



Ottawa, Canada K1A 0G5

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SEP 25 2017

Ms. Julie:

Dear Ms. Zoney:

On behalf of the Minister of Finance, the Honourable Bill Morneau, thank you for your correspondence of September 12, 2017, which was referred by the Office of the Prime Minister, the Right Honourable Justin Trudeau, regarding the proposed federal framework for Target Benefit Plans (TBPs) set out in Bill C-27, *An Act to Amend the Pension Benefits Standards Act, 1985*.

Helping Canadians achieve a safe, secure, and dignified retirement is a central part of the Government of Canada's plan to help the middle class and those working hard to join it. In keeping with these efforts, Bill C-27 will broaden the scope of retirement savings opportunities available to Canadians by implementing a new federal framework for TBPs. Please rest assured that the proposed TBP framework will not take away benefits from workers and retirees. As described below, Bill C-27 puts a high emphasis on the importance of individual informed consent and requires plan members and retirees to agree to convert existing benefits if proposed by their employer.

Canada has a sound retirement income system that is internationally recognized for its adequacy, affordability, and sustainability, and it includes a variety of savings tools separated into three distinct pillars. The first pillar includes the Old Age Security program and the Guaranteed Income Supplement. The second pillar is the Canada Pension Plan (CPP). The third and final pillar is private savings, which includes Registered Pension Plans, Registered Retirement Savings Plans, and Pooled Registered Pension Plans. The Government is committed to helping Canadians achieve a safe, secure, and dignified retirement and making improvements to Canada's retirement income system that benefit Canadians.

Canadians were invited to take part in consultations on the development of the TBP framework. Their views were carefully taken into consideration in developing an effective and appropriate legislative framework for federal TBPs.

The federal TBP framework is available to federally regulated private sector and Crown corporation plan sponsors, employees, and retirees under the *Pension Benefits Standards Act, 1985*. It does not impact the core public sector pension plans, which are governed by other statutes, such as the *Public Service Superannuation Act*.

TBPs are a voluntary, sustainable, and flexible pension option that add to and complement the existing retirement income system. Like defined benefit pension plans, TBPs provide a lifetime pension that benefits from the pooling of market risk and protects retirees against the risk of outliving their savings.

The proposed TBP framework allows pension benefits and contributions to be adjusted in response to changing market conditions. TBPs must have a plan for dealing with surpluses and deficits, and the TBP funding policy is required to set out how and when automatic actions necessary to bring the plan back to the target will be triggered. This innovative approach is intended to preserve and increase the number of employers that can offer employees an affordable workplace pension plan that has a predictable pension in retirement.

The existing pension benefits of plan members and retirees may be exchanged (i.e., converted) into benefits in a TBP, but only with individual informed consent. Plan members and retirees who do not consent would maintain their existing defined benefit pension or defined contribution pension benefits in their current plan. In a unionized environment, a union would be able to consent on behalf of its membership where authorized to do so.

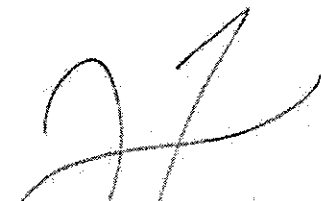
In order to obtain consent, the TBP framework includes enhanced disclosure requirements under which employers are required to provide an explanation of the plan, written in plain language, to plan members and retirees to ensure they understand all the risks and rewards of the TBP, so they can make an informed decision.

The Government is committed to ensuring the strength of the retirement income system, and the introduction of this legislation complements its other achievements toward this goal, such as the historic agreement reached in June 2016 to make meaningful changes to the CPP that will allow Canadians to retire with more money in their pockets.

Going forward, the Government will consider the comments it has heard from Canadians and stakeholder groups since the Bill was tabled. In particular, the Government has engaged with the unions that expressed concerns with certain aspects of the legislation. The Government will not move forward with the legislation in Parliament until this engagement process is closed.

Thank you for writing.

Sincerely,



Ian Foucher

Deputy Director – Financial Sector Policy

The Office of the Honourable Bill Morneau – Minister of Finance