

The progressive opposition

Backgrounder

It's Time to End Pension Theft

Canada's bankruptcy laws do not protect workers' pensions and benefits.

Canadians rely on their pensions so they can retire with dignity. But when large corporations fail, they use Canada's inadequate bankruptcy laws to take the money that should be put into their employees' pension fund and instead hand it over to CEOs, banks, investors, and insurance companies – it's theft, plain and simple. Diverting, withholding or seizing those funds should be illegal.

When Sears Canada recently filed for bankruptcy protection and terminated 3,000 employees, they planned to cancel payments intended for workers' pensions and benefits - all while giving their executives \$9.2 million in bonuses.

It's time to protect workers from this type of legalized corporate theft.

The Liberal government has refused to fix the problem.

Justin Trudeau campaigned on improving retirement security for Canadians, but has refused to fix the rules that let companies shortchange worker's pension funds. The Liberals are choosing their wealthy insider friends over hardworking people.

That's why we're calling on the Liberal government to fix bankruptcy laws to stop large corporations from putting shareholders, banks, and creditors ahead of their employees when they file for bankruptcy protection.

The NDP has a plan to end pension theft.

We are going to support the retirement security of hardworking Canadians by fixing federal bankruptcy laws so that workers' pensions and health benefits are given the same consideration as paying off creditors.

In the upcoming fall session, the NDP's Pensions Critic Scott Duvall will introduce a private member's bill which will:

- Amend the Bankruptcy and Insolvency Act (BIA) and the CCAA to require companies to:
 - o Bring any pension plan fund to 100% **before** paying any secured creditors,
 - o Pay any termination or severance pay owing **before** paying any secured creditors;
- Prevent a company from stopping the payment of any retirement benefits **during** any proceedings under the BIA or CCAA.

These important changes will help build an economy that lifts everyone up, not just the wealthy and well-connected.

Current priority of creditors under the CCAA

Current priority of creditors in bankruptcy/insolvency:

1. The Crown (taxes, CPP/EI remittances)
2. Farmers, fishermen and aquaculturists
3. Suppliers of unpaid goods (repossess those goods)
4. Unpaid wages and pension contributions that have been deducted
5. Secured creditors (banks, investors, parents companies)
 - **Usually after this priority, the company has no money left to spend.**
6. Unsecured creditors (Unfunded pension liabilities fall into this category, among lenders and other companies)

After the NDP's PMB passes, priority of creditors in bankruptcy/insolvency:

1. The Crown (taxes, CPP/EI remittances)
2. Farmers, fishermen and aquaculturists
3. Suppliers of unpaid goods (repossess those goods)
4. Unpaid wages and pension contributions that have been deducted
5. **Termination or severance pay, unfunded pension liabilities**
6. Secured creditors
7. Unsecured creditors

Validators

“When companies go bankrupt, it’s the workers who lose out. Not only are workers at risk of losing their livelihoods, money set aside for future pensions and retirement benefits are too often redistributed to shareholders and creditors ahead of those who did the work. This leaves countless families struggling financially. We need to end this unfairness.

Steelworkers have long fought for changes – to put pensions and benefits first, ahead of company lenders and shareholders, when companies are restructured or go bankrupt. USW has called for a public inquiry into corporate restructuring law.”

- **United Steelworkers of Canada**

“Having vulnerable workers and retirees in a bankruptcy and insolvency situation at the bottom of the creditors’ list is simply unfair and socially wrong. We need to update the legislation and put them at the top of that list.”

- **Stan Pickthall, General Vice-President for Canada, International Association of Machinists and Aerospace Workers**

“We challenged the Harper Government for years on improving specific pensioner concerns, with mixed results. As the incoming Government, we would like to draw your attention to the key concerns facing our members today, including: the reduction in pensions payments suffered by pensioners whose former employer has failed or has entered insolvency proceedings. The Bankruptcy and Insolvency Act and the Companies’ Creditors Arrangement Act need reform to better protect pensioners.”

- **Canadian Federation of Pensioners in a letter to Prime Minister Trudeau**