Pension Benefits Act Review

June 2025

Manitoba Federation of Labour

Fairness For Everyone

The Pension Benefits Act Review

The Manitoba Federation of Labour (MFL) is Manitoba's central labour body, made-up of 30 affiliated union, representing more than 130,000 unionized workers. Unions affiliated to the MFL represent Manitobans who work in every part of Manitoba, in industries as diverse as health and social services, manufacturing, retail, education, construction, natural resources, the arts and many others. This submission is informed by input from MFL affiliated unions, representing workers in the public and private sectors, as well as the building trades.

Every worker has the right to live in dignity after they retire from working life. Canada's pension system is set up to combine workplace pension plans with the Canada Pension Plan (CPP), Old Age Security (OAS), and Guaranteed Income Supplement (GIS) in supporting Canadians after they have retired from working life. Together, this system has made a profound impact in reducing senior poverty rates in Canada over many decades; although less so for workers retired from the private sector, where employer sponsored pension plan coverage has dropped to abysmal levels. Unions have consistently fought for expanded retirement supports like the CPP as well as to protect and extend workplace pension plans to more workers. We also know that without robust retirement security options, retired workers are often forced to rely on social supports, which increases the costs borne by government.

When thinking about pensions, it's critical to understand them as what they really are: deferred earnings. Pensions are part of a worker's overall wage bundle: part of that bundle comes in the form of your bi-weekly pay cheque to spend on the things workers and their families need now, and the other part of the bundle –pension contributions – comes in the form of savings put aside for a guaranteed pension benefit in retirement. Pensions are crucially important to the well-being of workers and their families in retirement, and to the economic health and vitality of our communities as well.

The MFL appreciates the opportunity to provide input as part of the Government of Manitoba's review of *The Pension Benefits Act* (PBA). Unions have always fought for workers to be able to retire with dignity and economic security after a lifetime of hard work. Strong pension plans are the backbone of retirement security for Manitobans and all Canadians. The provincial government's goal in conducting this PBA review process should be to strengthen retirement security for working Manitobans and extend workplace pension plans to more Manitobans, particularly in the private sector, which has very low pension plan coverage relative to the public sector.[1] This review provides the provincial government with an opportunity to make visionary changes that would strengthen retirement security for Manitobans for generations to come, and Manitoba's unions hope that the government takes action that will benefit of working people across our province.

The MFL believes that government should utilize this PBA review to accomplish five overarching goals:

1. Pursue innovative ways to address the serious crisis in private sector pension coverage to ensure private sector workers can retire with dignity and economic security;
2. Protect existing workplace pension plans in both the public and private sectors and resist the calls of out-of-province financial lobbyists to make any legislative changes that would allow employers to weaken existing defined benefit (DB) plans;
3. Lead by example by improving retirement security for provincial public sector workers who are not part of a defined benefit pension plan;
4. Empower workers through pension education by introducing new requirements to ensure pension plan members are made aware of the value and importance of their pension benefits, and are less susceptible to high-risk private sector schemes to gamble their retirement savings; and

[1] As of 2015, only 26% of private sector workers in Manitoba were covered by either a defined benefit or defined contribution pension plan. Mackenzie, Hugh (2017) Pensions in Manitoba: What's Working, What's Not, What's a Solution and What's Not pp 2-3. Canadian Centre for Policy Alternatives - Manitoba

5. Change the onus for early membership in pension plans from opt-in to opt-out, so that workers don’t lose out on valuable pensions benefits.

Pension Plan Stability and Retirement Security

Strong workplace pension plans provide the best retirement security for workers. These plans generally provide better long-term, risk-sensitive returns than private savings accounts, since they are professionally managed and there is no possibility of outliving one’s retirement savings. Employers are generally obligated to contribute and retirement money in pension plans is more “locked in” than it is in private retirement savings accounts. Moreover, pension plans play an important stabilizing role in markets with their long investment horizons and low leverage.

Ensuring the stability of existing pension plans and expanding access to pension benefits so all working families can retire with dignity and financial security should be the focus of any review of the PBA and subsequent changes to the Act. DB plans ensure that the employer and employee contribute to the pension plan which pays an employee a set monthly amount upon retirement, guaranteed for life or the joint lives of the member and spouse. The amount paid is normally calculated using a formula that takes the participant’s years of service and retirement age into account. Benefit amounts are usually either a flat amount per month per year of service or an amount based on earnings prior to retirement. DB plans provide strong retirement security for plan members.

A study of Manitoba’s pension system by CCPA Manitoba, authored by pension specialist Hugh Mackenzie, demonstrates that DB plans have lower fees, better returns, and lower overall risk than Defined Contribution (DC) plans, and consistently outperform DC plans on a comparable basis. By pooling longevity and asset risk, DB plans do a better job than DC plans of protecting pension plans and benefits for plan members. The study also reflects on the unfortunate reality that private sector workers are especially under-represented in terms of workplace pension plans, and especially under-represented in terms of DB plans.

DB plans consistently outperform DC plans, partly because of differences in the fees charged as well as the fact that DC plans have to invest more conservatively with a shorter-term focus and greater emphasis on liquidity, leading to lower returns. The overwhelming advantage of DB plans comes from pooling longevity risk and asset risk over all members and generations of members, as compared to DC plans where all risks are born by the individual plan member.[2] In other words, DB plans are better placed to protect pensioners regardless of how long they live and DB plans can maintain a stable mix of assets that protect against market volatility.

In Manitoba, there are currently 71 DB plans with more than 135,000 active members, or an average of 1,900 active members per DB plan, as compared to 257 DC plans (more than three times as many) with more than 60,000 active members (less than half), or an average of only 234 active members per DC plan.

Given the superior performance of DB plans, it is extremely unfortunate that so few private sector workers have access to them. According to the CCPA report, only 26 per cent of Manitoban private sector workers had a pension and two-thirds of those plans were DC plans. That means that only one in ten private sector workers has a DB plan. 89 per cent of Manitoba's public sector workers were covered by a pension plan, with 77 per cent in DB plans and 12 per

[2] It is notable that with respect to those DC plans where individual members are required to elect a particular investment strategy, workers assume the burden of acting as sophisticated investors, with little education provided by plans to support them. In most cases, members elect the plan's "default" option, even though that option may not accord with their particular investment goals or risk tolerance – more on the need for better pension education below.

cent in DC plans.[3] The MFL believes strongly that DB plans should be protected, and that the government should take action to encourage more workplace DB plans.

Addressing the Crisis in Private Sector Pension Coverage

As mentioned, 89 per cent of public sector workers are covered by a pension plan: approximately 77 per cent in defined benefit plans and approximately 12 per cent in defined contribution plans. But only 26 per cent of private sector workers are members of workplace pensions plans. Of that 26 per cent, nearly two thirds are members of DC plans. Roughly one Manitoban in ten employed in the private sector belongs to a defined benefit pension plan.[4] This discrepancy is the result of a very regrettable long-term trend of weaker retirement security for private sector workers. In the 1970s in Canada, 90 per cent of private sector workers with a pension plan had a DB plan, similar to the public sector.[5] DB plans remain the single best mechanism for providing secure and predictable retirement incomes for workers and Manitoba's unions believe that private sector workers deserve far better pension coverage than they currently have.

The provincial government should make it a political priority to extend DB pension plans to more private sector workers. We encourage the provincial government to look at innovative ways to achieve this goal, such as helping to finance the start-up of DB plans in the private sector, encouraging existing DB plants to support DB plans in the private sector (CAAT's DB Plus pension plan provides an example of a viable model that could be pursued) and engaging with existing DB plan sponsors about potential opportunities to amalgamate with smaller private sector plans. In areas in which DB plans do not exist, and are unlikely to exist (such as

[3] McKenzie, pp 2-3
[4] Ibid.
[5] MacDonald, David (November 2024) The Power of Pensions: The impact of pension income on Canada's economy, P. 9. Canadian Centre for Policy Alternatives, accessed at https://www.policyalternatives.ca/news-research/the-power-of-pensions/

industries characterized by small workplaces and a high rate of employer entry and exit, and where single-employer plans are not feasible and there is no realistic ability of the employer to make up funding shortfalls), multi-employer pension plans (MEPPs) could be made more readily available to employers and employees without workplace plans.

Addressing the serious crisis in private sector workers' retirement security would go a long way towards building the One Manitoba envisioned by this government and create a lasting, worker-focused legacy. And superior benefit opportunities would also help Manitoba attract the workers that we need to address our skilled trades shortage.

Resisting Calls to Weaken DB Plans

There continue to be calls from a concerted and well-connected group of financial industry lobbyists for governments to make legislative changes to allow for the conversion of DB plans to weaker pension plans under the auspices of savings to public sector employers, done at the expense of employees' retirement security. In 2018, the then-provincial government's PBA review consultation paper contemplated allowing the conversion of DB plans to Target Benefit (TB) plans, and even retroactively. Under TB plans, employer liability is limited to a fixed contribution amount (similar to a DC plan), with the actual benefit determined based on affordability. Compared to existing DB plans, TB plans expose plan members – including both working and retired members – to significantly more risk in their retirement income.

While questions related to conversion do not appear in the current review, we know that the Province of Manitoba continues to face pressure from a certain number of financial industry consultants to enable the PBA to allow for conversion of DB plans despite the fact that we are not aware of any DB plans in Manitoba promoting such conversion. The reason for these lobbying efforts is simple: these consultants would stand to benefit financially from advising employers, pension plan trustees and members on the supposed benefits of conversion, regardless of the negative impacts such actions would have on the retirement security of Manitobans who are part of these plans. Converting from DB to TB plans, no matter how efficiently managed they are or how sophisticated the modelling is, represents a loss of retirement security for plan members.

Converting high-performing DB plans into TB plans effectively allows employers to break their pension promise to workers, enabling them to walk away from their existing legal obligations to deliver already promised pension benefits and resulting in a shifting of the market risk from employers onto plan members. In the context of converting from DB, this is fundamentally unfair, and especially so when TB plans are imposed retroactively on retired plan members who already earned, paid for, and were promised DB pensions.

There is a growing and deeply concerning trend of employers seeking to convert DB plans into TB plans, which has the potential to fuel labour disputes, as employers are incented to pressure workers to surrender the pension benefits they've already earned. They also have the potential to cause major splits within bargaining units, as employers may opt to try to pit active members against retirees with conversion incentives.

TB plans may have some applicability in instances where unionized workers are seeking to negotiate the establishment of a pension plan where one does not currently exist. Consideration of a Target Benefit model should be limited to instances where plans are collectively bargained, worker-controlled and multi-employer to ensure pool risk and better retirement security for workers.

We need only look to our neighbours in Saskatchewan to see how conversion to less robust pension plans would not help strengthen retirement security or aid provincial finances. The

Government of Saskatchewan converted the pension plan for its employees from a DB to a DC plan, starting in 1977. That conversion not only severely weakened benefits for employees, but it also did not deliver the assumed savings for government and may actually end up increasing costs for the employer.[6]

In fact, if the Manitoba government were to convert DB plans, benefits paid would decrease dramatically, with no corresponding savings to the government. As Mackenzie reports, based on the experience of Alaska, Michigan, West Virginia, Nebraska and Saskatchewan when they forced conversion from DB to DC plans, pre-existing unfunded liabilities would continue to grow for decades and the cost to the government would almost certainly increase. The states of Minnesota, Wisconsin, Nevada, Texas and New York City have all considered converting from DB to DC plans, but they all found that it would have cost the employer too much and would have delivered insufficient retirement income to their employees. As a result, none made the switch.

Conversion to weaker plans would result in major cuts to retirement benefits for Manitoba's dedicated public sector workers. Retirement benefits are an important source of income in the economy and removing them would have significant local impacts beyond retirees and their families, particularly as the Manitoba economy navigates the impacts of Donald Trump's tariffs and trade threats. Additionally, stronger retirement plans also lead to cost savings in other areas of government by lessening the reliance on social supports, like Rent Assist. We encourage the provincial government to limit its review of the PBA to actions that will meet the needs of Manitoba workers and retirees and not the predatory whims of Bay Street consultants. Manitoba's unions will continue to adamantly oppose any consideration of eroding the already earned pension benefits of retirees.

[6] Mackenzie, pp 14-15

Enhancing Retirement Security for Public Sector Workers Not Currently in DB plans

As mentioned above, while most provincial public sector employees are members of defined benefit pension plans,[7] some are not, including the majority of educational support workers in schools across the province, rural child and family services workers and some medical clinic staff. If the provincial government were to make a concerted decision to lead by example and ensure that all provincial public sector employees have DB plans, the benefits would be enormous for those workers and our province as a whole. A number of workers in the provincially supported non-profit sector also do not have DB plans, including child care and disability support workers.

As we have detailed, the strength and stability of DB plans provide far better reliable retirement benefits than other types of pension plans. Transitioning those public sector workers who do not currently have DB plans into them would leave a long-lasting legacy and help in shoring up the economic security of workers who are essential to the functioning of our province's public schools and health care system.

The provincial government could demonstrate even stronger leadership by making a commitment to ensure that all workers of provincially funded organizations have access to a DB plan.

[7] As of 2015, 77 per cent of public sector workers in Manitoba were members of a DB plan, Mackenzie pp. 2-3

Empowering Workers: Improving Pension Education

The concept of retirement can seem very distant when workers begin their career and enrolment in a pension plan. Manitoba, like the rest of Canada, continues to face an affordability crisis, made worse by the continued tariffs and trade threats launched by Donald Trump. Given the immediate economic realities facing workers, it can be difficult to devote the time to learning about the importance of the deferred wages contributing to one's pension plan, to be drawn on decades in the future.

But it is important for workers to gain a better sense of their pension plans and benefits, both as they enter plan membership and as they approach retirement age. The provincial government should play a leadership role in ensuring that more Manitoba workers gain valuable information about their pension plans by making changes to the PBA regulations to require workers be provided with regular, compulsory education about their pension plan and benefits in the first few years of their membership in the plan as well as in the years that they approach retirement. Requiring that workers be equipped with knowledge about their pension benefits would aid them in the long term and help combat the influence of financial advisors preoccupied with how they can turn pension benefits into commission for themselves.

We also encourage the government to introduce new requirements to strengthen the education of pension plan committee/board members around issues of funding, governance and legalities. As those entrusted with the oversight of pension plans, these members deserve to have regular educational opportunities to increase their knowledge and help them meet their responsibilities to provide oversight. It's important that trustees feel empowered to ask tough questions of plan sponsors. While other options would be welcome, we believe that the Pension Commission of Manitoba is well placed to oversee regular trustee education. Unions have always valued the importance of pension education to ensure that their pension plan committee and trustee representatives are well equipped to meet their fiduciary responsibilities with respect to pension plans. We think that a requirement for education should extend to everyone who is entrusted with the oversight of workplace pension plans.

Compulsory Enrolment

Manitoba's current rules for pension plan enrolment do not require plan membership until after two years of work, requiring that workers take action to opt-in, rather than opt-out of earlier plan membership. This means that they miss out on pensionable time, with the only option being a cost prohibitive option (for many) of buying back time they missed out on. We encourage the government to address this problem by reversing the onus from an 'opt-in' to 'opt-out' option for workers within the first two years of their employment, ensuring more workers are enrolled in pension plans during that time. Workers who are interested in the opt-out provision should be required to be provided with pension education through an in-person or web-based session prior to making their decision.

No Further Expansion of Unlocking Provisions

As a rule, workers are almost always financially better off if they leave their retirement income locked-in until retirement. This is especially true with respect to pension benefits. Unlocking retirement funds can be very dangerous to individual plan members, leaving workers exposed to inadequate, or even poverty-level retirement income in their later years. The previous provincial governments made a number of unlocking provision changes to the PBA, making Manitoba's rules around unlocking among the most expansive in the country.

Making it easier for workers to unlock these funds raises the likelihood that retirement income may not extend as planned through retirement. During the last review of the PBA in 2018, the

MFL raised concerns that the government's motivation for the expansion of unlocking is rooted in freeing up a larger portion of secure pension funds for access by the private investment industry and shifting financial liabilities away from government and employers.

While we certainly acknowledge that there may be specific cases of severe financial hardship which may warrant some unlocking, the risks associated with depleting one's retirement income prematurely and the required investment and financial planning knowledge required to mitigate such losses would likely not be available to the average person should they choose to unlock their pension. We oppose any further expansion of unlocking provisions under the Act. And as mentioned above, we recommend that the government take steps to educate working people about the financial advantages of leaving retirement funds in place for retirement.

Annuity Discharge Legislation

Employers should not be able to discharge their pension obligations to workers and retirees. Pensions are a promise made to workers that they will receive the benefits agreed to upon retirement, and the MFL is opposed to any legislative changes that would allow pension plans to manipulate or divest themselves of their obligations to pension plan members. It is in the best interest of Manitobans to ensure that pension plan members receive their pension benefits upon retirement. As such, we oppose the annuity discharge legislation outlined in the consultation paper as it could lead to Manitobans losing their retirement benefits they are entitled to.

Conclusion

The MFL appreciates the opportunity to provide advice to the provincial government as part of its review of the PBA. The cost of living is top of mind for Manitobans, as it is for all Canadians. We hope that the government will take serious steps at extending and enhancing retirement security to more working Manitobans. As it stands, far too many workers are facing difficulty making ends meet, let alone being able to save adequately for retirement. Ensuring more workers have access to strong, well performing, and sustainable workplace pension plans would help to alleviate the stress and anxiety that far too many working families face as they near the end of their working lives. Strong government action to protect and expand workplace pension plans for the benefit of more Manitobans would make a lasting difference in the lives of workers and retirees for generations to come.

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