

01. Acknowledgement of the Base Principles of Pension Reform

Issue

While some Canadians are prepared and will be sufficiently funded for retirement either through private or public service pension plans or through their own prudent planning, it is generally acknowledged that many are not.

Within the next decade Canada will see millions of baby boomers enter retirement, many without sufficient savings to sustain a reasonable standard of living.

Although the impact of this shortfall is unclear the risks to our economy and the stability of government – funded old age benefits is so significant to warrant immediate action.

The Canadian Chamber agrees that the fundamentals of the retirement income system are strong. However, there are significant challenges that, unless addressed, will challenge the viability of many retirees' ability to live out their retirement with dignity. The Canadian Chamber believes that government must continue to engage business in developing recommendations to ensure that it can provide for seniors without putting stress on government budgets and forcing business and younger Canadians to carry the burden through increased taxes.

Background

Over the next two decades, Canada will see an unprecedented number of people enter retirement. Dealing with shortfalls for under-funded senior citizens is a complex problem and one that requires government attention immediately.

Not every Canadian has had an opportunity to participate in a private or public sector pension plan and the Canada Pension Plan will not meet the needs of many seniors. The stock market upheaval of 2008 saw many Canadians sustain heavy losses in their personal retirement portfolios.

Asking Canadians to endure a tax hike in order to close the gaps is rightly seen as unfair and represents an excessive burden to younger generations.

The Canadian Chamber congratulates the federal government for recognizing the importance of this issue and its efforts to solicit input through the Ensuring the Ongoing Strength of Canada's Retirement Income System consultation. The Canadian Chamber was particularly pleased to see that this consultation process was underpinned by a set of principles:

- "The system should remain affordable for individuals and businesses
- Costs incurred by governments should be appropriate and affordable, as well as sustainable over the long-term
- The system should function so that it does not transfer costs from one generation to another
- There should continue to be an appropriate balance maintained between individual and government responsibility for retirement savings, and an appropriate level of individual choice
- The system should remain accessible to all Canadians."

The Canadian Chamber endorses these principles as the foundation of any recommendation for change and is also pleased to see that efforts are being made to find solutions on a partnership basis with the provinces and territories.

However, the Canadian Chamber is concerned that there is a lack of clarity regarding next steps and timelines. The Canadian Chamber believes it is critical to ensuring this process moves forward in an expeditious manner that a clear and binding timetable be developed for the publication of

recommendations for change, that these recommendations be open for public and stakeholder input and that a timetable for legislative changes be introduced.

There may be reforms related to estate issues, or the Employment Insurance program or other initiatives to reduce government overhead that could mitigate the pension funding issues. There may be a need for a retirement education program to help Canadians prepare for retirement costs or there may be a need to create a mandatory individual retirement plan directed by accredited planners.

We recognize the federal government's initiative with Pooled Registered Pension Plans (PRPP) as a positive first step to fostering pension reform. All the provinces support PRPPs in principle. Saskatchewan and Alberta have passed PRPP legislation and Quebec has introduced similar legislation. The 2013 Ontario budget signaled the province's intention to introduce legislation to implement PRPPs. PRPPs will be the first test of a "volunteer" concept – a largescale, broad-based pension option available to employees – with or without a participating employer – as well as the self-employed.

The Canadian Chamber also acknowledges the federal government's modification of the solvency funding requirements for federally-regulated in an era of record-low interest rates.

There may be some immediate reforms that can be made, and there may be some longer-term solutions to be found. The important fact is that we begin to approach the situation.

Recommendations

That the federal government:

1. And provincial/territorial governments continue to work to create an affordable pension environment for the benefit of all stakeholders.
2. Create a balanced approach to private sector options within the Canada Pension Plan (CPP) environment. A balanced approach would include offering additional employee contribution options without requiring any additional input from the employer. However, the employer would be able to match contributions on a voluntary basis.
3. Create legislative measures to direct recommendations within one year that fall within the guidelines of the "Base Principles of Pension Reform".
4. Create a process for business to transfer pensions for employees when moving to another job to ensure the fluidity of Canada's labour force.
5. To improve the reporting of CPP results, individual taxpayers should receive annual statements explaining their contribution history, the performance of their investment, and their expected return.