November 15, 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 the 370,000 members of the National Union of Public and General Employees (NUPGE) to urge you to withdraw Bill C-27*, An Act to amend the Pension Benefits Standards Act, 1985*. By making it easier to attack defined benefit pension plans, the legislation undermines the retirement security of Canadians and threatens to undo the good work done by your government towards the expansion of the Canada Pension Plan (CPP).

For middle class and working class Canadians, defined benefit pension plans are the best way to be sure they will be financially secure in retirement. People know what their income will be and can budget for their retirement. Retirees don’t have to worry about benefits they earned being retroactively reduced.

In contrast, retirees without defined benefit plans don’t have that security. They are faced with the threat that market volatility could result in a dramatic reduction in their benefits at any time. That means a significant reduction in the quality of life for people who spent their lives building our country. It also has an economic impact.

A 2013 study on the 10 largest defined benefit plans by Boston Group Consulting found pensioners were spending between $56 billion and $63 billion a year. Governments were collecting between $14 billion and $16 billion a year in taxes from these retirees.

When your government moved to improve the CPP, it recognized the benefits of defined benefit pension plans. Commitments to the Federal Superannuates National Association in July 2015 showed a similar recognition.

Unfortunately, the provisions of Bill C-27 ignore the stability that defined benefit plans provide for middle and working class Canadians. The proposed bill represents an attack on future and current retirees and Defined Benefit (DB) pension plans in the federal private sector and Crown corporations.

A principal 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 to protect already-earned benefits. It would encourage target benefit pension plans, which fail to provide the same security for current and future retirees. Bill C-27 would also allow employers to persuade individual active and retired plan members to surrender their earned DB benefits in exchange for less secure, less stable TB plan benefits.

Defined benefit plans represent a promise by employers and other plan sponsors to their workers. Allowing the conversion of past-service defined pension benefits to targeted benefit plans, as Bill C-27 does, encourages employers and other plan sponsors to break that promise. For retirees and workers that is a betrayal of their legal rights and protections.

The *Pension Benefits Standards Act* was intended to protect pension plan members in those instances where employers abandoned their commitments and walked away from their pension promises. Bill C-27 would remove that protection, and once again leave employees at the mercy of employers who want to back out of their pension commitments.

There are also very real fears that the measures in Bill C-27 will be used to undermine existing defined benefit plans to allow workers in a lockout or insolvency situation to be pressured into agreeing 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.

There is also considerable concern about whether unions will be able to protect their members under the provisions of Bill C-27. In addition to a lack of clarity on who has to agree to surrender a defined benefit plan, there would be no joint governance for target benefit plans.

What is particularly worrying to NUPGE members about Bill C-27 is that it revives policies espoused by the previous Conservative government. A similar approach was proposed by the Harper government in April 2014.

The way C-27 was introduced was also reminiscent of the way the Harper government operated. Even though it directly contradicted election promises to improve retirement security for Canadians, there was no notice or consultation with Canadians, pensioners, or unions.

Canadians were reassured by your government’s commitment to break from the policies of the previous government and chart a new course. The expansion of the CPP is a positive step, but much of the benefit will be lost if middle and working class Canadians see their pension benefits from other sources undermined.

Instead of reviving Conservative policies, we encourage you to strengthen and expand Canadians’ pension rights and retirement security. Abandoning Bill C-27 should only be the first step. In the long-term what is needed is measures to increase the number of Canadians with access to defined benefit pension plans.

Yours sincerely,



Larry Brown

President

c.c.: Elisabeth Ballerman, Secretary-Treasurer

 National Executive Board

 Hassan Yussuff, President, Canadian Labour Congress