

**Presentation to**

**The House of Commons Standing Committee on Finance's  
Study on the Retirement Income Security of Canadians**

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**and**

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**Savings & Retirement**

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**Please check against delivery**

Thank you, Mr. Chair. My name is Shirley-Ann George and I am Senior Vice-President, Policy, for the Canadian Chamber of Commerce. With me this afternoon is Sue Reibel, Senior Vice President & General Manager, Canadian Group Retirement Solutions, for Manulife Financial.

Thank you for inviting us to appear. The Canadian Chamber of Commerce is Canada's most representative business association. With our network of more than 340 local chambers of commerce and boards of trade, as well as our corporate members, we speak for approximately 175,000 businesses of all sizes in every region of Canada.

Given the scope of businesses we represent, each topic included in your Committee's study on the retirement income security of Canadians interests our members. Due to time restrictions and other presentations you have already heard, however, our presentation today will focus on the "third pillar" of retirement savings, that is workplace pensions and RRSPs.

The Canadian Chamber believes that Canada's current overall retirement savings system is sound. Legislators and policy makers need to focus on improvements in the gap areas rather than fundamental changes.

It is estimated that up to 50 percent of private sector employees have no workplace retirement savings plan. It is no surprise, then, that much of the current discussion on the issue of retirement savings has focused on ensuring that private sector employees have more access to employer-sponsored retirement savings plans.

There is a growing appetite to give the private sector more retirement savings options. This approach was voiced last week by Alberta's Finance Minister at the National Retirement Income Summit in Calgary and is shared by some of his counterparts.

Canadian businesses need the flexibility to choose retirement savings solutions that fit their businesses' sizes and resources. At the same time, Canadians' retirement savings and income needs vary significantly. We recommend the federal, provincial and territorial governments consider a balanced, competitive approach to retirement savings that includes more private sector options for businesses and employees.

Most small and medium-sized businesses have limited, or no, resources to support offering retirement savings plans. This means that policy and regulatory changes should focus on improving Defined Contribution pension plans and group RRSPs to make them less costly and easier for small and medium- sized businesses to offer.

Ms. Reibel will outline specific improvements that could be made to the existing framework for employer-sponsored retirement savings plans to give more businesses the tools to help their employees save for their retirements. What is needed is for all levels of government to work together, and with private sector providers, to make it happen. Doing so has to potential to benefit the millions of Canadians who have either no, or insufficient, retirement savings.

I will now turn Ms. Reibel.

Thank you Shirley-Ann.

As Shirley-Ann mentioned, I am responsible for overseeing Manulife's Group Retirement Business. At Manulife we provide employee benefit and retirement solutions to more than 20,000 businesses and 3.5 million Canadians. We support businesses with two employees and businesses with 40,000 employees.

I have spent a significant amount of time in the last year talking to business owners and their advisors about the retirement programs they offer, or in some cases have decided not to offer, their employees. From these discussions it is clear that there are regulatory and legislative changes required to:

1. Encourage more businesses to offer a workplace retirement program, and
2. Enhance participation and savings rates of employees when an employer does offer a plan.

Let me begin with increasing access to employer-sponsored retirement programs. Most Canadians who do not have a pension work for small and medium-sized businesses. These employers find pensions rules administratively difficult and costly and instead look to group RRSPs, which are more flexible and easier to administer, when they decide to offer a plan.

The obstacles related to access can be overcome through two avenues:

1. Changes to DC pension regulations in eleven jurisdictions to simplify regulations and allow for multi-employer pension plans, and

2. Changes to the *Income Tax Act* to strengthen Group RRSPs to give them more pension-like qualities. Using the RRSP framework, the Government of Canada could quickly, effectively - and with minimal cost - significantly improve existing plans and encourage businesses that do not offer plans to do so.

The changes to the *Income Tax Act* would include the following:

1. Allow multi-employer plans within a Group RRSP framework: This would reduce administrative and compliance costs and provide economies of scale.
2. Lock-in employer contributions: Current Group RRSPs do not legislatively restrict access to retirement savings. The ability of workers to access funds, especially employer contributions, makes Group RRSPs unattractive to many employers. It also makes employers hesitant to match employee contributions.
3. Limit portability: While they continue to be employed by the sponsoring employer, employees should not be permitted to transfer their assets out of the plan. When employees switch employers or retire, they should have the option to transfer their Group RRSP to one offered by their new employer, a DC pension or another locked-in savings plan.

4. Apply pension-like tax treatment to contributions and payouts:  
Unlike employer contributions to a pension plan, employer payments to a Group RRSP attract EI and CPP. Employer contributions to a Group RRSP should not attract either of these payroll taxes.

Payouts from a pension can be split between spouses at age 55.

Income received from an RRSP can only be split at age 65.

Employees retiring early and taking payments from an RRSP should be permitted to split income between spouses in a similar manner to pension income.

Once an employee has access to an employer-sponsored retirement program there are a number of regulatory and legislative changes that can enhance participation and savings rates. They include:

1. Automatic enrolment of employees with the ability to opt out.  
Employers should be allowed to re-enroll employees at set intervals, capturing employees whose personal circumstances have changed and no longer wish or need to opt-out, and
2. Allowing for auto-escalation of employee contributions, that is increase contributions when there is a pay raise or a promotion.

We believe these improvements would make the framework for employer-sponsored retirement savings plans stronger and give businesses the flexibility and tools they need to help their employees save for retirement.

Thank you, Mr. Chairman.