



OTIP RAEO.

October 24, 2012

**Sent By E-mail (fina@parl.gc.ca)**  
**Sent By Facsimile (613) 992-9069**

Guyanne Desforges  
Clerk of the Committee  
Standing Committee on Finance  
6<sup>th</sup> Floor  
131 Queen Street  
House of Commons  
Ottawa ON K1A 0A6

**Subject: Bill C-377, an Act to Amend the *Income Tax Act* (requirements for labour organizations)**

I am writing in regards to Bill C-377 a Private Member's Bill concerning amendments to the *Income Tax Act* ("ITA") affecting labour organizations.

Our organization, the Ontario Teachers Insurance Plan ("OTIP"), was established in 1977 as a trust operating on a not-for-profit basis providing insurance benefits and advice to Ontarians in the education sector. OTIP is directed by a Board of Trustees containing representatives from four education affiliates. OTIP was created in 1977 and began selling long term disability and life insurance to teachers' groups in Ontario. Today our organization has grown to over 300 employees and provides a full range of group and individual insurance products not only to education employees of Ontario but to other organizations as well. These products and services include life, long term care, home and auto, identity theft, retiree health and travel and dental benefits.

On October 3, 2011, the earlier version of Bill C-377 was brought before the House of Commons as a Private Member's Bill by Russ Hiebert, MPP for South Surrey White Rock, Cloverdale, British Columbia. The Bill was declared null and void on November 4, 2011 on the grounds that it created a new class of tax payer and should have been brought as a government bill. The revised Bill had only one modification: instead of removing tax exempt status for non-compliant entities, it imposed a \$1,000 for each infraction. Unfortunately, this revised Bill was otherwise unamended and applies much more broadly than its intended purpose justifies. It also contains onerous and redundant reporting requirements for entities that provide benefits such as OTIP.

OTIP  
125 Northfield Drive West  
PO Box 218  
Waterloo ON N2J 3Z9  
[www.otip.com](http://www.otip.com)

Head Office  
phone: 519.888.9683  
toll free: 1.800.267.6847

RAEO  
125, promenade Northfield Ouest  
CP 218  
Waterloo ON N2J 3Z9  
[www.raeo.com](http://www.raeo.com)

We believe that the Bill goes far beyond the intended objective and would impose enormous costs and other implications for private and public entities doing business in Canada. In addition, the Bill proposes to require the disclosure of personal information including personal health and medical information which conflicts with legislation already in place and regulating the provision of benefits in Canada and in Ontario. According to Mr. Hiebert, the Bill will “empower the Canadian public to gauge the effectiveness, financial integrity and health of Canada’s unions” and the purpose of the Bill is “to increase transparency and accountability” of labour unions. We believe that the Bill goes far beyond the stated purposes.

In its present form, Bill C-377 would mandate disclosure from “labour trusts” as defined within the Bill. A labour trust includes a trust or fund that is established or maintained in whole or in part for the benefit of a labour organization, its members or other persons it represents. This definition is so broad as to capture any fund that has any beneficiaries who are also members of a union within it including a wide variety of public and private sector insurance and benefit funds such as OTIP provides to the general public.

We believe there are several reasons why it is not appropriate for this Bill to become law. At a minimum, we believe that this Bill must be amended to exclude benefit plans and entities that already meet the objectives and stated purposes of the ITA.

Benefit and pension plans are already subject to extensive disclosure requirements under provincial and federal legislation. For example, under section 93 of Ontario’s *Labour Relations Act* 1995, the administrator of a plan that benefits union members is required to file annual statements with the Minister of Labour setting out various aspects of plan finances. The legislation also requires that a copy be provided at no cost to any member who makes such a request. There are similar requirements under Ontario’s *Pension Benefits Act* and under section 12 and 13 of the Federal *Pension Benefits Standards Act*. A variety of other statutes in Canada impose similar requirements and moreover pension and benefit plans are already required to file annual statements with the Canada Revenue Agency (“CRA”). In addition, certain providers of insured benefits are required to register with either or both of Ontario or Federal financial service regulators and must meet the strict reporting requirements of each of the Financial Services Commission of Ontario or the Office of the Superintendent of Financial Institutions accordingly.

In addition, trustees and fiduciaries of benefit plans and pension plans are subject to stringent duties at common law and at statute that obligate them to act solely in the best interests of the plans and its beneficiaries. Plan members and other beneficiaries may hold plan administrators and service providers to account in accordance with these strict duties.

Bill C-377 will create additional and unnecessary red tape for the benefits sector. It will require detailed extra administrative reporting to the CRA. This extra layer of administrative reporting does not further the proposed legislation and imposes a cost on the provider of benefits. All this additional red tape will serve to accomplish is the unnecessary additional costs of providing benefits.

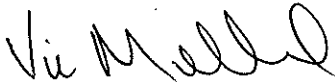
For example, Bill C-377 if unamended, will require the disclosure of a statement each time a labour trust enters a transaction worth more than \$5,000. This disclosure must include the name

and address of the payer and the payee, the purpose and description of the transaction and the amount that has been paid or received. OTIP and related insurers would have thousands of such transactions each year. The cost of complying with this proposed legislation would be a significant cost to OTIP and ultimately to the persons it serves.

Most egregiously, the private and personal information that must be reported to the Minister further to Bill C-377 in respect of such transactions will then be made available to the general public. We believe that this represents an improper intrusion on the privacy interests of benefit plan beneficiaries including astonishingly, their personal health information. We are certain that the Bill is in conflict with the *Personal Information Protection and Electronic Documents Act* and its provincial privacy legislation equivalents. We are also certain that this Bill is in conflict with the Ontario *Health Information Act 2004*. For all these reasons we believe that Bill C-377 should not become law. It is inappropriate to impose these redundant reporting requirements on a broad variety of benefit plans. We believe that the Bill as it applies to such plans would be redundant, in conflict with existing legislation, costly, invasive and unsuited to the regulation of these plans.

We appreciate you taking the time to consider our comments and will be pleased to discuss this matter further with you.

Sincerely,



Vic Medland  
Chief Executive Officer