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To: 'Jim Flaherty'; 'Michael Horgan'; 'Ted Cook'; 'Alexandra MacLean'; 'Ann Marie Humanic'; 'Diane LaFleur'; 'Jeremy Rudin'; 'Kevin McCarthy'; 'Leah Anderson'; 'Lynn Hemmings'; 'Marie -Josee Lambert'; michelle.hebert@fin.gc.ca; 'Rob Stewart'; 'Wayne Foster'

Cc: Diane Urquhart

Subject: Submission on Income Tax Amendments for New Employee Life and Health Trusts

Dear Minister of Finance Jim Flaherty and Finance Canada Officials

Re: Submission on Income Tax Amendments for New Employee Life and Health Trusts

Finance Canada's Tax Legislation Division has requested submissions before April 30, 2010 on the Government's February 26, 2010 plan to adopt Income Tax Act (ITA) Amendments governing new Employee Life and Health Trusts (ELHT).

I am one of 400+ Nortel LTD employees who will lose my wage loss replacement, my medical coverage, my life insurance and my pension accrual because Nortel self insured these benefits using a CRA sanctioned Health and Welfare Trust. CRA granted Nortel generous tax breaks for this trust but we are told did not regulate it. This trust is severely under funded.

We recently discovered through a very dysfunctional court process \$100M was missing from our trust and a \$37M loan that had not been repaid. All of this we were told by our court appointed law firm Koskie Minsky and agreed to by Judge Geoffrey Morawetz from the Ontario Superior Court in his March 31 ruling was perfectly legal. This is the problem!

We anticipate receiving only 17% of our claim against the Nortel estate. As a result we will be forced into poverty. Let me be clear here. Those of us who are eligible to receive CPP disability benefits receive a maximum of about \$13,000 per year. This prevents us from receiving provincial funding in most provinces. The average LTD medical expense is \$ 4,5000 per year. I hope you get the picture, there is no social safety net for the disabled in Canada. Other OECD countries like the UK fully support their disabled.

In my opinion the government continues to put employees at risk with their newly announced Employee Life and Health Trusts which are completely unregulated. The government knows the risks to disabled employees after Massey Combines 25 years ago, Eatons 10 years ago and now Nortel. After the Eatons collapse in 1979 the Alberta government even proposed that all disability pans be fully insured. Unfortunately for me they did not pass this legislation. Both the provincial and federal government have been informed by the insurance industry for years about the catastrophic nature of disability and insurance and do not recommend self insurance. Even for a large company like Nortel that had been in existence for more than 100 years it proved to be too much. Or rather the lax rules allowed them to avoid paying the disabled yet pay their executives millions.

Note the government does not self insure. I noticed recently in a Canwest article there are 10,000 federal government employees on disability leave. How do you think they would react if their benefits

were cut by 83% like Nortel. Giving companies a few percentage points of savings on their disability plans should not come at the expense of disabled employees

These ELHTs are what I am now calling toxic products will lead to more misrepresentation and fraud (Breach of Trust) like in the Nortel case unless they are fully regulated. We hear the Department of Finance does not like the banks selling insurance. Why then would you let any company regardless of size sell employee benefits including long term disability, medical, life insurance, and pension guarantees and give them generous tax breaks even if these plans are underfunded.

I propose that the ELHT ITA Amendments be delayed until:

The Companies' Creditors Arrangement Act (CCAA) and Bankruptcy and Insolvency Act (BIA) be amended to give preferred status to long term disability claims. This is required even if plans are regulated

Employers be required to fully fund their ELHT's and their Long Term Disability Plans on a sound actuarial basis. This must be regulated by the federal government like pension plans.

Employees must also be informed that their plans are not insured and they may face risk in bankruptcy. Alternatively these plans should be insured by a third party insurance company.

Sincerely
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