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Hundreds of Nortel pensioners rally outside Ontario legislature

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TORONTO - Hundreds of Nortel pensioners fearing drastically reduced retirement benefits rallied outside the Ontario legislature Wednesday, calling on the government to rethink the pension plan's fate.

Their \$2.5-billion underfunded plan will be wound up, under government supervision, at the end of the month.

The fund is to be converted into individual annuities with various financial institutions, but Nortel retirees are calling on Premier Dalton McGuinty for a different plan.

A so-called financial sponsorship model, they argue, would allow financial institutions to compete to offer something like a pension to Nortel retirees.

"We are not asking something that is unreasonable," Peter Kennedy, secretary-treasurer of Canadian Auto Workers, told the crowd.

"The government does not have to act in haste, there is time here and there are options."

Ontario's finance minister has called the financial sponsorship model a "riskier road" for a pension that has already been "horribly mismanaged."

Outside the legislature on Wednesday, people chanted and yelled "shame" as they blamed McGuinty for not accepting the alternative plan.

Many held signs that read, "MPPs, what if it was your pension?"

Don Sproule, president of the Nortel retirees, said the standard practice of buying annuities would not protect pensioners.

"What we're finding out is that there's not a competitive market for annuities in Canada," said Sproule.

The \$2.5 billion in assets would have to be sold into an annuities market that can only handle between

\$200 and \$500 million a year, he added.

"So, what we know is that when it comes to purchasing annuities, we're not going to be getting a fair shake," said Sproule, adding the alternative would open up the plan to the private sector and let large, Canadian financial corporations run the plan for pensioners.

"In the end, the pensioners will do better in terms of the pay out (under the alternative plan)," said Sproule.

Eleanor Wilson, 70, said she fears her benefits will be cut in half if the government sticks with the annuities plan.

"My pension is about \$1,200, so it will go down to about \$600," she said.

Organizers of Wednesday's rally argued in a release that Nortel pensioners could forfeit at least 35 per cent of their monthly cheques, which would be made worse if the government winds up the plan.

Ontario's pension benefits guarantee fund, the only one of its kind among the provinces, provides pensioners with up to \$1,000 a month if their company plan fails to provide its full benefit or any at all.

The fund got a \$500-million boost in this year's provincial budget to address claims stemming from Nortel's demise.

Diane Urquhart, an independent financial analyst who supports the annuity plan, said the fund would cushion the blow.

"Nortel Ontario pensioners who have pension income of \$1,000 or less per month will not be facing any pension income cut at all, due to the top up payment from the Ontario pension benefits guarantee fund," Urquhart said.

Finance Minister Dwight Duncan said the sponsorship model is too risky and there are too many hurdles. The government is opposed to any plan that increases the risk associated with the pension fund, he said.

"There are a range of issues that just make this a very, challenging, risky," said Duncan, who added the pensioners want to invest in riskier assets to receive a higher return in order to make up for any losses.

"Further risk to a pension that has obviously not performed well, and the pension situation itself should remind all Ontarians about proper pension management."

Ottawa would have to amend the Income Tax Act if the financial sponsorship model was adopted, he added.

Nortel's pension issues came to a head after Nortel became insolvent in 2009, leaving the workers with an under-funded plan.

At its peak during the 1999-2000 technology boom, Nortel was Canada's most valuable company after the telecom equipment maker went through several years of rapid expansion and diversification funded by debt and stock sales.

But starting in 2001 Nortel suffered a decline in sales due to a combination of factors including the merger or demise of many of its customers, an economic slowdown and an accounting scandal that led to the dismissal of former CEO Frank Dunn and other executives.

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