

Legislature Saves Employees' Pension Benefits



When businesses are struggling and must shut down, even partially, employees can lose not just their jobs but their benefits can be jeopardized as well. But employers beware and employees take heart. Here's a look at a case in which the legislature saved the day and some terminated employees' right to pension benefits.

THE CASE

What Happened: When a company closed two of its divisions, and it was time to partially terminate the pension plan for the divisions' employees, there wasn't enough funds to satisfy the employee benefits. So, the Régie des rentes du Québec ruled the shortfall would be a debt of the employer as mandated by the Supplemental Pension Plans Act (SPPA). The Régie said that the pension fund's rules which called for a reduction in employee benefits in the event of such a shortfall were contrary to the SPPA. However, the Court of Appeal disagreed and said employee benefits should be reduced according to the pension fund rules. The legislature took action and passed a law saying the SPPA prevented the application of pension fund rules to reduce employee benefits in these situations.

What the Court Decided: The Supreme Court of Canada said the legislature's new law essentially overruled the Court of Appeal decision and employee's pension benefits couldn't be reduced.

The Court's Reasoning: The Supreme Court of Canada explained that the legislature has the power to interpret its own laws and regulations and can enact law to declare its interpretation. Such a law is called declaratory legislation and it can overrule a court decision and "have immediate effect on pending cases." But such legislative action doesn't apply to already decided cases. That became the issue in this case because the Court of Appeal had already ruled the pension rules applied and the benefits should be reduced.

But the Supreme Court said cases are still pending unless all "the parties' rights and obligations" were finally decided. In this case, the Court ruled that the Court of Appeal had really just decided one issue—whether the pension fund rules were contrary to the SPPA. The Régie still had to calculate the amount of benefits and settle the plan termination. Thus, the parties' rights and obligations hadn't been

“definitively determined,” the case was still pending and the declaratory legislation could apply [[Régie des rentes du Québec v. Canada Bread Co. Ltd.](#), [2013] SCC 46 (CanLII), Sept. 13, 2013].

ANALYSIS

This case is important because the Supreme Court of Canada reaffirmed the legislature’s right to take action to overrule a court it believes is misinterpreting the laws. It also clarifies when a case is final and when it is still pending. That’s important for deciding whether the legislature’s actions will really overrule the court in a particular case. In this case, the legislature acted to protect the employees who had lost their jobs and who were in danger of losing some pension benefits.

The lesson here is: Be aware that the legislature does have the power to act when it disagrees with a court’s interpretation or application of its laws. In this case, that was good news for employees. But it works both ways and could benefit employers and pension administrators in other cases. It’s best to stay out of court and not have to hope for legislative rescue though. So make sure all your plan rules comply with, and don’t give the appearance of conflicting with, existing law—because that’s what landed these parties in court.