



Save Defined Benefit Pensions. **Stop C-27!**

Bill C-27: Q&A

What is Bill C-27?

Bill C-27 is a federal government-sponsored bill that would make it easier for employers to convert existing employee Defined Benefit (DB) pension plans to so-called Target Benefit (TB) plans. TB plans offer much less secure post-retirement income than Defined Benefit plans, shifting the burden of a secure retirement from employers to employees. While employees would need to agree to any such change, there are serious concerns that those affected by Bill C-27 would be pressured against their best interests to convert to TB plans. In addition, while the proposed legislation does not apply to most federal government employees, there are serious concerns that such changes would spell the eventual elimination of DB plans altogether.

Why are Defined Benefit pension plans so important?

Defined Benefit pension plans provide a guaranteed stream of post-retirement income to workers. It's guaranteed because employers are required by law to meet the plan's payment obligations when employees retire. That means retirees with DB plans have more predictable, disposable income to spend (which helps them and the economy), contribute more in taxes (which helps public programs), and do not pose a burden to income-support programs such as the Guaranteed Income Supplement (GIS).

What's wrong with Target Benefit pension plans?

Target Benefit plans do not require employers to meet the same guaranteed payment obligations as Defined Benefit plans. The plans only "target" post-retirement income meaning the benefits could go down and employees must shoulder the risk. That's clearly more beneficial to employers and harmful to employees.

While TB plans are generally better than RRSPs and so-called Defined Contribution plans, which offer no promise of return, they are still a far cry from DB plans, which offer the most secure retirement income available.

I've heard Defined Benefit plans are unsustainable. Is that true?

When managed properly, DB pension plans aren't only the most reliable source of post-retirement income for workers, they're also among the most sustainable. That's why they've remained the most popular form of pension plan for decades. Among workers in Canada who have registered pension plans 71% are DB plans. One of the main reasons DB plans have been underfunded in the past is that employers have been allowed to raid pension funds in good times, leaving them vulnerable in bad times.

OK, but what about private sector workers who don't have DB pensions?

It's true that more public sector workers have DB plans than private sector workers. One of the reasons is strong unions. But it's not the only one. All Canadians want and deserve a secure retirement and should lobby their Members of Parliament for stronger laws protecting and promoting DB plans. Opposing Bill C-27 is a start.

Visit the PIPSC website to download a "Stop C-27" postcard that you can send to your MP. If you're not already an active PIPSC member, join the Better Together team and help us fight for good pensions for everyone. If you're not yet a member of a union consider joining one and advocate for stronger pensions. Other organizations, such as the National Association of Federal Retirees (NAFR), are also strong advocates of Defined Benefit pensions and worth joining or contacting. When we work together, we can ensure that we all have a secure retirement!

