

# **Business Panel Embraces Harper/Flaherty Pension Reforms; Recommend Priorizing Pension Rights in Bankruptcy**

**BDO Dunwoody Weekly CEO/Business Leader Poll  
By COMPAS in *Canadian Business*  
For Publication November 2, 2009**



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## 1.0 Overview

By immense margins, CEOs and business leaders on the COMPAS business panel embrace the four main pension reforms being introduced by the Harper government:

- Replacing current regulations, which may punish companies from running surpluses, with reforms that allow the building of pension surpluses;
- Limiting companies' abilities to sweeten benefits unless the plan is at least 85% funded;
- Requiring companies that wind down pension plans in deficit to pay out all the obligations they owe workers; and
- Encouraging companies to contribute unless the pension is running at least a 5% surplus, unlike the present situation where companies can avoid contributing if the plan breaks even.

Among potential new reforms being proposed by some Opposition members, panelists are especially supportive of the idea of legal prioritizing of pension rights in the event of corporate bankruptcy.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.



## 2.0 Details

Table 2a documents overwhelming support from the business panel for all four of the federal government's main pension reforms. Table 2b displays support for some Opposition proposals, especially for the proposal to give legal priority to pension rights in the event of a corporate bankruptcy.

*Table 2a: (Q1) The federal government is pushing ahead with a series of reforms to the regulation of pension plans. On a 7 point scale where 7 means strongly agree and 1, strongly disagree, how much do you agree with each of the following plans?*

RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
Replace current regulations, which may punish companies from running surpluses, with reforms that allow the building of pension surpluses	5.8	36	31	15	9	3	1	2	4
Limit companies' abilities to sweeten benefits unless the plan is at least 85% funded	5.8	32	28	17	8	2	2	1	10
Require companies that wind down pension plans in deficit to pay out all the obligations they owe workers	5.6	32	26	19	6	7	4	1	6
Encourage companies to contribute unless the pension is running at least a 5% surplus, unlike the present situation where companies can avoid contributing if the plan breaks even	5.5	26	34	17	9	3	0	6	6



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*Table 2b: (Q2) To what extent do you agree with the following proposals from some Opposition members RANDOMIZE*

	Mean	7	6	5	4	3	2	1	DNK
Give priority of pensions in the event of corporate bankruptcy	5.1	24	24	24	11	5	6	6	1
Expand the CPP	4.8	19	23	16	18	11	6	7	0
Provide companies with tax incentives to build pension surpluses	4.8	17	21	28	13	7	3	11	0

The following verbatims provide a nuanced sense of panel opinion:

As far as pension surpluses go, I think the surpluses should be paid out to all employees current and retired on a prorated basis. The surpluses should not go back to the employer who already got a tax break on his/her contribution to the plan. As far as CPP goes I completely oppose any increase because there is already a HUGE over contribution by employers which never goes back to employers. For example when an employee works at more than one job: We know each employer matches the employee's contribution, as there is an annual maximum per employee, such an employee gets a refund of any over contributions. CRA says it is too complicated to repay the employer(s) who overpaid. Hence there is unattached pool of surplus employer contributions. Additionally, many people never draw on their CPP because they die before they would have qualified to receive CPP and some never apply. I don't believe that there ever was or will be a shortage of money to fund CPP payments to retirees.



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How about tackle the provincial record of dismantling the health system in our province. We have professionals complaining to us on how the government is handling this and doctors are retiring now with no replacement. It is collapsing around the province as we speak.

With regard to pension plans, whether in the public or private sector, there is no right of entitlement. It is time to face the reality that the defined benefit plan must go the way of the dodo bird. If you want benefits, you have to earn them, and you are not entitled to anything more than you earn. It is unrealistic to expect employers and/or taxpayers to take the risk of investment performance in today's competitive environment.

I firmly believe that the CPP should be funded and operated at arms length of the government and invested surpluses in order to assure future generations rather than operated out of general revenues. Governments should be required to operate within their means.

Defined benefit programs should have been discouraged or even disallowed a long time ago. Defined contributions where the contributions are vested with and quickly owned by the pension recipient are much more fair to the Pensioner. This method eliminates the problems that are created by employers no matter what the circumstances.

I think we should seriously look at a two-tier CPP: one-tier for basic, two-tier for those who wish to top up for increased payout. CCP fees NEED to rise to keep the fund stable and payout should be index to cost of living.

Reduce government defined benefit plans.

The companies and the management that have screwed with pension plans, removed funds or under funded pension plans piss me off to no end. I can't believe that anyone



could be so callus as to intentionally injure those people that have been most loyal to their company and to risk their future at a time in their life when they don't have enough working time to recover from a major financial loss. Perhaps the laws could be revised to allow pensioners to be at the top of the creditor list no matter what other financial arrangements have been made and, or, that would allow for a civil action to be filed jointly and severally against both the company and its officers.

We paid into CPP all our lives and should have a decent pension to retire on not like the thieves that are in parliament and steal our pension money to benefit their pensions.

When is the government going to do something for the majority of the country that has no pension plan at all?

Pension Plans should be funded and handled by a non related party. Pension plans would not be allowed to invest in risky options or those companies that invest in risky options. For example, if plans held the vehicles they invest in more accountable they hold a lot of power to prevent the financial disasters that happened.

### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted October 28 - 29, 2009. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=110 are deemed accurate to within approximate 9.4 percentage



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points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

