishing to make representations, as I understand it, the committee will sit from approximately 3 o'clock till 5:30, and then continue again at 8 o'clock tonight.

MR. CHAIRMAN: Okay.

MR. J. WALSH: The first thing, Mr. Chairperson, we will be longer than 17 minutes, and we are prepared to come back at 3 o'clock. We would rather not split our presentation.

MR. CHAIRMAN: Then we can call on some other one who feel that they can use the appropriate time before we dismiss at 12 o'clock.

MR. J. WALSH: We could be back on at 3 o'clock.

MR. CHAIRMAN: Then we reserve the opportunity for you to start your presentation so it will be unbroken this afternoon. Anybody who feels that they can finish their presentation?

Mr. Dennis Sutton.

MR. D. SUTTON: I believe the Canadian Manufacturers' Association was next on the list and we have just a

brief presentation to make, so if I may, I'll go ahead and do it now.

I'd like to thank the Chairman and members of the committee and the Honourable Minister for having the opportunity to appear before the committee re Bill 95, An Act to amend The Pension Benefits Act.

The Canadian Manufacturers' Association also made a rather lengthy and detailed submission to the Manitoba Pension Commission back in March and what I'd like to do this morning is just reiterate several points which we have strong concerns on, relative to the legislations being proposed.

Making changes in legislation can be very difficult, particularly when they are time and uniformity sensitive and involve other jurisdictions. Making such changes which involve the Federal Government and 11 provincial and territorial jurisdictions can be chaotic, particularly if accurate timing and almost complete uniformity are not present.

The introduction of uni-sex tables is a good example. If all jurisdictions fail to agree to their use, we could end up with a patchwork of systems and timing which would render other changes, such as portability, almost completely unmanageable.

The Canadian Manufacturers' Association stresses the need for proper timing and uniformity across Canada.

SPECIFIC AREAS OF CONCERN

1. Division of Rights on Marriage Breakdown

It should be noted that this recommendation is not in keeping with the CAPSA consensus on this issue.

The division of assets of two parties, including pension benefits, is a matter for the parties to settle. Should they not be able to reach agreement, an employer should be required only to provide information which would assist the process of settlement being reached through the courts or other means but not through the pension plan.

2. Disclosure of Information

The CMA endorses the disclosure of information and believes it is essential to the operation of a successful pension plan. We do however anticipate implementation costs as a major expense to small employers. We recommend that every effort be made to minimize these costs without diluting the product.

3. Advisory Committee

Once again, this recommendation is not in keeping with the CAPSA consensus.

The one exception where employee representation would be valid is to monitor investments and administration of money purchase plans, since the level of benefit is a direct result of the management of the contributions made.

This is not the case in a defined benefit or fixed dollar pension plan, where the plan sponsor guarantees a certain level of benefit which has no direct relationship to the investment of contributions made. In fact, many of these plan types are non-contributory. In any event, the monitoring of

investments in both cases is not at issue, which would in turn make any advisory committee to such plans redundant.

No advisory committee should be necessary if disclosure is adequate. It should be such that employees are fully aware of all the features of the plan and understand the current status of their personal participation in the plan.

4. Offset Integration

Many defined benefit plans of the non-contributory type are designed or based on the offset of Old Age Security. The prohibition of such an approach would no doubt result in increased costs to planned sponsor. Alternatively, it may force the plan sponsor to change the plan design and reduce the formula to achieve a lesser goal which does not take into consideration income received from Old Age Security.

SUMMARY

In conclusion, the Manitoba branch of the CMA has serious reservations about the Manitoba Government making such dramatic changes to pension legislation when other jurisdictions have seen fit to proceed with caution. Should the Manitoba Government decide to proceed with these amendments at this time, especially the ones which we have readdressed herein, we foresee additional costs resulting, along with other problems, due to poor timing and lack of uniformity.

Thank you.

MR. CHAIRMAN: The Minister of Labour.

HON. M.B. DOLIN: Thank you, Mr. Sutton. It's good to see you again.

I assume that you are aware that we do have other legislation in Manitoba with which the current Pension Benefits Act was not compatible and that some of the reasons for the changes such as the first, Division of Rights on Marriage Breakdown, it was necessary certainly to deal with the fact that we had incompatibility between The Pension Benefits Act and The Marital Property Act, as passed last year.

MR. D. SUTTON: We're aware of that. I guess I should say that we support some of the comments made in the discussion that took place with the prior speakers, relative to the fact that it should be accessible as far as the division of assets in a marriage breakdown, but it shouldn't be as rigid as it appears to be and may be again. In fact, it won't be as rigid as it appears on the surface.

HON. M.B. DOLIN: Well, we'll have to see how it works. Your comments regarding the CAPSA consensus, the CAPSA document, as I recall it - and I don't have it here in front of me - is silent on the issues. It's not opposed to the items you mentioned but, in fact, simply does not deal with the advisory committee.

MR. D. SUTTON: I believe that we - and just for the purpose of time again we didn't want to readdress or restate - but I think in our original proposal if I may,

we did restate the CAPSA consensus on pension committees and the consensus reads, "While representation of all concerned parties is to be encouraged, mandatory employee representation of an administrative body of a pension plan should not be required." The rationale behind the consensus was, "Disclosure requirements will largely fill the need for information on the operation of the plan. To go further and mandate employer representation will require some rigid requirements concerning plan administration. At present, there is too much variety to make any attempt at standardization, feasible or necessary." So they do address it; they just call it pension committees.

HON. M.B. DOLIN: I would just point out to you that what they are opposing or what they are speaking to in what you have just quoted, is an administrative committee and you will notice that we very clearly changed it to an advisory committee since the role, as defined in our legislation, will not be administrative but will be advisory. I would suspect we will hear others who feel that is not strong enough, but this is the middle of the road that we are taking now so I just want for both of us to be clear on that point, that what the CAPSA document refers to is an administrative committee.

MR. D. SUTTON: Right.

MR. CHAIRMAN: The Member for Wolseley.

MS. M. PHILLIPS: Thank you. Mr. Sutton, the Chamber of Commerce in Winnipeg has suggested and agreed with us that pensions are deferred wages. Does the Canadian Manufacturers' Association view pension contributions as deferred wages as well?

MR. D. SUTTON: In our original presentation we stated that we do not view it as deferred wages.

MS. M. PHILLIPS: In terms of the advisory committee and your opposition to having employee representation on that body, whose dollars do you consider that pension plan to be, while it's in force?

MR. D. SUTTON: It depends on what kind of plan you're referring to.

MS. M. PHILLIPS: Whatever.

MR. D. SUTTON: There are many plans, like for example, we have plans for the company I'm with, which is Dominion Bridge, which are non-contributory and the benefit is a guaranteed benefit, which in turn we're obligated to pay regardless of whether people who look after the investment of our pension plan make poor investments or extremely good investments. That's the only point we were trying to make, as far as an advisory committee. I guess we could lessen our position on that, if it's not in fact going to have any authority as to determining where the investments are to be made. Because if you pass on the authority, we feel quite strongly that they should also share in the responsibility to giving a body - whether it's an advisory committee or whatever - power to reflect or have an impact on

how you invest and then have to still guarantee it. It doesn't seem fair.

MS. M. PHILLIPS: So even though in a non-contributory plan or a plan totally funded by the employer, where the employer is putting money into that plan on behalf of an employee for their future income, versus not doing that and perhaps using that money for present wages, you see that totally as the employer's money all the way through until pay out?

MR. D. SUTTON: No, I think that's an oversimplification of it. I think what we're trying to say . . .

MS. M. PHILLIPS: We're short of time.

MR. D. SUTTON: Yes, I appreciate that. If you went back and looked at our presentation that we made, we make a strong differentiation between the purpose of a deferred wage and a benefit. I think that there's some confusion and you can flip-flop back and forth between the two and there are pros and cons to both. For example, a pension, if you were to refer it as a deferred wage, would imply full and immediate vesting of full portability and no locking in, because the monies belong to the individual employee, which isn't desirable and employees would have to assume all risk of ownership, because the pension fund is their investment. So to say on one hand that that doesn't apply and on the other hand it does apply sort of clouds the issue.

MS. M. PHILLIPS: So in terms of our suggestion of an advisory committee, our proposal with an employee representative, you mention here that employees - in individual cases - get a report and can monitor their personal participation is your phrase, that as long as each one individually has access to that information at the end of the year or whatever, that that is adequate; that they don't need a representative to monitor the performance of the plan as a whole.

MR. D. SUTTON: In some plans. In the money purchase plan, I would agree fully that there should be an advisory committee or a trust fund, such as we have in the construction industry where there are union representatives and management representatives and we, as trustees, are in fact responsible for the investment and where we invest it and how we invest it. In that case, yes, it's their money and it's a direct relationship to the benefit that they're going to accrue in the end. But for a plan where the employer or the plan sponsored, guarantees an end result as in a defined benefit plan, there's really no need for monitoring, providing you have full disclosure. When you figure it as an advisory committee, if it's to deal with helping people plan for retirement and to ease into retirement and that involves employee involvement, we're all for it. But as far as having authority to reflect upon or impact on investment and then not carry the responsibility with that, it doesn't appear to be fair.

MS. M. PHILLIPS: Of course in that situation, the administrators could choose whether to accept or reject the advice of an advisory body, that's the nature of the

difference. You're saying they should not even have representation in terms of making that advice, which can be accepted or rejected.

MR. D. SUTTON: Again, in most part, companies pay fairly - in some instances - hefty fees for professional advice from pension consultants and investors to look after that aspect. Most of the time, they don't even do it themselves. They contract that aspect of the administration of a plan out. With all due respect, to have a bunch of people who aren't that adept at investing themselves, giving advice, it's nice to have the involvement but I question the actual benefit of it.

MS. M. PHILLIPS: Perhaps that's how they learn.

MR. D. SUTTON: They can play with stock market too, I guess.

MR. CHAIRMAN: The Minister of Labour.

HON. M.B. DOLIN: The plan that you referred to at Dominion Bridge, as I understand it, is paid for by the employer - the non-contributory plan.

MR. D. SUTTON: We have two plans. The non-contributory plan which is paid fully by the employer is for our unionized employees and it's a negotiated plan.

HON. M.B. DOLIN: What happens if Dominion Bridge goes under?

MR. D. SUTTON: I'd have to go back to the actual plan document.

HON. M.B. DOLIN: Is anything guaranteed?

MR. D. SUTTON: Oh, yes. We have to - I think by the present legislation - have it funded and there's a winding up requirement. I believe if it's not in The Pension Act, it's in The Labour Act and I can't tell you exactly where it is, but we're responsible.

HON. M.B. DOLIN: All right. And the other plan you have is . . .

MR. D. SUTTON: The other plan, there's a non-contributory aspect of it and it is a retirement savings plan, a portion of it, which was just recently introduced in 1981. We changed our plan.

HON. M.B. DOLIN: That's for your management personnel.

MR. D. SUTTON: Well, it's for all non-union persons.

HON. M.B. DOLIN: All right, thank you.

MR. CHAIRMAN: Thank you, Mr. Sutton. The Committee will reconvene at approximately 3:00 p.m.

MS. M. PHILLIPS: I just have one more comment. We've got two more minutes.

I just wanted to say thank you very much for your presentation. It's nice seeing you again. It's a long time since I visited you in my other lifetime and I'm wondering how you're doing with women in non-traditional jobs at Dominion Bridge?

MR. D. SUTTON: Fine.

MS. M. PHILLIP: Got tons of them now?

MR. D. SUTTON: We've got more.

MS. M. PHILLIP: Good, more than none.

MR. D. SUTTON: Now, we didn't have none.

HON. M.B. DOLIN: Dennis is a nice person.

MR. D. SUTTON: Thanks very much.

MR. CHAIRMAN: Thank you, Mr. Sutton. The committee will reconvene at approximately 3:00 p.m. to further consider briefs on Bill No. 95. Committee rise.

WRITTEN SUBMISSIONS PRESENTED BUT NOT READ

(Brief submitted by: Winnipeg YWCA)

Bill No. 95 - An Act to amend The Pension Benefits Act

The Winnipeg YWCA appreciates the invitation from the Provincial Government to respond to its pension reform proposals.

The government is to be commended for legislative proposals which reflect concern about the needs of Manitoba citizens in relation to planning for their retirement security. We congratulate your decision to address particular pension needs of women, as well as to redress current discriminatory practices.

In a January 21, 1983 press release, Labour and Employment Services Minister, Mary Beth Dolin, stated that "The time has come for pension reform to provide reasonable alternatives for better living in the retirement years." She continued by saying that "Reform is urgent to help overcome inequities facing all of us." It is from this perspective that the YWCA will discuss the proposals the government has put forward, with particular emphasis on their impact on women.

PORTABILITY

Our association is pleased that the government has addressed this vital area. Because the pension system has been designed by men and addresses male work patterns and because the employment patterns of women differ significantly from those of men, full portability will play a crucial role in women in the labour force receiving their deserved pensions. Childbearing and child care responsibilities have largely contributed to the facts that women are more likely to be employed on a part-time basis and to have a higher job turnover and lower job tenure. Our association would favour a portability scheme which would ensure the greatest

protection and growth of accrued employee and employer contributions and one which would be readily accessible by the contributor at retirement.

PARTICIPATION AND ELIGIBILITY

The YWCA applauds the proposal prescribing compulsory participation where plans are established. We urged the Manitoba Pension Commission to consider reducing its initial "age 25 - two years service" proposal even further. The highest labour force participation among women in Canada takes place between the ages of 20-24. In 1980, 73 percent of women in that age category were in the labour force. The figure for Manitoba was 74.5 percent. The highest labour force participation rate for men takes place between ages 35-44, therefore, delayed entrance into pension plan works to the disadvantage of women. We are pleased to see the elimination of a minimum age. We also applaud the inclusion of part-time and contract employees.

Delayed participation in pension plans does not foster an early appreciation and acceptance of planning for retirement amongst the young people of our province. Just as regular tax and benefit deductions are made from one's pay cheque to assist individuals and governments in meeting those areas of social responsibility, so too should similar provisions begin early in one's working career to assist individuals and society in meeting their responsibilities for retirement security.

We are heartened that the government has stated that eligibility and participation requirements be the same for both males and females. This reinforces the principle of non-discrimination which needs to be emphasized within the pension industry. It is important that further consideration be given to possible covert sex discrimination which may be taking place through the establishment of occupational grouping categories within pension plan(s) of any one particular employer. The differences in opportunities for benefit accrual warrant further investigation.

The YWCA is disappointed that the government did not address the need for all employees to have access to an employer sponsored pension plan. The pension industry and governments must begin to work together to meet the real needs which this pension gap exposes.

DIVISION OF RIGHTS ON MARRIAGE BREAKDOWN

Our association has long been a proponent of equal sharing of pension assets between spouses, both during marriage and at divorce. We strongly approve of a mechanism which would secure the equally divided portion of pension credits for the non-member spouse and which would ensure optimum benefits at the time of retirement.

The government is to be congratulated for acknowledging the principles of equality between marriage partners, equal sharing of marriage assets and of the vital need for both spouses to continue to develop pensions in their own right following marriage breakdown. Cash refunds or trade-offs against other family assets do not contribute towards development of pension security. As well, the short-term gain which

they might appear to offer only masks another pressing issue, namely the immediate economic needs of newly-divorced women and their children. This is a separate issue to be addressed by government and not at the expense of pension income.

We strongly endorse the establishment of guidelines which would specify the method of valuation to be used in the division of pension credits at marriage breakdown. The well-known *Isbister* case in Manitoba highlighted, among other points, the disadvantages of contradictory actuarial valuations which are often not understood by the judiciary, who must then make the crucial decisions. Unfortunately women in our province and indeed in Canada, have been ill-served by this dubious procedure.

SURVIVOR BENEFITS

The YWCA agrees with mandatory provision of optimal survivor benefits within every employer sponsored pension plan. This acknowledges the fact that the economic family unit sacrifices income to contribute to pension plans and therefore that the survivor of the unit, most often a woman, should benefit equally from such economic sacrifice.

The statistics regarding the numbers and living conditions of widows who never had a chance to benefit from survivor rights are horrendous. The right to such benefits should clearly establish their availability to all widows/widowers regardless of age, health, marital and family status.

We are pleased to note the government proposal that survivor benefits continue after remarriage. This proposal encourages economic independence in one's right, rather than fostering an economic dependency of remarried widows on their new husbands.

We have suggested that survivor benefits not be waived unless both spouses, after receiving independent legal advice, so desire. The opting out decision is crucial enough to at least warrant some consistent form of explanatory, easy to understand advice regarding the ramifications.

Disclosure

The YWCA has advocated annual disclosure of an individual's financial position within their own pension plan. This would prove to be an invaluable form of education which would serve to inform employees on a regular basis of the private sector credits they have accumulated and which they can anticipate at retirement. Hopefully such disclosure provisions will be introduced in the near future, means will have to be considered to assure that spouses have open access to the disclosure information provided to members.

WOMEN AND EMPLOYMENT PENSIONS

Our association agrees that uni-sex mortality tables should be used in all pension calculations. Their use will assist in providing equal pension opportunity to all clients served by the pension industry. Standard, accepted actuarial tables in use should be continuously revised to reflect current economic and social conditions.

Eighty percent of male and female pensioners of the same age have the same year of death. The gap in life expectancy between men and women results from 10 percent of male pensioners dying relatively early and 10 percent of female pensioners surviving relatively late. In reality, 10 percent of women have had their longevity

used to the disadvantage of potentially all women, specifically through the receipt of reduced monthly pension benefits. The inequity of this system is not only obvious, but also contravene any reasonable perception of social responsibility. Discriminatory pension treatment because of race was ended as a result of the Civic Rights Movement. The government is to be commended for initiating termination of pension practices which deny women equal access and treatment, all of which contribute to a system of sexism.

OFFSET INTEGRATION

The YWCA agrees that private pension benefits and Old Age Security benefits are separate and distinct and should be treated as such.

RATE OF INTEREST ON EMPLOYEE CONTRIBUTIONS

Our association concurs with this proposal.

VESTING

Our organization has been an advocate of immediate vesting and locking-in provisions, based upon immediate coverage when service begins, for the reasons outlined earlier in the section "participation and eligibility." We are pleased that the current 10-year provision will likely be reduced. Further consideration should be given to immediate vesting. The concerns about administrative complexity of such a move do not out-weigh the principle of individuals having the opportunity to develop adequate pensions utilizing every single year of employment. We recognize that the recommendation for full portability will establish suitable mechanisms for accommodating the pension credits of individuals who are employed at any one place for less than two years or who take time out of the workforce.

Means will have to be creatively explored to allow homemakers equal opportunity for participating in private pension schemes. The manner in which the pension industry has viewed homemakers as dependents is not consistent with the spirit and direction of the proposed legislation you have released and the principles inherent in it. Canada's Royal Commission on The Status of Women certainly highlighted the plight of homemakers and their pension needs. If, as the Honourable Mary Beth Dolin pointed out, pension reform should be providing reasonable alternatives for retirement needs and for overcoming inequities, then there is an obligation on the part of the Provincial Government to not ignore the homemakers of Manitoba and to address their pension needs as independent individuals performing economic services for our province. We all share in the responsibility of mutual exploration of possible options for meeting the pension needs of this vital occupational grouping.

SUBMISSION TO THE MANITOBA SELECT COMMITTEE ON PENSIONS SUBMITTED BY THE MINING ASSOCIATION OF MANITOBA INC.

Nature of Submission

In view of the number and complexity of issues, our association's written submission is being presented in

summary form with a minimum of narrative discussion or argument.

Timelines of Legislative Action

At the outset, recognizing the constitutional complexities and relationships governing pensions in Canada, the national or inter-provincial scope of many employer's businesses and the high mobility of employees in Canada, we emphasize the great desirability of consistent, if not uniform, legislation between various jurisdictions.

Moreover, while we also recognize the need for meaningful pension reform in some areas, we are concerned that its accomplishment should not prejudice the overall cost competitiveness of Canada, either in the long run or in these critical economic times. To ignore or underrate the cost considerations of reform would be to the detriment of the industrial development of the province and hence the financial and economic welfare of the citizens and of their government. In this connection, we note that the recommendations in the Green Paper have apparently not been costed, or if so, such costs have not been published. We urge such cost development and publication as an essential prerequisite to responsible legislative action. To say that some recommendations represent "changes with little or no cost" is not good enough. In fact, some proposals may involve little or no costs. However, this may also be misleading in that the combined cost of numerous recommendations of little cost can be substantial. Costs should be viewed in their totality and, if necessary, priorities established accordingly.

We are aware, as is this committee, of the cost studies being undertaken by the Business Committee on Pension Policy (BCPP) which are scheduled for completion about mid-year and which bear directly on proposals in the federal Green Paper and on various provincial proposals including key items in the Manitoba Green Paper. The Mining Association of Manitoba is not a member of the BCPP although virtually all of our individual companies are associated with it through other associations such as the Canadian Manufacturers, the Canadian Chamber of Commerce, the Business Council on National Issues and others. We endorse the recommendation of the BCPP that legislative action in Manitoba and elsewhere be deferred until the cost implications can be fully assessed. We also express the hope and recommendation that thereafter an appropriate mechanism be devised to assure co-ordination and consistency between federal and provincial jurisdictions. Manitoba should not prejudice the possibility of benefiting from such co-ordination through premature or precipitated action.

Against those general reservations we offer the following comments on specific proposals of the Green Paper.

Recommendation 1 - Portability

We recognize the desirability of enhanced portability and support in principle the development of locked-in investment vehicles or voluntary transfer arrangements between private plans. However, since not all plans are fully funded and since terminating employees should not be in a more favourable position than continuing

employees, we recommend that an appropriate proportion of say 50 percent be mandated with the balance remaining in the original plan to the credit of the employee.

Recommendation 2 - Participation and Eligibility

The Mining Industry has relatively few part-time, casual or temporary employees in its regular operations. The cost impact of compulsory coverage for such persons may therefore be less in our industry, as presently organized, than in others. Nevertheless, we question the usefulness of such a provision because:

- a) the administrative costs may outweigh the benefits; and
- b) many part-time employees are more concerned with immediate earnings as secondary wage earners. They would not appreciate being obliged to contribute, particularly as the ultimate pension benefit for such part-time, low earnings employees would be largely offset by the loss of Guaranteed Income Supplement Benefits. As such, the recommendation would appear to be more of a new current tax than a future pension benefit.

We are particularly concerned with the implications of granting pension credits for periods of non-service. If pregnancy leave is to be credited, then why not any sick leave with or without pay; or why not leave for educational or compassionate or sabbatical purposes; and perhaps even more important, why not for involuntary leaves or absences due to layoff for lack of work. The divorcement of pension credits from service actually performed has most serious consequences on pension costs and we urge rejection of this proposal. Corporate personnel policies should direct pension coverage on a voluntary basis.

Recommendation 3 and 4 - Distribution of Surpluses on Plan Termination

We disagree in principle that a surplus upon termination should be allocated to employees. In establishing a pension plan, the employer undertakes to provide a stipulated benefit level and assumes the costs of so doing. If the cost is higher than anticipated, as may frequently be the case, he must meet it. By the same token, surpluses accruing in the fund should be directed towards other obligations of the business.

Moreover, this recommendation will discourage employers from fully funding plans. We also query why surpluses should be directed to those retired lives who may have retired before such surplus occurred. If it is logical that retired persons are entitled to a surplus on plan termination, should they not also be entitled to a surplus, if any, at the date of their retirement? The proposal is unwise in that it discourages the employers' best efforts to increase investment returns; and it would result in an arbitrary and hence equitable treatment of employees. However, we believe that the employer should not benefit from surpluses upon termination which are clearly attributable to employee contributions.

Recommendation 5,6,7 and 8

These cover administrative matters which appear to be reasonable and acceptable.

Recommendation 9 - Division of Rights on Marriage Breakdown

We recognize the principle that pension credits should be regarded as family assets and subject to division as such upon marriage breakdown. However, given the complexities which arise when for example both partners are covered by separate plans, with the rising divorce rate and the attendant possibility of repeated marriage breakdown and problems of establishing pension values at date of breakdown, as opposed to date of retirement, we question whether specific and therefore perhaps inflexible rules would be preferable to treating pension assets simply as part of total family assets and subject to division or trade off by agreement or court order. Perhaps legislation should confine itself to the basis of agreement or court order. Perhaps legislation should confine itself to the basis of determination of the value of a pension entitlement according to accepted actuarial methods and the provision of this information to the parties concerned, to promote a realistic appreciation of such assets and a basis of their division or disposition.

Recommendation 10 - Multi-Employer Pension Plans

The subject is not pertinent to the mining industry and we have no comment.

Recommendation 11 - Survivor's Benefit

We believe there should be provision for continuation of a survivor benefit at half rate or higher, on an actuarially reduced basis, but with provision also to opt out by mutual agreement of the parties in those cases, for example, where both spouses have a pension, or where one party would be protected as an insurance beneficiary, or where other such arrangements exist as may be deemed adequate or preferable to the welfare of the survivor. We do not agree that pensions should automatically be reduced to two-thirds on either death. We also do not agree that a 60-month guarantee of pension payments is either appropriate or desirable.

We agree that pension contributions by employees should be refunded if death occurs before payment commences or if pension payments made before death do not equal employee contributions. We agree that such employee contributions should include a reasonable rate of interest earned.

Recommendation 12 - Disclosure

We support the principle of disclosure and of appropriate annual statements to employees and would simply urge that the requirements be kept as simple as possible and realistically related to the needs of the employee for such information.

Recommendation 13 - Joint Representation

We are seriously concerned with these recommendations. Many companies operate separate pension plans for various union groups, for various classifications of employees and for employees in different political jurisdictions, but do so with a single investment or administrative pension board. To provide equal employee representation for each employee group covered would require a corresponding multiplication of such administrative bodies - sometimes by a factor of 6 or 8 or more, with attendant increases in

administrative costs, problems in co-ordination of investment policy and the loss of both investment scope and favourable brokerage costs attendant upon volume. We anticipate that there would be problems in establishing employee representation among both non-unionized and unionized groups.

We also note that the question of plan representation has rarely been a serious one in labour negotiations. It has been infrequently requested by unions and has been invariably settled peacefully in the bargaining process. We know of no strike or serious crisis on this issue. Against this historical record, introduction of such legislation would not address a current or anticipated problem but would carry high potential for increasing conflict in the already difficult area of labour relations. As noted earlier, we support the principle of disclosure and we believe that appropriate regulations in this field, together with existing legislative safe guards on investment and other aspects will satisfy and protect employee interests. Thereafter, the issue, should it become one, should be left to the collective bargaining process.

Recommendation 14 - Actuarial Cost Matters

We believe that various actuarial cost methods are in common use and conform to accepted standards of the actuarial and accounting professions. We believe that under such circumstances the actual method to be used should be left to the discretion of the plan administrator.

Recommendation 15 - Unisex Mortality Tables

We oppose the use of unisex mortality tables especially in the calculation of pension options as they would only distort the use of options and in many situations cause the wrong election to be made for financial reasons.

Recommendation 16 - Offset Integration

It is not practical to design a pension plan in Canada in isolation from the benefits available or payable from government sources such as either CPP or OAS or other provincial arrangements. In the light of this mixed government and private structure, it is quite proper to establish a private plan with a relatively higher percentage of salary as a level of benefit plus an offset arrangement, just as it is proper to establish a private plan with a relatively low percentage of salary as a level of private benefit without offset - there are many examples of both. To legislate a prohibition of OAS offset would have serious effects, distorting the benefit levels of pensioners relative to employed persons, or forcing immediate or long-term reduction in private plan benefit levels, through negotiation or otherwise, to re-establish the philosophical relationships contemplated in the original plan design. A prohibition of OAS offset would carry high cost implications for many plans contrary to the view expressed in the Green Paper. We believe it would be a disruptive change which would reduce the flexibility in designing or negotiating pension plans with minimum long-term benefits to participants.

Recommendation 17 - Retirement Age

We agree with the establishment of a nominal date of retirement at age 65, with an appropriate increase

in pension when retirement is deferred. We recommend that the pension entitlement be calculated as of age 65, and actuarially increased on the same basis as actuarial decreases are applied for retirement before 65. This method would not only be consistent with early retirement practice but would provide a known or certain pension determination to a greater degree than would the application of the pension formula to post-65 service.

Recommendation 18 - Interest on Employee Contributions

We agree that this interest rate should bear a reasonable relationship to recent market rates at the time of termination.

Recommendation 19 - Vesting

Vesting is of less significance to young terminating employees, whose pension equity is small and who still have a full career potential ahead of them, of say 30 or 35 years; and who usually have other higher and equally legitimate priorities to cope with, such as establishment of home ownership or even day-to-day living expenses of a young family. Vesting is of more importance to older employees whose future service potential is limited. We recommend vesting after five years of service and attainment of age 30, or one year of service and attainment of age 45, whichever comes earlier.

However, it should be recognized that any lowering of current vesting rights will create an additional administrative cost.

Recommendation 20 - Benefit on Termination

We agree that the benefit on termination after vesting should be in the form of a deferred pension, of which at least 50 percent is employer provided.

Recommendation 21 - Locking-in

We agree that employer and employee contributions should be locked in after vesting, subject perhaps to provision for such circumstances as trivial entitlements, permanent disability or other hardship cases.

Recommendation 22 and 23 - Inflation Protection

The excess interest proposal is grounded on the assumption that pensions are simply a deferred wage and employees are automatically entitled to so-called excess interest earnings. While the concept has a surface plausibility, we do not believe it will stand close examination.

A primary characteristic of a wage is certainty, both as to amount per hour, week or month and date of payment; pension entitlements do not meet these criteria. Moreover, a logical extension of the concept leads to absurdity on several vital counts - for example, if pensions are truly deferred wages, then vesting should apply from the first day of employment; all of the investment earnings, not just the amount above 3 or 6 percent or some other calculated figure should go to the credit of employees or retired lives; and the value of the pension entitlement (not just the employees' contribution) should be returned to the employee's estate upon death before retirement - conclusions which obviously would fatally damage the viability of most plans.

Pensions are not a deferred wage; they are more accurately described as a part of the employment package, representing a conditional promise of certain benefits if retirement age is reached, and if defined criteria are met respecting an employee's decision to join and to contribute, or to meet stipulated service considerations. Pensions are undoubtedly a valuable consideration, and they are employment related, but they are no more a deferred wage than other parts of the employment package, such as drug or dental plans, profit-sharing plans or other employee benefits.

Employers commit themselves to a benefit promise and assume the risk of meeting the costs (so long as the business can support the costs and so long as the plan continues). If costs are higher than originally anticipated due to salary escalation, investment losses or other reasons, the employer must meet them; if lower, he may justifiably use the difference to expand either pension or other benefits or wages or to reduce the burden of existing benefit cost on the company.

At the administrative level, we doubt the efficacy of the proposed system. It is complex and unlikely to be understood by most employees. Even if modified at its initial adoption, as has been proposed to ease the initial cost impact, it will ultimately act to reduce the incentive to good investment performance. Moreover, the results in pensioners' eyes will not relate well to actual inflation. We believe there are serious weaknesses in the proposal which cannot really be overcome satisfactorily by leveling or averaging techniques.

Investment results may well have relevance to an employer in assisting his pensioners in this connection, but a rigid formula should not be mandated, any more than ad hoc increases or other arbitrary increases should be mandated. Employers should be encouraged to continue to grant voluntary or negotiated increases to the degree that the business is capable of sustaining them, whether based on investment performance, sales or profit, or other appropriate criteria - including the interests of active employees with respect to their long-term employment security and their ultimate pension entitlement.

We recommend that no fixed or rigid formula be legislated, but that employers be encouraged to continue or extend the already widespread practice of making voluntary increases. In particular, we suggest that incentives to this end be examined, such as granting more generous tax treatment to business in respect of such expenditures. We recognize that the initial effect would be a reduction in government revenues, but much of this would be recovered by reduced government expenditures on the Guaranteed Income Supplement and on provincial support programs, where such exist. Moreover, the burden of inflation protection would be better spread over society, as it properly should be, and not placed exclusively on the party (the employer) who has already voluntarily assumed the obligation to provide the pension in the first place.

Recommendation 24 - Voluntary Employer Pension Plans

We are unsure of the full intent and implications of this proposal, but in general, we do not believe private

Wednesday, 17 August, 1983

plans should be made mandatory. We do endorse the concept of studying means of providing administratively simple, voluntary mechanisms to encourage further

growth in the private pension system, particularly among smaller employers to whom administrative complexities and their costs may be a serious deterrent.