HOUSE OF COMMONS
CANADA

RETIREMENT INCOME SECURITY OF CANADIANS

Report of the Standing Committee on Finance

James Rajotte, MP
Chair

JUNE 2010

40th PARLIAMENT, 3rd SESSION

Published under the authority of the Speaker of the House of Commons

Additional copies may be obtained from: Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Also available on the Parliament of Canada Web Site
at the following address: http://www.parl.gc.ca

RETIREMENT INCOME SECURITY OF CANADIANS

Report of the Standing Committee on Finance

James Rajotte, MP
Chair

JUNE 2010

40th PARLIAMENT, 3rd SESSION

STANDING COMMITTEE ON FINANCE

CHAIR

James Rajotte

VICE-CHAIRS

Massimo Pacetti

Daniel Paillé

MEMBERS

Kelly Block

Robert Carrier

Bernard Généreux

Russ Hiebert

Hon. John McCallum

Hon. John McKay

Ted Menzies

Thomas J. Mulcair

Mike Wallace

OTHER MEMBERS OF PARLIAMENT WHO PARTICIPATED

Steven Blaney

Gordon Brown

Luc Desnoyers

Nicolas Dufour

Hon. Mark Eyking

Martha Hall Findlay

Derek Lee

Wayne Marston

Glen Douglas Pearson

John Rafferty

Yasmin Ratansi

Gary Ralph Schellenberger

Hon. Judy Sgro

John Weston

CLERK OF THE COMMITTEE

Jean-François Pagé

COMMITTEE CLERK

Julie-Anne Macdonald

LIBRARY OF PARLIAMENT

Parliamentary Information and Research Service

June Dewetering, Chief Analyst

Mark Mahabir, Analyst

Simon Lapointe, Analyst

Brett Stuckey, Analyst

Maria Edwards, Intern

THE STANDING COMMITTEE ON FINANCE

has the honour to present its

FOURTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the retirement income security of Canadians and has agreed to report the following:

TABLE OF CONTENTS

CANADIANS AND THEIR RETIREMENT INCOME: MANDATORY AND VOLUNTARY, PUBLIC AND PRIVATE

In March, April and May 2010, the House of Commons Standing Committee on Finance (hereinafter the Committee) held hearings on the topic of Canada's retirement income system, during which testimony was received about the need for reform of the current system, Canada's system in an international perspective, and each of the three "pillars" of the retirement income system. Presentations were also made about health and welfare trusts. This report summarizes the main points of the testimony presented to the Committee by witnesses, either in person or in the form of a written brief.

CHAPTER ONE: THE NEED FOR REFORM OF CANADA'S RETIREMENT SAVINGS SYSTEM AND AN INTERNATIONAL PERSPECTIVE

The Committee's witnesses held a variety of views about the "health" of the nation's current retirement income system, the extent to which reforms are needed to public pensions, voluntary tax-assisted retirement savings vehicles and/or occupational pension plans, and Canada's international ranking in respect of pension adequacy.

THE NEED FOR REFORM

Various elements of Canada's retirement income system have been reformed over time, but in Canada, like in a number of other countries, the recent global financial and economic crisis highlighted the need to reform some elements of the system. In Canada, federal and provincial governments, as well as other stakeholders, have been examining whether—and, if so, what—reforms are needed to ensure a standard of living in retirement that is at least adequate.

The views of the Committee's witnesses about the need for reform varied, with some arguing that the country's retirement income system is basically sound, although limited reforms may be required in specific areas. For example, Ms. Shirley-Ann George and Ms. Sue Reibel, of the Canadian Chamber of Commerce, suggested that reform efforts should be focused on improvements to key areas rather than on fundamental changes, a view that was supported by Carleton University's Mr. Ian Lee, who—appearing on his own behalf—said that there is no pension crisis, and by BMO Financial Group's Ms. Tina Di Vito. This opinion was also expressed by Mercer's Mr. Malcolm Hamilton, who appeared on his own behalf and described the current situation as an economic and financial markets—rather than a pension—crisis. He said that he could not think of a country that has fewer problems than Canada in respect of retirement saving.

Other witnesses, however, believed that broader reforms are needed. Open Access Limited said that there is widespread acknowledgement that change is required. Ms. Susan Eng, of the Canadian Association of Retired Persons, noted a C.D. Howe Institute report by Mr. Keith Ambachtsheer, entitled *The Canada Supplementary Pension Plan* (CSPP), which argued that Canadians have inadequate retirement saving. Specifically, she observed that nearly 30% of Canadian families have not saved for retirement and that the registered retirement savings plan (RRSP) system is not fully utilized. Ms. Eng also highlighted inequities between private- and public-sector pension plans, a point that was also made by Mr. James Pierlot, a pension lawyer who appeared on his own behalf.

Similarly, Mr. Scott Perkin, of the Association of Canadian Pension Management, indicated that the lack of occupational pension plans is one of the main impediments to adequate retirement income. On that subject, Mr. Dean Connor, of the Canadian Life and Health Insurance Association, explained that the administrative costs and complexities of such plans stop many employers, especially small firms, from establishing them.

Mr. Perkin also commented that insufficient voluntary retirement saving is another impediment to adequate retirement income. He argued that individuals are not saving enough on their own, partly due to the complexity of the current savings mechanisms. The Rotman International Centre for Pension Management's Mr. Keith Ambachtsheer, who appeared on his own behalf, also spoke about this issue, saying that the average Canadian does not know how much to save in order to ensure adequate income once retired. Furthermore, he noted that administrative costs on mutual funds, which constitute a sizeable proportion of retirement saving, are often 2% or higher, making it difficult to reach a reasonable income replacement rate.

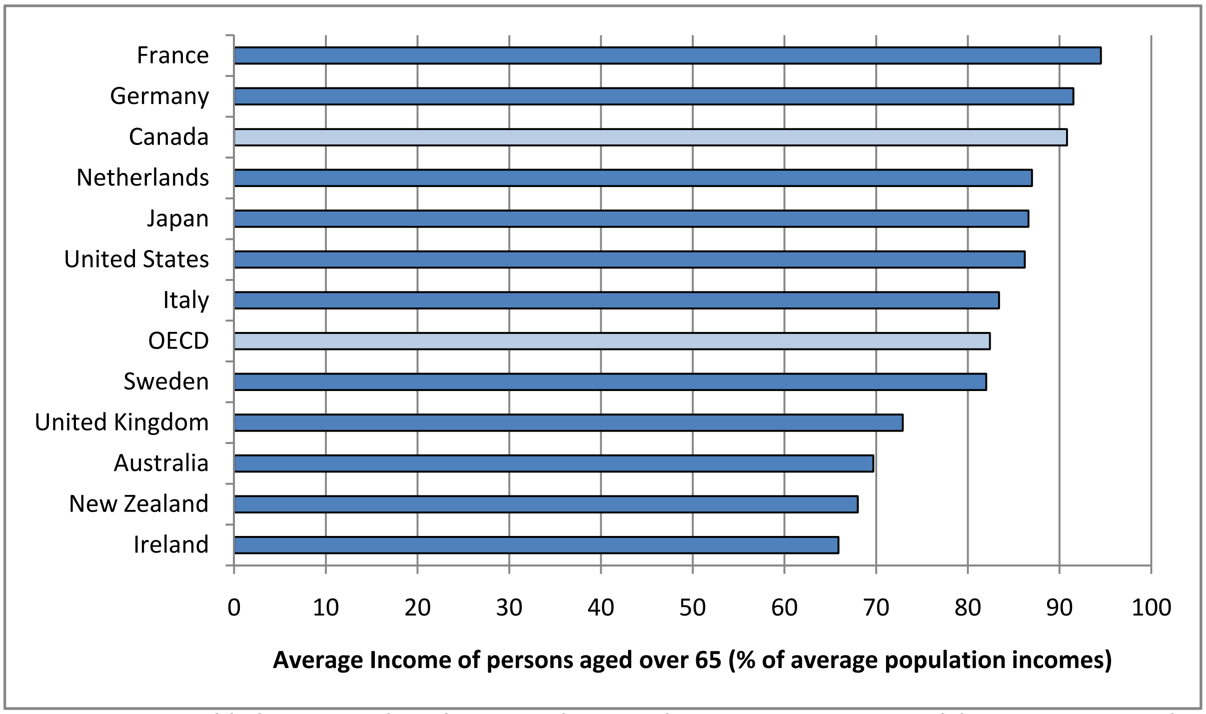
Additionally, Ms. Diane Urquhart, an independent financial analyst appearing on her own behalf, argued that Canada provides relatively less protection for occupational pension plan members in the event of their employer's bankruptcy. This view was also held by witnesses from Nortel Retirees' and Former Employees' Protection Committee. However, Mr. Hamilton brought a Mercer publication, *Melbourne Mercer Global Pension Index*, to the Committee's attention. According to this report, in 2009, Canada was tied for second among 11 countries, behind the United Kingdom, on the issue of employee protection in a fraud, mismanagement or insolvency situation, including the protection of accrued benefits in the case of employer insolvency. Furthermore, the report highlighted that—among the 11 countries—Canada, Germany, the United Kingdom and the United States were the only jurisdictions that offered some sort of protection for accrued benefits in the event of insolvency in 2009.

AN INTERNATIONAL PERSPECTIVE

The Organisation for Economic Co-operation and Development (OECD)'s Mr. Edward Whitehouse, who appeared on his own behalf, provided an international context for the examination of Canada's retirement income system, comparing it to 12 other OECD member countries. He concluded that, for several reasons, Canada has a relatively "high-performing" retirement income system. For example, poverty among Canadian seniors is relatively low, with a poverty rate of 4.4% in the mid-2000s compared to the OECD average of 13.3%. He argued that the relatively low poverty rate is partly due to Old Age Security (OAS) and Guaranteed Income Supplement (GIS) benefits, which provide an effective and universal safety net for Canadian retirees. However, while recognizing that Canada has a retirement income system that is very efficient at reducing poverty in old age, the University of Saskatchewan's Mr. Daniel Béland, who appeared on his own behalf, argued that the role played by pensions in replacing income should go beyond replacement at the poverty line. In his view, the Canadian retirement income system does not adequately fulfill this role.

Supporting this view, Mr. Jean-Pierre Laporte, a pension lawyer who appeared on his own behalf, noted that—in 2006—Canada ranked 12th out of 14 OECD member countries in terms of the nation's pension income replacement rate, at 57.9% of pre-retirement income. However, the OECD report presented by Mr. Whitehouse noted that, on average and in the mid-2000s, Canadians over age 65 had incomes equal to 91% of the average Canadian population, giving Canada a ranking of 3rd among 12 OECD member countries.

Figure 1: Average Income of Persons Aged More than 65 Years as a Proportion of the Average Income of the Population, Various Countries, Mid-2000s



Source: Whitehouse, Edward. "Canada's Retirement Income Provision: An International Perspective," report presented by Mr. Whitehouse to the House of Commons Standing Committee on Finance, 27 May 2010.

The long-term financial sustainability of Canada's retirement income system was also noted by Mr. Whitehouse. He observed that, while the population will age and public expenditures on pensions will rise, the current system's public expenditures—which are equivalent to 4.5 % of gross domestic product (GDP)—are well below the OECD average of 7.4%. Moreover, by 2060, public spending on pensions in Canada is projected to increase to 6.2%, still below the current OECD average. Mr. Whitehouse also noted that the combination of public and private sources of retirement income in Canada's system provides protection against the risk and uncertainties affecting it. Finally, he asserted that another favourable attribute of the pension system in Canada is that it does not provide incentives for early retirement.

While Mr. Whitehouse identified positive aspects of Canada's retirement income system, he indicated that there is room for improvement in respect of occupational pension plans, private retirement saving and public pensions. More specifically, he suggested that private pension plan coverage could increase, particularly for low- and middle-income earners. Regarding such plans, he commented that automatic enrolment is occurring in some countries, and that other countries are introducing and streamlining tax incentives, particularly for low-income earners.

As well, Mr. Whitehouse noted that contributions to registered retirement savings plans are small in comparison to occupational pension plans, and stressed that the administrative charges for the former are relatively high; he argued that such costs should be reduced. Finally, although Canada's pension system does not provide incentives to leave the workplace early, he provided figures indicating that the participation rate of older Canadians nearing the retirement age of 65 is somewhat low compared to other OECD countries.

Regarding public pensions, Mr. Whitehouse suggested increasing the pension age, and indexing OAS and GIS benefits to growth in average earnings to ensure that retirees' standard of living does not decline relative to the average population. Finally, to provide better protection against risk, he suggested that the investments in defined contributions pension plans of people near retirement should be automatically shifted to less risky assets.

Finally, Mr. Hamilton spoke to the Committee about Mercer's *Melbourne Mercer Global Pension Index* report, which evaluates the state of the retirement income system in Canada and ten other countries in three broad areas: adequacy of benefits; long-term sustainability of the system; and the integrity of the private-sector system, with a focus on prudential regulation, governance, risk protection and communication. This report was also mentioned by Mr. Connor. Overall, Canada ranked 4th out of the eleven countries in 2009, behind the Netherlands, Australia and Sweden. According to the report, the Canadian retirement income system could be improved by addressing the low coverage of occupational pension plans and the low household savings rate. It was also argued that Canada should index the pension age to life expectancy and ensure that voluntary retirement saving is used for retirement purposes and not withdrawn earlier for other expenditures.

CHAPTER TWO: MANDATORY PUBLIC PENSIONS

Witnesses generally acknowledged that the Canada Pension Plan (CPP) is a secure and dependable element of Canada's retirement income system and that, as a result of the 1997 reforms, the Plan is both fiscally sound and sustainable. As the Canada Pension Plan Investment Board's Mr. Donald Raymond noted, it will be ten years before the first dollar of investment income from the CPP fund will be needed to help pay benefits.

Mr. Raymond pointed out that CPP retirement benefits are fully indexed and fully portable for life, and that risks are pooled among a very large number of individuals. Additionally, the CPP Investment Board is able to remain autonomous and to act in a manner consistent with its mandate to maximize investment returns without undue risk of loss over the long term. Since the fund is so large, the CPP can take advantage of economies of scale, and administrative costs are relatively low. Mr. Réjean Bellemare, of the Fédération des travailleurs et travailleuses du Québec, also noted that the CPP is fully transferred from one employer to another and takes into account a worker's very low income periods, with measures such as dropout provisions.

Despite favourable comments about the CPP, witnesses proposed a variety of changes in relation to the Plan. Their proposals were essentially focused on the creation of an additional mandatory defined benefit pension plan modelled on the CPP and measures designed to increase retirement benefits from the Plan.

Figure 2: Maximum and Average Monthly Benefits from Canada's Public Pension System, Various Months and Years

	Average Benefits ($)	Maximum Benefits ($)	Maximum Annual Income Cut-off ($)
Canada Pension Plan	502.57	934.17	n.a.
Old Age Security	489.25	516.96	108,090
Guaranteed Income Supplement			
single person	446.41	652.51	15,672
spouse of pensioner	279.86	430.90	20,688
spouse of non-pensioner	436.16	652.51	37,584

Source: Service Canada http://www.servicecanada.gc.ca/eng/isp/pub/factsheets/rates.shtml and http://www.servicecanada.gc.ca/eng/isp/oas/oasrates.shtml.

Notes: Average benefits in December 2009 for the Canada Pension Plan, and January 2010 for OAS and GIS benefits. Maximum benefits in April-June 2010 for OAS and GIS benefits, in 2010 for the CPP. "Maximum annual income cut-off" refers to the maximum income that may be gained before an individual completely stops receiving those benefits.

AN ADDITIONAL MANDATORY UNIVERSAL PENSION PLAN

Ms. Susan Eng, of the Canadian Association of Retired Persons, advocated a mandatory universal pension program that would be separate from—but modelled on—the CPP. In support of such an approach, she stressed the importance of universality, adequacy and robustness for any universal plan, and noted that all of these characteristics exist with the CPP. She argued that a mandatory system is necessary because, despite tax incentives, a significant portion of employers and individuals have not voluntarily established adequate private retirement savings plans. By utilizing the existing payroll deduction mechanism, administrative costs would be minimized. With her proposal, the defined benefit plan would be professionally managed, involve a governance role for plan members, and have a mandate focused entirely on optimal performance and independence from government or any single employer. Ms. Eng indicated that public-sector workers currently receive 70% of their pre-retirement income through their pension plans; in her view, a discussion is needed about how a universal pension program would bridge the gap between these public-sector plans and the 25% replacement rate provided by CPP for individuals who might need it.

Ms. Eng argued that her proposed universal pension plan should use the structure of the CPP so that political interference would be minimized. She indicated that one of the major advantages of a broadly based pension scheme is that it is not dependent on, or subject to, the circumstances or priorities of a single employer. In her view, the CPP has been sheltered against such practices as contribution holidays and relaxation in requirements related to the funding of actuarial deficiencies. Although Ms. Eng believed that the CPP is an excellent model for a universal pension plan, she did not advocate an increase in the CPP's replacement rate. She warned that a single, national fund would be too unwieldy to manage. She also raised a concern about a lack of diversification of risks, as most Canadian retirement savings "nest eggs would be in the same basket."

ENHANCEMENTS TO THE CANADA PENSION PLAN

Mr. Bellemare, as well as Ms. Patty Ducharme of the Public Service Alliance of Canada, expressed their support for a July 2009 report by the Canadian Labour Congress (CLC), which proposed a doubling of CPP retirement benefits, with a corresponding increase in the amount of employer and employee contributions; these changes should be implemented over a seven-year period. According to the University of Saskatchewan's Mr. Daniel Béland, who appeared on his own behalf, changes to the CPP would be complicated—although not impossible—to achieve, since changes to the CPP could involve changes to the Quebec Pension Plan (QPP) and would require the consent of two-thirds of the provinces with two-thirds of the population. In his opinion, QPP contribution increases are already being discussed in Quebec in an effort to address the Plan's fiscal challenges.

The report by the CLC also advocated an increase in the Year's Basic Exemption for earnings subject to CPP contributions from the current $3,500 to $7,000. Moreover, Mr. Béland proposed that the Year's Maximum Pensionable Earnings (YMPE), now at $47,200, be raised to a level that is more consistent with international standards; he noted that the comparable amount in the United States exceeds $100,000.

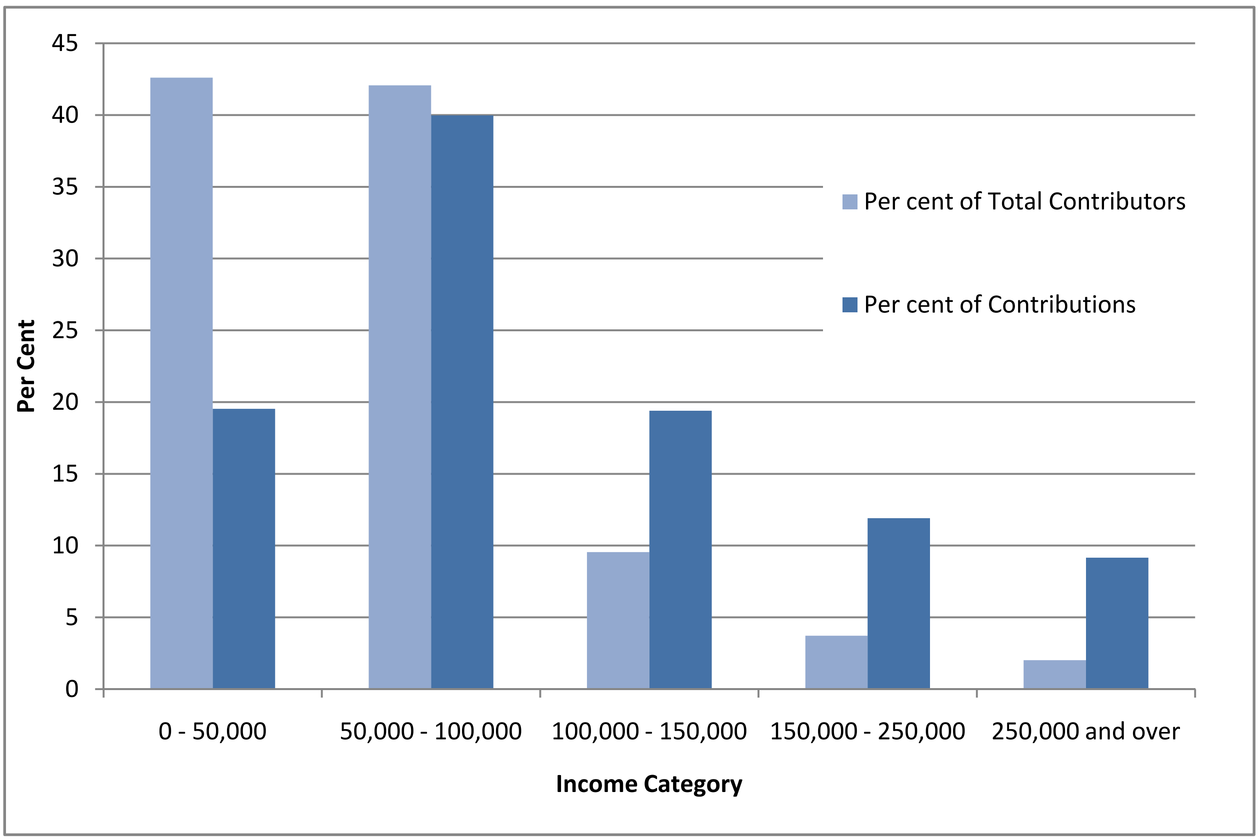
The Rotman International Centre for Pension Management's Mr. Keith Ambachtsheer, who appeared on his own behalf, highlighted several advantages and disadvantages of increasing CPP benefit rates and the YMPE. For example, he noted that while individual Canadians vary in their retirement savings arrangements, it would be difficult to find a solution that is equitable for all Canadians, since the notion of mandatory saving provides little flexibility. He also expressed concern about the increased labour costs imposed on small businesses as a result of mandatory CPP contribution rate increases. Mr. Ambachtsheer agreed with Ms. Eng that a larger CPP fund would become too large to manage. However, Mr. Raymond assured the Committee that, if asked to do so, the CPP Investment Board could manage the additional funds, as they have anticipated a significant increase in the size of the fund over time. Mercer's Mr. Malcolm Hamilton, who appeared on his own behalf, advocated an increase in the YMPE without an increase in the replacement rate. He supported the full funding of benefits in order to be fair to future generations.

In addition to enhancing the CPP, the CLC report that was brought to the Committee's attention by Ms. Ducharme also advocated a one-time 15% increase in the GIS benefit. Ms. Eng and Mr. Béland also supported such an increase. As noted above, Mr. Whitehouse suggested that OAS and GIS benefits should be indexed to growth in average earnings to ensure that retirees' standard of living is not affected by inflation.

CHAPTER THREE: VOLUNTARY TAX-ASSISTED RETIREMENT SAVING

Witnesses provided the Committee with their views about the primary mechanism by which many Canadians voluntarily save for their retirement in a tax-assisted manner—RRSPs—as well as about new mechanisms that might be implemented to enhance voluntary retirement saving. With voluntary measures, Canadians often make their own investment decisions, and better decisions are typically made when the level of financial literacy is high; witnesses also provided their views on literacy.

Figure 3: Total Contributions and Total Contributors to Registered Retirement Savings Plans, by Income Category, 2008 Taxation Year (%)



Source: Canada Revenue Agency, *Income Statistics 2010—2008 tax year*, http://www.cra-arc.gc.ca/gncy/stts/gb08/pst/ntrm/pdf/table2-eng.pdf.

THE CONTRIBUTION LIMIT FOR REGISTERED RETIREMENT SAVINGS PLANS

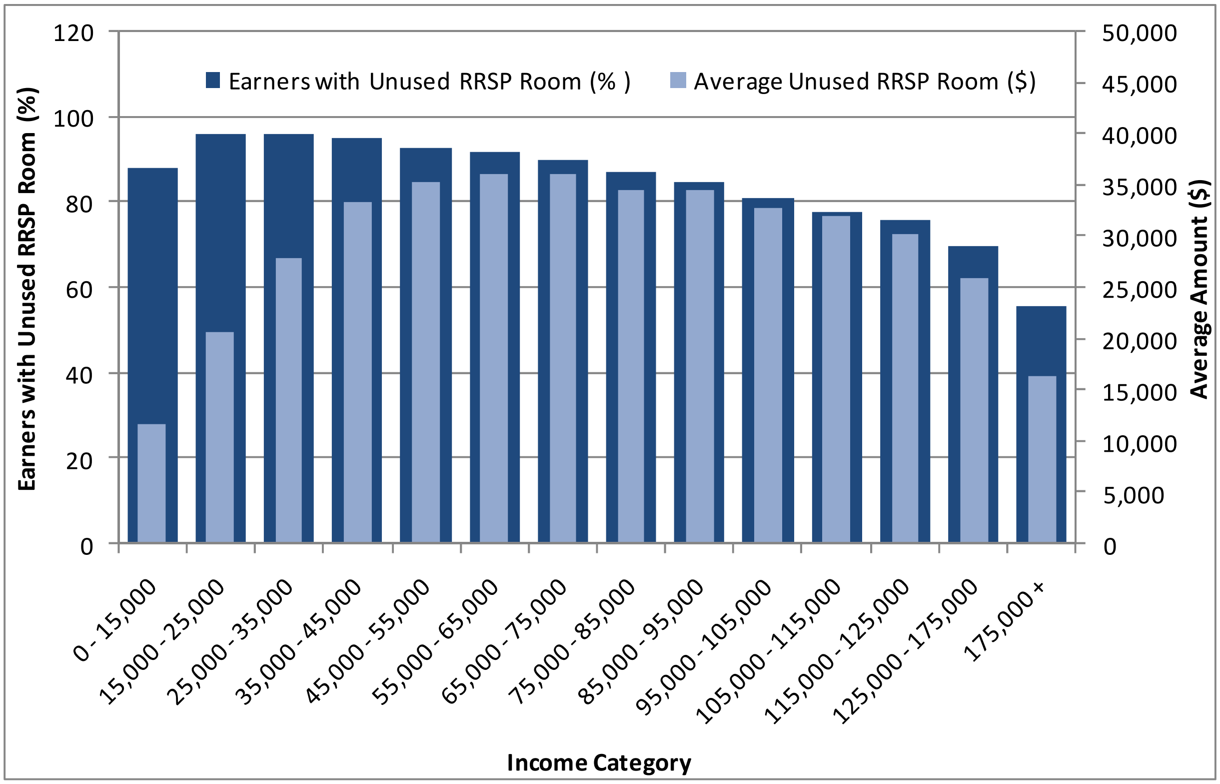
The BMO Financial Group's Ms. Tina Di Vito told the Committee that, in 2005, Canadians saved 1.2% of personal income, a figure that had risen to 4.8% in 2008. She also indicated, however, that Canadians are living longer, healthier lives, thereby giving rise to a need for more saving to sustain them in what was characterized by her as a long and active retirement. Ms. Di Vito also commented that: about 38% of Canadians participate in an occupational pension plan, some of which are defined contribution plans that involve a relatively greater burden for individuals in terms of adequacy of saving and management of the investments; the costs of care-giving are rising rapidly, giving rise to additional saving requirements to meet their own needs as well as those of their parents; households headed by baby boomers have more household debt than previous generations, with a record-high level of household debt-to-income of about 145%; and the lifestyle expectations of retirees are likely to exceed those of previous generations, giving rise to a need for more retirement saving.

Ms. Di Vito also supported an increase in the maximum contribution limit to RRSPs, questioning whether the current annual limit is reasonable under the circumstances. She noted that, if RRSP investments perform less well than expected, there is no ability to make additional contributions to ensure that retirement is funded to the desired level. In her opinion, the current limit also favours households, with a dual-earner couple earning \$75,000 each, for \$150,000 in total, being able to contribute \$27,000 to their RRSPs and a single person earning \$150,000 being permitted to contribute \$22,000. She argued for a contribution limit similar to that of defined benefit pension plans.

Carleton University's Mr. Ian Lee, who appeared on his own behalf, identified annual limits on retirement saving as an issue, and advocated a "levelling of the pension playing field" through the creation of a common set of pension rules and replacement of the annual contribution limit with an accumulated target, such as \$1 million. Similarly wishing to support equity, Mr. Scott Perkin, of the Association of Canadian Pension Management, and Mr. Leslie Herr, of the Empire Life Insurance Company, urged the adoption of a lifetime contribution limit in order to ensure greater parity between those who save exclusively through an RRSP and those who are occupational pension plan members. Mr. Terry Campbell, of the Canadian Bankers Association, noted that while it is possible to carry forward unused RRSP contribution room, it is tied to employment income; when you are younger, the contribution room is lower. In Ms. Di Vito's opinion, the ability to carry forward unused contribution room is akin to a lifetime maximum contribution limit.

The annual RRSP contribution limit is based on earned income, and Mr. Dean Connor, of the Canadian Life and Health Insurance Association, advocated an expanded definition of "earned income" to include such income sources as royalties and active business income. In his view, such an expansion would benefit self-employed persons.

Figure 4: Earners with Unused Registered Retirement Savings Plan Contribution Room (%) and Average Amount of Unused Registered Retirement Savings Plan Contribution Room, by Income Category, 2006



Source: Submission by the Department of Finance to the Standing Senate Committee on Banking, Trade and Commerce, March 31, 2010.

Mr. Lee identified the trade-off that occurs between retirement saving and other purchases, with specific mention made of home ownership. In his view, the single largest asset for many Canadians is their home, rather than their retirement saving. In Ms. Di Vito's opinion, however, Canadians are relatively reluctant to move out of their home in old age; moreover, the amount of equity associated with the downsizing of a home is often less than anticipated.

CONVERSIONS TO REGISTERED RETIREMENT INCOME FUNDS

Some witnesses who commented on RRSPs also spoke about registered retirement income funds (RRIFs), since contributions to RRSPs must cease at age 71, and contributions and accumulated returns must be used to purchase annuities or converted to RRIFs. For example, in recognizing that Canadians live, work and save longer, and in implicitly supporting an end to the practice whereby contributions to RRSPs must cease at age 71, Ms. Di Vito also advocated flexibility for Canadians that would allow them to choose when to begin withdrawing funds from their RRSPs.

In Ms. Di Vito's view, flexibility should also be given in respect of the mandatory minimum withdrawal rates from RRIFs. In particular, she argued that the current prescribed withdrawal rates may deplete RRIF funds too quickly, and advocated a reduction in the rate at which funds must be withdrawn, which will extend the life of an RRIF. She commented that withdrawal rates of 4% or 5% may be more sustainable.

Mr. Campbell, Mr. Herr and Mr. Connor supported an increase in the age of conversion, with specific mention made of an increase from 71 years to 73 years in order to allow those who are still working to continue to save.

OTHER ISSUES

Witnesses also provided their views about a range of other RRSP-related issues. For example, Ms. Di Vito suggested that while RRSP contributions should be taxed as deferred employment income, the investment returns generated by RRSP contributions should be taxed at a rate that mimics the tax rate that would have been paid had the investments been held outside a registered savings plan. For example, the investment returns would be taxed as dividends and as capital gains, with preferential tax treatment, rather than as interest income. In her view, the loss of preferred tax status for dividend income and capital gains held in an RRSP affects investment behaviour and may induce people to hold interest-bearing securities, even if interest rates are relatively low.

Ms. Di Vito also commented that any balances in RRSPs or RRIFs when individuals die should be permitted to be rolled over, on a tax-free basis, into the next generation's RRSP or RRIF. In her view, ideally this rollover would be available in addition to any unused RRSP contribution room. She also argued for a review of the 1995 *Income Tax Act* amendment that ended the ability to roll over a certain amount of severance payments to an RRSP on a tax-free basis.

A CANADA SUPPLEMENTARY PENSION PLAN

Neither Mr. Connor, nor Mr. John Farrell of Federally Regulated Employers—Transportation and Communications (FETCO), supported increases to OAS or GIS benefits; nor did they support increases to the Canada/Quebec Pension Plan (C/QPP). Rather, they each endorsed some form of a voluntary defined contribution supplement to the CPP. However, FETCO's Mr. Ian Markham warned that a voluntary CPP supplement, which would be on a defined contribution basis, would redirect money that would otherwise have been contributed to an RRSP. However, since RRSP investments are often made in relatively high-cost investment vehicles, a voluntary supplement to the CPP could theoretically be administered at a lower cost.

The Rotman International Centre for Pension Management's Mr. Keith Ambachtsheer, who appeared on his own behalf, shared his view that Canadians do not, and probably will not, voluntarily accumulate sufficient retirement saving; consequently, policy intervention is needed. However, he had concerns about increasing mandatory contributions, and referred to his proposal—discussed in the 2008 C.D. House Institute report *The Canada Supplementary Pension Plan*—for a voluntary defined contribution Canada Supplementary Pension Plan (CSPP); according to this proposal, individuals would be automatically enrolled with pre-set contribution rates and a target pension equivalent to a 60% post-employment earnings replacement rate. The proposal included the ability to opt out, a number of annuitization choices, and the ability to transfer RRSP assets into their CSPP personal retirement savings account.

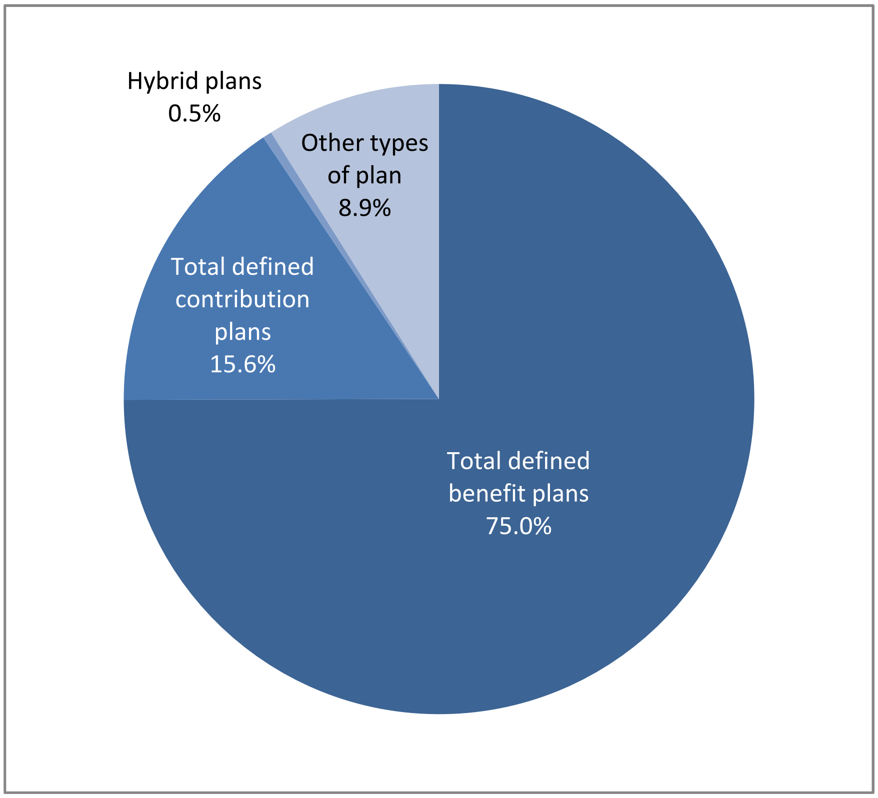
FINANCIAL LITERACY

Mr. Connor was among the witnesses who spoke to the Committee about the need for financial literacy. For example, he said that education could improve the retirement savings habits of Canadians, and advocated opportunities to enhance communication about the importance of retirement saving, especially for younger Canadians who can establish lifetime strategies that will ideally result in a financially secure future. Mr. Campbell identified a need for enhanced financial literacy in respect of savings and retirement planning, while Mr. Markham commented that many Canadians do not understand how to invest their RRSPs, with the result that they tend to invest in fairly high-cost vehicles and may make the wrong decisions. Mr. Herr noted that Canadian consumers need to have easy access to accurate, timely and understandable information designed to help them with their financial planning needs. Finally, Mr. Ambachtsheer, argued that the average Canadian is not well-versed in investment theory.

CHAPTER FOUR: OCCUPATIONAL DEFINED BENEFIT PENSION PLANS

Occupational pension plans, which can be defined benefit or defined contribution plans, were also mentioned by witnesses. A number of concerns about defined benefit plans in particular were shared with the Committee, especially regarding the solvency and funding of such plans, ownership of any pension surplus, and protection for employees when the employer that sponsors the plan becomes insolvent or experiences financial difficulty.

Figure 5: Registered Pension Plan Membership, by Type of Plan, Canada, 2009 (%)



Source: Statistics Canada, CANSIM Table 280-0016.

SOLVENCY AND FUNDING

Ms. Judy Cameron, of the Office of the Superintendent of Financial Institutions (OSFI), commented that pension plan assets of federally regulated occupational pension plans were eroded by stock market declines in autumn 2008 while pension liabilities increased due to extremely low and declining long-term interest rates that reduced the predicted return on investment. She told the Committee that, due to stock market improvements in 2009, the average solvency ratio increased from 0.85 at December 2008 to 0.90 at December 2009, and 40% of federally regulated private pension plans had a solvency ratio of less than 0.80 at the end of 2008, a proportion which had fallen to 15% at the end of 2009.

Solvency issues were also addressed by Mr. Rock Lefebvre, of the Certified General Accountants Association of Canada, who shared preliminary analysis of the 2008 year-end results; these results revealed a $300-billion funding deficit for all private-sector defined benefit pension plans. He urged the creation of a target solvency margin related to the risks associated with a pension plan's assets and liabilities. Mr. John Farrell, of Federally Regulated Employers—Transportation and Communications (FETCO), stated that defined benefit plan sponsors are burdened with onerous and volatile solvency funding requirements, and Mr. Serge Charbonneau, of the Canadian Institute of Actuaries, pointed out that Crown corporations do not have a bankruptcy risk and thus should not be required to adhere to solvency rules.

The Public Service Alliance of Canada's Ms. Patty Ducharme told the Committee about the November 2009 actuarial report of the Chief Actuary, which found that the pension plan for federal public service employees had an actuarial surplus. She noted that employee contribution rates are projected to increase by approximately 60% from 2005 to 2013 in order to increase the ratio of employee-to-employer contributions.

Mr. Farrell noted that the majority of FETCO members sponsor defined benefit pension plans, and urged modernization of pension standards in order to support the viability of existing defined benefit plans by enabling plan sponsors to continue to manage risks. He told the Committee that FETCO generally supports the fall 2009 changes to the *Pension Benefits Standards Act, 1985,* but indicated that permanent changes in pension plan funding rules are needed, such as more frequent actuarial valuations and more adequate reserves for lower future investment returns.

The Rotman International Centre for Pension Management's Mr. Keith Ambachtsheer, who appeared on his own behalf, commented that—originally—defined benefit pension plans were seen by the employer and employees as a gratuity; this gratuity is now seen as a financial contract between the employer and plan members. Mr. Pierre St-Michel, who appeared on his own behalf, reinforced the fact that a pension is a contract when he said that pension deficits are really a subsidy from the employee to the employer, since promised benefits are reduced. In highlighting the situation that now exists in the Netherlands, Mr. Ambachtsheer proposed that defined benefit pension plans should be regulated in a manner similar to banks and insurance companies: risk on a balance sheet must have adequate buffers against adverse outcomes. Ms. Cameron suggested that effective plan governance is important in controlling risk, and suggested that regular “scenario testing” or revaluation of current assets and future liabilities using various market outcomes could help pension plan administrators understand, and prepare for, future risk.

OVER-CONTRIBUTIONS TO A PENSION PLAN AND OWNERSHIP TO SURPLUS

Mercer's Mr. Malcolm Hamilton, who appeared on his own behalf, told the Committee that one of the problems with defined benefit pension plan rules is that employers that over-contribute in order to create a reserve for lower future investment returns may not be fully entitled to the surplus if the reserve is not eventually required. The Organisation for Economic Co-operation and Development's Mr. Edward Whitehouse, who appeared on his own behalf, indicated that the current rules on over-contributions were introduced when investment returns were high and tax authorities were concerned about the sheltering of business income from taxation through contributions to the pension plan. In the view of Mr. Lefebvre, clarification is needed about the ownership and distribution of pension surpluses on plan termination.

Mr. Ambachtsheer noted that the issue of pension surplus ownership is a property rights problem which could be resolved through individual pension accounts that are owned by the employees. Mr. Charbonneau advocated the creation of a pension security trust that would be separate from, but complementary to, a defined benefit pension fund. In his model, the employer would own the funds in the pension security trust, receive a tax deduction for contributions and be taxed on withdrawals.

PENSION PRIORITY DURING EMPLOYER INSOLVENCY AND WINDING-UP OF THE PENSION PLAN

Regarding creditor status in relation to pension plan actuarial deficits, Ms. Diane Urquhart, Ms. Diane Contant Blanchard, Mr. Tony Wacheski, Ms. Gladys Comeau, Mr. Paul Hanrieder and Mr. Pierre St-Michel, who appeared before the Committee on their own behalf, as well as Mr. Donald Sproule of the Nortel Retirees' and Former Employees' Protection Committee, Mr. Robert Farmer of the Bell Pensioners' Group, Mr. Phil Benson of Teamsters Canada and Mr. Gaston Fréchette of the Association des retraités d'Asbestos Inc., advocated higher priority for pension deficits in the event of employer insolvency. Mr. Hanrieder suggested that changes to the priority of pension deficits during bankruptcy should apply to current bankruptcy proceedings of bankrupt employers. Mr. Sylvain de Margerie and Ms. Josée Marin, both appearing on their own behalf, proposed that unregulated pension plans for those on long-term disability should be granted higher priority during bankruptcy proceedings.

Mr. Farrell was concerned that granting higher priority to pension deficits would erode the savings of individuals without defined benefit pension plans, since various types of private investments hold corporate bonds that could be affected by the suggested priority change. He also argued that higher priority for pension deficits would place companies that offer defined benefit plans at a competitive disadvantage in relation to Canadian companies that do not offer such plans and in relation to international companies that are located in jurisdictions without such a super-priority status. In addition, he argued that—with the suggested change—credit ratings for companies that sponsor defined benefit plans could be reduced due to the potential liability associated with a pension plan deficit; a lower credit rating could increase the cost of capital.

Mr. Hamilton commented that higher priority for pension deficits could result in conditional loans to corporations in the sense that the terms of the loan could enable changes to be made if the company introduced, or improved the benefits of, a defined benefit pension plan. Mr. Michel Benoit, legal counsel to certain federally regulated private-sector employers, stated that higher priority for pension deficits would increase the cost of credit for employers; in his view, the best protection for pension plan members is a financially sound employer. Ms. Melanie Johannink, who appeared on her own behalf, told the Committee that, in Australia, the increased cost of credit for employers was minimal after bankruptcy laws were changed to grant employer pension plan contributions a priority status above unsecured creditors. Mr. Ambachtsheer commented that most corporations have closed their defined benefit pension plans to new employees and that changes to bankruptcy laws would only have an effect during the winding up of existing plans and would not protect future employees.

Mr. Charbonneau advocated changes that would decrease the costs associated with annuities; in particular, during the winding up of a pension plan, annuity purchases could be spread out over time rather than purchased at the same time for all retirees. Ms. Norma Nielson, who appeared on her own behalf, told the Committee that a possible solution for a plan whose sponsor is bankrupt is to have the Canada Pension Plan Investment Board assume administration of the plan's investments. Mr. Donald Raymond, of the Canada Pension Plan Investment Board, indicated that such a role is not part of the Board's current legislated mandate, and additional infrastructure would be required to ensure that the funds associated with the plans sponsored by insolvent employers would be segregated from the Canada Pension Plan's assets.

NATIONAL INSURANCE FUND

In addition to a change in priority status, witnesses provided other suggestions in relation to pension protection in the event of employer insolvency. For example, Mr. Serge Cadieux, of the Canadian Office and Professional Employees Union, supported an insurance fund for defined benefit pension plans; according to his proposal, such a fund should be financed by premiums paid by all sponsors of defined benefit pension plans as well as by a new tax on financial transactions cleared and settled by a securities exchange.

Ms. Katherine Thompson, of the Canadian Union of Public Employees, Mr. Réjean Bellemare, of the Fédération des travailleurs et travailleuses du Québec, and Ms. Ducharme supported the creation of a federally sponsored pension insurance program funded through premiums paid by all defined benefit plan sponsors. Mr. Joel Harden, of the Canadian Labour Congress, advocated an insurance premium of $2.50 per plan member to a maximum of $12 million per year per pension plan, while Mr. Bellemare supported a premium based on the investment risk of a particular pension plan.

The notion of an insurance scheme for bankrupt pension plan sponsors was not supported by Mr. Whitehouse or by Mr. Ambachtsheer, who held the view that the schemes have not worked in other countries. Mr. Ian Markham, of FETCO, also did not support a national insurance fund since, in his view, well-run pension plans would be subsidizing plans with more investment risk.

CHAPTER FIVE: OTHER ISSUES

During the course of the Committee's hearings, witnesses provided comments about a number of other issues, including defined contribution and hybrid pension plans and investment risk, multi-jurisdictional plans and the harmonization of pension rules, and health and welfare trusts.

DEFINED CONTRIBUTION PLANS AND INVESTMENT RISK

According to Mr. Rock Lefebvre, of the Certified General Accountants Association of Canada, there were 8,000 defined contribution plans with 0.8 million members and an estimated $50 billion in assets in 2008. Moreover, Mr. Dean Connor, of the Canadian Life and Health Insurance Association, indicated that approximately 1.3 million Canadians were covered by employer-sponsored defined contribution plans in 2009. He told the Committee that employers are shifting from defined benefit plans to defined contribution plans in order to experience lower funding costs, risk and pension plan complexity.

Mr. Connor suggested that legislation should allow multi-employer defined contribution plans (DC-MEPPs), whereby a regulated financial institution could act as both the plan sponsor and administrator, and any employer would be able to join. According to the model proposed by Mr. Connor, employers would benefit from reduced administrative costs and compliance burdens as well as economies of scale; employees would be automatically enrolled with the option to opt out, contributions would be made by employees and/or employers, and contributions would automatically increase until a desired target level of contributions was reached. Furthermore, he stressed the importance of locking in employer contributions to group RRSPs until retirement so that retirement planning goals are met. However, Mr. Ken Georgetti, of the Canadian Labour Congress, and Mr. Réjean Bellemare, of the Fédération des travailleurs et travailleuses du Québec, favoured defined benefit plans rather than defined contribution plans because of greater certainty and less investment risk for employees. Mr. Bellemare argued that individual defined contribution accounts are costly to administer. Mr. Terry Campbell, of the Canadian Bankers Association, commented that the employee has all of the investment risk in a defined contribution plan; in his view, investment advice is essential in ensuring adequate returns. Open Access Limited referred to defined benefit plans as the current “gold standard.”

Mr. Pierlot, a pension lawyer who appeared on his own behalf, suggested that all individuals should have the same lifetime pension contribution limit, regardless of whether retirement saving occurs in a defined benefit plan, a defined contribution plan or private savings vehicles. Mr. Pierlot also noted that such an approach would allow people to make contributions when they experience investment losses.

HYBRID PLANS AND INVESTMENT RISK

Mr. Scott Perkin, of the Association of Canadian Pension Management, urged changes to pension and tax legislation to allow the creation of multi-employer defined contribution plans that allow both a defined benefit in accordance with a specified formula and a benefit that is based on investment returns. This type of plan would, in some sense, involve the sharing of some risk between the employer and plan members. Ms. Jennifer Brown, of the Ontario Municipal Employees Retirement System, commented that multi-employer models pool costs as well as investment risks.

Mr. Pierlot and Mr. Campbell advocated pension plans that are not linked to employment, so that individuals who are self-employed or who own a small business may become a member of a larger plan or may create their own plan.

Both Mr. Perkin, as well as Mr. Renaud Gagné of the Communications, Energy and Paperworkers Union of Canada, proposed that pension and tax legislation should be amended to allow multi-employer defined benefit pension plans. According to their proposal, actuarial surpluses in one or more plans could offset actuarial deficits in other plans, and current *Income Tax Act* limitations in respect of the size of an actuarial surplus for an individual plan should not apply. Mr. Gagné also proposed a member-funded pension plan model where employer contributions would be fixed in percentage terms, while employee contributions would be variable; contribution rates could also be different for each employer of the plan. Additionally, with this model, employers would not be responsible for pension plan deficits.

MULTI-JURISDICTIONAL PLANS AND THE HARMONIZATION OF PENSION RULES

On the issue of regulation of multi-jurisdictional plans, or employers with employees regulated at both the federal and provincial level, the Office of the Superintendent of Financial Institutions' Ms. Judy Cameron stated that harmonization of pension rules is required in order to reduce complexity in administering pension plans regulated at both levels. Regarding defined contribution plans, Ms. Shirley-Ann George, of the Canadian Chamber of Commerce, advocated harmonization and simplification of pension legislation throughout Canada in order to make defined contribution plans less costly and easier for small and medium-sized businesses to offer. While a number of witnesses agreed that the current trend is a shift away from employer-sponsored defined benefit plans to defined contribution plans, the Canadian Banker Association's Mr. Terry Campbell suggested that the lack of harmonized rules across Canada may hinder the growth of defined benefit plans, since the lack of harmonization increases the administration costs for non-federally regulated employers with employees in more than one province/territory.

HEALTH AND WELFARE TRUSTS

The Committee heard from a number of witnesses that either represented current and former Nortel employees or who were themselves former Nortel employees. Mr. Donald Sproule, of the Nortel Retirees' and Former Employees' Protection Committee, commented that there are approximately 11,000 pensioners currently receiving health plan benefits through the Nortel Health and Welfare Trust. Ms. Diane Urquhart, an independent financial analyst who appeared on her own behalf, shared her view that—during Nortel's corporate restructuring—$100 million is missing from the Health and Welfare Trust created by Nortel for employee disability and health benefits and for the payment of employee life insurance premiums; as a result, 400 former and current employees with a long-term disability have been affected. She also suggested that Nortel did not disclose the self-insured status of the Health and Welfare Trust to employees until 2005. Mr. Lee Lockwood, who appeared on his own behalf, indicated that medical and dental benefits offered by the Health and Welfare Trust were self-insured by Nortel. Ms. Arlene Borenstein, of the Rights For Nortel Disabled Employees, stated that employers use self-insured schemes to reduce costs and to retain more of their profits; in her opinion, employers that self-insure save approximately 10 to 20% of the cost of traditional group disability insurance.

Ms. Urquhart and Mr. Lockwood advocated higher priority, during bankruptcy proceedings, for health and welfare trusts as well as for benefits for the long-term disabled; they also supported separate representation for disabled employees from other employees during corporate restructurings under the *Companies' Creditors Arrangement Act*. Another idea supported by Ms. Urquhart was an amendment to the *Bankruptcy and Insolvency Act* that would require bondholders of a bankrupt employer to be financially responsible for the deficit in a health and welfare trust so that employees could be compensated; this responsibility would exist for a five-year period post-bankruptcy. Mr. Lockwood argued for legislation that would require employers to obtain third-party insurance for long-term disabled wage replacement income and medical benefits.

RECOMMENDATIONS

CONSERVATIVE PARTY OF CANADA

RECOGNITION OF GOVERNMENT'S EFFORTS TO DATE

CPC Recommendation 1:

That the federal government acknowledge the value of the recent Canada Pension Plan Triennial Review, as both confirmation that Canada's retirement system remains on sound financial footing, and as a roadmap for future reform.

CPC Recommendation 2:

That the federal government continue to implement the 2009 reform plan to modernize federally regulated private pension plans, including measures to enhance protections for plan members; reduce funding volatility for defined benefit plans; make it easier for participants to negotiate changes with their pension arrangements; improve the framework for defined contribution plans and for negotiated contribution plans, and; modernize the rules for investments made by pension funds.

CPC Recommendation 3:

That the federal government recognize that recent roundtable discussions, online outreach, and town hall meetings on the subject of Canada's retirement income system conducted by the federal government and numerous provincial governments serve as a practical and effective model for future public consultations with Canadians.

CPC Recommendation 4:

That the federal government continue to work cooperatively with provinces and territories on retirement income and pensions issues, as demonstrated in the 2009 Canada Pension Plan Triennial Review, cross-country consultations and expert roundtables, and joint federal-provincial working group tasked with conducting an in-depth examination of retirement income adequacy.

CPC Recommendation 5:

That the federal government, in the context of fiscal prudence, continue to lower taxes for low- and middle-income seniors, as it has already done through the introduction of pension income splitting, the doubling of the Pension Income Credit, and two $1,000 increases to the Age Credit Amount, which provide substantial tax savings to seniors and pensioners.

CPC Recommendation 6:

That the federal government continue to build on existing strengths moving forward, while recognizing that the Canadian retirement system performs exceedingly well by international standards, with the three pillars enabling Canadians to provide enough retirement income to sustain an adequate standard of living in retirement, and that Canada has one of the lowest seniors' poverty rates among OECD countries.

PROPOSALS FOR FUTURE REFORM

CPC Recommendation 7:

That the federal government, in the context of fiscal prudence and in partnership with provinces and territories, explore options to expand the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP). The Committee recommends that the federal government study a range of options to achieve this outcome, including reviewing yearly maximum pensionable earnings, and CPP and QPP employer and employee contribution rates.

CPC Recommendation 8:

That the federal government examine legislation governing Registered Retirement Income Funds, Registered Retirement Savings Plans, and Tax-Free Savings Accounts, including withdrawal and contribution limits, to ensure that these government-sponsored vehicles provide maximum savings opportunities for Canadians.

CPC Recommendation 9:

That the federal government encourage the private sector to play a strong role in the retirement income planning (such as exploring altering tax laws to encourage the development of multi-employer pension plans, or exploring the feasibility of permitting individuals with existing pensions to join pooled pension funds).

CPC Recommendation 10:

That the federal government review existing legislation to ensure flexible pension arrangements for individuals without pension coverage, and reduce disincentives for employers to establish pension plans for their employees.

CPC Recommendation 11:

That the federal government review Old Age Security and Guaranteed Income Supplement payment rates.

CPC Recommendation 12:

That the federal government adopt global best practices identified by the Task Force on Financial Literacy, while leveraging existing resources to promote financial literacy through government, labour unions, and educational and financial institutions.

CPC Recommendation 13:

That the federal government study measures to improve oversight of financial advisor fees in order to protect Canadians' retirement savings and promote private investment as a key component of retirement planning.

CPC Recommendation 14:

That the federal government recognize that distressed pension plans present challenges unique to their individual circumstances, and that these challenges are best responded to on a case-by-case basis using the Distressed Pension Workout Scheme proposed in Bill C-9 (2010).

CPC Recommendation 15:

That the federal government recognize the important role of individual responsibility in Canada's retirement income system.

Liberal Recommendation 1:

The Committee heard from several witnesses that some provinces have already begun to consider an expansion of public pension alternatives. The committee also notes that the Canada Pension Plan Investment Board indicated that it would be capable of expanding the CPP to meet new policy goals of the Government of Canada and its provincial partners.

The Committee therefore recommends that the government work in conjunction with the Canada Pension Plan's participating provinces and territories with a view to creating a supplementary Canada Pension Plan, with Quebec residents having the option expanding the Quebec Pension Plan.

Liberal Recommendation 2:

The Committee heard that there are barriers, particularly for self-employed workers, that make it difficult to save for retirement. It was suggested that expanding the definition of earned income and increasing the age at which an RRSP must be converted to a RIFF would help to improve retirement savings.

The Committee recommends that the government examine the barriers to personal retirement savings, especially by the self employed, and make saving for retirement more viable for Canadians.

Liberal Recommendation 3:

Some witnesses, such as the Chair of the National Nortel Retirees' and Former Employees' Protection Committee discussed the creation of an entity which could take on pension plans stranded by a bankrupt employer and continue to manage those plans as an going concern rather than force pensioners and workers to immediately purchase annuities.

The Committee recommends that the Government of Canada implement such a plan.

Liberal Recommendation 4:

The Committee heard testimony from several witnesses who are members of Nortel Long-Term Disability Plan who anticipate receiving as little as 10% of their payments once Nortel has finished its bankruptcy proceedings. The Committee believes that the protection offered by self-insured long term disability plans is not sufficient and recommends the government require these plans to either be funded or insured by an outside party.

Liberal Recommendation 5:

The Committee heard from multiple witnesses that there is very little protection for the pensions of workers and pensioners when their company goes bankrupt and the pension fund is not fully solvent.

We recommend that the government make amendments to the *Bankruptcy and Insolvency Act* to better protect these workers and pensioners.

BQ Recommendation 1:

That the federal government respect provincial areas of jurisdiction when implementing this Committee's recommendations. In federal areas of jurisdiction, federal institutions should show openness to provincial concerns and to take into account Quebec's values, interests and identity.

BQ Recommendation 2:

That the federal government reverse its decision to progressively raise the threshold for automatic review of foreign takeovers to $1 billion and restore the threshold to $300 million, the level it was at before the Conservatives, with the Liberals' support, amended the legislation.

That the federal government, in determining the value of a business for purposes of applying the *Investment Canada Act*, take the market price valuation into account. Currently, it is the company's book value that is taken into account.

BQ Recommendation 3:

That the federal government provide for the taking of pension plans under its trusteeship, as is done in Quebec pursuant to the *Supplemental Pension Plans Act*, to prevent pension funds' being liquidated when share prices are low.

BQ Recommendation 4:

In the case of pension plans that seek the protection of the *Bankruptcy and Insolvency Act*, the Committee calls upon the government to confer on pensioners with disabilities the status of preferred creditors. Among other things, the government should:

- **require all self-insurance plans under federal jurisdiction to make it clear to their members the nature of the plan;**
- **study the feasibility of greater government regulation of self-insurance plans, to better protect members of such plans.**

BQ Recommendation 5:

Given that the Wage Earner Protection Program (WEPP) is limited to wages owed in the six months prior to bankruptcy, to a maximum of $3000, that the federal government abolish this six-month cut-off, since there is already a $3000 limit on claims protected by the WEPP. The abolition should be retroactive to the date the legislation introducing the WEPP came into force.

That the federal government investigate the possibility of raising the corporate veil in the case of wages left unpaid by the subsidiary of a financially healthy parent corporation.

BQ Recommendation 6:

That the federal government provide compensation to retirees who because of their former employer's bankruptcy have seen their retirement pensions cut, in the form of a tax credit equivalent to 22% of the loss they have suffered.

BQ Recommendation 7:

That the federal government recognize that, while the poverty rate for seniors has fallen in Canada over the past 20 years, 1.6 million seniors are nevertheless receiving the Guaranteed Income Supplement. Too many of them live below the poverty line.

BQ Recommendation 8:

That the government bolster the Guaranteed Income Supplement (GIS) as follows:

- **increase monthly GIS payments to seniors by $110 per month;**
- **extend payments of the Old-Age Pension and the GIS to the spouse or common-law partner of a deceased beneficiary for six months after the latter's death;**
- **automatically enrol people entitled to GIS when they turn 65;**
- **make full GIS back payments to seniors who did not receive it even though they were entitled to it;**
- **adjust the Spouse's Allowance so that it is equal to the GIS.**

Context

The economic crisis has highlighted the serious deficiencies of the retirement savings system in Canada. The private elements of the system—company retirement plans, RRSPs and private savings—have suffered from the collapse of financial markets. The public elements of the system are a public trust—Old Age Security, Guaranteed Income Supplement (GIS), the Canada Pension Plan and Quebec Pension Plan (CPP/QPP). Yet ***Canadians wishing to protect their savings cannot under the current rules fully benefit from the security and savings offered by public pension plans.***

Given the collapse of employer and private savings pensions plans, the Harper government is calling on Canadians to save more by investing in the same market that has just failed them so seriously. This is bad advice.

NDP Recommendation 1:

Eliminating seniors' poverty by increasing the income-tested Guaranteed Income Supplement GIS by $700 million a year. Since the majority of poor seniors are women, this is also the equitable thing to do.

NDP Recommendation 2:

Working with the provinces to phase-in a doubling of CPP/QPP benefits (from about $11,000 per year to almost $22,000 per year, thus giving Canadians the chance to save in the least expensive, most secure, inflation-proof, retirement savings vehicle. Cost? An additional 2.5% of wages (matched by employers)—less than you pay for private savings vehicles (money you never see again).

NDP Recommendation 3:

Security for workplace pension plans through (a) a mandatory national pension insurance plan, paid for by pension plan sponsors and guaranteeing pension pay-outs of up to $2,500 per month in case of plan failure, and (b) a national facility, managed (with provincial agreement) by the CPP Investment Board, to adopt pension plans of failed companies and continue them on a going-concern basis to take advantage of market conditions and maximize pay-outs.

NDP Recommendation 4:

Amending Canada's bankruptcy laws to ensure unfunded pension liabilities (money companies promised, but failed to contribute, to workplace pension plans) are given the same status as unpaid wages and go to the front of the line of creditors for payment. *NDP MP John Rafferty's (Thunder Bay-Rainy River) Bill C-501 is about to go to committee and the NDP calls on all parties to support it throughout the legislative process until such time as it becomes law.*

NDP Recommendation 5:

A public National Pensions Summit, with representation from all interested parties—Federal/Provincial/Territorial governments, employers, workers, pensioners and experts to consider these and other proposals for addressing the national pensions crisis.

APPENDIX A
LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
As an individual	2010/03/16	2
Michel Benoit, Legal Counsel, Bell Canada, Canada Post, Canadian National Railway Company, Canadian Pacific Railway Limited, MTS Alstream and Nav Canada		
Teamsters Canada		
Phil Benson, Lobbyist		
Canadian Institute of Actuaries		
Serge Charbonneau, Member, Government Liaison Task Force on Pensions		
Canadian Labour Congress		
Ken Georgetti, President		
Joel Harden, National Representative, Social Economic Policy		
Certified General Accountants Association of Canada		
Rock Lefebvre, Vice-President, Research and Standards		
Carole Presseault, Vice-President, Government and Regulatory Affairs		
Air Canada Component of the Canadian Union of Public Employees	2010/03/23	4
Katherine Thompson, President		
Lillian Speedie, Vice-President		
As an individual		
Jean-Pierre Laporte, Lawyer		
Canada Pension Plan Investment Board		
Ian Dale, Senior Vice-President, Communications and Stakeholder Relations		
Donald M. Raymond, Senior Vice-President, Public Market Investments		
Canadian Bankers Association		
Terry Campbell, Vice-President, Policy		
Marion Wrobel, Director, Market and Regulatory Developments		
Canadian Life and Health Insurance Association Inc.		
Frank Swedlove, President		
Dean Connor, Chief Operating Officer, Sun Life Financial		

Ontario Municipal Employees Retirement System		
Jennifer Brown, Executive Vice-President and Chief Pension Officer		
Ian MacEachern, Director, Government Relations		
As individuals	2010/03/25	5
Diane Blanchard, Secretary, Regroupement des retraités des Aciers Atlas		
Gladys Comeau		
Pierre St-Michel		
Diane Urquhart, Independent Financial Analyst		
Association des retraités d'Asbestos Inc.		
Gaston Fréchette, President, Sous-comité des retraités et travailleurs encore actifs de Mine Jeffrey		
René Langlois, Secretary, Sous-comité des retraités et travailleurs encore actifs de Mine Jeffrey		
Nortel Retirees' and Former Employees' Protection Committee		
Donald Sproule, Chair, National Committee		
Bernard Neuschwander, Chair, Québec Region		
Association of Canadian Pension Management	2010/03/30	6
Scott Perkin, President		
Bryan Hocking, Chief Executive Officer		
Bell Pensioners' Group		
Robert Farmer, Vice-President		
Canadian Association of Retired Persons		
Susan Eng, Vice-President		
Kim Hokan, Government Relations and Policy Development Officer		
Fédération des travailleurs et travailleuses du Québec		
Réjean Bellemare, Union Advisor		
Nortel Retirees' and Former Employees' Protection Committee		
Donald Sproule, Chair, National Committee		
As individuals	2010/04/13	7
Sylvain de Margerie		
Paul Hanrieder, Professional Engineer		
Melanie Johannink		

Organizations and Individuals	Date	Meeting
Communications, Energy and Paperworkers Union of Canada		
Renaud Gagné, Vice-President, Quebec		
Public Service Alliance of Canada		
Patty Ducharme, National Executive Vice-President, Executive Office, Public Service Alliance of Canada		
As an individual	2010/04/15	8
Ian Lee, Director, Master of Business Administration (MBA) Program, Sprott School of Business, Carleton University		
BMO Financial Group		
Tina Di Vito, Director, Retirement Strategies, Private Client Group		
Canadian Federation of Independent Business		
Catherine Swift, President and Chief Executive Officer		
Doug Bruce, Director, Research		
Federally Regulated Employers - Transportation and Communications (FETCO)		
John Farrell, Executive Director		
Ian Markham, Canadian Retirement Innovation Leader, Towers Watson		
Marlene Puffer, Managing Director, Twist Financial		
Office of the Superintendent of Financial Institutions Canada		
Judy Cameron, Managing Director, Private Pension Plans Division		
As individuals	2010/04/20	9
Josée Marin		
James Pierlot, Lawyer		
Malcolm Hamilton		
Canadian Chamber of Commerce		
Shirley-Ann George, Senior Vice-President, Policy		
Sue Reibel, Senior Vice-President and General Manager, Group Savings and Retirement Solutions, Manulife Financial		
As individuals	2010/04/22	11
Lee Lockwood		
Norma Nielson, Professor and Chair in Insurance and Risk Management, Haskayne School of Business, University of Calgary		
Tony Wacheski		

Canadian Office and Professional Employees Union		
Serge Cadieux, National President		
Pierre Gingras, Legal Counsel to the National Executive		
As individuals	2010/05/27	22
Keith P. Ambachtsheer, Director, Rotman International Centre for Pension Management		
Daniel Béland, Canada Research Chair in Public Policy, Johnson-Shoyama Graduate School of Public Policy, University of Saskatchewan		
Edward Whitehouse, Head of Pension Policy Analysis, Social Policy Division, Organisation for Economic Co-Operation and Development		
Rights For Nortel Disabled Employees		
Arlene Borenstein, Representative		

APPENDIX B
LIST OF BRIEFS

Organizations and individuals

Association of Canadian Pension Management

Béland, Daniel

Bell Pensioners' Group

BMO Financial Group

Canadian Association of Retired Persons

Certified General Accountants Association of Canada

Empire Life Insurance Company

Lee, Ian

Marin, Josée

Nortel Retirees' and Former Employees' Protection Committee

Open Access Limited

Public Service Alliance of Canada

Urquhart, Diane

Whitehouse, Edward

MINUTES OF PROCEEDINGS

A copy of the relevant Minutes of Proceedings (Meetings Nos. 2, 4, 5, 6, 7, 8, 9, 11, 22 and 27*)* is tabled.

Respectfully submitted,

James Rajotte, MP
Chair