Second Session – Forty-Second Legislature

of the

Legislative Assembly of Manitoba

Standing Committee on Human Resources

Chairperson
Mr. Dennis Smook
Constituency of La Vérendrye

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

Member	Constituency	Political Affiliation
ADAMS, Danielle	Thompson	NDP
ALTOMARE, Nello	Transcona	NDP
ASAGWARA, Uzoma	Union Station	NDP
BRAR, Diljeet	Burrows	NDP
BUSHIE, Ian	Keewatinook	NDP
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy, Hon.	Kildonan-River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
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EWASKO, Wayne	Lac du Bonnet	PC
FIELDING, Scott, Hon.	Kirkfield Park	PC
FONTAINE, Nahanni	St. Johns	NDP
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GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin, Hon.	Steinbach	PC
GORDON, Audrey	Southdale	PC
GUENTER, Josh	Borderland	PC
GUILLEMARD, Sarah, Hon.	Fort Richmond	PC
HELWER, Reg, Hon.	Brandon West	PC
ISLEIFSON, Len	Brandon East	PC
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JOHNSTON, Scott	Assiniboia	PC
KINEW, Wab	Fort Rouge	NDP
LAGASSÉ, Bob	Dawson Trail	PC
LAGIMODIERE, Alan	Selkirk	PC
LAMONT, Dougald	St. Boniface	Lib.
LAMOUREUX, Cindy	Tyndall Park	Lib.
LATHLIN, Amanda	The Pas-Kameesak	NDP
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MALOWAY, Jim	Elmwood	NDP
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SANDHU, Mintu	The Maples	NDP
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SMITH, Bernadette	Point Douglas	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON HUMAN RESOURCES

Tuesday, June 16, 2020

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Dennis Smook (La Vérendrye)

VICE-CHAIRPERSON – Ms. Audrey Gordon (Southdale)

ATTENDANCE – 6 QUORUM – 4

Members of the Committee present:

Hon. Mr. Helwer, Hon. Ms. Squires

Mses. Fontaine, Gordon, Messrs. Lindsey, Smook

APPEARING:

Ms. Cindy Lamoureux, MLA for Tyndall Park

PUBLIC PRESENTERS:

Mr. Vince Rody, private citizen
Ms. Michelle Gawronsky, Manitoba Government and General Employees' Union
Mr. Jody Gillis, Superannuation and Insurance Liaison Committee

WRITTEN SUBMISSIONS:

Dennis Ellement, Ellement Consulting Group
Kim Toews, private citizen

MATTERS UNDER CONSIDERATION:

Bill 43–The Civil Service Superannuation Amendment Act

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Clerk Assistant (Ms. Katerina Tefft): Good evening. Will the Standing Committee on Human Resources please come to order.

Before the committee can proceed with the business before it, it must elect a new Chairperson.

Are there any nominations for this position?

Hon. Rochelle Squires (Minister of Municipal Relations): I would like to nominate MLA Dennis Smook.

Clerk Assistant: Mr. Smook has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Smook, will you please take the Chair.

Mr. Chairperson: Good evening, everyone.

Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

Ms. Squires: I would like to nominate MLA Audrey Gordon.

Mr. Chairperson: Audrey Gordon has been nominated.

Are there any other nominations?

Hearing no other nominations, Audrey Gordon is elected Vice-Chairperson.

For the information of all members, due to the necessary closure of public galleries for standing committee meetings, we have arranged for today's meeting and subsequent meetings to be video broadcast on our website.

This meeting has been called to consider Bill 43, The Civil Service Superannuation Amendment Act. We have four presenters registered to speak tonight, as noted on the list of presenters before you.

Public presentation guidelines: Before we proceed with presentations, we do have a number of other items and points of information to consider. For the information of all presenters, while written versions of presentations are not required, if you are going to accompany your presentation with written material, we ask that you provide 10 copies. If you need help with photocopying, please speak with our staff.

As well, in accordance with our rules, a limit of 10 minutes will be allotted for presentations, with another 5 minutes allowed for questions from the committee members. If a presentation is not–if a presenter is not in attendance when their name is called, they will be dropped to the bottom of the list. If the presenter is not in attendance when their name is called a second time, they will be removed from the presenters' list.

Written submissions: Two written submissions on Bill 43, from Dennis Ellement and Kim Toews, have been received and distributed to committee members.

Does the committee agree to have these documents appear in the Hansard transcript of this meeting? *[Agreed]* It is agreed that these documents will appear in the Hansard transcript.

Order of presentations: On the topic of determining the order of public presentations, I will note that we do have out-of-town presenters in attendance, marked with an 'asterick' on the list. With this consideration in mind, what is the order–what order does the committee wish to hear the presenters? Would you like to have the out-of-towners? *[Agreed]* It is agreed that we will have the out-of-towners–out-of-town presenters present first.

Speaking in committee: Prior to proceeding with public presentations, I would like to advise members of the public regarding the process for speaking in committee. The proceedings of our meeting are recorded in order to provide a verbatim transcript. Each time someone wishes to speak, whether it be an MLA or a presenter, I first have to say the person's name. This is the signal for the Hansard recorder to turn the mics on and off.

Thank you for your patience.

Bill 43–The Civil Service Superannuation Amendment Act

Mr. Chairperson: We will now proceed with public presentations.

I will now call on Vince Rody, private citizen. Vince Rody.

Mr. Rody, do you have any written material for the committee?

Mr. Vince Rody (Private Citizen): No, I don't. I have a bunch of scribbles. I planned on having some stuff, but the computer at work was down, so I wasn't able to print anything off, so.

Mr. Chairperson: You may proceed with your presentation.

Mr. Rody: Thank you; thank you very much.

It's been since–a while since I've been here, probably since grade 9, so I'll start this off.

Good evening. My name is Vince Rody, and I'm here to talk to you how Bill 43 personally affects me and my family, especially the changes to the cumulative value and the eligibility of the age 55.

I understand and appreciate that the fact that our pensions must be supported, maintained and properly funded for future generations. I don't 'necesslasarily' agree with these changes and believe there are other alternatives to sustain the viability of this pension plan.

A quick google of the CSSB value shows that this pension has over $12 billion in value and its legal obligations to pensioners is approximately $7 billion. This leads me to believe this is–pension is in very good–is very healthy and can cover its members. In saying that, we have to be aware of how this pension will perform when there is less people contributing to its sustainability.

For my family, a pension is very valuable, for I have a father who received a pension from CN and my mother is 84 years of age and continues to receive a survivor pension. My brother currently is on pension from the City, as well as my brother-in-law. My sister has over 40 years of pensionable service with the Province and will one day collect when she chooses to retire. Currently, my two sons do not have the privilege of having a defined pension, but my two daughters-in-law do, one with TRAF and one with the CSSB.

I myself am in receipt of a full pension from CN, which I was not able to cash out prior to turning 55. CN eliminated that option many years ago and therefore I had to draw a monthly pension. They stew–they still do allow the cumulative value to be withdrawn, but no change to the formula that is being proposed with Bill 43. However, you must have an approved reason for this withdrawal, such as being fired with just cause or a terminal illness. These changes to Bill 43 affect people who have been planning for retirement for many, many years and is not something that can be changed or corrected with such short notice and no opportunity to be grandfathered in or have a notice period for those eligible to retire.

My wife and I have been planning for our retirement for over 35 years. We are so fortunate to have an opportunity to contribute to two defined pension plans. My wife is almost 30 years in the public service and was looking forward to working an additional two years, so I made the decision to go back to work and I joined VIA Rail. Since the option for me to withdraw my pension was no longer available, we made the decision that we would be withdrawing her pension.

However, with these pending changes and not knowing when they will be effective, she is left with little option other than to retire immediately. My wife has worked in human resources for all her career and she is now a director of human resources. She has worked hard. She has negotiated collective agreements where changes to benefits have occurred, but these changes have been done in good faith and not arbitrarily made by the powers that be. She has amalgamated contracts under less than ideal circumstances, but has done it in the best interests of all parties.

***** (18:10)

In this case, the parties do not have a say in these changes. They are being made by a government in a time where it seems like the government–seems like there should be more pressing matters at hand. It also seems like the government is trying to sneak this bill in combined with other bills that have more importance and affect all Manitobans.

Having said that and trying not to get across too many political lines, I would like to add this on my wife's behalf: When new governments come in they decide to cut costs and balance budgets, et cetera. One of the first, and maybe the easiest way, is to focus on labour and government workers. This does a disservice to our civil servants, whether they work for the Crown, Province, civic and our elected officials such as yourselves. This impression gives us that they are trying–there are too many and they're underutilized, therefore, they are usually the first to go.

My wife and myself met in high school and dated six years before we got married. That was close to 40 years ago. We graduated in the early '80s with not much of the future, dealing with a huge recession. We have been on a–the tail end of the baby boomers and dealt with cuts to programs, difficulties succeeding in our careers due to a lot of boomers not retiring. We bought and sold homes, dealt with interest rates 16 to 19 per cent, raised our kids, put them through college and university, helped them purchase homes without the need to rent. This was done through hard work in a ever-changing plan and a commitment towards our retirement, as well as a lot of luck. I am a very fortunate man to be in my situation.

My wife is the first one to arrive at her work and for the most part is the last one to leave. With the cuts to her staff she is the one who takes on more duties. She has the max amount of sick time; she never uses her sick time even though she suffers from migraines. She works between 40 to 50 hours every week, maybe more. There are times that she is sick, she is still emailing, in meetings from home, et cetera. When she does take a vacation it's because she has worked excessive hours to her–allow her for some time off. She continues to work–even when we are at our cabin or our secret fishing hole she is on the phone helping and giving advice. I know better than to question her on this. She does this because she cares.

That being said, our reason for opposing Bill 43 might be–seem selfish to some. We always planned for a CV on one of our pensions. We found about these changes pretty much by accident. I started watching the video broadcast and found this to be quite interesting. I felt a little bad that the MLA who initiated this bill was left on his own and he wasn't able to answer some of the simple questions that were directed at him; I think there were six of them. And another MLA stood up on his behalf, and he said that he was a former financial planner for investors and his feelings and advice to his clients was the CV was a bad idea. And then I guess he realized that this was being broadcast and it would be available forever and he changed his response and he said he was actual an accountant. I don't go to an accountant for financial advice; I go to accountant to do my taxes and look after my small business.

I also have a younger financial adviser who, hopefully, will be along–around a lot longer to give me a lot more advice because I hope to be here for the–another 30-some years. He–his opinion, and he ran–my wife and I sat down with him and he ran the numbers based on the bond interest rate, which is way today's pension is. My wife's pension will pay her approximately 70 to 75 thousand dollars a year. The survivor benefit is 55 per cent, approximately, same as mine with CN: 55 per cent survivor. If and when we both are no longer here our estate receives zip. By going through the cumulative value, her 'cumutive' value is actually $1.2 million, and approximately half of that, $600,000 we'll say, will be locked in with–into what they call a LIRA. And based on the numbers she is expected to draw on that LIRA. So being 56 years of age to 84, approximately 28 years, receiving roughly $39,000 a year. When she's 84 she will have $600,000 still in that LIRA plus another $100,000. So our estate for our kids will receive $700,000.

The $600,000 on the other $1.2 million is called real cash, free cash, and it requires taxes to be paid. So you try and reduce your taxes, and she'll probably pay 180 to 200 thousand dollars, which will leave her approximately $400,000. For 28 years we can invest it, and our estate will get that.

In closing, I would like to say once again how fortunate my wife and I are. We have two pensions and some choices, and if I could change anything about my life up to now, I would have never started smoking and I would have had–paid more attention to the political side of life rather than just vote in municipal, federal and provincial elections.

You should all be proud of the job you do regardless of what side you are on, and I have voted for all the parties, and I would like to say thank you to each and every one of you for allowing me this opportunity to address this committee.

Thank you, and I apologize for being kind of nervous.

Mr. Chairperson: Thank you, Mr. Rody. *[interjection]* Rody? Rody. Okay, thank you very much, Mr. Rody.

Do members of the committee have questions for the presenter?

Mr. Reg Helwer (Brandon West): Thank you, Mr. Rody, for coming here at night. Sorry to hear it's been since you were in grade 9. We would like to see you here more often, I'm sure. It's a beautiful building.

And thank you to your wife for her many years of public service. Her hard work and dedication is greatly appreciated, especially the last couple months have been a challenge for all of us, and we do appreciate that.

I know it's not the easiest thing to come before a committee to present. So we do appreciate you coming to do that and tell us of your circumstances.

The–this type of legislation was actually introduced by the previous NDP government and was not passed. We have made what we feel are some improvements to the bill in terms of maternal leave and that type of thing, and it is moving forward with the recommendation of the employee liaison committee. This is not something that government just thought up on its own and–in terms of that.

So we recognize that it does have impacts on individuals, but we are looking at the benefit of the entire pension fund and the 55,000 holders of that fund, which your wife is one. It is a very good plan, as you mentioned.

You suggested a couple of things that you would recommend. Can you bring those ahead, please.

Mr. Chairperson: Mr. Rody.

Floor Comment: Rody.

Mr. Chairperson: Rody. Mr. Rody, you can just lift your hand and I'll acknowledge you.

Mr. Rody: Yes, some of the–allowing people to–this is, like, a retirement pension is something you plan. You don't plan last week. It's based on a period of time.

To change this–and this is huge ramification to a lot of people–not just my wife, but there's a lot of other people. And I know there's benefits because that pension has to be sustained and everybody takes $1 million out, and you got 50 people taking $1 million out, what does that do to the pension? Somebody has to support it.

So that being said, my pension from CN was based on–it didn't matter if I made $150,000 a year, my pension was maxed out at 60 grand. So that's what my pension is. I have friends that have other pensions. We do the same type of work and their pensions are $12,000 or more. I have a buddy of mine who's retiring from the feds. His pension is $100,000. So if he lives 30 years, that's $3 million that we as taxpayers have to pay.

So I think there should be a limit put on the maximum amount. This five years consecutive, that's maybe an option that should be reviewed, I think.

Ms. Nahanni Fontaine (St. Johns): Miigwech, Mr. Rody, for coming to present to us this evening. I really appreciate you sharing your journey with your wife and raising your children. I found myself really interested in what you had to say.

I actually was going to ask the same thing that my colleague just asked because you had mentioned that there were some alternatives that you would have liked to have seen. So if there's any more, feel free to share them with the committee, but I think everyone around the table and everyone in the room would also just want to say miigwech to your wife for her public service and to you as well.

Mr. Rody: Just want to acknowledge, thanks, appreciate that.

***** (18:20)

Ms. Cindy Lamoureux (Tyndall Park): Thank you, Mr. Rody, for taking the time to come out and present.

I really enjoyed your presentation because it was very earnest and transparent in all you said, and the personal side as well, in sharing your experience.

I also appreciate how well versed you are. You understand the details behind the pensions here in Manitoba, and I was wondering, you started to actually answer my question in the first question, but if you could elaborate a little bit about the conversations you've had with your friends about this bill?

Mr. Rody: A lot of my friends do not have the luxury of a defined pension. A lot of them have to self-administer with RRSPs and that. They're–a lot of them own their own business. So been all my life, since I started working I've paid a union due. I retired when I was 54–'11–hoping to take my cumulative value out. I wasn't able to do that, and now I'm in management so it's a little different–see things a little different, right?

That being said, my pension that I get from VIA now is based on RSPs. So if we have a–we have an option for a cumulative value, why do we even have–

Mr. Chairperson: Mr. Rody, unfortunately, time for questions has expired.

We thank you very much for your presentation and answering of the questions from the committee.

Mr. Helwer: Is it the will of the committee to allow Mr. Rody to finish?

Mr. Chairperson: Is it the will of the committee to let Mr. Rody finish? Agreed? *[Agreed]*

Mr. Rody, you may continue.

Mr. Rody: I sort of lost my–can we hit the rewind button, there? No, I think it's fair to say that a defined pension or any type of pension is a luxury, and it's something that's–we're very fortunate to have. And I stay that because I have two of them and I have an option, right?

That being said, there's certain times when that cumulative value is a good option. Right now the markets are kind of volatile, and I don't know much about investing. I invest on a sure thing. I invested in CN's shares when they privatized. That was the best thing that ever, ever happened to me because those shares went and split three times, and it was just taken off my paycheque.

And so sometimes you're lucky, and like I say, I've been very lucky, so very fortunate.

Mr. Chairperson: Thank you.

I will now call on the next presenter, Michelle Gawronsky. Michelle Gawronsky, MGEU.

Good evening, Ms. Gawronsky. Do you have any written material for the committee?

Ms. Michelle Gawronsky (Manitoba Government and General Employees' Union): I do, Sir.

Mr. Chairperson: Our staff will gather it from you and hand it out to the committee.

Ms. Gawronsky, whenever you are prepared you may start your presentation.

Ms. Gawronsky: Okay, neighbour, I'm telling you, it's a little different for that one–sorry.

Mr. Chairperson: Ms. Gawronsky.

Ms. Gawronsky: Thank you, Mr. Smook.

As Mr. Smook has said, my name is Michelle Gawronsky and I am the president of the Manitoba Government and General Employees' Union, or better known as the MGEU.

I would first like to thank you for the opportunity to present on Bill 43 and its importance on preserving the benefits offered by the civil service superannuation pension plan, or the CSSB for short.

The CSSB is Manitoba's second largest defined benefit pension plan. The most recent figures in 2018 show that the CSSB having almost 55,000 active and inactive members. That is, they are participating in the plan, receiving a pension or are deferring receipt of a pension until a later date. The MGEU represents the majority of the CSSB's active memberships, including the provincial civil service members; employees at the Crown corporations like MPI and the Manitoba Liquor & Lotteries; employees at post-secondary institutions like the Red River College, Assiniboine Community College and the University College of the North; provincial agencies like the Addictions Foundation of Manitoba, Manitoba agriculture services corporation, Manitoba Housing, All Nations Coordinated Response family services–or ANCR, as it's formally known–and the community organizations and businesses like the Manitoba Arts Council and Teranet.

Alongside government retirement income programs, personal retirement saving schemes, workplace pension plans, like the CSSB, are one of the three pillars of the Canadian retirement income system. Workers of defined benefit, or DB pension plans, defer their wages during their working years as a trade-off for a more predictable stream of income in retirement, kind of like thinking ahead.

Defined 'bensh'–benefit pension plans, like the CSSB, incorporate a years–workers' years of service and earnings to determine the monthly pension that is payable for the life of the worker in retirement. This elevates the worker from worrying about investing and managing–it alleviates the worker from worrying about investing and managing retirement funds on their own to ensure that they have sufficient funds to support them in their retirement years.

Numerous studies have shown that recipients of a defined benefit pension are less stressed about finances and can play a key role in driving economies in–with their confidence in spending. And we need to have strong provincial economy, which we all know is important, and it's beneficial to all Manitobans. Defined benefit retirees tend to rely less on provincial and federal income-tested benefits such as employee income assistance, Manitoba 55 PLUS and the Guaranteed Income Supplement.

We are pleased that Bill 43 maintains current benefits offered by the CSSB, including additional benefits such as early retirement provisions, vacation banking and the integration of CPP and OAS. It is our opinion that the provisions with–in Bill 43 support the sustainability of the CSSB and create greater equity among members who choose to withdraw and manage their funds on their own and those who choose to receive regular monthly pension payments from the fund in retirement. The proposals in Bill 43 support intergenerational equity by preserving current benefits and mitigating funding concerns that could challenge the sustainability of these benefits for future recipients.

The MGEU strongly supports Bill 43–notably, three items which are of importance to our members. The first one being increased flexibility for those on maternity and parental leave to purchase pensionable service will allow CSSB members on maturity and–or maternity and/or parental leave to have a longer opt-in period to purchase pensionable service at a less costly rate than doing so as a special service buyback.

Improvements to the appointment process with the Superannuation Insurance Liaison Committee, or SILC, as it's known, and the governance of CSSB board will ensure that qualified and knowledgeable candidates continue to be selected to represent employee and retiree interests in the CSSB. Staggering of appointments supports good governance principles and prevents simultaneous turnover of appointees.

And the third importance is changes to the calculation of commuted values, otherwise known as termination values, will provide equity between those who choose to withdraw and manage their pension on their own and those who receive a monthly pension payment for the life of the plan. The changes contemplated in Bill 43 regarding community–commuted values were raised back in 2015. At that time, the CSSB's actuary indicated the plan was experiencing significant and material actuary losses as a result of members choosing to pull out of the commuted value of their pension and manage these funds on their own versus receiving a predictable monthly pension for the life of the plan. It's a great risk to all.

***** (18:30)

Even though some individuals think they might do better on the own, the evidence shows they rarely do and the temptation to believe they can do better on their own is exacerbated when the commuted value formula creates inflated incentives to do so. The current formula lets some members draw more than their fair share and if this is allowed to continue, plan members will face either increased pension contribution rates and/or reduced pension benefits, fairness issues as well as possible financial hits.

The amendments in this bill are long overdue changes that are cost-neutral to the plan and will support the equitable treatment of all CSSB participants and allow the plan to maintain current benefit levels to those who receive a monthly retirement pension from the plan. It is our responsibility to ensure the CSSB is healthy far into the future for our children and grandchildren.

The many Manitobans who have dedicated their lives working to public service deserve to retire with dignity, respect and a stable income.

In 2018, minister–Finance Minister Friesen publicly endorsed that, quote: The Manitoba government cares about pensions and defined benefit pensions. We care that Manitobans have access to a strong, stable retirement. We asked that the government make good on this commitment by moving Bill 43 forward and the measures therein which support the strength and stability of the CSSB.

As the president of the union representing the majority of CSSB's active membership, I strongly support Bill 43 and urge all members around this committee table and this Legislature to pass it unanimously.

And I'd like to note that this week is National Public Service Week, so I would like to first thank each and every one of you for the public services that you provide for all of out there.

Thank you, again, for the opportunity to speak this week–or this evening. Stay safe and stay dry, please.

Mr. Chairperson: Thank you for your presentation.

Members of the committee for questions.

Mr. Helwer: I thank Ms. Gawronsky for coming tonight and speaking in support of the bill, and, of course, for mentioning National Public Service Week, a week that we can take to thank our public service, as I'd like you to thank your members for their help during the pandemic. It's been quite the stress on everyone. We appreciate all they've done for Manitoba.

So this is legislation that is a–requested or advised by the employee liaison committee–and some of your members are on that committee and we thank them for their service there. It's quite something to go through a pension fund and determine what should and shouldn't be changed. The commuted value will still be available to individuals if they wish to withdraw. That is something–is rare in pension funds, as I'm sure you know, but it will maintain the sustainable level of this pension fund for its 55,000-plus members.

I'm sure you've been getting questions from members over the last little while. Could you share with how you've been dealing with some of those questions, please.

Ms. Gawronsky: Absolutely, and thank you for the opportunity.

Samantha Probetts is our pension specialist at the MGEU. She also sits on the superannuation board, the HEPP board. She's very, very familiar with our pensions and what we need. So any questions we do have we are directing them, you know, directly to Samantha, and Sam is responding to them.

I have to say the most common misconception out there is that if this bill is passed it's actually going to cut folks' pensions in half, and I will say the brokers that are out there that are the vultures waiting, thinking they are going to get their hands on an awful lot of money out there are the ones that actually promoting that misconception.

So we have done a number of emails. We have put it up on our website. I personally have sent out emails to everyone of our members that is enrolled in the CSSB to bring them up to date to try and starve off any of the rumours and the misconceptions that are out there.

So just trying to make sure we're answering our members as honestly and openly as we can.

Ms. Fontaine: Just wanted to say miigwech for your presentation tonight and for all of the work that you do on behalf of all of the public service, and I just want to, again, thank you on behalf of the NDP for coming here and for your expertise on this and sharing that, your knowledge with us and our caucus on this. Miigwech.

Ms. Gawronsky: Thank you very, very much for the opportunity. It is a pleasure to be able to share what our members work so hard at making sure that we've got there, so it is our pleasure as well and I feel it is our duty, part of our public services that we provide.

Thank you again for the opportunity.

Ms. Lamoureux: Thank you for your presentation. It's good to see you again.

I just had a quick question: How long have these conversations been taking place? Like, members of MGEU, they have been working hard and this is not the first we hear of it. Is this, like, these requests, these questions, these conversations, have they been going a year, multiple years, three months?

Ms. Gawronsky: It goes in spurts and every once in a while somebody will retire or they'll take their cash out and they let their friends know at work, this is what I'm going to be doing. So then we'll get a whole pile of people that will call in.

What we started doing when I took over as president and–we hired a pension benefits specialist within our mix. She actually goes out and does lunch and learns with our folks that have these pensions and she will take the time through lunch to sit down with folks and explain what they're all about and what happens. So, you know, it's much more open now that, you know, people have much more knowledge on what is going on, so.

Mr. Chairperson: Thank you for your presentation, Ms. Gawronsky.

I will now call on our next presenter. I will call on Jody Gillis, the Superannuation and Insurance Liaison Committee. Jody Gillis?

Mr. Gillis, do you have any written materials for distribution to the committee?

Mr. Jody Gillis (Superannuation and Insurance Liaison Committee): I do not.

Mr. Chairperson: You may proceed with your presentation. Mr. Gillis.

Mr. Gillis: Good evening, honourable members. I am Jody Gillis, chairperson of the Superannuation and Insurance Liaison Committee, otherwise known as the SILC, or just the liaison committee.

The liaison committee exists by virtue of the Civil Service Superannuation Act and represents employee and pensioner members of the Civil Service Superannuation Fund, the CSSF, with respect to negotiating changes to the pension plan with the Employer Advisory Committee, which, of course, represents the employers.

So I've served as an elected employee representative on the Civil Service Superannuation Board since 2014 and I also serve on the CSSB Investment Committee and as chair of the CSSB's HR and Governance Committee.

Today I am speaking as the chair of the liaison committee, and I am speaking in support of Bill 43. The liaison committee is comprised of representatives from unions and associations in proportion to their membership in the pension plan, and it includes representatives from the following unions and associations: the MGEU; CUPE 998; MAGE–that's the Manitoba Association of Government Engineers; MACA–the Manitoba Association of Crown Attorneys; IBEW 2034; Manitoba Hydro Retirees, also known as Hydro-X; AMHSSE–the Association of Manitoba Hydro Staff and Supervisory Employees; MHPEA–that's the Manitoba Hydro Professional Engineers' Association; and Hydro corporate exempt employees; as well as MARGE, which is the Manitoba Association of Retired Government Employees.

The liaison committee unanimously decided to put forward our recommendations, which became the joint recommendation with the Employer Advisory Committee to government, which have ultimately been incorporated into Bill 43.

There has been a long history to what is now this bill being considered by the Legislative Assembly and by this committee which I would like to share. This has been a top-priority item for the liaison committee and myself since very soon after I first became a trustee on the CSSB and a representative on the liaison committee in 2014.

The CSSB board has been raising its concern about the negative impact of CV withdrawals since 2015. The liaison committee negotiated with the Employer Advisory Committee and jointly recommended changes to government back in 2014. That bill, as we heard earlier, did not make it through the legislative process, however.

***** (18:40)

The first iteration of the current joint recommendation, which included the recommendation to completely eliminate the ability to make commuted value lump-sum withdrawals at retirement age, was made to the current government in 2016. I am pleased to see that it's now receiving this due consideration.

So I will focus on the matter of changes to commuted value, or CV calculations proposed in the bill, as I believe this is the matter of the greatest interest and importance. I think it's important to note that my committee represents the members of the pension plan, and we have given fulsome consideration to this matter over a course of time from a fiduciary standpoint. That is, we've focused on the best interests of the plan as a whole and its members as a whole.

The CV calculation is currently based on bond rates, as we heard about the–which have been on a downward trajectory for the past couple of decades. It seems to be accelerating over the past decade, and we've now entered the territory of unprecedented low rates, which are projected to stay low for many more years. Prior to this, there were better days when pension funds could depend on adequate, stable returns from bonds. Those days are gone and pension funds have had to seek higher returns than bonds can offer, with increased equity exposure as well as entering into alternative investment such as real estate, infrastructure and private equity.

The CV formula was essentially based on the premise that if a member took out a lump sum, it would only be invested in relatively low-risk bonds. Of course, when people withdraw their funds, they generally do not invest exclusively in bonds. This is not the advice any financial planner today would suggest.

I think the most important thing to be cognizant of regarding Bill 43 and the CV issue is that it does not change pension benefits. Of course, members will still be able to continue and retire, and it will–they can depend on their well-earned monthly pension cheque, which is exactly what the vast majority of members of this pension plan do and exactly what the plan is designed to provide.

The pension plan is first and foremost exactly that: it's a pension plan, not a savings account. It was never intended to work like a savings account. It is designed to pay a predictable pension based on a defined benefit formula to retirees. It is only because we are in this unanticipated and unprecedented environment of extremely low interest rates that we have wound up in this situation where up to half of the current unfunded pension liability is due to individual members making lump-sum withdrawals from the pension plan.

I have not been able to find any other defined benefit pension plan in Canada that even allows its members the option to take a lump sum once they are eligible to retire. The CSSB plan truly is an outlier in this regard. But, with the proposed CV calculation change in Bill 43, members will still be able to take out a lump sum at age 55-plus–that is, when they retire–and it will see those who choose to do so only withdraw their fair share.

This change will absolutely fix this now longstanding issue that has had a profound, negative impact on the fund. This change will simply fix what has developed into an increasingly urgent matter of inequity that, if left unchanged, will continue to have this unnecessary, negative impact on the fund and could create the need for higher and higher contributions. This change will assist the government in meeting the goal of adequate funding for the pension benefits promised to its workers now and in the future.

There are a couple of other changes proposed in Bill 43 which also have the full support of the liaison committee, and these are making it easier for members on maternity and parental leave to purchase pensionable service and improving governance at the board-level of the CSSB by changing from what has been a failing election process to an effective appointment process. The appointment process includes staggered terms, which will support continuity of experience on the board.

So I'd like to thank the honourable members of this committee for your time and consideration, and I do welcome any questions that you may have.

Mr. Chairperson: We thank you for your presentation.

Mr. Helwer: Thank you, Mr. Gillis, for your presentation. Good words–things that I hadn't heard before even. I liked the approach of it's not a savings plan, and you're very correct in that, of course. We appreciate the work that your liaison committee has done over the many years and the recommendations, and thank them for that, please.

I guess the question I have for you is, you started, you said in 2014–and you and other members of the liaison committee wouldn't necessarily come on that committee with the thought of, I want to save the pension fund for all its members by changing the CV. So when you have new members to come to that unanimous agreement, what is the pathway to educate them in that regard, and how do they suddenly realize that this is necessary?

Mr. Gillis: Thank you for the question; it's a very good question.

It does take a certain amount of time to become well versed enough in pension matters to be able to make informed decisions. Pension plans, by their very nature, are quite complex, and this particular pension plan definitely fits that mould; it is especially complex.

So it is through learning with the committee, bringing in the appropriate people to help educate the committee on how the pension plan works. This includes presentations from management of the pension plan, the plan actuary and others that we build up the level of knowledge necessary to understand the implications of decisions around our negotiations with the employer advisory committee.

For myself, though, it has been a long learning experience, and, I think, really, there's still much to learn about how the pension plan operates and looking toward how to keep it sustainable well into the future for future generations. There's much learning still to do for myself. It's–I think it probably took me a few years just to get up to speed on how the pension plan works in detail.

Ms. Fontaine: Miigwech, Mr. Gillis, for your presentation, a very informative presentation this evening, and I just want to just acknowledge in–your commitment to your role on the board and your dedication to the members that you serve, and, as you just shared with our colleague, it's been a long-standing–many years you've been doing this dedicated work, so I just want to acknowledge that.

And then, finally, I just want to say miigwech for the expertise that you have given our caucus and the knowledge that you have shared with us in–on what is, as you just said, a very complicated pension plan. So we do appreciate that so much.

Miigwech.

Mr. Gillis: I would just like to say thank you very much and you're very welcome.

Ms. Lamoureux: I really appreciated the timeline you provided, and I'm jotting down the numbers here, and I hope I got this one correct, but maybe you can just nod for the sake of time.

The first recommendation you had put forward was in 2016. Is that correct?

Mr. Gillis: The first iteration of the current joint recommendation was made to government in 2016, yes.

Ms. Lamoureux: Thank you.

Would it have made–or what differences would it have made if that recommendation had been implemented then?

Mr. Gillis: So our initial recommendation in 2016 to the current government recommended the elimination of the ability to make lump sum commuted value withdrawals at retirement age from the pension plan altogether. So that would mean if someone was eligible to retire, i.e., age 55-plus, they would not have had the option anymore to take a lump sum at that point if that recommendation had proceeded through the legislative process and changed the act.

Mr. Chairperson: Thank you, Mr. Gillis, for your presentation.

We will now move to our next presenter. I will now call on Cam Reilly, private citizen. Cam Reilly?

It appears that Mr. Reilly is not here, so he will be taken off the list of presenters.

***** (18:50)

* * *

Mr. Chairperson: Since that concludes the list of presenters I have before me, we will now proceed with clause-by-clause of Bill 43.

Does the minister responsible for Bill 43 have an opening statement?

Mr. Helwer: I am pleased to be here this evening at the standing committee in human resources with–regarding the–Bill 43, The Civil Service Superannuation Amendment Act.

For generations, generations of employees in the Manitoba public service have enjoyed a stable, secure, defined benefit pension through the Civil Service Superannuation Fund. Throughout the fund's history, government has acted to protect the defined benefit pension promise to employers–employees. Bill 43, The Civil Service Superannuation Amendment Act, continues to protect the pension plan, both for retirees and current contributors.

Over the last several years, government has engaged in consultation and negotiation with the employee liaison committee regarding opportunities to safeguard the sustainability of the plan and improve governance. This committee is designated in legislation to represent and negotiate on behalf of the interests of the 55,000 active members and pensioners.

The bill is based on the recommendations from these employee representatives along with employer representatives. These recommendations are intended to ensure the defined benefit pension promise continues for current and future public servants.

We've heard from the chair of the liaison committee and the president of the MGEU that they support these changes that will help ensure the superannuation fund remains a strong and stable-defined benefit pension plan and, of course, also from an individual representing a pension fund holder.

No other major pension plan in Manitoba or in the country allows the kind of commuted value withdrawals currently permitted by the superannuation fund. Over the last 10 years other provincial public sector pension plans have either changed the method of calculation or placed age restrictions in order to protect their pension plans from the potential negative impact of these payouts. While most other public sector pension plans do not allow retirement-age commuted value withdrawls, the superannuation fund will still allow retirement-age employees the option of withdrawing a commuted value. The change is that the commuted value of a pension is calculated on a cost-neutral basis to the fund, protecting the plan and other members from losses currently caused by these withdrawals.

The bill will encourage improved governance of the fund by permitting a simpler process and staggered appointment to the board for employee representatives. We're aligning with other major pension plans to allow the appointment rather than election of employee representatives to the board. The new appointment process will require staggered appointments to allow better continuity and more effective board governance.

Amendments will also ensure that retired employees will be guaranteed representation on the board. At present there is no guaranteed representation for the over 22,000 retired employees.

The bill will also assist parents by providing greater flexibility to make pension contributions for periods of maternity and parental leave. The amendments would allow employees to elect to contribute before, during and for a 30-day period after their maternity or parental leave ends and have more flexibility on how to make the payments.

There are some minor amendments to modernize language, increase clarity, simplify administration and reduce red tape, and, of course, remove some spend provisions, some of them going back decades. These necessary amendments to the Civil Service Superannuation Fund help protect the pension promise to both retired employees who are receiving a pension and current employees who are contributing to the pension fund and planning on it for their retirement. They are fiscally responsible to taxpayers and to the fund's participating employers. The amendments improve gender equality for pensionable service and make decision-making easier for expectant and new parents. The amendments will uphold government's contractual and legal obligations to devolved service providers such as judges and other groups.

So the–in final, the amendments do reduce red tape and simplify the work required by the pension fund's administrators on a very complex plan, as we heard tonight.

Thank you to the committee for its consideration of this bill.

Mr. Chairperson: We thank the minister for his statement.

Does the critic from the official opposition have an opening statement?

Ms. Fontaine: I will just begin by thanking, once again, all of the presenters who joined us here this evening and those who submitted their presentations to allow their thoughts and words on the official record regarding Bill 43.

Strong public pensions are important to make sure all civil servants are provided with stable income after and during retirement. That is why it is important that the public pension continue to be supported and protected by government and managing authorities to ensure its long-term sustainability.

While Bill 43 aligns Manitoba's Civil Service Superannuation Fund with other jurisdictions, following recommendations from the Canadian Institute of Actuaries it also extends deadlines for new parents who may not know their financial situation at the start of their leave. Now individuals who take maternity or paternity leave or both will have the ability to retroactively make contributions to the fund. Expanding this means more Manitobans having financial flexibility in assessing and determining their current financial situation as their family–expanding and planning for the future financial situation.

Mr. Chair, I appreciate putting some opportunity–have the opportunity to put some words on the record regarding the importance of a strong public pension and say miigwech to everyone for their participation in this evening's committee.

Miigwech.

Mr. Chairperson: We thank the member for her statement.

During the consideration of a bill, the enacting clause and the title are postponed until all other clauses have been considered in their proper order. Also, if there is agreement from the committee, the Chair will call clauses in blocks that conform to pages, with the understanding that we will stop at any particular clause or clauses where members may have comments, questions or amendments to propose.

Is that agreed? *[Agreed]* That is agreed.

Clauses 1 and 2–pass; clauses 3 and 4–pass; clauses 5 and 6–pass; clause 7–pass; clauses 8 through 11–pass; clauses 12 and 13–pass; clauses 14 through 16–pass; clause 17–pass; clause 18–pass; clauses 19 through 21–pass; clauses 22 through 25–pass; clauses 26 and 27–pass; clauses 28 through 31–pass; clauses 32 and 33–pass; clauses 34 and 35–pass; clause 36–pass; enacting clause–pass; title–pass. Bill be reported.

The hour being 6:58, what is the will of the committee?

Some Honourable Members: Rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: *6:59 p.m.*

WRITTEN SUBMISSIONS

Re: Bill 43

Pursuant to section 6 of The Civil Service Superannuation Act (CSSA), the Civil Service Superannuation Board (Board) has appointed Ellement Consulting Group (Ellement) as the actuary to the CSSA. Ellement has served in this capacity for the last 22 years. As the CSSA actuary, we provide the following brief background concerning the evolution of lumpsum payments under the CSSA and the rationale for the adoption of a going concern lumpsum commuted value basis:

1. The CSSA is a multi-employer retirement program that was formed in 1939 as an amalgamation of several retirement programs with the intent of providing a superannuation or pension to its members and their survivors on retirement.

2. Prior to 1985, the CSSA, as well as all other pension plans, generally did not provide for lumpsum payments other than a refund of member contributions with interest in certain limited situations.

3. In 1985, lumpsum "commuted value" (CV) payouts were introduced by The Manitoba Pension Benefits Act (PBA) to allow members additional options and portability of their pension if they so choose. The method of CV calculation was stipulated to follow the Standards of Practice provided by the Canadian Institute of Actuaries (CIA) in that same year, or as amended from time to time.

4. CV mandatory portability of the lumpsum was made a requirement of the PBA if a terminating member was less than the earliest retirement age, generally 55. If the terminating member was eligible to retire, that is generally over age 55, it remained the discretion of the plan sponsor to optionally provide a portable lumpsum in lieu of a pension stream for life. Other than the CSSA, we are not aware of any pension plans that provide the lumpsum portability option once the member can retire and otherwise receive a pension for life. For example, The MB Teachers Pension Plan, the MB HealthCare Employees' Pension Plan, and the City of Winnipeg Civic Employees' Pension Plan do not provide lumpsum portability in the retirement window.

5. The CV method stipulated historically by the CIA has used the bond-like interest rates at the time of payment. The bond-like interest rates are generally different from the going concern interest rate used to establish the liabilities and funding contributions made to the CSSA. The going concern interest rate is based on the expected rate of return of the portfolio of assets in the pension fund and is currently assumed to be 5.75%. The bond-like interest rate used to calculate the CVs is currently less than 2.50%. This difference creates a loss to the pension plan as the lower interest rates produce a CV higher than the going concern liability. In the period 1985 to 2005 the determination of the CV based on a bond market environment, in balance, did not adversely affect the financial health of pension programs in Canada, including the CSSA. However, since 2005, as a result of the unanticipated persistent low bond interest environment, the lumpsum payments generally exceeded the going concern assets set aside by the members and plan sponsors to fund the pension promise. As a result, significant losses in the pension plan occurred that must ultimately be funded by additional employee and employer contributions and/or a reduction in the pension promise. The attached table estimates these losses to exceed $625 million in the last 15 years and the expectation in 2020 and going forward is that this number will grow at an accelerated rate unless action is taken.

6. The current situation is a zero-sum game, that is, for every gain to someone taking a CV from the CSSA there is a loss to everyone else who remains in the CSSA. In this case the member departing with the bond-like CV is gaining at the expense of the retirees and remaining active contributors within the CSSA who will likely have jeopardized cost-of-living adjustments in the future and inevitable increases in contributions.

7. To remedy the situation, some provinces (British Columbia and Alberta) have legislated in the last few years the payment of going concern CVs be authorized in certain multi-employer pension plans.

8. The CIA has responded by revising its Standards of Practice to calculate CVs not only on a bond-like manner but also on a going concern-like manner for eligible plans.

9. Further, considering the COVID-19 pandemic, some legislative jurisdictions are allowing pension plans to temporarily suspend the payment of CVs in today's low bond interest rate environment.

10. In order, to bring the CSSA in line with best practices in the pension industry, the actuary for the CSSA supports the adoption of the new CIA Standards of Practice section 3570 for the calculation of CVs under the CSSA.

11. Meetings have occurred with The Civil Service Superannuation Board, Employee Liaison Committee, and the Employer Advisory Committee established under the CSSA and it is our understanding that they all support the change to the adoption of the new CIA Standards of Practice section 3570.

12. The adoption of the new CIA Standards of Practice would place the CSSA on more equal footing with other pension programs in Canada, reduce in part, the uncertainty of additional contribution requirements from employees and employers participating in the CSSA, and significantly enhance the sustainability of the CSSA in delivering the basic pension promise to its members. The CV change, if it receives Royal Assent, will ensure that the CV election of the member will not generate a loss or a gain under the CSSA.

Estimated Commuted Value Losses - 15 Year Period 2005 - 2019

Year	# of Refunds All Ages per CSSB Annual Report	$ of Refunds Total per CSSB Annual Report	In-Year Estimated Actuarial Loss	CSSF Fund Net Rate of Return (ROR)	Accu–mulated @CSSF ROR Estimated Actuarial Loss
2005	1,133	18,306,000	5,818,000	14.27%	14,493,000
2006	1,322	25,490,000	8,102,000	12.59%	17,785,000
2007	1,297	29,692,000	9,303,000	3.58%	18,880,000
2008	1,513	33,367,000	11,328,000	(17.28%)	24,944,000
2009	1,378	24,238,000	8,426,000	14.53%	19,020,000
2010	1,244	27,517,000	9,444,000	12.41%	18,777,000
2011	1,093	35,123,000	13,033,000	(2.64%)	24,730,000
2012	1,878	60,847,000	26,629,000	9.90%	48,898,000
2013	1,805	72,252,000	29,960,000	14.47%	49,106,000
2014	1,803	62,857,000	25,976,000	8.94%	38,075,000
2015	1,911	88,961,000	40,637,000	7.60%	55,002,000
2016	1,807	97,803,000	46,452,000	5.32%	59,041,000
2017	2,078	156,450,000	69,653,000	10.48%	82,146,000
2018	2,108	167,985,000	72,355,000	(1.14%)	81,551,000
2019	2,160	150,891,000	68,171,000	13.36%	72,723,000
Total	24,530	1,051,779,000	445,287,000	7.09%	625,171,000
			42.3%		@ 31-DEC-2019

Note The above $445,287,000, before interest, estimates 42.3% of the $1,051,779,000 refunds is an actuarial loss. Approximately 50% of this loss is attributable to refunds for individuals over the age of 55.

Dennis Ellement
Ellement Consulting Group

Re: Bill 43

Dear Committee Members;

Thank-you for the opportunity to submit my presentation related to my concerns related to Bill 43 amendments.

I am a Registered Psychiatric Nurse/Civil Servant who has provided long-term services thru the province employed as a Mental Health Worker, a Mental Health Crisis Worker, a Mental Health Promotion Facilitator, and now a Primary Health Care Manager. My career began as a civil servant employed in a rural area in 1985. I have appreciated promoting equitable access to healthcare with my rural career. In 1997, the health regions were regionalized into health authorities and massive changes arose from regionalization, but I remained a Provincial Civil Servant with the Civil Service Superannuation Pension plan. In 2015, after long-time service as a healthcare provider, I made the decision to move to another area of the province and my employer became a new regional health authority. I was able to port my pension, but was required to leave behind any accured benefits such as sick time and pre-retirement credit that is applied as severance pay upon retirement.

I met with my CSSB advisor March 6th as my 55th birthday–March 25/20 allows for retirement consideration and began to plan for options. However, the pandemic healthcare response and subsequent emergency that announced March 13 required a significant amount of my attention; my services have been focused leading my teams. As such, it has been an honor and a privilege to offer this service and leadership during this difficult time.

On May 19/20, I attempted to run a report on the CSSB retirement funds, and was unable, with the notification on the site that Bill 43 amendments were currently underway within the Legislative House that would significantly affect the Lump Sum payment option I had been considering. With planned sittings, it was unknown whether this Bill would reach royal assent in swift time. With four weeks as required notification for employer to announce retirement, it was too tenuous to make this decision. I made a number of calls to both my MLA as well as opposition, and was told that the bill could go thru within the four weeks.

I have been told that the Bill 43 amendment is proposed as CSSB requires sustainability of the pension funds. As civil servants such as myself who are imminently effected by the royal assent enactment, we could be significantly negatively affected if a decision was made to retire prematurely, then the enactment took place. I am proposing that the CSSB is allowed to send out communication related to this Bill and its' changes, then a two month period is offered that allows individuals/professionals such as myself to make a decision and allow for a smooth transition of the civil service departure and replacement–before enactment of the bill actually takes place. This will assist in ensuring that smooth human resource transitions allow for a smooth transition in public services that the population deserves during this difficult time in our province.

Sincerely,

Kim Toews

The Legislative Assembly of Manitoba Debates and Proceedings
are also available on the Internet at the following address:
http://www.manitoba.ca/legislature/hansard/hansard.html