

OTF President Mike Foulds: the one percent is responsible

On September 28, 2106, MacLean's magazine published an editorial, "Why the one percent isn't to blame for income inequity." OTF President Mike Foulds responded with the following letter to the editor. A portion of this letter was published in MacLean's letters to the editor on October 10.

It was disheartening to read the September 28, 2016 Editorial Why the one percent isn't to blame for income inequity, Our Editorial: It's past time to rein in the public sector pension plan bacchanalia. Not disheartening as a member of a fully funded jointly-sponsored public pension plan but disheartening to see what was once Canada's preeminent weekly news magazine sink further into the muck of right wing "journalism" best exemplified by such luminaires as Fox news.

Your editorial dismisses "the notion that an elite group of "one-percenters" is responsible for vast problems of income inequity" not through careful consideration of history or facts but through ignorance of them. Highly desirable Defined Benefit pension plans that are well managed and that possess good governance models are thriving in Canada. One need only consider the Ontario Teachers' Pension Plan's 107% funded status this past year as an example but I would be remiss to not mention OMERS' 6.7% net investment return in 2015 or CDPQ's 9.1% return in 2015. To make the comparison between these well managed and well governed public sector Defined Benefit Pension Plans and the travesty of the General Motors Canada Limited's management of their Defined Benefit Plan without actually delving into the causes of GMCL's pension problem should be an embarrassment for a "news" organization.

In 1992, Bob Rae's NDP passed Pension Benefit Act Regulation 5.1; the "Too Big to Fail" Legislation. It allowed companies with pension funds in excess of \$500 million to elect to be treated as a "qualifying plan". This legislation allowed qualifying companies to fund their pension plan on an ongoing basis permitting them to significantly reduce their pension plan contributions and, predictably, their wind up ratios declined. Along with GMCL, other companies such as STELCO and Algoma Steel elected to take advantage of this offer. STELCO and Algoma both went bankrupt and the fallout of their underfunding of pensions is a matter before the bankruptcy courts. GMCL claims it nearly went bankrupt in 2009 and as a result the Ontario and Canadian government provided GMCL with billions in bailout. GMCL used portions of that taxpayer money to address the pension shortfall it had created by underfunding the pension plan through the "Too Big to Fail" pension legislation loophole.

Your editorial also fails to take into account the research conducted by the Boston Consulting Group (BCG), which confirms that an estimated 10 to 15% of Defined Benefit beneficiaries collect the government's Guaranteed Income Supplement, compared with 45-50% of other Canadian retirees. Defined Benefit pensions reduce the annual pay out of GIS, a supplementary government benefit provided to low-income seniors, by approximately \$2-3 billion a year. The study also found that defined benefit recipients contribute \$14 - \$16 billion annually to government coffers across Canada through income, sales and property taxes. (<https://www.otpp.com/news/article/-/article/701993>)

When one compares the average annual pension benefits paid out by OMERS (\$28,300 per year average starting in 2014), HOOPP (\$24,000 per year average unreduced starting in 2015), or OTPP (\$45,000 per

year average starting pension in 2015) to name a few, with the compensation paid to executives at such places as Rogers where CEO Nadir Mohamed's reported total compensation in 2013 was \$26,769,973, or General Motors' CEO Mary Barra whose 2015 compensation was \$28,588,663, it seems ludicrous that a rational person would think the Defined Benefit pension plan of public sector workers is the cause of the "vast problems of income inequity" but your editorial attempts to make that case.

"Given current trends, it won't be long before DB plans are the exclusive domain of the public sector."

I fear that you are correct. However, UNIFOR, and before it CAW and USW, did not make the series of poor decisions to underfund the Defined Benefit pension plan at General Motors. Those decisions were made by the "one-percenters" running the companies and collecting bonuses while underfunding their employees' retirement.

Rather than deride public sector employees for their pensions or declare attempts to address the retirement income problem through enhancement of the Canada Pension Plan as "misguided" it would be a welcome change to see some critical analysis of how Defined Benefit pension plans in the private sector were allowed to be systematically underfunded to the point of insolvency by the "one-percenters"... responsible for the vast problems of income inequity" than a blatant attempt by a news magazine owned by "one-percenters" to shift the blame to hard working public sector employees.

Mike Foulds

President

Ontario Teachers' Federation