# The Professional Institute
# of the Public Service of Canada
# (PIPSC)

**Submission to the Minister of Finance on Bill C-27,**
***An Act to Amend the Pension Benefits Standards Act***

**May 2017**

On behalf of our more than 55,000 members across the country, the Professional Institute of the Public Service of Canada (PIPSC) is pleased to provide the following submission on Bill C-27, as requested in the Minister's correspondence received March 2, 2017.

Bill C-27 is a deeply troubling piece of legislation that paves the way for employees of federally-regulated employers to see their pension security eroded. It shifts the risks of providing for a secure retirement from employers to employees by permitting employers to seek to replace defined benefit pension plans with new target benefit pension plans. Bill C-27 would substantially expand the ability of federally regulated employers to offer target benefit pension plans, which provide a much lower level of security to members' pension income than that provided by defined benefit plans. Moreover, we worry that this legislation signals that the current government is also considering similar action with respect to the Public Service Superannuation Plan (PSSA), a move PIPSC would vehemently oppose.

PIPSC was pleased to see the government run on a campaign promise to support and grow the middle class. We have applauded your decision to expand the Canada Pension Plan (CPP), a significant step towards helping younger workers build and save for their future. During the 2015 election we saw no mention of the possibility of your government introducing a bill such as C-27. Together with other unions and organizations representing retirees, PIPSC was shocked to see Bill C-27 tabled without either consultation or warning. We do not see Bill C-27 as different from similar proposals floated by the previous government and we are disappointed that your government has chosen to pursue it.

We therefore welcome the opportunity now to comment on the bill and will specify in more detail our particular objections to it. Your correspondence asked us for solutions. We therefore also recommend that you do not pursue Bill C-27 and instead look to ways to further strengthen the retirement security of all Canadians by better promoting and shoring up defined benefit pension plans.

Target benefit plans made headlines in 2013-14, when the New Brunswick government passed laws to convert longstanding public sector defined benefit pension plans into target benefit plans. This conversion has resulted in significant pension reductions and decreased benefit security for New Brunswick government employees, including many PIPSC members who were affected by this legislation. Many New Brunswick plan members and retirees felt they were misled and misinformed about what plan conversion would mean for them. As a result, plan conversions in New Brunswick have resulted in class action lawsuits and constitutional challenges. Our union is in the process of challenging this legislation in the New Brunswick courts on behalf of our members.

While Bill C-27 does not allow for direct conversions from defined benefit pension plans to target benefit plans, the legislation could be used to facilitate such a process over time. For example, the proposed legislation seems to contemplate that certain members could choose to consent to surrendering their benefits under a defined benefit plan in exchange for a new target benefit plan and that others could elect to remain with the existing plan, which would be highly unusual. If this is permitted it may mean that those groups of employees that have the most to lose from changing to a target benefit plan (e.g., retirees and employees close to retirement) would disproportionately choose to remain with the existing defined benefit plan. This could lead to the problems that come with “mature” pension plans, where more people are being paid out than are paying into the plan. In these circumstances, the defined benefit plan could become unsustainable and may eventually be wound up, leaving only the target benefit plan.

The legislation presumes that employees or unions must consent to changes to their pension plans, but we see this as a failure to recognize the realities of collective bargaining. Bill C-27 has the potential to fuel labour disputes. Employers have a large incentive to push workers to “surrender” the pension benefits they have already earned. In a lockout situation, workers may be pressured to agree to surrender their benefits and pension rights. The proposed legislation also appears to allow employers to introduce target benefit plans for new employees without obtaining their consent, once again paving the way to the eventual elimination of existing defined benefit plans as current employees retire or leave the workplace.

The Bill states that these target benefit plans will be run by a board of trustees or another similar body. This board of trustees would have to include at least one member chosen by current pension plan members and, in the case of plans where the number of former members and survivors equals a prescribed number, at least one member selected by former members and survivors. There is no limit on the number of members that can be appointed by the employer and no requirement that there be equal numbers of employer and employee representatives. There is also no reference to whether unions would be able to appoint any members in unionized workplaces.

The legislation requires that actuarial modelling with regard to pension benefit stability be undertaken both before the target benefit plan is established and at regular intervals afterwards. In other words, the employer will decide how secure the plan benefits should be and then the actuaries will provide a model to help ensure that that level of security is achieved. Unfortunately, it is unclear just how accurate that actuarial modelling is. Certainly, there have been poignant questions raised over the modelling undertaken for the New Brunswick model, and actuaries have disputed the New Brunswick government’s claims about the likelihood that the target benefit will be paid out. At the end of the day, target benefit plans will never have the level of security found in a defined benefit pension plan.

While many of the provisions of the proposed legislation are confusing, unclear or uncertain, the real difficulty with Bill C-27 is that it provides a path for federally regulated employers to move away from defined benefit pension plans, which represent the most secure and predictable type of pension plan, to a less secure model of pension plan. A few jurisdictions have also made changes to their public sector pension plans to incorporate elements of a target benefit model. This has typically been accompanied by other reductions in benefits under public sector plans.

PIPSC recommends that the federal government stop moving forward with Bill C27 as it constitutes a dangerous attack on future and current retirees and on Defined Benefit pension plans in the federal private sector and Crown Corporations. It also opens the door to the degradation of plans such as the Public Service Superannuation Plan.

Thank you again for the opportunity to be consulted and to share with you the Professional Institute for the Public Service of Canada's position on Bill C-27.

*The Professional Institute of the Public Service of Canada (PIPSC) was founded in 1920. With over 55,000 members, we are the largest union in Canada representing scientists and other professionals employed at the federal and some provincial and territorial levels of government.*