

Supply—National Revenue

"The approval of employees' superannuation or pension funds or plans will be governed by the principles and rules published herewith. These will extend and apply to the continuing approval of plans now operating as well as those which may be established in the future."

Part 10 (b) of the principles and rules reads as follows:

"The right provided by employer contributions must vest in the employee within a determinable period, and particularly on the attainment by the employee of an age which would prejudice him in the event of severance from employment. Therefore, vesting should be absolute upon attaining age 50, subject to a minimum period not exceeding 20 years of service or participation".

The above language gives the strong impression of having the force of law.

Notwithstanding the above, neither the INCO nor C.M. & S. pension plans provides for vesting rights of individual employees in respect of whom contributions have been made by the companies. It is true that these contributions are irrevocable and cannot be used for any other purpose than the payment of pensions. However, the administration of the plans, and indeed also the rules and regulations governing them, are wholly in the hands of officials of the companies appointed for that purpose by the respective boards of directors; the employees represented by the union having no say in the matter whatever. As a result these officials have the power

"... to amend the rules and regulations in any particular, or discontinue or suspend or reduce such pensions and other benefit payments... in whole or in part". (Section 11—rules and regulations INCO retirement system).

In other words, they have the power to exclude from benefits large numbers or even the majority of the employees on whose behalf the pension plans are supposedly established and thus, possibly, to defeat the reason of public policy for which the company contributions to the plans are exempt from taxation.

In particular, part 10 (b) quoted above would seem to require more than that the company contributions should be irrevocable. In our view, the real meaning of "vesting" as used above is that the individual employee should have the right to retain his equity in the fund, in the event of being severed from employment. This right should be unconditional and absolute at the latest when the employee reaches age 50, after a minimum period of service not to exceed 20 years. In the great majority of "contributory" plans the employer's contributions to the pension fund are so vested in the individual employees. However, the employee's right to his equity in the fund should not depend upon whether these contributions have been matched by contributions of his own; whether the employees contribute or not should make no difference to what happens to the employer's contributions and the employees' rights thereto: In other words, vesting rights for individual employees should be established irrespective of whether the plan is "contributory" or "non-contributory". However both the INCO and C.M. & S. pension plans specifically deny any vesting rights. Section 3 of the rules and regulations of the INCO retirement system states:

"The membership (in the system) of any employee shall terminate upon the cessation of his employment by the companies for any cause whatever, or upon his becoming a pensioner". (Absence from the service of the companies due to leave of absence, lay-off on account of lack of work or other acceptable cause for more than a year, constitutes cessation of employment.)

If a man is discharged after many years' service the penalty incurred in the loss of his accumulated

pension rights is one of extreme and wholly unjustified severity. In the event of lay-offs, the employees not only lose their current income in the form of wages, but also their rights to future income after retirement, in the form of pensions. On the other hand, if vesting rights were guaranteed in accordance with the income tax rule quoted above, this would facilitate the mobility of labour and give to workers somewhat greater possibilities of advancing themselves by moving to new jobs. The lack of vesting rights in the INCO and C.M. & S. plans is a serious injustice and hardship to the employees whom we represent. We respectfully submit that it should be rectified at an early date.

Finally, with regard to the age of retirement: the INCO pension plan provides for voluntary retirement at 65, and compulsory retirement at 70. The corresponding ages in the C.M. & S. plan are 60 and 65, provided the employees started work before 1940. In our view, considering the exhausting work and extreme hazards involved in the mining and smelting industry these retirement ages should be lowered and should be less than those found in pension plans in other industries. Consideration might be given to this point in establishing appropriate standards for the approval by the government of plans in the various industries, and in particular when INCO and C.M. & S. plans again come up for approval.

All of which is respectfully submitted, on behalf of: International union of mine, mill and smelter workers. "A. King" president, local 480; "M. Solski" president, local 598; "R. Methot" president, local 637; "C. Thompson" president, local 651.

I have read that letter into the record at length because I think it is an excellent statement of the position as it affects the employees at this time. I understand the government has given consideration to the representations made by the unions on this question. I understand it is under careful study and investigation, and that later a report will be made on the whole situation.

Mr. McCann: I am familiar with the situation. On June 23 I addressed a letter to Mr. King, president of the international union of mine, mill and smelter workers, in which I said that a copy of his letter of the 12th ultimo to my colleague the Minister of Finance had been forwarded to me, and that I had considered the representations with officials of the taxation department. I shall not quote the whole of the letter, but the closing paragraph says:

I should advise you, however, that early in this year I gave instructions to my staff to prepare a study of pension plans in so far as the Income Tax Act is concerned having in mind possible amendments to the act, and regulations, and this is proceeding. No change in present practice will occur until this study has been completed.

So the matter is under advisement and consideration at the present time.

Mr. Herridge: I wish to thank the minister for that information, and I am pleased to know that the matter is receiving serious consideration and study.

Before resuming my seat I wish again to emphasize the fact that the development of