



August 31, 2016

The Right Honourable Kathleen Wynne
Premier of Ontario
Legislative Building
Queen's Park
Toronto ON M7A 1A1

Dear Premier:

RE: Stelco Pensioners

We know that you have been closely following the saga of US Steel Canada and the threat to 20,000 Stelco pensioners and their dependents. We expect that you will be leading a deep and critical review of this situation. Permit us to offer some conclusions for your consideration.

1. Please keep this situation very much in mind during your government's current review of solvency funding rules for Defined-Benefit pension plans.

The solvency funding rules were not put in place for booming businesses acting in good faith. They were developed to protect the promised pensions when companies face insolvency and place their pension promises in jeopardy.

2. Please be realistic when talking about "balancing interests".

Pensioners are older people, dependent on the deferred compensation - pensions - that they earned in the past, and without potential to earn more in the future. Employees too, and indeed whole communities like Hamilton or Sault Ste Marie, have limited options in many cases. By contrast, surely the US Steel/Stelco situation indicates that huge companies hold all the cards. "Balancing interests" could be read to mean giving what they want equally to all parties and denying what they want equally to all parties. It could be read to mean reducing the income of thousands of helpless pensioners in order to increase the security of monster hedge fund investors and multinational earnings. We trust that does not sound reasonable to you either.

3. Recognize the trends

We recognize that factors other than "off-shoring" are responsible for the decades-long decline in Ontario's industrial employment. Having said that, it seems clear that some multinational corporations and profiteering hedge funds seem intent on shuttering operations in Ontario and shipping those jobs to the USA or elsewhere.

4. Be skeptical of false promises

We do not doubt that government loans and other supports have a place with respect to industrial transitions and innovative processes/products. We do not argue with your \$150

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million loan to US Steel Canada on the strength of its promises to continue production and fund its pension solvency deficit. Certainly, a thriving company is the best guarantee of that company's pension promises. In the bright light of hindsight, however, you must feel, as we do, that the Province's well-meaning intervention may have been naive in the face of questionable multinational intentions.

5. **Pressure the feds to change the laws governing the status of unfunded pension commitments in relation to bankruptcy and company creditors protection**

Of particular concern to us is the threat to Stelco pensioners if US Steel Canada operations were to wind up. A judge has already declared US Steel to be a creditor of US Steel Canada. Under Canada's current outdated bankruptcy and company creditor protection laws, this could well mean that - if a bankruptcy were unfortunately to take place - the claims of US Steel would have precedence over the unfunded pension obligations of US Steel Canada.

Surely the law was not meant to have this effect. We understand that the Trudeau government has this legislation under its microscope. Please emphasize to the federal government the need for urgent action on this file.

6. **Expand the Pension Benefits Guarantee Fund**

The PBGF (Pension Benefits Guarantee Fund) borrows from the cherished Ontario tradition of mutual insurance schemes, such as the many farmers' mutual insurance corporations which sprang up and continue to exist around Ontario. Participants pool their risk and stand together in the event of calamity occurring to any of them.

The farmer does not protect himself from the effects of a destructive fire by setting aside enough money to purchase a new barn or equipment. Rather, the farmer - through a mutual insurance scheme - shares the risk of catastrophic fires with a broad base of fellow farmers. Because fires are relatively rare, the collective cost of the insurance to all farmers is smaller than would be the collective cost if each farmer individually tried to set aside amounts sufficient to replace his own barn and equipment..

Similarly, another way to protect SEPP pensioners from the harm of pension plan windups is to share the risk among all Single-Employer Defined Benefit pension plans. As long as the incidence of involuntary plan windups is relatively small, the collective cost of insurance premiums to all such pension plan administrators should be smaller than the collective cost if each plan administrator had to ensure that the full solvency liability could be covered.

In our view, expanding the PBGF would be very much a time-honoured, "made-in-Ontario" part of the solution.

The problem is: the current PBGF is simply too small to be meaningful. First, it protects only a small portion of most pensions that would be affected by a plan wind-up; it should aim to cover the full promised pensions. Second, it does not impose premiums in accordance with the risk of underfunding and wind-up that any given pension plan entails. Finally, it is simply underfunded to cope with potential wind-ups of very large employers involving thousands of pensioners.

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Now is the time to expand the PBGF to provide meaningful pension protection in today's circumstances.

7. Why we care

As an organization of local government pensioners, we are very fortunate to have a large and stable pension plan - OMERS. Nonetheless, we are keenly aware that pension reductions, such as Stelco pensioners could face, would harm not only individual households but also whole communities. Households with less money are less willing or able to pay the taxes that support the community services upon which we all depend.

Sincerely,

William Harford, President

Cc. The Honourable Charles Sousa, Minister of Finance
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About the Municipal Retirees Organization Ontario

The Municipal Retirees Organization Ontario (MROO) was created as a not-for-profit corporation in 1977. We speak on behalf of 150,000 Ontario Municipal Employees Retirement System (OMERS) pensioners and provide services to 19,000 members.

MROO is the largest OMERS retiree organization and the only one with membership open to retirees from all walks of local government life – former union, non-union and management employees of municipalities, police and fire services, libraries, hydro commissions, school boards, health units, and other employers in the OMERS pension plan.

Our board consists of elected directors from nine zones across the province. We are an independent, non-partisan organization formed to voice the interests of OMERS retirees to OMERS and governments of all levels, represent our membership in legislative matters that affect retirees, and provide services that benefit our members.

Our advocacy focuses on the OMERS pension plan and retirement income adequacy. MROO offers its members health, dental, life, and home and auto insurance coverage; scholarships for members' relatives; and ongoing communication on retirement issues.

For more information, please visit our website, www.mroo.org.

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