Response
Of the
Nova Scotia Federation of Labour

To the

Nova Scotia Pension Review Panel Position Paper
(Dated October 17, 2008)

November 21, 2008

Introduction

The Nova Scotia Federation of Labour speaks on behalf of and represents the interests of organized and unorganized workers. The NSFL represents over 70,000 members of affiliated unions in more than 300 union locals. We made a written submission to the Panel that included twelve major recommendations, and we also had the opportunity to meet with the Panel in July.

We welcome the opportunity to provide comments on Panel's position paper. We understand that Panel has provided tentative answers in this paper to the initial questions in Discussion Paper to elicit comments from interested stakeholders. While we support many recommendations in general, we have significant questions and serious concerns about a number of the recommendations contained in the paper.

3.3 **Funding** 3.3.1 **Amortization** 3.3.2 **Surplus**

The central recommendation of the paper seems to be the minimum funding/Accrued Benefit Basis proposal (ABB) and the related recommendations about amortization and surplus.

The main features of this new funding valuation proposal appear to us as follows:

- it establishes a new combination of the (currently used) going concern and solvency bases for valuation;
- the new basis would measure pension benefits "accrued to date"; one serious implication of this proposal is that it no longer requires funding for "final average earnings" type benefit formulas that project earnings growth beyond five years from the valuation date;
- it requires that indexation liabilities now be fully recognized;
- it introduces an 8-year amortization schedule for paying off deficiencies;
- it introduces an 8-year amortization schedule for eliminating surpluses through a calculation of "minimum cost" that builds in the application of surpluses to normal cost (referred to as MFCSC);
- it recommends prescribed discount rates that appear to be grounded in the existing Solvency Funding rules but with an additional load of 1.5% return in respect of active members;
- on each of the salary scale assumption, mortality assumption, and retirement age assumption, it provides a prescribed method that appears to remove actuarial discretion and require fairly conservative assumptions to be used;
- it eliminates the option of actuarial asset value "smoothing", and requires that market values be used;
- it has a new proposal for automatic, plan-provided "top-ups" of commuted value payments to members who terminate from underfunded plans, with the top-up cost being met by employers within the period leading up to the next valuation;
- it appears to recommend elimination of the current exceptions and exemptions from solvency funding requirements for universities, municipalities, and multi-employer plans.

The combination of different factors in the new funding model is difficult to evaluate as a package. Certain elements will have the effect of raising pension plan costs, in certain cases very dramatically, including:

- mandatory inclusion of indexation and grow-in promises;
- prescribed discount rates, particularly for retirees, that are much lower than the current actuarial standards; and
- prescribed assumptions regarding early retirement provision take-up.

On the other hand, other elements of the proposed model will also have the effect of *reducing* certain plan costs. For example, capping the liability associated with "final average earnings" benefit formulas at the level of a five-year earnings growth projection, would seem to go against the grain of the Panel's other recommendations. In as much as it appears to reduce the funding for such final average formulas, this aspect of plan members' benefits would seem correspondingly less secure (i.e. dependent on positive actuarial experience).

In addition, while the prescribed return assumption proposed may be more conservative than existing going concern standards, it is higher (based on the 1.5% premium attached to the liabilities of active members) than the current solvency basis return assumption. We would presume, then, that an additional, perhaps unintended consequence of this increase is a significant lowering of the commuted value (transfer value) payments provided to plan members who terminate from a plan prior to retirement. If this is the case, and considering this in combination with the Panel's proposal to eliminate the requirement for providing and funding "grow-in" benefits, we are concerned that plan members that terminate participation in a defined benefit pension plans will be very negatively affected by this proposal overall. In as much as such members who terminate are, by definition, less likely to reach retirement with full pension entitlements, it would seem highly inequitable to structure pension funding in a way that transfers value from them to plan members who remain in the plan to retirement.

Objectives of the proposed "Accrued Benefit Basis"

It is not clear to us what objective is met by the Panel's proposed new funding basis, and in particular the elimination of the existing exemption of indexation from solvency liabilities. While it might be intended as a means of better securing indexation promises, it must be recognized that the effect of such a change on Nova Scotia plans that promise indexation (and fund for it on a going concern basis) is, in our view, very likely to be the elimination of the promise altogether by plan sponsors unwilling to bear significantly and suddenly increased costs. In the context of the recent declines on financial markets, this heavy funding obligation appears to us to be particularly onerous and badly timed.

We might also read the Panel's recommendation of a more conservative and prescribed set of assumptions (particularly on rate of return) as a preference for more fully and certainly funding all pension promises (and preventing the extension of unfunded promises). If so, it seems to us contradictory that the first "claim" on actuarial surpluses produced under the proposed model will be, in fact, a partial contribution holiday (via mandatory eight-year surplus amortization). Such a first claim can hardly be viewed as contributing to pension benefit "security".

This recommendation of automatic eight-year surplus amortization also raises several additional questions for us. The Panel has suggested that employers should be contributing at least 50% of MFCSC on an aggregate, ten year basis. This sounds very balanced. But in many of our plans, the employer's current service cost is determined as the residual of normal cost remaining once fixed plan member contributions are subtracted, and this residual is (nearly always) substantially higher than the member rates. As a result, it seems to us that under the proposed MFCSC such residual cost plans would see the eight-year surplus amortizations resulting in **cost reductions to the employer cost only** – with no benefit flowing to plan members. In such plans, the 50% minimum rule over a 10-year aggregate will generally not be triggered (barring very large additional employer contribution holidays). To the extent that the new, conservatively constructed MFCSC is "pre-loading" surplus into normal cost, it is important to understand how the benefits of such surpluses will be allocated.

When we consider this proposed new funding basis in the current very difficult financial context, and recognizing that we have inherited pension plans that evolved under the existing funding framework, the NSFL is gravely concerned that the impact of this proposed funding model will be very negative for many, possibly most of our members' pension plans. Some plans that have consistently promised, provided, and funded for indexation promises on the currently permitted going concern basis will be very suddenly required to fund them on a "modified Solvency" basis, resulting in a very large additional liability to be recognized. This is true regardless of the extent to which those affected plans face significant insolvency risks. Some such plans, such as the NSAHO plan, will face that increase in cost despite being situated in the public sector and funded by multiple, stable employers facing extremely low probabilities of insolvency. It seems unfair to us that such plans, having managed to make good on their indexing promises over the course of many years, will now face such a consequence.

On the other hand, it seems to us that those pension plans that do not currently make indexation promises are also very likely to face higher costs as a result of the proposed MFCSC, and employers (and plan sponsors) will be less likely than ever to consider introducing any enhancements. We expect that the result of the proposed funding model – for the foreseeable future – will be pension plan sponsors, employers, and administrators moving to either freeze or reduce their pension benefits, even where the existing funding model would suggest that their commitments are affordable and sustainable. This seems an unnecessary and undesirable result, given the Panel's stated objectives and assigned mandate.

Further, the NSFL represents many trade unions that utilize collective bargaining to determine many aspects of pension plan decision-making, including both benefit levels and contributions. This has been the case for many decades, and bargaining on pensions has been conducted as a normal course, responsible mechanism for decision-making. As such, our affiliated trade unions consider the proposals embedded in the 95%-105% "collar" to be an interference into the scope of what can be freely collectively bargained. While we appreciate the need to provide a system for properly funding pension promises (whether collectively bargained or otherwise), the existing funding system has provided an effective framework to do so over many years.

As such, we view the proposed introduction of new restrictions on the negotiation and implementation of plan benefit improvements for plans that do not meet prescribed funding ratios (105% on the new funding basis) to be an unnecessary infringement on collective bargaining.

Finally, we find it striking that the Panel has not provided a rationale for this proposed funding model, nor an explanation of why specifically the existing two-basis funding model is inadequate. Most seriously, the Panel's report has not provided any evidence regarding the likely impact of their proposed changes on our existing plans. This lack of evidence begs several important questions:

- What would be the effect of this new model on funding balances of the pension plans covered by the Act?
- Has any modeling or estimating been conducted to inform the Minister, or pension stakeholders, how many plans would face cost increases and/or deepened deficiencies as a result of the implementation of this proposal?
- What effect would the new minimum funding standard have on the current service costs of plans across the province?

For the NSFL to respond adequately to this proposal of a complete re-design of pension funding rules, we would need much more of this kind of information. In addition, some reasonable projections of probable future outcomes (using variable investment return scenarios and probabilities) might help us to better understand not only short term but longer term effects on costs, cost volatility, and benefit security.

Request for Meeting

For all these reasons, the NSFL cannot support this minimum funding proposal as it is presently outlined. We strongly urge that we and other respondents be given the opportunity to meet with the Panel and the actuaries who developed this proposal. Before the Panel finalizes any recommendations along these lines, we would suggest that all stakeholders should fully understand what it does, what impacts it would or could have, and whether alternative approaches might be considered (such as a simple extension of the amortization period required for solvency valuations alone). We would add that, at a bare minimum, if any new funding model (such as the ABB/MFCSC) is to be proposed, and is likely to significantly increase ongoing pension costs, it should be given a very long period of time to "phase in".

2.1 Panel's Perspective (Recognition of Unions and Preference for DB Plans)

The NSFL is very concerned about the very limited recognition of unions in the paper, let alone recognition of the important role they do and could plan in the operation of pension plans. We think the Panel should explicitly recognize the important regulatory and enforcement role played by trade unions within the existing framework of pension plan governance as we recommended in our submission. Merely referring to unions as employee representatives does not capture or validate the important role unions provide already. We think this recognition is also important when talking about access to information and governance.

At the same time, we are troubled by the Panel's description of pension plan participation. The current situation presented on page 4 suggests that defined benefit plans are fast disappearing. However, according to the most recent Annual Report of the Superintendent of Pensions for the year ending March 31, 2006, almost 80 percent of pension plan members are in defined benefit plans as of January 1, 2005.

In addition, we do not agree that proportion of employees in defined benefit plans is declining faster than the numbers of people participating in employer sponsored pensions as stated on the same page. In fact, we understand that the number of defined benefit plans registered in Nova Scotia has increased each year from 2002 to 2005 while the number of defined contribution plans registered in Nova Scotia declined 9% between 1996 and 2005 according to the same report.

Considering that the same report showed that the proportion of employed Nova Scotians decreased by almost 8 percent between 1993 and 2006, the real crisis is not so much the gradual decline of DB plans, ***but rather the declining coverage of workplace pensions in general*** as we emphasized in our submission. This is especially the case for new participants in the Nova Scotia workforce. What was not mentioned as contributing causal factors for no new DB plans in the last ten years has been extensive government restructuring and the resulting decline of public sector workers, growth of non-standard or precarious work, and the drop in the number of unionize workers. We recommended a broad-based, public discussion on how best to ensure that all working people in Nova Scotia and Canada have financial security in retirement and the vital role of the public pension system in ensuring this security.

As found on pages 6, 7 and 8, we also have difficulty with the Panel's concerns about the need to simplify government regulation, reduce regulatory burden and ensuring that the bias in interpreting the *Pension Benefits Act* is permissive and not restrictive. We do not agree that a further strengthening of current requirements on pension plan sponsors (as stated on page 6) such as requiring employee and retiree approval of prospective changes in plans or requiring guaranteed indexing for defined benefit plans will only serve to accelerate the decline in the number of plans. We are not aware of any evidence for such a link.

Interestingly enough, the Panel stated on the same page that it believes pension plans will work much better when there is active employee involvement through joint trusteeship or other means, such as active employee Advisory Committees. How can the Panel support increased employee involvement on the one hand and then cite employee and retiree involvement with respect to approving prospective plan changes as a likely reason for the decline in the number of pension plans on the other hand?

Similarly, we find it disturbing that just over half of all pension plan members in defined benefit plans have no inflation protection and this figure rises to 83% for private sector defined benefit plan members. Without indexing, inflation will erode retiree benefits even in times of low inflation. For example, the pension of a member who retired in 1994 would have seen inflation erode the real value of their pension by about 20%.

These losses occurred during double digit investment returns of the mid 1990s and when employers were enjoying contribution holidays. As a result, we recommended in our submission that full indexing should be mandatory under the Act.

2.2 Goals of Pension Legislation and Regulation

The NSFL agrees that the restated four goals of pension legislation and regulation are much better for employees and employers than the five original goals outlined in the Discussion Paper. We think the first goal of maximizing the likelihood that pension promises are kept is important.

However, in addition, considering recent trends, we want to see a goal that emphasizes the extension and improvement of pension plans and coverage throughout the province. Furthermore, as already stated, we want to see an explicit goal for the promotion and expansion of workplace defined benefit plan coverage.

We also disagree with your list on page 7 of what the legislation and regulation should avoid when it comes to enforcing equity between plan members and when it identifies favouring one form of pension over others. We do not support allowing different benefits for various groups of plan members. We strongly believe all plan members should receive similar benefits. As stated in our submission, we strongly believe that all workers should be able to look forward to an economically secure and dignified retirement. Defined benefit plans provide the best form of pension to achieve this goal because they provide predictable and secure retirement benefits.

We recommended in our submission that the Panel should support the established consensus regarding the security of, and preference for, secure defined benefit type pension plans. We also proposed that the Panel recommend that a broad-based debate be initiated on the necessary expansion of the public pension system such that all Nova Scotians have financial security in retirement. We are disappointed that no consideration appears to have been given to this important and timely proposal.

3.1 Types of Pension Plans

In general, the NSFL supports the need for a more flexible legislative framework for different types of benefit design, funding sources and sponsorship arrangements. At the same time, we proposed in our submission that the Panel recommends feasible approaches for expanding workplace DB plan coverage. Ideally, this includes setting explicit goals and strategies for expanding DB coverage.

We recognize that there are other types of pension plans besides DB plans but we are very concerned that allowing or encouraging the expansion of other types of pension plans will weaken existing DB plan coverage and may lead to the conversion of existing DB plans to other types of plans (with reduced retirement security for plan members).

The Adjustable Contribution/Benefit plan or ACB offers an alternative approach for encouraging the development of new pension plans. We certainly agree with the proposal for joint trusteeship as a feature of this type of plan and that all surpluses in them must be fully committed to the plan without any possibility of contribution holidays. However, we are concerned about the impact of a significant defined contribution component and how it could affect other types of plans.

In order for the NSFL to respond fully to this proposal, we would like more details on how a plan like this would work, and what level of benefit security would be provided. While we consider the introduction of such a plan model to be a potentially positive step, we would seek clarification that trade union and employee/plan member representatives would be play an active role in the development of the model to be used for both funding and benefit definition. If an ACB or DB plan option were developed that did provide a certain minimum level of benefit security, the possibility of requiring employers of a certain size to participate is positive, in our view, and they should not be permitted to opt-out (as proposed).

We do not want to see ACB being used as a model that is preferred by employers to DB plans or that would supplant existing DB plans. We are concerned about the emergence of plans that feature combinations of the above benefit designs and the accommodation of new designs by subsequent regulation. We believe the Panel should clarify that in no instance should the contemplated new ACB plan(s) be permitted to replaceexisting DB plans as a cheaper (lower-risk) option for employers that leaves plan members with less benefit security.

We further suggest that the recent market upheavals and turmoil should demonstrate the serious limitations of pension plans other than DB plans for providing fair and adequate retirement security. As it is, the retirement plans of many older Nova Scotians appear to have already been affected by the recent significant losses in value in financial markets..

On a positive note, we do support the Panel's proposal for the promotion of DB plans by a separate agency or section of the Department of Labour and Workforce Development, and not by the office of the Superintendent of Pensions. An active and resourced advocate for pensions that is not motivated by a sales-based financial interest is greatly needed and long overdue.

For DC Plans, we support the four requirements to be met to assist with investment choices. One additional requirement might be to establish reasonable time frames so that employees are not forced to make investment choices in a hurry.

We do not agree that DC plan members should be permitted to choose "what they want to do with their retirement funds" (through various kinds of unlocking or de-vesting). This suggests the possibility of cashing out or full unlocking of funds, which the original concept of vesting for both DB and DC plans was intended to block. This would undermine the security associated with vesting and the concept that these tax assisted plans be required to deliver retirement income with some security.

3.1 Province Wide Plan

The NSFL welcomes the Panel's proposed initiative to allow for the establishment of plans available to all employers in the province administered by an independent agency.
We like the idea of developing options for employers of any size who want to participate.

We also strongly support the possibility of requiring all employers above certain, yet unspecified size to participate in a province wide plan. We also agree with the idea of having a particular benefit and funding model customized for municipalities, though suggest that such a model should developed in consultation with those employers and the trade unions that represent their prospective plan members.

At the same time, we are quite concerned about the Panel recommending an ACB "and/or DC" plan options for employers of any size. We do not think that employers should be encouraged to participate in DC plan options on their own. This could prevent new DB plans from opening or weaken existing DB plan coverage. The DC option, particularly under the circumstances of the market meltdown, is simply not supportable. DC plans entirely individualize investment risk, and do not offer the risk pooling and time-distribution of risk that DB plans do. We appreciate the Panel's recognition of the ACB model, but consider it to be only supportable when structured to ensure a reasonable minimum of benefit security. As DC plans are unable to deliver any degree of such security, we do not consider new DC arrangements to be any form of answer to meeting the retirement security needs of Nova Scotians workers.

3.4 Grow-In Benefits

The NSFL believes that grow-in benefits should continue to be required and that they should be funded. Where there is a plan termination, the grow-in benefits will relieve employees from the erosion of their pensions due to actuarial reductions and thereby mitigate the negative effect on employees of a wind-up or a closure. Moreover, this rule offers a reasonable sharing of the actuarial value of this promised benefit with plan members who terminate from pension plans prior to retirement.

3.5 Partial Wind-ups

The NSFL does not think that partial wind-ups should be removed from the Act. We are concerned that eliminating the requirement will mean that workers who are laid off or downsized would no longer receive their fair share existing surpluses that their contributions and assets were used to generate. Particularly in the wake of recent court decisions (such as Monsanto) in support of fair surplus distribution to workers affected by partial windups, it strikes us unfair to discontinue the "partial wind-up" framework.

3.6 Unlocking

The NSFL thinks that the proposal that DC plan members be able to unlock "both employer and employee contributions and do what they like with them" appears to undermine the whole concept of vesting and the registration of DC plans as "pension plans". With full unlocking,

employees will no longer have the security of the rules requiring that these funds be spread out over time and available to fund a potentially lengthy retirement life.

We are also disagree that at the time of retirement, members of DB plans should be permitted to convert "up to half of the commuted value" of their DB into a "non-traditional retirement option" such as a RRIF or a LIF. In effect, while remaining locked in, this means "undefining" that portion of the defined benefit commuted value, and transferring its value into an investment vehicle such as a mutual fund, which may well perform very badly as an investment.

At the same time, we agree with removing "hardship issues" from the legislation because such unlocking has also undermined the concept of vesting. The only exception to this rule should be cases of terminal illness.

3.7 **Governance** 3.7.1 **Advisory Committees**

The NSFL supports a requirement of having governance plans being filed and accepted by the Superintendent. At the same time, it is not clear what a "Governance Plan" is. We presume that the Panel intends this to mean a description of the plan's governance model and decision-making structure, including a description of the division of powers, authorities and duties in that structure.

We are encouraged by the statement that says "Employee and/or union involvement in plan administration and governance should be encouraged and any regulatory inhibitions removed". However, there are no specific recommendations about how unions might be better involved in governance, nor is there a requirement that unions be provided with access to plan information.

On this note, we are also concerned with the proposal (page 20) for the election of Advisory Committee representatives by "the employees". No mention is made here of the role that trade unions are already playing in electing, appointing, or otherwise selecting representatives on such Committees. We are proceeding on the assumption that this proposal for an open, employee-wide "election" of Committee representatives would apply to non-union employees, with representatives of plan member trade unions being chosen by their respective union in the manner that they so choose.

Having said that, we do support the recommendation that Advisory Committees be authorized to consult with plan professionals such as the Plan Actuary. However, we do not agree that this expanded role for the Committees could relieve the Superintendent of her obligations to review plan amendments or that it might limit the liability of the sponsor or employer..

In addition, we do not agree that the Advisory Committees would take responsibility for disseminating plan funding status information to each employee. While Advisory Committees could assist with this task, this should not reduce the obligation to provide information on plan funding to employees via mechanisms such as the plan member annual statement and other methods. The NSFL believes that the Plan Administrator should retain the ultimate responsibility to ensure that the disclosures are provided.

We think there are a number of other important recommendations related to governance.
For example, we recommended in our submission that where trade unions represent plan members and they decide to establish a Joint Trust, we feel that the Act should make such governance improvements mandatory. Where there are Advisory Committees, they should be composed of equal numbers of employee and employer representatives elected or appointed respectively by their respective groups as is the case with Occupational Health and Safety Committees. We recommend that the parties conduct a governance review every five years. In the event that plan members and/or the trade unions representing a majority of plan members choose to move the plan to a Joint Trusteeship, such a five-year governance review should provide a mechanism to facilitate such a change.

3.7 **Role of Regulators**

The NSFL agrees that appeals from the Superintendent's reconsideration decisions should go to the Nova Scotia Labour Relations Board. We again recommend that the role and mandate of the pension regulator be reviewed and that the Panel ensure the Office of Superintendent be provided with the resources and mandate to fulfill its obligations.

We recommend once more that Nova Scotia follow a similar approach to the Quebec model on the fiduciary responsibility of plan agents, and amend the Act so that all agents of a pension plan including actuaries be listed and named as fiduciaries under the Act.
Secondly, we also recommend that the Act prohibit contractual limitations on the liability of service providers. Thirdly, we propose that comprehensive whistle blower protection be provided in the Act.

We also agree that "connected persons" should be exempt from the Act.

3.9 **Harmonization** 3.10 **Safe Harbour**

The NSFL agrees with the Panel's comments regarding harmonization of the regulatory framework with that of other jurisdictions, and the rejection of proposals to establish "safe harbour" rules.

3.11 **Phased Retirement**

The NSFL does not think phased retirement should be permitted unless the following conditions are met:

- that employers not be permitted to extend Phased Retirement benefits to plan members on an individual "handpicked" or otherwise discriminatory basis. If a plan will permit Phased Retirement, provincial regulation must require that it be open to all who meet the established eligibility requirements;
- that plan administrators be required to provide a separate, plain language report of the actuarial cost impact of Phased Retirement systems on plans. Such a reporting requirement will protect against costly Phased Retirement systems being introduced only for some categories of employees (or favoured individuals), with costs paid inequitably by plan members who may never be eligible.

3.12 **Vesting**

The NSFL supports the Panel's proposal of immediate vesting.

3.13 **Classes**

The NSFL does not agree that the list of acceptable classes should be removed from the Act. We do not think that sponsors (or employers) should have complete discretion to determine what classes of employees can participate or the benefit design for each class even if the Superintendent has to approve such a list. At the same time, we believe casual employees should be permitted to be members of a pension plan once they are retained beyond a minimum time frame (such as six months).

3.14 **Access to Information**

The NSFL believes that information filed with the Superintendent of Pensions by a sponsor should be made available to unions representing plan members, Advisory Committees and employees. We also believe unions should be automatically provided with the same information provided to members about overall plan operations and funding status. As our affiliate unions do continue to face difficulty in obtaining basic plan information from many employers, there is clearly a demonstrated role for the regulatory authorities to require such disclosures and enforce the existing rules.

3.15 **Promotion**

The NSFL supports the proposal of a new Pension Promotions office and we agree that it should be separate from the Superintendent's office. We believe that ongoing communication, education and information-sharing about pensions could be done by this office.

3.15.2 **Investments**

> The NSFL believes that each plan should be required to submit an annual investment policy as is required under Schedule 1 of the Act. We also think Schedule III in outlining lists of acceptable investments and quantitative limits on certain classes of investments is still needed. As the Panel itself points out in its Interim Report:
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> > *…There has been a sharp increase in the number and complexity of new investment instruments being used for investments of all kinds. The current criticism of losses to investors has been linked, in part, to the failure of investors to understand the nature of new investment instruments. (p. 24)*

We agree with the Panel entirely in this observation. However, such comment is rationale for a increased scrutiny of permitted pension investments. We do not understand how elimination of

the existing rules that mandate certain kinds of diversification and quantitative limits on exposures could be considered consistent with the comments above.
If investors, including pension fund investors, have demonstrated a capacity for failing to understand new investment instruments, is it any less true that they will have a capacity to imprudently allocate investments in ways that would breach the current Schedule III rules in a manner that puts the assets at risk?

We earlier recommended that the Panel call for the clarification of statutory and common trust law as it applies to pension investment in order that decisions by pension fund trustees to expressly avoid P3s and other forms of privatization that threaten unionized, public sector employment (and the pension coverage that such employment generally provides) are clearly permitted. Furthermore, we again propose that language be added to the *Pension Benefits Act*, making it legitimate for pension trustees to consider social and environmental principles.

Other

The NSFL believes the Panel should use the opportunity of its final report to provide an assessment of the current and continuing market downturn/crash, and its implications for the protection and promotion of pensions.

One other crucial area for consideration by the Panel is portability and protection of accrued benefits. In light of the current market turmoil, we also urge the Panel to reconsider our recommendation for establishing a Pension Benefit Guarantee Fund.
We urge that there be continued consultation with stakeholders after the report is released in the drafting of amendments to the *Pension Benefits Act* and Regulations. We further recommend an ongoing review of the Act and Regulations every five years.

Conclusion

The Nova Scotia Federation of Labour welcomes this opportunity to provide comments on the Panel's position paper. While we support a number of the recommendations being proposed by the Panel, we have significant questions and concerns about a number of the key sections and recommendations contained in the paper.

In particular, we cannot support this minimum funding proposal as it is presently outlined. We strongly urge that we be given the opportunity to meet with the Panel and the actuaries who developed this proposal. Before the Panel decides to go further with this proposal, all stakeholders need to more fully understand what it does, what impacts it would or could have, and what alternative approaches were considered such as changing the amortization time frames for solvency valuations alone. It remains unclear to us what it is about the longstanding and quite functional two-basis funding framework that the new proposed funding basis is aiming to correct.

We are also concerned about the lack of recognition of the important role played by unions and the preference that should be given to DB plans. We have major concerns about the extent to which the ACB and province-wide plans may lead to an undermining of DB plans.

We disagree with the elimination of grow-in and partial wind-up provisions as well as the rules regarding classes and permitted investments.. Once again, we urge a strengthening of the role of regulators, governance and access to information provisions.

The NSFL would be pleased to elaborate on our comments and suggested changes in another meeting with the Panel. We look forward to seeing the Panel's final report, and hope that you will consider our comments in its preparation.