



[UNOFFICIAL ENGLISH VERSION]

January 22, 2019

The Honourable Éric Girard
Minister of Finance
Department of Finance
12 Saint-Louis Street, 1st floor
Québec, QC G1R 5L3

The Honourable Jean Boulet
Minister of Employment and Social Solidarity
Department of Labour, Employment and Social Solidarity
425 Jacques-Parizeau Street, 4th floor
Québec, QC G1R 4Z1

The Honourable Pierre Fitzgibbon
Minister of the Economy and Innovation
Department of Economy and Innovation
710 Place D'Youville, 6th floor
Québec, QC G1R 4Y4

The Honourable Christian Dubé
President of the Treasury Board
Treasury Board Secretariat
875 Grande Allée East, 4th floor - Sector 100
Québec, QC G1R 5R8

Subject: Disparity in treatment clauses in pension plans

Dear Ministers,

The Association of Canadian Pension Management ("ACPM") is the leading advocate for pension plan sponsors and administrators in the pursuit of a balanced, effective and sustainable retirement income system in Canada. We represent plan sponsors, administrators, trustees and service providers and our membership represents over 400 companies and retirement income plans that cover more than three million members.

We are writing to express ACPM's concerns regarding the adoption of a motion by the National Assembly on December 5, 2018, calling on the government to introduce legislation to permanently eliminate the disparity in treatment clauses based on date of hire in pension and benefit plans.

As you know, the National Assembly decided when Bill 176 was passed to protect the clauses that were in force on June 12, 2018. We had welcomed this solution last year as it is a balanced approach that allows for the gradual resolution of differences in treatment while respecting the agreements and working conditions negotiated in good faith prior to the adoption of the bill.

ACPM's main concerns regarding the elimination of existing pension disparity clauses can be summarized as follows.

1. Based on our experience, it is highly unlikely that employers who have "closed" their defined benefit plans to new hires would decide to "reopen" them to new hires if existing disparity clauses were to be prohibited. Instead, employers would have an incentive to terminate their defined benefit plans for employees who still have access to them rather than allow new employees to join. A ban on disparity clauses would therefore significantly accelerate the decline of defined benefit plans and unnecessarily penalize long-service employees. Prohibiting disparity clauses would also defeat the purpose of Bill 29¹, passed by the National Assembly in December 2015, which was to ensure the sustainability of supplemental defined benefit pension plans.
2. It is unlikely, in our view, that other Canadian provinces would follow the Quebec approach to disparity clauses². The many Quebec workers employed by national and international companies who participate in multi-jurisdictional plans could be treated less favourably than workers in other provinces. Indeed, if employers are unable to maintain existing disparity clauses in Quebec, Quebec workers who currently participate in defined benefit plans could be excluded from their plans and pushed into defined contribution plans with new employees, while their colleagues in other provinces could continue to participate in defined benefit plans.
3. Many employers have negotiated the introduction of disparity clauses with their unions in the past and these negotiations have led to concessions on both sides. A ban on existing disparity clauses would break these negotiated agreements and create a new imbalance. We therefore anticipate significant labour disputes in future collective bargaining if disparity clauses are banned. Many strikes or lockouts due to the pension plan would be anticipated.

Maintaining the status quo is far preferable for the protection of long-service employees and it is far from clear, in our view, why these employees should be forced to sacrifice their participation in a defined benefit plan in the name of intergenerational equity.

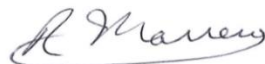
We would also like to take this opportunity to reiterate our support for the development of a legislative framework to allow for the establishment of target benefit pension plans to improve access to tools that allow for risk pooling.

We would be pleased to discuss our comments at your convenience.

Yours sincerely,



Julien Ranger
Québec Regional Council
Association of Canadian Pension Management



Ric Marrero
Chief Executive Officer
Association of Canadian Pension Management
Management

c.c. Michel Després, *President and CEO of Retraite Québec*
Pierre Lavigne, *ACPM*

¹ An Act to amend the Supplemental Pension Plans Act mainly with respect to the funding of defined benefit pension plans, SQ 2015, c 29.

² For example, section 87.1 of the Act respecting labour standards, introduced in 1999 to prohibit disparate treatment of wages, has not been adopted outside Quebec. It is therefore even less likely that a pension provision will be introduced outside Quebec.