



Newfoundland and Labrador Public Sector Pensioners' Association

Stakeholder Consultation Submission in Response to the:

Proposal to Unlock Pensions to Alleviate Hardship

by

Government of Newfoundland and Labrador

Submitted by:

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Response to Proposal for Unlocking of Pensions

Submission

to Consultation Process

On Wednesday (July 29, 2020), the Government of Newfoundland and Labrador issued a statement that it was considering amendments to the Pensions Benefits Act to enable individuals who are experiencing sufficient financial difficulties to withdraw a portion of their pension benefits. The Newfoundland and Labrador Public Sector Pensioners Association is completely opposed to any actions that would alter in any way the locked in provisions of any of the public service pension plans.

First off, the NL Government needs to get its facts straight. In 2014, when the Government of Newfoundland and Labrador (GNL) and the five largest unions in the province agreed to pension reform, a Joint Sponsorship Agreement was established, creating an independent pension entity governed by separate legislation. Under the Agreement, a Sponsorship Board was established with responsibility for Plan oversight and design. Also, a not-for-profit Corporation (Provident ⑩) was created to act as trustee for the Plan with responsibilities for pension administration and operations. Reference is the Public Service Pensions Act 2019, in which specific reference states “The *Pension Benefits Act, 1997* does not apply to this Act or the pension plan”. A separate but similar management arrangement also exists for the Teacher’s Pension Plan. This begs the question to whom and what pension plans the Government might be targeting with this proposal. Uniformed Services? MHA’s? Judges? Memorial University? Government Money Purchase Plan?

We ask the Government to provide a synopsis of the lobby from individuals and/or corporations and/or the business community who are either asking for this change because they individually are in financial stress or they see an immediate business opportunity with these changes. Again, where individuals are concerned, withdrawing from a banked pension fund might seem like an immediate solution in this time of crisis, it cannot be overlooked that pension

payments at the time of retirement only equal, on average, 60% of earned income. If there is any time when income reduction is an issue it is at retirement.

It is well known that seniors' poverty is a tragedy in this Province and this country. The Government should not be considering any proposal that might further increase the poverty level during an older person's vulnerable years. Any plan to unlock pension funds would reduce the 60% income to a lesser amount. While the short term benefit might seem attractive now, it will have long term negative impacts for the person, the province, and our already compromised financial situation by adding to the rolls of financial assistance plans later on.

Consider also those in receipt of survivors' benefits. These benefits are payable to a beneficiary upon the death of a plan member. We already know that the majority of such recipients are women with no other supplementary source of income, that these benefits are less than those paid had the member not died, and that any early withdrawal would further reduce the amount eligible to be paid to the survivor.

The statistics for the members of the Public Service Pension Plan are not something we can celebrate, with 68% being women, and the average annual lifetime pension currently being \$22,777. Using a regular 40 hour work week X 52 weeks per year, this equals \$10.95 per hour, which currently is well below the minimum wage (\$11.40) of the Province. Withdrawing from this bank for this demographic and at this income level upon retirement is not only appalling, amoral, unethical, and dishonourable, it is knowingly imposing additional poverty onto a group of citizens whom we already know will have a tough time later in life. If this comparison is not sufficient, considering that the NL Government uses the Market Basket Measure (MBM) as its official poverty measure, which places the MBM for a single person with a disability at \$19, 502.00, there can be no argument that the average pension income is nothing to be tampered with. It barely allows folks to make ends meet now. Any changes that negatively impact this benefit in the future is unconscionable.

Poverty needs to be addressed on its own, regardless of the situation. COVID-19 has created a different set of circumstances and agreeably, folks are finding it difficult. However, the future for those with a pension is bleak enough; it should not be made worse by considering a reduction in their anticipated income for

later in life. We call upon the Provincial Government to deal with the financial hardships and poverty crisis created by COVID through changes that enhance the financial aid programs that are currently available. Pensioners should not be singled out to cover their own COVID-19 difficulties by suggesting they sacrifice their futures and thereby absolve the Government of their responsibilities.

The pension plans of the public service have long been under attack. Some folks at retirement are convinced the best management practice for their money is to withdraw the commuted value from the fund, only to discover they no longer have access to health benefits, cannot return into the plan when they realize they have made a poor decision, and they have not projected that they will outlive their lump sum payment. They are coaxed with better deals, better returns, and “we can offer you a health plan equal to that when you worked”. When the phone rings at NLPSPA and someone is asking if they can get back into the pension plan and the answer is “no”, it is one of the most heart breaking calls we answer.

Even though the proposal to unlock some of a person’s accumulated pension assets would not apply to the PSPP, it could have the domino impact of encouraging more members to opt for payout of the commuted value of their pensions, thus resulting in a negative effect on the liquidity and stability of the PSPP. Do not let something like this or any abbreviation of it happen now. You will be ruining lives, even though this is often not visible in the present.

When the Minister of Finance issued his statement in July, he stated that this proposal has been in consideration for some time. If this is so, then this is abominable. Who is doing this consideration? Who is involved? Why have retirees and active plan members not been consulted? The NLPSPA is very concerned that generalized commentary is being offered to support this proposal without the transparency of the identification of the sources behind this proposition, a demographic of those requisitioning this opportunity, and the actual number of calls or overtures to the Minister.

If the Minister’s statement is correct, then this proposal was started long before COVID-19, completely defeating the argument that this is prompted by folks who are asking for financial relief due to the coronavirus. By whom is the Minister being pressured?

We have seen folks from the financial investment and business community being quoted as “experts” and publicly stating that such unlocking of pensions will be good for the province. NLPSPA fails to see the argument or logic behind this. When folks are in distress, they are not supporting business or making investments. So, who is it that these experts are suggesting would benefit from this unlocking? It can only be themselves as they would expect purchases or investments to be made. Maybe the Government would be better advised to work with the Federal Government on opportunities to alter the mandatory withdrawals from RRIF accounts, increase OAS and CPP, and consider alternate tax options for RRSP withdrawals.

So, does this mean the NLPSPA is opposed to helping relieve the financial hardships of some public sector workers or pensioners during these difficult times? Absolutely not! Persons in need regardless of their circumstances should have access to financial support services that are already in place and if the ceilings for these programs are so low that some folks are above the thresholds, then alter the ceilings or include some extra qualifications that permit the consideration of “exceptional circumstances”. These are unusual times and folks are having to make unprecedented choices to stretch their income sources, but to suggest that making a withdrawal from pension benefits to offset current financial stress is ONLY extending poverty well beyond the current crisis of COVID-19. If this is to benefit the community at large, then never forget that the public sector pension plans contribute, on annual average, \$452,000,000.00 (2019 figures) into the economy of Newfoundland and Labrador. This will continue. We will recover in time from the stresses of COVID-19, but do not take rash or imprudent actions for the present that will have long term impact for some of our citizens. Other solutions to financial distress must be and can be found, even if it is necessary to alter the norms of financial assistance.