



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

Atlantic / Maritimes

11 Thornhill Drive
Suite 239
Dartmouth, Nova Scotia
B3B 1R9
Tel/Tél: 902-481-0077
Fax/Télé: 902-481-0079

Central / Centre

2580 Drew Road
Suite 203
Mississauga, Ontario
L4T 3M5
Tel/Tél: 905-671-6172
Toll Free/Sans frais:
1-877-426-2948
Fax/Télé: 905-671-2114
Toll Free/Sans frais:
1-866-298-0369

Eastern / Est

3900, boul. Côte-Vertu,
Bureau 202
Saint-Laurent, Québec
H4R 1V4
Tel/Tél: 514-336-3031
Toll Free/Sans frais:
1-888-992-1010
Fax/Télé: 514-336-3039
Toll Free/Sans frais:
1-866-800-3039

West / Ouest

7980 River Road
Richmond, BC
V6X 1X7
Tel/Tél: 604-448-0721
Toll Free/Sans frais:
1-877-426-3140
Fax/Télé: 604-448-0710
Toll Free/Sans frais:
1-888-310-1688

3515 - 27th Street, N.E.
Unit 23
Calgary, Alberta
T1Y 5E4
Tel/Tél: 403-250-3708
Fax/Télé: 403-250-3707

18 - 399 Berry Street
Winnipeg, Manitoba
R3J 1N6
Tel/Tél: 204-987-9254
Fax/Télé: 204-987-9252

May 11, 2017

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)

This letter is a follow up to our previous correspondence to your office on this subject dated November 30, 2016.

I thank you for the opportunity to make a supplementary submission to your office on this topic for inclusion in the comprehensive review of C-27 by your Ministry prior to the re-introduction of the *Bill* to the House of Commons for a third reading.

As outlined in our original submission, the IAMAW's primary concern is with *Sections 9.7 (1)* [exchange of pension benefits]; *9.7 (2)* [consent required]; *9.7 (3) through 9.7 (10)* inclusive [generally information, communication and approval related to the conversion of benefits from a defined benefit plan]; *10.21 (1)* [Transfer to a target benefit plan] and *17.1 (2)* [Partial satisfaction].

All of these specific sections and the IAMAW's driving concern around *Bill C-27* relate to the conversion or partial conversion of existing defined benefit pension plans (*original plans*) to target benefit pension plans.

IAMAW Transportation District 140 takes the unequivocal position that the termination and / or windup of existing defined benefit plans for the expressed intent of conversion of the *original plan* members' benefits contained therein to benefits contained in a target benefit plan should not be permitted under any circumstances. Our objection extends to all workers in all work locations and industries, both organized and unorganized.

All Canadian workers are entitled to the inalienable right to retirement security for themselves and their families at the end of their working careers. The aforementioned sections of *Bill C-27* do nothing to maintain or enhance retirement security for any worker who is fortunate enough to be a member of a defined benefit pension plan.

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There is currently no acceptable equivalent retirement vehicle to a defined benefit plan; including a target benefit plan. The voluntary conversion of a defined benefit plan to a target benefit plan or any other substandard retirement vehicle serves only to offload funding risk from the employer plan sponsors to the plan members for no discernable enhancement in the members' retirement benefits.

Transportation District 140 made our initial submission and this follow-up submission to ensure that you and your Ministry staff had access to workers' perspective on the proposed amendments to the *PBSA* that are encompassed in the current draft of *Bill C-27*.

The amendment allowing for the creation and registration of target benefit plans in the federal sector is a laudable achievement and long overdue. The concurrent allowance for the ready conversion of existing defined benefit plans to target benefit plans is of no benefit to any member of such an *original plan* and this provision is solely to the benefit of the *original plan* sponsors.

The *PBSA*, at its heart, is legislation that was crafted to enshrine plan member's rights and benefits by delineating the regulations around plan sponsor's responsibilities for the investment, administration, stewardship and ultimately payment of plan member benefits. The original plan conversion provisions of *C-27* as currently drafted are at direct odds with this historical role of the *PBSA* and serves to undermine workers' retirement security.

Firstly, no valid labour relations purpose can be served by allowing for the conversion of defined benefit plans, even with consent. Secondly, if the goal of this provision of *Bill C-27* is to allow for the financial stability of member benefits in an underfunded defined benefit plan, there are superior alternate funding arrangements that can be consensually achieved through bargaining between the parties to help lessen the plan sponsor's funding costs and share the underfunded risk among the plan sponsor and members. As a prime example I would offer up the following OSFI sanctioned agreements that were openly bargained between Air Canada and all of its employee groups in 2003, 2009 and finally in 2012.

[*Air Canada Pension Plan Solvency Deficiency Funding Regulations, 2003 \(SOR/2004-174\)*](#)

[*Air Canada Pension Plan Funding Regulations, 2009 \[Repealed\] \(SOR/2009-211\)*](#)

[*Air Canada Pension Plan Funding Regulations, 2014 \(SOR/2013-244\)*](#)

I can unequivocally guarantee you that had your proposed version of *Bill C-27*, allowing for the ready conversion of defined benefit plans to target benefit plans, been in force at any of these time intervals, the workers at Air Canada would not currently be enjoying the third consecutive year of a fully funded defined benefit pension plan. As a testament to the tremendous success of the shared risk and actuarially responsible choices agreed to between the parties, I am pleased to be able to tell you that the Air Canada pension plan Master Trust Fund has just publicly announced a solvency funding surplus of \$1.9B (111.7%) and a going concern funding surplus of \$4.035B (131%) on total assets of \$18.2B as at January 1, 2017.

The current draft of *Bill C-27* allows defined benefit plan sponsors a "*get out of jail free card*" with the ready ability to convert their *original plans* to target benefit plans rather than make the tough but realistic choices necessary to stabilize and sustain their defined benefit pension plans for the benefit of the plan members.

These defined benefit plans were originally created by the sponsors and have endured decades of collective bargaining between the sponsors and members. As such they have formed an integral part of the successive and long lasting labour compensation packages that have been agreed to between the parties over time. Workers have bought and paid for their earned defined benefit pension benefits over the course of their entire working career through direct pension contributions to their plan but also in the larger labour relations context of forgone wage rate increases, lessened work rules or other ancillary benefits that they have willingly traded in exchange for the continuation and enhancement of their defined benefit pension plans.

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The Honourable Bill Morneau, Minister of Finance
RE: Follow-up - Bill C-27: An Act to amend the Pension Benefit Standards Act (1985
May 11, 2017 - Chris Hiscock

To now allow *original plan* sponsor to offload these bargained retirement security obligations to the plan members makes a mockery of decades of good faith bargaining and is completely unacceptable

In the alternative, if your Ministry remains steadfastly committed to enshrining the conversion of defined benefit plans to target benefit plans in the *PBSA*, you must also make amendments to the asset transfer amounts that must be made to the new target benefit plan as contemplated at *Sections 9.7 (9)* [Payment into second plan's pension fund]; *10.21 (1)* [Transfer to target benefit plan]; *10.21 (2)* [Determination of assets] and *17.1 (2)* [Partial satisfaction]. .

The reasons that necessitate an increased asset transfer value to a *second plan* are twofold. Firstly the plan members need to be meaningfully compensated for the increased risk that they are assuming with the conversion of their *original plan* benefit to the new target benefit plan. This can be done through the payment of a predetermined percentage lump sum premium to each member who is transferred to the *second plan*.

Secondly, plan sponsors will now start to look at the *original plan* conversion provisions of *C-27* as an expedited way to access potential *original plan* surpluses. If defined benefit plans are terminated or wound-up through their conversion to target benefit plans, plan members must be given access to and benefit from any surplus amounts that may remain after the *original plan* has been wound up. The value of such amounts would be determined on a plan by plan basis and distributed on a proportional ratio to all affected *original plan* members.

I thank you for your reasoned consideration of these comments and considerations from the workers' perspective. I sincerely hope that you place sufficient weight on their validity and do not merely dismiss this and other similar submissions as "*The Minister has had consultations and solicited input from worker representatives*" before enacting the current draft *Bill*

I guarantee that you and your government ignore worker concerns about the current version of *Bill C-27* at your political peril. No demographic votes or has the time for political action like retirees and pissed off workers fighting for their retirement security.

Respectfully,



Christopher Hiscock, Chairman, Air Canada IAMAW Pension Committee
& Vice-President, Transportation District 140
International Association of Machinists and Aerospace Workers
7980 River Road, Richmond, BC V6X 1X7
Phone: 604-273-9668 Fax: 604-273-9670 Cellular: 604-218-2624 Email: president@iam764.ca

c - Right Honourable Justin Trudeau, PC, MP - Primer 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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