

# Conflict or coverage?

*Finger pointing has obscured the real issue in the pension industry. We need to begin a dialogue about expanding pension coverage.*

**By Hugh O'Reilly**

THE DEBATE GENERATED BY BILL 198 IN ONTARIO HAS brought to light the key issue in the pension industry. In my view, it has shown that we need, as an industry, to expand pension coverage in the area of defined benefit (DB) pension plans.

Despite the fact that we live in a time when there is a great deal of pension expertise, we seem to be at a loss when it comes to the issue of expanding coverage.

I believe that this is occurring because the debates about pension coverage are based upon false premises, such as the notion that DB plans have disappeared through overregulation. Dialogue about coverage has also been overshadowed by other issues. After all, it is easier to fight over things like surplus than it is to

engage in a truly balanced discussion about expanding pension coverage and treating terminated plan members fairly.

The fact that the DB plan is declining at the very time it is needed most will not be seen as ironic by those who retire on meagre incomes or those who have to pay more in taxes to augment the inadequate retirement incomes of seniors. It will instead be viewed as a failure by both government and the pension industry to look beyond self-interest and do the right thing.

We need to begin a discussion about expanding DB coverage in Canada. If we are to begin in a meaningful way, we need to be open-minded and creative and must start with premises that reflect reality. My suggestions are as follows:

1. We need to accept that the decline of DB plans was not the product of overregulation. On the contrary, the waning of DB plans was, and still is, based on the desire of employers to manage risk and not to be responsible for unlimited liability.

2. If we accept this premise, there has to be appropriate risk sharing. Joint governance works. It should be the accepted model in both the private and the

public sectors.

3. Defined contribution (DC) plans should be viewed as an adjunct to a DB plan. In my view, DC plans do not provide the security that members need. They may also lead to legal liability for plan sponsors.

4. Income tax limits for registered retirement savings plans and registered pension plans need to be increased to realistic levels.

5. The government should create or facilitate the creation of a province-wide contributory, DB multi-employer pension plan for smaller employers. In this way, plan members could move from job to job and not lose pensionable service. Funds collected could be invested in the manner the Canada Pension Plan is now invested.

A key benefit of this approach is that employers who are reluctant to take on the risk of a DB plan or, indeed, any pension plan, would not have to face the burden of administering plans on their own.

6. It strikes me that the whole concept of partial wind-ups could be rethought. If an employee is involuntarily terminated under any circumstances and his or her age plus years of service total 55, then the employee should receive grow-ins. In this way, all long-term service workers would be protected. If this were the result, then perhaps the whole concept of partial wind-ups could be abolished.

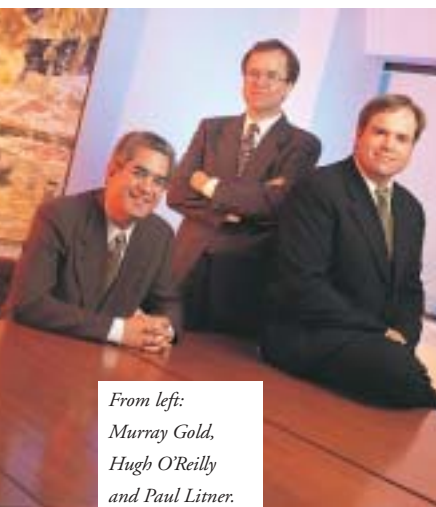
7. The surplus debate is flawed and serves no one's interest. Employers, current members and former members should be required to arrive at a negotiated settlement. If they fail to do so, the dispute should be subject to arbitration.

It seems to me that the real barrier to reform is us. If we worked together and came up with balanced and workable solutions, governments would have no choice but to implement them.

The question is—are we as an industry prepared to take a chance and move away from our traditional and comfortable positions to assume a leadership role and work for real solutions?

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*From left:  
Murray Gold,  
Hugh O'Reilly  
and Paul Limer.*