



Amalgamated Transit Union Canada

November 16, 2016

The Honourable Bill Morneau, P.C., M.P.
Minister of Finance
House of Commons
Ottawa, Ontario,
K1A 0A6

Dear Minister:

I am writing on behalf of all transit workers across Canada to urge you to abandon Bill C-27, An Act to amend the Pension Benefits Standards Act, 1985, which represents a dangerous and immediate attack on future and current retirees and Defined Benefit (DB) pension plans in the federal private sector and Crown corporations.

C-27 was introduced without notice or consultation with Canadians, pensioners, or unions and proposes measures that directly contradict election promises to improve retirement security for Canadians. If enacted, it will have negative implications for private and public-sector DB plans in every jurisdiction in Canada.

A principal value and strength of DB pension plans is the security and predictability they provide to plan members, allowing them to budget for their daily lives in retirement. DB pensions operate under a legal covenant obliging employers to fund employees' earned benefits, guaranteeing retirement security regardless of market volatility. Already-earned (or "accrued") benefits are legally protected, and may not be retroactively reduced.

Bill C-27 would remove that legal obligation, and encourage the proliferation of Target Benefit (TB) pension plans instead, potentially lowering benefits for both current and future retirees. Bill C-27 would remove that legal obligation, and encourage the proliferation of Target Benefit (TB) pension plans instead, lowering benefits for both current and future retirees. Employers would also be allowed to persuade individual active and retired plan members to surrender their earned DB benefits in exchange for less secure, less stable TB plan benefits.

By permitting the conversion of past-service DB pension benefits to TB plans, Bill C-27 invites employers and other plan sponsors to abandon their pension promises to employees and retirees, downloading virtually all plan risks brought on by market volatility from employers to workers and retirees. This is an unconscionable betrayal of the legal rights and protections of plan members.

Bill C-27 also undermines the policies your government has adopted to strengthen Canadians' retirement security, including improvements to the Canada Pension Plan and Guaranteed Income Supplement. It also contradicts Prime Minister Justin Trudeau's commitment to retirees, made in a July 23, 2015 letter to Gary Oberg, head of the Federal Superannuates National Association, that "DBPs [defined-benefit pensions], which have already been paid for by employees and pensioners, should not retroactively be changed into TBPs [target-benefit pensions]."

Legislation like the Pension Benefits Standards Act originated precisely to protect plan members when employers simply abandoned their commitments and walked away from their pension promises. The government now proposes to withdraw that legal protection, and once again leave employees at the mercy of employers who want to back out of their pension commitments.

Even if employers offer individual plan members the option to remain in a DB plan, they'll inevitably do all they can to convince other employees to transfer over to TB plans. That will jeopardize security for those remaining in DB plans. Unacceptably, in a lockout or insolvency situation, workers may be pressured to agree to surrender their benefits and pension rights.

For all these reasons, there is no question that Bill C-27 will undermine the stability of workplace relations and fuel labour disputes.

The ability of unions to advance the interests of members is uncertain under Bill C-27. Although the decision to surrender DB benefits is an individual one, the Bill says "a bargaining agent may consent on behalf of a unionized member if the agent is authorized to do so." The effect of this provision is extremely unclear. Target-benefit plans would not be governed jointly by union and employer appointed trustees, and unions could be largely excluded from the governance of TB plans.

The approach proposed under C-27 is already proving a failure in New Brunswick. Introduced in 2012 by the Conservative government of David Alward, New Brunswick's legislation allowed conversion of private and public sector DB plans to TB pension plans. The result has been class action lawsuits, constitutional challenges, and plummeting DP plan membership. In the four

years between the end of 2011 and the beginning of 2015, DB plan membership in New Brunswick fell by more than 14 per cent, leaving pension members vulnerable.

Federally, C-27's approach has already been proposed and defeated in Canada. In April 2014, the Conservative government of Stephen Harper launched public consultations on introducing a TB plan framework federally. Retirees and stakeholders strongly opposed the proposal and the government was forced to retreat.

We hope that your government does not plan to pick up where the Conservatives left off and we urge you to withdrawal this Bill.

This is a pivotal moment for workplace pensions in Canada, and the Government of Canada's leadership will influence governments and plan sponsors across the country. Rather than following the Conservatives' example, we look forward to you strengthening and expanding Canadians' pension rights and retirement security by abandoning Bill C-27.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Paul Thorp". The signature is fluid and cursive, with a large initial "P" and "T".

Paul Thorp
President
ATU Canada