



TRANSPORTATION DISTRICT 140 DISTRICT DES TRANSPORTS 140

International Association of Machinists and Aerospace Workers
Association internationale des machinistes et des travailleurs et travailleuses de l'aérospatiale

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November 30, 2016

The Honourable Bill Morneau,
Minister of Finance
MP Toronto Centre
House of Commons
Ottawa, ON K1A 0A6

Dear Mr. Morneau

RE: Bill C-27: An Act to amend the Pension Benefit Standards Act (1985)

I am writing on behalf of the 22,000 active and retired Members of the International Association of Machinists & Aerospace Workers, Transportation District 140. Transportation District 140 represents Canadian workers in all ten (10) provinces and two (2) territories who perform key job functions in aviation maintenance, safety, security and customer service for more than fifty (50) employers in the vital Canadian Air Transport industry.

Pension plans and the resultant retirement security that they afford our members has long been a pivotal issue for the IAMAW. As a result of our commitment to the retirement security of our Members and the emphasis that we put on pension plans during Collective Bargaining with all of our employers, the IAMAW is always at the forefront of pension issues and legislation in Canada as they affect our Members and all Canadian citizens.

Specifically I would like to communicate with you about your government's draft legislation, *Bill C-27, An Act to amend the Pension Benefit Standards Act (1985)*. As you well know, this draft *Bill* amends the current *PBSA* to allow for the establishment of Target Benefit (TB) Pension Plans in the federal sector and to permit the purchase of life annuities for former Members and survivors of currently established Defined Benefit (DB) Pension Plans as an acceptable method of satisfying the DB Plan sponsor's benefit obligations to those selfsame former Members and survivors. In and of themselves both of these are noteworthy and laudable amendments to the *PBSA* if implemented in the appropriate circumstances; but as they say, the Devil is in the details.

The IAMAW is not opposed to Target Benefit Pension Plans and in fact our organization was instrumental in the negotiation and establishment of what to my knowledge was the first federally registered Multi-employer TB Pension Plan in Canada. The IAMAW federal MEPP TB Pension Plan originated from our 2011-12 round of Collective Bargaining with Air Canada.

It was proposed by the IAMAW as our solution to Air Canada's "line in the sand" issue during that round of negotiations of closing their legacy DB Pension Plans to all new hire

IAMAW Members at Air Canada effective with the ratification date of that Collective Agreement on June 17, 2012. The IAMAW proposed and pushed hard to get Air Canada's agreement to participate in that TB MEPP because of the superior nature of our TB Plan design when compared to the Hybrid DC type Plan that Air Canada was proposing as their pension solution for our new hire Members.

Target Benefit Plans are superior in their design comparative to Defined Contribution (DC) or group RRSP style Pension Plans. The relative superiority of TB Plan design arises from the shared aspects that replicate most of the positive aspects of DB Plans for the Members including reduced fees and administration costs, professional money management, the assumption of short term market volatility risk as well as member and survivor longevity risk. It is for these reasons that the IAMAW supports the concept of freely bargained and negotiated TB Plans between workers and their employers in the federal sector.

The glaring difference and deficiency between DB and TB Pension Plans is the re-assignment of funding risk from the Plan sponsor to the Plan participants, hence the name; Target Benefit.

When the IAMAW federal MEPP TB Pension Plan was created, the original participating employers were Air Canada and the now-defunct Aveos Fleet Performance Inc. Now four (4) years old as a federally registered Plan, the IAMAW MEPP Target Benefit Pension Plan encompasses seven (7) participating employers and 6,600 Members. It is in fact our "pension plan of the future" for our Members working in the federal sector.

The reason that the IAMAW federal MEPP Pension Plan has become our "pension plan of the future" is because of the systematic closing of legacy DB Pension Plans within Canada by employers such as Air Canada and Bombardier to name just two IAMAW represented companies that I am sure you are intimately familiar with. Here is where that thing about the Devil and the details comes into play.

While fully supporting the amendment of the *PBSA* to allow for the inclusion of Target Benefit Pension Plans within the federal sector; on the proviso that they are freely and openly negotiated and agreed to between the workers and the employers; we have grave misgivings about how your government's proposed amendments, as contained in *Bill C-27*, kick open the door to allow for the easier and quicker windup and conversion of existing DB Pension Plans by employer sponsors.

The inclusion of amendments around the ability of current DB Plan sponsors to offload their liabilities for future pension plan obligations through the purchase of life annuities must be much more tightly regulated and supervised than the current amendment language of *Bill C-27* suggests. I will not go chapter and verse into the myriad of line item amendments in your draft legislation in this letter, but suffice it to say that your current draft language on this amendment does not give any worker or any Bargaining Agent a warm and fuzzy feeling that our collective pension security is being given paramount consideration in your proposed *Act*.

A jaundiced eye cast upon your draft legislation can clearly see the fingerprints of employer wants and needs taking precedence over the historic "plan members first, plan sponsor second" retirement security guarantee that the *PBSA* was designed to provide. I get faint comfort from the vaguely worded "*consent required*" language of *section 9.7 (1) and (2)* of the *Act* as being anything near adequate protection for the members of current DB Pension Plans to prevent their Plan's windup and transition to TB Plans.

Having been employed in and involved with organized workplaces, Bargaining Agents and employers for thirty-three years, I know from firsthand experience that even modestly capable lawyers can drive a very large truck quickly and easily through such poorly worded and open-ended legislative protection. The windup and transition of any pension plan must be subject to a much greater level of scrutiny and protection than your draft amendment affords in its current form. There is also no indication of how these "consent required" protection provisions of the draft *C-27 Act* will be regulated and administered under the corresponding sections of the *Pension Benefits Standards Regulations*.

Nearly 9,000 IAMAW Members skated on the precipice of windup of our Air Canada DB Pension Plans for a decade from 2003 to 2014. The protection afforded to our Members by the *PBSA* was all that stood between Air Canada and the forced windup of our pension plans.

As you are probably aware Air Canada and the five (5) Bargaining Agents that represent the employees and retirees of Air Canada spent a considerable amount of time and effort to ensure the survival of both the airline and our pension plans during that decade. I am not sure that would have been possible if the *PBSA* had been amended at that time with the proposed language that you have now introduced in *Bill C-27*.

Nothing focuses the mind like the prospect of a firing squad at dawn, and without that focus and real threat of imminent failure of both Air Canada and our pension plans, I am not convinced that either party would have had the laser focus and unwavering determination that was ultimately necessary to reach the tough decisions that had to be made. Compromises were made by both sides and increased risks were willingly assumed by the plan members to help our DB Pension Plans survive and get to the fully funded status that we have successfully achieved today.

For these reasons and the very real concerns held by the vast majority of the IAMAW Members that I represent about the possible ramifications of the implementation of *Bill C-27* in its current incantation, I implore you and your Liberal Government to seek out the input and recommendations of workers who will be impacted by these amendments to the current *PBSA*.

I would refer you to the attached copy of Transportation District 140 Bulletin 018, dated March 19, 2015 as an indication of the level of concern that continually exists within our Membership group over the issue of pension legislation reform. The subject of that Bulletin was this very same topic and proposed legislative change to the *PBSA* that is now enshrined in your Liberal government's *Bill C-27*.

The only thing that has changed since that date is the government that is pushing forward with the legislation. Even the despised and discredited Conservative government of the day realized a losing hand when they dealt it for themselves. They folded their hand as any good player would do to cut their losses and discontinued their public consultation process and quietly let the issue die away prior to the 2015 election.

Because of our history with our various employers, the IAMAW knows pensions intimately. So do our Members. They have a higher than average understanding of pension plan issues, risks and threats and they clearly see the Liberal government's *Bill C-27* as both an increased risk and threat to our existing DB Pension Plans.

To put context around the content of the attached Bulletin and its relevance to this letter, I would offer you the following as background information of the IAMAW's commitment to good, solid and sustainable worker friendly pension legislation.

- 1) The Pionairs, as an organization, represents the interests of Air Canada's 28,000 Retirees and survivors.
- 2) The IAMAW retirees are also Members of the Pionairs group and as such the IAMAW has a closely established working relationship with this group on pension advocacy issues.
- 3) The IAMAW is not philosophically or practically opposed to the introduction and utilization of TB Pension Plans in the federal sector as long as they are openly and freely negotiated between the parties.
- 4) At the time of the writing of Bulletin 018, the Conservative government's proposed changes to the *PBSA* were only in the public consultation phase and not already introduced through the House of Commons as draft legislation in first reading.
- 5) The IAMAW continues to maintain an unwavering opposition to any legislative changes which will seek to facilitate the closure of existing DB Pension Plans by allowing their transition to TB Pension Plans.

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The Honourable Bill Morneau, Minister of Finance
RE: Bill C-27: An Act to amend the Pension Benefit Standards Act (1985)
November 30, 2016 - Chris Hiscock

- 6) The Members and Retirees of the IAMAW and Air Canada will not hesitate to become politically involved over the issue of Bill C-27 to whatever extent proves necessary to ensure that their DB Pension Plans and retirement security are not compromised in any way by your Liberal government.

Clearly your government has consulted with industry and employers to obtain their input on *Bill C-27*. You are halfway to achieving good and meaningful amendments to the *PBSA (1985)*. I implore you and your government not to stop there, but seek to make the necessary corrective changes to your draft legislation in the Committee and second reading stages of the process to enhance the security of existing federal Defined Benefit Pension Plans for their members, former members and survivors.

Trusting that your government wishes to fulfill your election promise of enhanced retirement security for all Canadians, I hope that you accept this letter and advice as both cautionary and instructive. I also trust that your Liberal government wishes to set itself apart from your predecessor when next we all meet at all of the Voting Places across Canada.

Respectfully,



Christopher Hiscock, Chairman, Air Canada IAMAW Pension Committee
& Vice-President, Transportation District 140
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Attach.

- c - Right Honourable Justin Trudeau, PC, MP - Prime Minister of Canada
- The Honourable Thomas Mulcair, MP
- Stan Pickthall, General Vice-President - IAMAW Canada
- Fred Hospes, President & Directing General Chairperson - Transportation District 140 - IAMAW

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BULLETIN

TRANSPORTATION DISTRICT 140 DISTRICT DES TRANSPORTS 140

International Association of Machinists and Aerospace Workers
Association internationale des machinistes et des travailleurs et travailleuses de l'aérospatiale

TO ALL IAMAW MEMBERS

AIR CANADA

Air Canada Pionairs March 7, 2015 Communiqué

Dear Brothers,
Dear Sisters,

Members of the Air Canada IAM&AW Pension Committee have been receiving a number of enquiries from our retirees and members about a communiqué that the Air Canada Pionairs sent out via email to their members on March 7, 2015.

The communiqué asks all Pionairs members to get involved in a grassroots campaign with respect to the Federal Conservative Government's plan to introduce single employer Targeted Defined Benefit (TDB) Pension Plans in the federal sector. The campaign asks for all Air Canada retirees to email, write or visit their MP's, Minister of State for Finance Kevin Sorenson, Finance Minister Joe Oliver and Minister of State (Seniors) Alice Wong, opposing this proposed legislation.

The specific concern expressed by the Pionairs is that the government is proposing to allow federally regulated employers like Air Canada to convert existing Defined Benefit pension plans into TDB plans which place a greater risk on the members of the plan in the event of solvency underfunding. This concern stems from a Ministry of Finance consultation paper on TDB pension plans that was issued in April 2014.

As the consultation paper relates to federally regulated employers like Air Canada and their unionized workers, it says that changes to existing Defined Benefit pension plans, including converting them to TDB plans, can only be made with the agreement of the unions, members, and beneficiaries (retirees) of an existing Defined Benefit plan. This requirement for agreement to any pension plan benefit changes is also in accordance with the current federal pension legislation.

Conversion of existing DB pension plans into TDB pension plans is specifically covered in Section 4.8 of the federal Ministry of Finance April 2014 Targeted Defined Benefit pension plan consultation paper. The consultation paper is available online at www.fin.gc.ca. Here is Section 4.8:

4.8. Conversion of Pension Plans to Target Benefit Plans

As conversion from a DB plan to a TBP would require consent from plan members and retirees, rules which outline the conversion process for DB plans are necessary. In the context of federally-regulated TBPs, conversion rules for DB plans would outline the method by which the existing pension benefit credits held by active plan members and pension benefits owed to retirees would be carried over to the TBP model in the event of conversion.

The pension plans at Air Canada form part of the respective collective agreements of all of the unions representing workers at Air Canada. Therefore, just like any other article, clause or item in a signed and binding collective agreement, changes cannot be made without the consent of both parties. All pension plan provisions and terms are negotiated and bargained at Air Canada and agreed to between the respective parties.

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The new single combined IAM&AW pension plan at Air Canada also requires the consent of the IAM&AW for any changes to the pension plan text or benefits. Section 18.1 (a) of the IAM&AW pension plan text stipulates that the provisions of the plan can only be amended by mutual consent of the IAM&AW and Air Canada. Having said that, I fully encourage all retirees and active members to contact their MP's and the Harper Conservative Government in the run-up to the 2016 federal election and let them know that pensions and retirement benefits are a priority concern for you.

As we have seen time and time again from the Harper Government, their contempt for workers and our wages, benefits and rights is inexhaustible. As long as they remain in power, we run the risk of them simply introducing anti-worker changes to any existing legislation. They have ignored the rulings of the Supreme Court of Canada upholding the Constitutional rights of workers before and I am sure they will not hesitate to do so again for political purposes.

The very best protection that Air Canada employees and all workers in Canada can have against any type of anti-worker and anti-pension legislation ever being implemented into law is to get to a ballot box during the next election and make sure that the Harper Conservatives are removed from office and a more worker friendly government is elected as our new federal government.

Voting is the ultimate worker protection to provide meaningful labour laws and enhanced pension protection. We deserve the government that we elect. The next federal government must be elected by and for working class Canadians, not by and for Canadian and International business corporations' money as it is today. Our future is in our hands this year.

The IAM&AW is always actively supporting increased political action and involvement by our members. We fully encourage all of our members to contact their MP's and the Federal Government and let them know that pension benefits and Defined Benefit pension plans are a significant political issue for you and that they risk introducing legislation that allows employers to reduce existing pension obligations at their peril.

Let your MP know this is an issue that will cause you to vote against them and that you will work actively to remove them from office in support of your DB pension plan. You can assist the Pionairs' grassroots campaign by visiting www.saveourpensions.ca to find suggested letter templates to send to your MP.

In Solidarity,



Christopher Hiscock,
Chairman
Air Canada IAM&AW Pension Committee

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