



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

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Ministère du Travail, de l'Emploi et de la Solidarité sociale  
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Via email: [ministre@travail.gouv.qc.ca](mailto:ministre@travail.gouv.qc.ca)

Dear Minister,

**Re: Bill 176 – Disparity Clauses**

The purpose of this letter is to provide comments from the Pension Investment Association of Canada (PIAC) on Bill 176, which would, inter alia, prohibit companies operating in Quebec from offering two different types of pension plans to their employees based on date of hire – the elimination of so-called “disparity clauses”.

PIAC has been the national voice for Canadian private and public pension funds since 1977 in matters related to pension investment and governance. Senior investment professionals employed by PIAC’s member funds are responsible for the oversight and management of over \$1.8 trillion in assets on behalf of millions of Canadians. PIAC’s mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. PIAC’s positions on public policy reflect the fiduciary framework in which member funds operate and its commitment to work in the best interests of plan members.

Although the intent of Bill 176 as it relates to pensions and benefits is to eliminate disparities among employees based solely on date of hire, we believe there will be unintended consequences of the proposed legislation. In particular, we think that it will lead to an acceleration of the closing of defined benefit (DB) pension plans and will hamper the ability of Quebec based employers to offer and/or negotiate total compensation packages that are tailored to a changing workforce.

As you are aware, there has been a clear shift away from DB pension plans toward defined contribution (DC) arrangements in Canada and around the world. This has been driven by many factors, including a decision by plan sponsors to step away from the relatively high and volatile costs related to DB plan funding, which is an issue the Quebec government has been a leader in addressing. It is also the case that many employers and employees find DC plans appealing due to changes in the workforce whereby “career employees”, who have traditionally benefited the most from DB pension plans, are becoming increasingly rare.

Cases where a company offers both a DB and a DC plan have typically arisen because the employer made the decision to “soft-close” a DB plan – i.e. to continue to allow existing employees to participate in the DB plan but bring new employees into a DC structure and thereby gradually shift the workforce to a DC model over time. The alternative to a soft-close is a “hard-close”, whereby all employees move immediately to a DC construct. If Bill 176 were to become law, our strong view is that companies that are revisiting their pension arrangements and might otherwise have considered a soft-close for their plans will move to a hard-close. This will accelerate the decline of DB plan coverage in the Quebec private sector and disproportionately impact older employees with the most years of service under the DB plan.

It is important to note that decisions around pension benefits are typically made in the context of a total compensation package. Determining that a change to a particular benefit is creating a disparity among employees would not appropriately consider other forms of compensation that may offset any perceived inequity. In addition, in an unionized work environment, the value of a DC arrangement relative to the value of a DB arrangement is assessed and negotiated against other compensation or benefits.

Finally, we believe that an underlying premise of Bill 176 is the notion that DB plans are invariably superior to DC plans. We note that DC features such as portability, flexibility and control are valued by many employees, in particular younger employees, and it is not straightforward to place a value on these features relative to DB plan design features. Identifying the “superior” option between a DB and DC plan may be a relatively complex question, and may be a matter of a given employee’s perspective. Overall, we believe that Bill 176 could negatively impact an employer’s ability to make these judgements and adjust compensation packages over time to align with changes to its workforce.

Quebec is to be commended for its leadership in recent years in modifying the funding regime for private pension plans to one that offers a more sustainable balance between plan security and cost predictability. PIAC has advocated for the federal government and other provinces to follow the Quebec funding model as a means to preserve and sustain the DB model in the private sector. We are strongly of the view, however, that Bill 176 is a step backwards in this regard and we urge you to reconsider the provisions of Bill 176 as it pertains to pension coverage.

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

Yours sincerely,

A handwritten signature in blue ink that reads "Brenda King". The signature is written in a cursive style with a large initial 'B' and a long, sweeping tail on the 'g'.

Brenda King  
Chair