



RESPONSE TO PETITION

Prepare in English and French marking 'Original Text' or 'Translation'

PETITION No.: **421-01268**

BY: **Ms. DUNCAN (EDMONTON STRATHCONA)**

DATE: **APRIL 13, 2017**

PRINT NAME OF SIGNATORY: **THE HONOURABLE GINETTE PETITPAS TAYLOR**

Response by the Minister of Finance

SIGNATURE
Minister or Parliamentary Secretary

SUBJECT

PENSION SYSTEM

ORIGINAL TEXT

REPLY

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. With this goal in mind, the Government introduced Bill C-27, *An Act to amend the Pension Benefits Standards Act, 1985*, which broadens the scope of retirement savings opportunities through the establishment of a framework for federal Target Benefit Plans (TBPs). This legislation complements the Government's other achievements, such as the historic agreement reached in June 2016 to make meaningful changes to the Canada Pension Plan and restoring the age of eligibility for Old Age Security and Guaranteed Income Supplement benefits back to age 65.

TBPs are a voluntary, sustainable and flexible pension option that add to and complement the existing retirement income system by combining attractive features from both defined benefit and defined contribution pension plans. Like defined benefit plans, TBPs provide a lifetime pension that benefits from the pooling or sharing of market risk and protects retirees against the risk of outliving their savings. Like defined contribution plans, TBPs provide more cost certainty for plan sponsors.

TBPs promote pension plan sustainability by allowing benefits and contributions to be adjusted in accordance with plan performance. Federal TBPs are also required to have a funding policy which provides plan members with more certainty on what measures will be taken if the plan is in a surplus or deficit situation. At the same time, transferring benefits from an existing plan to a TBP is optional. The federal TBP framework requires individual informed consent from plan members and retirees before their accrued benefits may be surrendered in exchange for TBP benefits. Individuals who do not consent maintain their 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.

The proposed federal TBP framework is intended to preserve and increase the number of employers who can offer their employees an affordable workplace pension plan that has a predictable pension in retirement. In particular, the added flexibility and availability of TBPs has the potential to improve the lives of Canadians who have a defined contribution plan or who don't have access to a pension plan at all, by providing them with the opportunity to have a lifetime pension.