

Duncan warns Nortel pensioners of the risks of the market

BY LEE GREENBERG, OTTAWA JANUARY 6, 2011 6:08 PM

TORONTO — Ontario's finance minister is skeptical about a plan by former Nortel employees to provide two investment options for their bankrupt pension plan.

Dwight Duncan says he continues to favour the purchase of safer annuities with the balance of pension funds, despite a significant policy reversal last month allowing pensioners to choose an alternative, private fund.

"Personally, if it were my mom and dad, I would advise them not to go for that," Duncan told reporters Thursday. "I'd advise them to go the annuity route."

That statement comes barely three weeks after Duncan announced in a letter he would allow pensioners the choice.

The vast majority of former employees of the bankrupt telecom giant had pleaded with the province to allow them to investigate an alternative to annuities.

Nortel's pension plan is already underfunded to the tune of approximately \$1 billion, or 30 per cent.

Pensioners believe they would immediately lose an additional 10 per cent if they were forced to purchase annuities — which provide fixed, guaranteed payments — with the \$2.5 billion remaining in their pension fund. Canadian annuity markets are tied to interest rates and are therefore at historic lows.

Pensioners also fear the forced wind-up of their plan would have locked in losses incurred during the 2008 stock market meltdown.

Many preferred the option of placing the remaining pension funds in the hands of private money managers.

While Duncan gave pensioners a firm No to their request in September, Premier Dalton McGuinty subsequently ordered his finance minister to have a second look at the request.

Three months later, Duncan announced the change.

On Thursday, Duncan denied he was overruled by McGuinty, as some pension leaders suspect.

He also ducked questions whether the flip-flop was designed to ward off political damage in Ottawa, where a large pocket of Ontario's estimated 10,300 Nortel pensioners live. (There are roughly 18,000 pensioners nationally).

“In fairness, we did change our minds,” Duncan said. “They indicated in stronger and clearer terms that they could get a private-sector manager to take over the risk ... And we listened to them.”

The finance minister also questioned the appeal of the private investment route.

“I’ll be curious to see how many pensioners actually take up the option,” he said.

The average Nortel pension benefit is about \$2,000 a month.

Duncan said Thursday the failure of Nortel’s pension plan is “if not the largest, then one of the largest in this country’s history.”

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