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Members of Nortel Networks Corp. pension plans are to demonstrate a Queen's Park again Tuesday, pleading for an experiment that might increase their retirement income.

An imaginative plan devised with the help of consulting actuaries and lawyers faces some skepticism, opposition from representatives of about 35 of Nortel's 400 disabled employees, and various legal, financial, political and time constraints.

But it would be worth considering, provided the more than 17,000 or 18,000 plan members would be given the choice of whether to opt in or out. So far, it seems Ontario government officials have kept an open mind.

Nortel, the insolvent maker of equipment for telephone networks, is scheduled to stop contributing to its salaried and hourly employees' pension plans at the end of September.

Regulators will then have to swing into action, and appoint an administrator to examine the state of the plans and eventually buy individual life annuity contracts for pensioners and those who will eventually qualify for a pension.

Unfortunately, it's estimated the funds have less than about two-thirds of the money required to provide the benefits Nortel had promised. The situation could be worse depending on the cost of life annuities.

Ontario recently injected $500 million into its Pension Benefits Guarantee Fund so that it will be able to cover part of the shortfall for Nortel pensioners who worked here.

But the guarantee fund will only help cover a shortfall on the first $1,000 of monthly benefits. It will not cover inflation protection. That means pensioners will see their pensions erode over time.

So a group called the Nortel Retirees and former employees Protection Canada is urging Ontario Premier Dalton McGuinty to consider an alternative. They want to let financial institutions compete to offer something like a pension plan rather than just life annuities, which only life insurers are permitted to sell.

Consulting actuary Thomas Levy of The Segal Co. Ltd. says ten institutions, including banks, have expressed some interest in bidding to manage that pension fund, with Ontario covering part of the cost as it does for the purchase of annuities.

The aim would be to pay higher monthly pensions immediately, plus some level of inflation protection. But, even if investment returns turned out to be less than expected, the financial institution could not reduce benefits to less than annuities would have paid.

A version of this so-called Financial Sponsorship Model has been implemented in the United Kingdom, and helped to drive down the cost of life annuities.

But nothing similar is permitted here. Before it could be, provinces would have to pass new legislation and Ottawa would have to amend the Income Tax Act to treat the fund like employer-sponsored plans, an official said.

Ontario would want to see detailed bids from institutions before it judges the potential risk to pensioners compared with life annuities. Politicians would not want Nortel pensioners demonstrating years from now.

The official acknowledged, however, that a decision need not be made before the end of September. The appointed administrator will not be able to purchase life annuities right away.

Canada's annuity market is simply not large enough to absorb $2.5 billion in a single year. A committee of actuaries has estimated $500 million a year is about the limit.

An administrator could take months just to make an estimate how much Ontario’s guarantee fund will have to pay, and the estimate could change over the next five years.

Harry Arthurs, the law professor who headed Ontario’s Expert Commission on Pensions, proposed a government-run fund to manage money stranded by pension plans. Quebec does this already, and holds out the potential for an increase in benefits beyond annuity levels after five years.

Surely Ontario, home to the bulk of Canada’s financial institutions, will not ignore the potential for a new private-sector option.

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