October 14, 2016

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 luminaries 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.