

April 8, 2009

Sent by Fax and Mail – 416-325-3745

The Honourable Dalton McGuinty
Premier of Ontario
Legislative Building, Queen's Park
Toronto, ON M7A 1A1

Dear Premier McGuinty,

On behalf of the CAW I am writing to express my deep concern about your government's recent developments regarding the Pension Benefit Guarantee Fund (PBGF).

Our concern was first raised in the recent Ontario Budget. In the course of announcing a review of the structure and financing of the PBGF, the Budget also states that "...the government will introduce amendments to the *Pension Benefits Act* to clarify that the PBGF is a self-sustaining fund, independent of the government. The amendments would give the government the flexibility to make grants to the PBGF, while also confirming that the government is not required to make either grants or loans. The amendments would also confirm the existing regulatory requirement that the PBGF's liability to guarantee pensions is limited to the assets of the PBGF."

Our concern was heightened by your comments, reported on April 8, that the PBGF would not cover retired autoworkers who could be affected by a potential bankruptcy at General Motors or one of the other major automakers.

I am concerned that these developments indicate your Government is backing away from the need to provide a backstop in those situations where pension plan members will be severely affected by the economic failure of their employer. Since its inception, the PBGF has provided absolutely critical support for thousands of retirees, surviving spouses and active plan members. In many cases that support has meant the difference between a sustainable and viable retirement and the devastating alternative of retirees and their dependents living in poverty.

The Budget references Ontario's Expert Commission on Pensions as recommending such a review, but it ignores Recommendation 6-17 which states: "The level of monthly pension benefits eligible for protection by the Pension Benefits Guarantee Fund should be increased to a maximum of \$2,500 to reflect the effect of inflation on the original maximum of \$1,000."



In addition, the Commission also recommends that “the Pension Benefits Guarantee Fund should be continued in its present form, but **with the improvements proposed in Recommendations 6-14 to 6-17 for at least five years** (emphasis added) or until completion of the review proposed in Recommendation 6-18, whichever is later.” In other words, the Expert Commission recommends that coverage be increased to \$2500, for at least five years.

It is quite disturbing to see a Budget announcement which appears to signal a retreat from the purpose and spirit in which the PBGF has operated for almost 30 years, but so singularly fails to respond to the positive recommendations of the Expert Commission.

Thousands of retirees and active pension plan members in Ontario are quite naturally feeling the anxiety and uncertainty that accompanies the fallout from the global financial and credit crises. They should not be subjected to the further anxieties caused by the apparent unwillingness of the Provincial Government to honor the commitment to stand as a guarantor for a significant part of their pensions. We should all be reminded that these individuals may not only be losing part of their pensions, but that many active members will lose their jobs, while both active and retired members will also lose significant health care benefits. Senior citizens in Ontario will be enraged if it appears that their own government is attempting to back away from its responsibility to protect those who have been victimized by the failures of the financial system, by weakening a backstop that your own expert commission has recognized is inadequate.

We recognize, of course, the daunting nature of the current pension deficits facing the auto companies (and many other major companies in Canada). And we are fully committed, as I have stated publicly, to working with your government, your federal colleagues, and the auto companies to discuss ways of securing and sustainably funding pensions and other retiree benefits moving forward. The best way to secure autoworkers' pensions is to keep the auto companies in business. But none of that provides a legitimate reason for the provincial government to abandon retired workers when worse comes to worst.

I call upon you to clearly indicate that the Government of Ontario will ensure that, at the time that they most need it, defined benefit pension plan members will be able to count on the support of the safety net that was constructed for just such events.

Yours truly,



KEN LEWENZA
National President