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**Official Report
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(Hansard)**

Tuesday 28 April 2015

**Journal
des débats
(Hansard)**

Mardi 28 avril 2015

**Standing Committee on
Social Policy**

Pooled Registered Pension
Plans Act, 2015

**Comité permanent de
la politique sociale**

Loi de 2015 sur les régimes
de pension agréés collectifs

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON SOCIAL POLICY

COMITÉ PERMANENT DE LA POLITIQUE SOCIALE

Tuesday 28 April 2015

Mardi 28 avril 2015

The committee met at 1600 in room 151.

POOLED REGISTERED PENSION PLANS ACT, 2015

LOI DE 2015 SUR LES RÉGIMES DE PENSION AGRÉÉS COLLECTIFS

Consideration of the following bill:

Bill 57, An Act to create a framework for pooled registered pension plans and to make consequential amendments to other Acts / *Projet de loi 57, Loi créant un cadre pour les régimes de pension agréés collectifs et apportant des modifications corrélatives à d'autres lois.*

The Chair (Mr. Peter Tabuns): Good afternoon, everyone. We're here to resume public hearings on Bill 57, An Act to create a framework for pooled registered pension plans and to make consequential amendments to other Acts.

Please note that no further witnesses have been scheduled after 5:15 p.m. today. Also, additional written submissions have been distributed to the committee.

To presenters: You'll have up to five minutes for your presentation; then there'll be nine minutes for questions rotated between the three parties. The first question today will come from the official opposition.

MANULIFE FINANCIAL

The Chair (Mr. Peter Tabuns): Sir, if you'd introduce yourself for Hansard, please feel free to begin.

Mr. Chris Donnelly: Hi. My name is Chris Donnelly. I'm here from Manulife.

Mr. Chair, members of the committee, thank you for the opportunity to speak to you this afternoon to share the views of my company on Bill 57, the Pooled Registered Pension Plan Act.

Worldwide, Manulife has helped millions of employees save more than \$80 billion using pension and workplace retirement savings accounts.

In Ontario, Manulife works with over 3,000 employers, unions and associations to provide almost half a million Ontario workers with registered workplace savings plans, including defined contribution pensions and group retirement savings plans.

On average, Ontario employees with access to a Manulife workplace savings account have an equivalent of 9% of their salary or wages deposited into their

registered workplace savings account each time they are paid.

These plans play an important role in helping workers achieve their retirement savings goals. The plans provide an easy and effective way to save for retirement, and they help ensure that these employees will have adequate income in retirement.

Fifty per cent of Ontario workers have access to a workplace savings plan. Approximately 15% of Ontario workers are self-employed and are generally not covered by workplace pensions or group savings plans. Of the remaining 35%, about half work for an employer with less than 50 employees.

PRPPs are designed to fill this gap and to provide the more than three million Canadians who are employed by small businesses with access to a workplace savings plan.

Large employers have human resources staff; small employers do not. It is usually the owner who has to think about things like pensions. Business owners are busy and they are not pension experts. They feel that setting up workplace savings plans are complicated and time-consuming. They also believe that pensions create an ongoing administrative burden.

PRPPs have been designed with small employers in mind. An employer with 50 employees can complete Manulife's online application process in under 30 minutes. After setup, Manulife takes care of interacting with employees, managing registration with the government and making all the annual regulatory filings. In a pension plan, these would be responsibilities of the employer. Most of the administrative burden has been shifted to the financial services company that provides the plan.

From the employee perspective, PRPPs have low costs and include savings options that automatically get more conservative as the employee gets closer to retirement. They are easy to understand, portable between employers and ideally between provinces, and offer access to guaranteed retirement income.

We believe that PRPPs have the ability to improve retirement income for millions of Canadians who do not currently have a plan and are therefore supportive of the bill. Thank you. That's it.

The Chair (Mr. Peter Tabuns): Thank you. Our first question, then: Ms. Munro.

Mrs. Julia Munro: Yes, thank you. In the analysis that you provided to us, and thank you for that, when you refer to people with 15 employees or fewer, is that—

Mr. Chris Donnelly: Fifty, five zero.

Mrs. Julia Munro: Fifty?

Mr. Chris Donnelly: Yes.

Mrs. Julia Munro: Okay—and that you would be able to do the paperwork in less than 30 minutes; is that correct?

Mr. Chris Donnelly: Yes. So, when they're setting up a plan, they can go to our website—there's no paper—and they can, in 30 minutes, enrol their employees and have the plan set up.

Mrs. Julia Munro: Because one of the features that we've identified with the PRPP is the fact that in small business, people don't have dedicated staff, and so relatively complex matters such as the details of a pension plan are not likely to be something that the owner really feels comfortable about.

Your support for this is certainly welcome, but the thing I wanted to ask you is: If this were to become accepted among the people who would be eligible, such as those under 50, would you be able to provide this across the country, or certainly across the province? Is that something your company would be able to do?

Mr. Chris Donnelly: Yes. We've been engaged in discussions with the government of Ontario, the federal government and all the provinces. I personally have been involved in discussions for probably about six years with regulators like the Financial Services Commission of Ontario and OSFI. Everybody has been working very diligently.

The Chair (Mr. Peter Tabuns): One minute left.

Mr. Chris Donnelly: The lack of coverage in the small business area is a recognized gap in the system. People have been very focused, and there has been, generally across all the political spectrum: New Brunswick, Nova Scotia—we've worked with the NDP government there and the government here in Ontario. People have been generally supportive of the concept of PRPPs.

The Chair (Mr. Peter Tabuns): Ms. Armstrong.

Ms. Teresa J. Armstrong: First, Mr. Donnelly, I'd like to thank you for coming today and presenting to the committee. One of my inquiries would be if you could further explain the differences between a PRPP and a group RSP, and whether there are any benefits to employees to have the additional option.

Mr. Chris Donnelly: Sure. A group RSP is more difficult to set up from an employer perspective: There is more paperwork, and there is more choice for the employer. The employer is still kind of the person who sets up the plan, so they have to choose the investment options; they have to make some choices.

PRPPs have been designed to be kind of off-the-shelf solutions: highly regulated and kind of in a box, almost. There's not a lot of choice in the product design, and that's a feature that employers wanted. They didn't want to have to make decisions about investment options; they're not investment experts or anything. So the providers work with the regulators—with OSFI and with the financial services commission—to design an investment portfolio that is appropriate for most people. That's one key difference.

Another key difference is that contributions to a pooled registered pension plan are not subject to EI or CPP. Group RSP contributions by the employer are subject to those payroll taxes or payroll contributions—whatever they are.

Ms. Teresa J. Armstrong: Can you describe the value of increasing the available options to Ontarians, and also answer if you would support the creation of a universal public plan—you had talked about the PRPPs being province-wide. On those two points, could you elaborate on the value of increasing available options to Ontarians and whether or not you would support creating a universal public plan?

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Chris Donnelly: I'll go with the last question, because I can't remember the first question. I think your question is about universality across Canada, or is it about—

Ms. Teresa J. Armstrong: Ontario, for our purposes.

Mr. Chris Donnelly: Ontario. In Quebec, the government has made a policy decision that employers should offer access to a workplace savings plan. One of the things about PRPPs that is particularly attractive to smaller businesses is that there's not a lot of administrative burden to set them up. Ongoing administration is maybe a couple of hours a year, and there's no required financial contribution.

In the US, for 401(k) plans, it's kind of similar—

The Chair (Mr. Peter Tabuns): I'm sorry, but your time is up for this questioner.

We go to the government. Ms. Albanese.

Mrs. Laura Albanese: Thank you for being here today, and for your presentation. You were mentioning that you've been in discussions for several years with different provinces, and I was wondering if you could elaborate on that.

Mr. Chris Donnelly: Sure. The PRPP kind of arose out of discussions between the federal government and the provinces—the finance ministers getting together every six months.

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Particularly after the 2008 financial crisis, there was a real concern around financial retirement and financial savings products. There was analysis done by the federal government and also by the government of Ontario that found that a significant minority of Canadians aren't saving sufficiently for retirement but that, overall, the system was working well for the majority of people. That suggested to folks that it didn't require a massive overhaul.

There were a number of solutions that could be targeted at certain problems. One of the problems was that small businesses don't offer access to savings plans, and workplace savings plans are very good because they're very simple for people. It's like if I never notice the income coming into my bank account, it's a lot easier for me to save, right? It's just taken off my paycheque. It never goes through my bank account, so I don't have to worry about cutting a cheque every month.

Mrs. Laura Albanese: And this would include the self-employed as well?

Mr. Chris Donnelly: Yes.

Mrs. Laura Albanese: Do you think that would benefit the self-employed as much as the small businesses or—

Mr. Chris Donnelly: It's interesting: The self-employed may choose to access a PRPP—there are some benefits to it. The self-employed also have access to other types of savings plans.

The Chair (Mr. Peter Tabuns): One minute left.

Mr. Chris Donnelly: It's our belief that it's going to be picked up more by the small business owner with a number of employees.

Mrs. Laura Albanese: Okay. Thank you very much.

The Chair (Mr. Peter Tabuns): Thank you very much, sir.

ONTARIO CHAMBER OF COMMERCE

The Chair (Mr. Peter Tabuns): We'll go to our next presenter, the Ontario Chamber of Commerce.

Gentlemen, as you've heard, you have five minutes to present, and then we rotate the questions among the parties. If you'd introduce yourselves for Hansard, we can begin.

Mr. Liam McGuinty: Hi, everyone. My name is Liam McGuinty. I'm the interim vice-president of policy and government relations at the Ontario Chamber of Commerce. I'm here with Scott Boutilier, who is a senior policy analyst at the OCC.

Bonjour. On représente la Chambre de commerce de l'Ontario. I just said that to keep her on her toes.

We're here on behalf of the Ontario Chamber of Commerce. We represent 60,000 businesses—every sector, every region, every business size—across the province. Scott will provide you with our full thoughts on the PRPP, and then we're happy to take your questions.

I think that, overall, our message today is that we're very supportive of Bill 57. We're very encouraged that the government has taken a step in the right direction on PRPPs, so we are very grateful for that. There are questions around parameters that we need to talk about, and we want to give you a sense, from our perspective—especially from the small business perspective—of why we think this is the right thing to do.

I'll pass it on to Scott.

Mr. Scott Boutilier: Thanks, Liam. As Liam mentioned, our mandate, really, is to promote a better business climate in the province and to champion policies that spur economic growth. So we're here to voice our support of this bill.

We're really pleased to see that the government is creating a legal framework leading to the establishment of a PRPP regime in Ontario for a few reasons. PRPPs are low-cost, flexible, professionally managed and transferable pension plans that will provide opportunities to those Ontario workers, including the self-employed,

who don't currently have access to any type of workplace pension plan.

Our first main reason, as I mentioned, is that PRPPs offer employers flexibility. Ontario businesses, as I'm sure you are well aware, are still recovering from the economic downturn. Growth projections for the province look promising, but our emergence is not yet assured, and businesses—at least some businesses—are still struggling.

PRPPs allow employers to adjust their contribution rates over time, to a certain degree. We consider this design feature as positive, because it recognizes and accommodates employers' changing financial circumstances and provides them with a degree of flexibility that just simply isn't available to them with other types of pension options.

Secondly, as I mentioned, PRPPs are low-cost. They're administered by a financial institution, and so employers have limited fiduciary responsibility vis-à-vis the performance of their investment options. This is quite different from other workplace pension plans where the fund is managed by the employer.

The low administrative burden of PRPPs is really what makes them such an attractive option to employers seeking to contribute to their employees' savings. This low burden is also why many small businesses, in particular, would be likely to view the PRPP more favourably than more conventional workplace pension plans.

The third reason why we like this bill and PRPPs in general is that they create economies of scale. By enabling financial institutions to offer pooled investment options to a multitude of employers, PRPPs facilitate economies of scale, which enable fund managers to offer high-quality, professionally managed funds to PRPP participants for a lower fee.

For all these reasons—low cost, economies of scale and flexibility—Ontario businesses are strongly supportive of the government's move to create a legal framework for PRPPs through this bill. In fact, in a recent survey of our membership, 86% of employers were in favour of Ontario pursuing this option. Really, to garner that level of support for any government initiative is remarkable, and so the government should be applauded for responding appropriately.

Thank you and happy to take your questions.

The Chair (Mr. Peter Tabuns): Thank you very much. Questions: to Ms. Armstrong.

Ms. Teresa J. Armstrong: Thank you for coming in today and presenting. I appreciate the opportunity to ask you some questions on your perspective on this. Again, could you provide further explanation about the differences between a PRPP and a group RSP and whether there's actually any benefit to employees to have this additional option as a retirement savings?

Mr. Liam McGuinty: Sure. The previous presenter from Manulife I think summed it up quite well. PRPPs are, for the most part, an off-the-shelf product. You can think of it that way. It's a simple choice for employers to make. The investment options are largely set, and it's not subject to payroll taxes, EI and CPP in particular.

Group RSPs: there's a little more paperwork involved. There's more choice in it for the employer, so the administrative burden is slightly higher. I hope I'm summarizing that well as I look over to my colleague from Manulife, but that is our understanding of the principal differences.

Ms. Teresa J. Armstrong: On that note, just to clarify, what are the administration fees under a PRPP, as we know what's proposed, compared to the group RSPs?

Mr. Liam McGuinty: I can't speak to that level of detail. I'm sorry.

Ms. Teresa J. Armstrong: Okay. Last question: If you see value in increasing available options to Ontarians, such as we're discussing, do you also support the creation of a universal public plan with regard to retirement?

Mr. Liam McGuinty: We've been on record in terms of our comfort with the various options out there for retirement savings, so I don't want to rehash what we've talked about previously. I would say that the PRPP is very much a welcomed mechanism to be injected into the retirement income savings landscape. If we were looking at universality between the options that exist out there—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Liam McGuinty: —strong preference is for an enhancement of the CPP. If we're looking at the universal options that are out there—and the reasons for that are fairly obvious, which is, it would affect every province equally. So we wouldn't be putting Ontario at a competitive disadvantage, and employers that operate in multiple jurisdictions wouldn't have an onerous burden when operating in one province versus the other. That's how I'd respond to the universality question.

Ms. Teresa J. Armstrong: Yes. Unfortunately, the federal government doesn't see it that way. Thank you.

The Chair (Mr. Peter Tabuns): Thank you, Ms. Armstrong. Ms. Albanese.

Mrs. Laura Albanese: Thank you for being here this afternoon and for presenting to our committee and sharing your views.

You mentioned that you have done a survey amongst the members of your chamber of commerce—and I don't know exactly how many members you have, so it would be good to know if you can say that in your response—86%; am I correct—

Mr. Liam McGuinty: That's correct.

Mrs. Laura Albanese: —were in favour?

Mr. Liam McGuinty: That's correct, yes.

Mrs. Laura Albanese: As we know, one of the key features of the PRPP is the voluntary participation and contribution by the employer. I don't know what kinds of questions were asked. Was there any indication of how many employers would be willing to contribute?

Mr. Liam McGuinty: That's a great question. Let me give you a bit of background on that survey. That was a February 2014 survey on PRPPs, so we're looking at about a year and change. When asked, "Should Ontario pursue options like PRPP?", 86% were in favour. I'm just

looking through the results now. I have them in front of me.

We had a question around, "Should employers who offer a PRPP be required to contribute to the plan?", which I think is very much in line, and the majority said no. Part of the reason why the PRPP is viewed much more favourably is because of the voluntary nature, as you suggested—

Mrs. Laura Albanese: The flexibility.

Mr. Liam McGuinty: And as Scott mentioned, it factors in employers' ability to pay. So a mandatory plan—you're an employer, you're going through tough times, you're still contributing no matter what. This gives you a little more flexibility. I understand the counterside of that, but I think you need to consider the Ontario context, which is that we're very much still in a recovery phase. This is aimed particularly at small businesses, which need that flexibility.

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Mrs. Laura Albanese: Okay. My question was more to get an idea of how many, in ideal circumstances, would be willing to contribute if they were not facing a difficult situation.

Mr. Liam McGuinty: That's a good question. I wish I had the answer to that question.

Mrs. Laura Albanese: Maybe in the next survey. In general, you stated that you think that this would be favourable and would be supported by small and medium-sized businesses in Ontario?

Mr. Liam McGuinty: We do one of the largest surveys of business opinion in the country, and this one had 1,000 respondents, which is pretty significant, actually. You're looking at an 86% support rate for a PRPP. That is extremely high. You rarely see that level of support for any of our survey questions, so that, I think, is something that the committee should take note of.

Mrs. Laura Albanese: Thank you very much.

The Chair (Mr. Peter Tabuns): Mrs. McGarry, you have 25 seconds.

Mrs. Kathryn McGarry: Just a quick question on the self-employed and how it might benefit somebody who is self-employed.

Mr. Liam McGuinty: I'm looking over at Chris here. My understanding is that the PRPP can be made available to the self-employed, so that would be a good aspect of the plan. I hope that's correct.

Mrs. Kathryn McGarry: Thank you.

The Chair (Mr. Peter Tabuns): Thank you, Mrs. McGarry. Ms. Martow.

Mrs. Gila Martow: I just want to thank you for coming in. I recognize you both from when you came together last time for deputations on the ORPP. I just want to reiterate that this has a lower administrative burden and less need for HR staff. It enables economies of scale due to the low fees, and increased flexibility, which means you can go across the country and change jobs with different employers. It can be voluntary; I put a question mark because I think Quebec isn't so voluntary. And the businesses support it.

What's the downside to having pooled pension plans versus a government-mandated pension plan with high administrative costs that is not flexible and not supported by the business community?

Mr. Liam McGuinty: Well, I'll let the government answer that question. There are a few things I want to make sure of. Quebec offers the VRSP. I believe enrolment is mandatory but contributions are not mandatory.

Mrs. Gila Martow: Okay. Flexible contributions.

Mr. Liam McGuinty: Yes. You have to offer the plan but you, as an employer, don't necessarily have to make contributions to that plan. That's how the VRSP works.

Interjection.

Mr. Liam McGuinty: Chris from Manulife is nodding. I take that as a good sign.

I think I know where you're getting—part of the question we need to think about is this comparability aspect of the ORPP. That's a question for the folks around this table: What's comparable and what's not? That will be something that we tackle over the next months and years, I would suggest.

Mrs. Gila Martow: Because I think our concern over here on this side of the table—and I want to remind everybody that my colleague Julia Munro introduced exactly this as a private member's bill—in what year?

Mrs. Julia Munro: In 2013.

Mrs. Gila Martow: In 2013, so just before I joined, I guess.

Our concern is that the government is going to be able to use this money to fund what they call investments, but it's not necessarily a good investment for people holding the pensions. We would like to see it invested by experts for the best return.

Mr. Liam McGuinty: Right. I think the point I would make again, with respect to the nature of the question, is: The reason this is so popular and other proposals are not as popular is because of the voluntary, flexible nature of it. As the previous commentator noted, you're looking at 30 minutes, maybe a couple of hours a year in administrative time. For a small businesses with two or three employees, that is extremely important.

Mrs. Gila Martow: Excellent. Thank you so much for coming in.

The Chair (Mr. Peter Tabuns): Thank you very much.

Mr. Liam McGuinty: Thanks, everyone.

ACTUARIAL SOLUTIONS INC.

The Chair (Mr. Peter Tabuns): Our next presenter is Actuarial Solutions. Sir, as you've heard, you have five minutes to present and up to three minutes of questioning per party. If you'd introduce yourself for Hansard.

Mr. Joe Nunes: Thank you. My name is Joe Nunes. I want to thank you for giving me the opportunity to speak to you about Bill 57, the Pooled Registered Pension Plans Act. I'm a fellow of the Canadian Institute of Actuaries. Prior to graduating from the University of Waterloo, I was a co-op student with the province of Ontario, report-

ing to the actuary responsible for the Ontario Teachers' Pension Plan and the Ontario Public Service Pension Plan.

In 1988, I joined Mercer full-time, followed by work at a boutique consulting firm in Scarborough, finally establishing Actuarial Solutions, where I am president, in 1998. My company provides actuarial, consulting and pension administration services to clients ranging from small businesses to multinational corporations.

My entire career has been spent working in the area of pensions, where I have gained considerable experience both with defined benefit and defined contribution plans. I am making this presentation as a qualified professional with expertise in the area of pensions.

I understand that the government of Ontario is concerned that Ontarians are not saving enough for retirement. I also understand that the government would like to make saving for retirement more cost-effective for Ontarians. While I appreciate what the government is trying to do, I have a number of concerns with this approach.

First, there is no clear strategy. The government is in the process of consulting with the pension industry on target benefit plans and is moving ahead at the same time with both pooled registered pension plans and the Ontario Retirement Pension Plan. There is no clarity within the industry on how all these pieces are expected to fit together. Plan sponsors have no sense of direction on what they should do to assist employees in securing an adequate retirement income.

Second, it's my understanding that one of the key objectives of PRPPs is to provide more cost-effective governance and investment structure for employer-sponsored retirement savings. It is unclear to me how adding another program to the landscape and further spreading assets among administrators and investment managers will achieve this goal.

Third, pooling of assets on a larger scale has the potential to reduce costs per dollar invested. However, larger funds tend to develop specialized investment arms focused on large-scale investments that justify the size of their assets and also develop increasingly complex governance structures. These larger management structures will offset some or all of the expected efficiencies.

Fourth, larger programs with leaner administration provide less customized investment options and retirement planning services to members. In the end, I am convinced that pension plan members need more help in planning for retirement, not less.

In order to make sense of everything, it's my recommendation that the government of Ontario take the following steps:

(1) Clean up the existing legislation for defined benefit plans. That means simplification, harmonization with other provinces and the elimination of Ontario-only ideas such as "grow-in." Solvency funding also needs a fresh look. Well-intentioned efforts by the government to provide adequate benefits and to protect the benefits of members of defined benefit plans have introduced enormous complexity into these programs and have made the

cost of funding these programs highly unpredictable. Pension plans were not intended to be insurance companies, and the continued push by regulators in that direction is putting private sector defined benefit plans out of business.

(2) Move more quickly on allowing private sector employers to sponsor target benefit plans. These plans provide members with pooling of investment and longevity risks, but do not place these risks on employers.

(3) Make plan member participation mandatory once an employer offers a PRPP. Without mandatory member participation we will be creating another separate program with partial participation, thus limiting the pooling of assets over which costs can be spread.

(4) Defer the introduction of the Ontario Retirement Pension Plan until the foregoing improvements in the system have been made and given time to take hold.

Thank you for considering my comments. I will be happy to answer your questions.

The Chair (Mr. Peter Tabuns): Thank you, Mr. Nunes. First question to Mrs. Albanese.

Mrs. Laura Albanese: Thank you very much for being here this afternoon and for sharing your views with the committee.

I see here that you have at least four specific recommendations. I was wondering if you could elaborate a bit on point number one, “Clean up the existing legislation for defined benefit plans.”

Mr. Joe Nunes: If you look back, I started in this business in 1986, and we were having Bill 170 to amend the Pension Benefits Act of Ontario. Again, there were hearings at that time and, I think, well-intentioned efforts to improve the minimum benefits that members would receive, so moving from 45-and-10 vesting to two-year vesting; and in theory, even the act originally provided for indexation of benefits—so a lot of good ideas. But in practice, those ideas, combined with more rigorous insurance company-style funding regulations around solvency, just pushed these plans into higher and higher costs, not only the cost of funding the benefits but the cost of administering the complexity, especially since every province went in a slightly different direction.

Mrs. Laura Albanese: I see. Would you agree that the implementation of the PRPP would be beneficial to the self-employed and for small businesses? Does it address a gap, in your view?

Mr. Joe Nunes: Yes, I think definitively the PRPP—self-employed I’ll leave out; it’s probably good for them, but for small business, I think it is a really good answer.

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You heard from previous speakers that there is a massive administrative efficiency in the PRPP model for an employer to sign on and spend a few hours a year playing their role. It’s not been said by the prior speakers, but the magic in the PRPP is that you’re transferring the fiduciary responsibility of the administrator—

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Joe Nunes: —from the employer to the carrier, which could well be one of our large insurance companies. I would argue that those large insurance companies are better equipped to play that role than the average employer running some sort of a widget factory.

Mrs. Laura Albanese: One last comment on your point number three: “Make plan member participation mandatory once an employer offers a PRPP.”

Mr. Joe Nunes: Right. There have been questions about RSPs, etc. The big challenge in retirement savings—I think Harry Arthurs, when he had his commission, looked at this—is, how do you accumulate large buckets of assets so that you can spread costs over those buckets? You start adding another program somewhere where partial groups participate and you’re not going to get the large assets. At the same time, if the government’s concern is that people aren’t saving—

The Chair (Mr. Peter Tabuns): I’m sorry to say that we’ve run out of time with these questioners. I have to go to the opposition. Ms. Munro.

Mrs. Julia Munro: Can I ask you to finish the sentence?

Mrs. Laura Albanese: Thank you.

Mr. Joe Nunes: Oh man, I lost my thought.

Mrs. Laura Albanese: “At the same time”—

Mr. Joe Nunes: At the same time, if what the province is concerned about is that people aren’t saving for retirement, making another program that’s voluntary for people to maybe go in and maybe not go in, you’re just not going to help the people who probably need the most help, which are the people who refuse to save, unless forced to save.

Mrs. Julia Munro: Thank you very much for your presentation here today. It sort of opens up the issue beyond, immediately, the PRPP. I wanted to ask you: When you talk about there being no clear strategy, does that somehow rest on the issue in the Ontario pension legislation of a comparability that hasn’t been defined for us? Is that an issue in terms of the strategy?

Mr. Joe Nunes: There are several issues. One is that originally maybe the strategy was to expand the Canada Pension Plan. Now we have an ORPP. We’re not really clear on what’s in and what’s out in terms of exclusions. We’re not really clear if an employer should be setting up. At this point, employers are sitting on the sidelines, unsure if they should set up a defined contribution plan, because they’re not sure how it fits the whole landscape.

Then there’s the whole issue of target benefit plans, which New Brunswick has marched ahead with. That’s a very viable vehicle in some sense for some employers. It would, in theory, under the current proposal, be excluded from the ORPP, so I think employers are interested in that, but they don’t know what the rules are or how to get there.

Mrs. Julia Munro: You mentioned something about optimum size—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mrs. Julia Munro: —in the second bullet point, where you indicate that it’s unclear how adding another

program—so I took from that the challenge of an optimum size. Does the PRPP really hinge on an optimum size, or can it be delivered successfully to a wide—

Mr. Joe Nunes: In fairness, the gentleman from Manulife is a better person to answer it, but I think I agree with what he's saying, which is that for small employers with two, three or five employees, the PRPP is going to become the ideal vehicle to help their employees save for retirement. The employer is going to have a lot lower administrative burden as compared to either a group RSP or any sort of traditional registered pension plan.

The other thing that I think may not be clearly said in my presentation is that it's a little bit of a myth that if we pool all the assets into bigger and bigger piles, we're going to get a massive—

The Chair (Mr. Peter Tabuns): I'm sorry to say, but you've run out of time again. You're very thorough. I appreciate that. We'll have to go to Ms. Armstrong.

Ms. Teresa J. Armstrong: Thank you, Mr. Nunes, for coming in. I appreciate your expertise on this because you've really elaborated on the PRPP from the other two presenters, on some of the pros and cons. But one particular item I wanted to look at was number two in your four suggestions at the end of your presentation: "Move more quickly on allowing private sector employers to sponsor target benefit plans." Can you describe why you think that is an important piece in the pension planning process, allowing the private sector to move more into the targeting of benefit plans? Because we've got the defined contributions and then defined benefits. Can you just clarify?

Mr. Joe Nunes: Sure. In a nutshell, defined benefit puts the investment risk back on the employer. Employers have pretty much told us for 20 years that they're not interested in that investment risk anymore and are working their way out of defined benefit plans. It's disappointing to me, but a fact.

Defined contribution plans put the investment risk not only on the employees but on each individual one at a time, based on their pool of assets and the investments selected for them either by themselves or by an adviser.

The target benefit plan is the middle ground. The target benefit plan is the ground where people can pool all of that investment risk among a series of investments, hire more capable advisers to manage a bigger pool of assets than their \$5,000 or \$10,000 or \$50,000 that they have on their own, but the risks don't shift back to the employer. The employer can sit back and say, "Okay, this fund will get managed by prudent people for the benefit of the employees but they'll share the risk." It's an insurance concept of pooling and it fits nicely in that spectrum of defined benefit versus defined contribution.

The ORPP is intended to be that kind of pooling thing. The difference is, rather than shifting it to the employer you shift risk to the taxpayer.

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Teresa J. Armstrong: If you'd like to add anything else in your minute, feel free.

Mr. Joe Nunes: No. I wish you all the best.

Ms. Teresa J. Armstrong: Thank you.

The Chair (Mr. Peter Tabuns): Thank you. Thank you Ms. Armstrong.

Mr. Joe Nunes: Thank you.

CUPE ONTARIO

The Chair (Mr. Peter Tabuns): Our next presenter then is CUPE Ontario. Wynne, as you may have observed, you get five minutes to speak—

Ms. Wynne Hartviksen: Yes, and you'll cut me off.

The Chair (Mr. Peter Tabuns):—up to three minutes per party. I'll give you a one-minute warning.

Ms. Wynne Hartviksen: Thank you. My name is Wynne Hartviksen. I'm the executive assistant to the president of CUPE Ontario, Fred Hahn. Fred is at a number of day-of-mourning events today and sends his regrets for not being able to address the committee on Bill 57 personally.

CUPE Ontario, as many of you know, represents 240,000 workers across the province in health care, municipalities, school boards, universities and social services.

CUPE Ontario is opposed to Bill 57, which enables pooled registered pension plans, or PRPPs, first introduced by Stephen Harper's federal Conservatives to stop the push for an expanded CPP. Our primary reason for opposing Bill 57 is that we believe it falls into the political trap set by Stephen Harper, whose government wants nothing more than to stop provincial efforts—originally led by Ontario—to expand the Canada Pension Plan.

Unlike Mr. Harper, CUPE members know that the expansion of CPP is critical to workers' retirement income security all across the country. Our members have been proud to support the Canadian Labour Congress's campaign to double the CPP to ensure a better minimum pension for all Canadians, financed through a modest and gradual increase in contributions over seven years. A better minimum pension for all in a publicly run system that is universal, has a defined benefit and is portable across Canada: That's what CPP expansion is. It's what we need. The current provincial government has acknowledged that an expansion of CPP is the preferred method for dealing with retirement income security.

We all know there is a looming crisis. We all know Ontarians are not able to save enough on their own for retirement. We all know that voluntary, private savings vehicles like RSPs have not proven the answer to ensuring retirement income security for the vast majority of workers. Why do we think PRPPs would be any different?

In CUPE, we also know that private investment vehicles like RSPs and PRPPs have higher financial service costs and, frankly, seem designed to deliver investment returns into the hands of banks and the financial

services industry rather than into workers' pockets at retirement.

We know that PRPPs, as envisioned by this legislation, require no obligatory employer contribution and thus, for average working and middle-class Ontarians, would likely not result in contribution levels required to ensure retirement income security.

We know there is no defined or guaranteed benefit in a PRPP, so really, why are we here? Why is Bill 57 before us? Who exactly does it benefit to enable Mr. Harper's PRPP scheme to thwart CPP expansion? Other than the Prime Minister, it does seem that the financial services industry could benefit.

While only a minority of Canadians put away money in voluntary savings vehicles like RSPs and tax-free savings accounts, there still is money to be made charging them fees for doing so. In fact, from everything from ATM fees to investment fees and brokerage charges, the financial services industry has done a pretty good job of creating vehicles to service-charge their way to record profits. Do they really need another one? If, as the case has been made by some, small businesses that don't have workplace pension plans want to offer their employees some type of pension, wouldn't an expanded CPP or a universal ORPP be the better vehicle?

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CPP would be cheaper. It offers more security. It has no extra administrative burden because small business employers are already paying the CPP. It has a defined benefit which guarantees workers retirement income security. If retirement income security is your primary goal, the CPP is a far better vehicle than PRPPs. If we can't achieve that, then a universal, mandatory ORPP is a better vehicle than PRPPs.

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Wynne Hartviksen: Sure. Thanks. CUPE Ontario does not consider PRPPs to be pension plans. The plans are not mandatory, employees may opt out of them individually, and there are no contribution obligations and no real benefits upon retirement.

It's not a pension plan, yet Bill 57 proposes amending the Pension Benefits Act to include PRPPs in the legal definition of pension plans in Ontario. By enacting Bill 57, the government is legitimizing the PRPP as a real pension plan, which will have significant political consequences and further jeopardize the push to expand the CPP.

That is, we believe, precisely the trap the federal Conservative government wants Ontario to walk into. We ask the government to avoid the trap and to not pass Bill 57.

The Chair (Mr. Peter Tabuns): Thank you. The first question goes to Ms. Martow.

Mrs. Gila Martow: Thank you so much for coming in and for your talk. Fred Hahn was here to speak on the ORPP, and what I recall him stating is that he felt that employees can't afford to contribute more than employers. He's worried about job losses, was what he had said. He did speak favourably about expanding the CPP.

We've been hearing hours of deputations on pensions in general, and what it seems to come down to is that nobody wants employees to have to pay, nobody wants employers to have to pay and nobody wants the taxpayers to have to pay. So it's a little disappointing that we can't just focus on kick-starting the economy, getting energy rates down and getting some well-paying jobs. Then, obviously, I think that most employers do want their employees to have a pension plan because they feel, in a competitive job market, that it's actually another vehicle to hold onto good employees.

So I just wanted you, in your experience with CUPE—do you feel that by offering a pension plan in a competitive job market, where there is a need for skilled workers, we see that there are good pension plans offered?

Ms. Wynne Hartviksen: I just want to clarify the point around Fred's position on Bill 56. I was actually here with him at the hearings and I am well aware of CUPE Ontario policy on the issue, passed by our members, democratically, at our convention, which says that we actually favour a mandatory, universal ORPP if we can't expand CPP—which includes our members, many of whom contribute to workplace pension plans of all varieties—

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Wynne Hartviksen: —actually contributing more money. Our members made that decision. They understand that. They do want their employers to match it as well, as we see is only fair, but they actually want to pay more. They want into the ORPP. They don't want to be excluded from it, because they know—

Mrs. Gila Martow: Why? I'm sorry—

Ms. Wynne Hartviksen: —ultimately, it's better for them as workers.

Mrs. Gila Martow: Okay, so I'm just going to side-track a little bit. Why is it only fair for the employers to match the contributions or to contribute as well?

Ms. Wynne Hartviksen: Because that's actually the contribution that's needed. The entire pension promise and retirement income security can't rest solely on individual workers. It must be a collective purchase by all of us for our own economic security as people move into retirement. We've seen the impact of defined benefit pension plans economically in communities all across Ontario, from big to small. So actually, having us all contribute, we understand in CUPE, helps us all do better in the end.

The Chair (Mr. Peter Tabuns): I'm afraid you're out of time. Ms. Armstrong.

Ms. Teresa J. Armstrong: Thank you very much for coming in today and giving the workers' perspective and how it's important to collectively contribute to pension plans in general for the success of the pension plans' outcome.

You've very much clearly described that if we can't have a better CPP enhancement, ORPP universally would probably be the best option to do that. But could you

describe what the feeling is about this bill, the PRPP, if it's passed, and how it would be harmful to the ORPP?

Ms. Wynne Hartviksen: Well, I think on a couple of levels. First of all, a number of other speakers have talked about the comparability question. While the current finance minister has said that PRPPs would not be considered comparable under the current plan, it doesn't mean that one day they won't. They don't offer the type of retirement income security that a universal public plan would, so there would be that.

I also think that this is a political game. PRPPs were a political invention at a federal level—that's what they were—to try to avoid the rightful push from provincial governments, from citizens and from workers for an expanded CPP, which has proven to be the best retirement income security vehicle in Canada that we've ever had.

I think that by enabling this and allowing the critics of CPP expansion to say, "See? There's something else. You can voluntarily opt into it and it will all be fine"—even though your employer isn't going to contribute, and even though you probably won't have contribution rates that will get you the income you need in retirement. It's a bit of a show. I truly don't understand why we're here. I don't know why we need this vehicle when RRSPs, group RRSPs, which oftentimes allow you access to mutual funds and all those other financial services options, are available.

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Teresa J. Armstrong: So based on that, quickly, then, do you believe that PRPPs fill any existing gap in our retirement security system right now? Is there any benefit to having a PRPP exist?

Ms. Wynne Hartviksen: No, not when you consider that there could be an expanded CPP that would actually better fit the concerns, in particular for small businesses and those who are not covered by any kind of workplace plan.

Ms. Teresa J. Armstrong: And the people that you represent, they've expressed that the PRPP is not an option that they see as viable?

Ms. Wynne Hartviksen: By motion of our convention.

Ms. Teresa J. Armstrong: I wasn't here for the whole committee, but it would be interesting to see if people who are going to be participating actually came and gave deputations on their thoughts. Thank you very much.

The Chair (Mr. Peter Tabuns): Okay. Thank you. Ms. Albanese?

Mrs. Laura Albanese: Thank you for your presentation, for appearing before our committee this afternoon, and for talking about your union's view or approach on how to solve this retirement crisis that we face here in Ontario—and at least I know that you agree with that. We do appreciate your comments about the CPP and how beneficial it would be to have an enhanced CPP.

My question, I guess, would be: How do you see the self-employed function in a situation without an option of a PRPP?

Ms. Wynne Hartviksen: There are some mechanisms for the self-employed to opt into the CPP, which, ultimately, again, given the portability—the ultimate portability of any pension plan is the CPP, because it travels with you wherever you go across Canada. It travels with you if you're self-employed today, employed in a private sector employer 10 years from now and 10 years after that employed working for the government of Ontario. The CPP is with you through that whole journey in your work life experience.

We know that over the course of people's careers there are those pieces of movement. Given that, the universal plan, and in particular opening it up to more self-employed people—there are a number who I understand are currently excluded—would be our preference.

Mrs. Laura Albanese: You've heard from different members in the government saying, "This is just another tool. This is another vehicle that is trying to address a gap." I know that you've answered this before to one of my colleagues here at the committee, but you don't see any benefit to the PRPP?

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Wynne Hartviksen: Ultimately, the PRPP attempts to build a pool, right? Obviously, the CPP—or, if we can't get the CPP expanded, a universal ORPP—is a much bigger pool than anybody could ever access in any kind of private plan, whether it was a pooled plan or not. I do think that under the current RRSP system—which, again, we're not particularly enamoured with either, and nor are many members of ours who have that as their only workplace pension—there are a number of investment vehicles already.

I understand the argument about administrative burden. If that is your number one argument, then the expanded CPP is the easiest way to ease an administrative burden.

Mrs. Laura Albanese: Yes. Unfortunately, we don't have a partner in that.

Ms. Wynne Hartviksen: If that is the case, then a universal mandatory ORPP is our next option.

The Chair (Mr. Peter Tabuns): Okay. Thank you very much.

Ms. Wynne Hartviksen: Thank you.

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CARP

The Chair (Mr. Peter Tabuns): The next presentation is from CARP: Ms. Eng. As you may have seen, you get five minutes to present and then we rotate questions of up to three minutes per party. Please introduce yourself for Hansard and begin.

Ms. Susan Eng: Thank you. My name is Susan Eng. I'm vice-president for advocacy at CARP.

Thank you, Mr. Chairman, for the opportunity of presenting before the committee on pooled registered pension plans. We have put in a submission in the past when there were consultations, and our bottom line at that time was that PRPPs serve a role in the larger landscape of providing retirement savings vehicles for Canadians. You will have heard from other deputants that there is an absolute need now to provide that additional tool. The question is, which is the best one, which is the one that you want to spend a lot of public monies in setting up, and what is best for the average Canadian?

People who have good access to ready funds will do well enough with RRSPs, and indeed they are the ones who are taking up the 5% of available tax-free room in RRSPs. They will do well or not well according to their individual circumstances. But for the average worker who has a little bit left over from a paycheque, the only way they can participate in an efficient retirement scheme is within a pooled system. That was the original thinking of the PRPPs.

But in addition to pooling, there's a need for employer contributions, which leverages the amount you're able to save for your retirement. It's the only way you can do this cost-effectively. It was said by the former chief actuary of the CPP that the contributions we make to that plan and for the pension that we get afterwards is the best deal in town in terms of investment efficiency. So it goes with things like PRPPs or the ORPP.

In the case of the PRPP, what would make it better would be the following aspects: if it had a defined benefit component—and with an individual plan like this, that's difficult. You'd have to put in annuitization. It should be mandatory in order to get the critical mass that's going to be necessary to create a large enough fund to have any of the economies of scale and bring down the costs as much as possible. Indeed, the potential private sector administrators of these plans are hoping that you will make it mandatory enrolment in the first instance, and of course mandatory employer contributions is something that will make it more meaningful.

When we polled our members as to why it is they like CPP over the other options on offer, a large part of them—of course, it was something they knew and they could rely upon. But also important to them, of all the different aspects of the CPP—the defined benefit option, the fact that it was mandatory and so on—the most important aspect was the mandatory employer contribution, for obvious reasons. It helps lever the contributions you make.

The kind of savings that we're talking about through a large universal scheme is really a result of the tyranny of arithmetic. You can only save at this level, and that efficiently, if we all do it together at a cost-effective level. Individually, it would cost more to save the same necessary amount for you on retirement than it does in a pooled fund. That's just the way it is.

So if we're going to craft a new option in the pension landscape, what should we do? Do we do something that's marginally better than what there is now? We have

the advantage that it will be marketed within an inch of an its life because of the providers who are interested in the business. But besides that, it won't have an awful lot to offer itself.

The collective plan that's being proposed by the Ontario government in the ORPP is an improvement in the sense that it does have mandatory contributions—

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Susan Eng: —and its universality. Of course, I would agree that at the modest increase, the CPP is the best option of all, but that's not on the table.

I think there's an opportunity here, if you feel the need to go ahead with the PRPP, in light of the advances with the ORPP and the opportunity, possibly, with the CPP: again, that it can be improved to make it much more effective as a retirement savings vehicle.

The Chair (Mr. Peter Tabuns): Okay. Thank you very much. First questions go to Ms. Armstrong.

Ms. Teresa J. Armstrong: Thank you very much for presenting. So you're with CARP. I'm assuming you've surveyed your members?

Ms. Susan Eng: Yes, we have.

Ms. Teresa J. Armstrong: And you talked about that they felt the defined benefit was the better approach—

Ms. Susan Eng: Yes.

Ms. Teresa J. Armstrong: —and better outcomes, I think, in retirement in the end. Do you believe the passage of this bill, the PRPP, would be a disadvantage for the ORPP? We've heard some people talk about the confusing system—

Ms. Susan Eng: It is. I think that it adds confusion and complexity to the landscape. The net possible result of this is that when the ORPP becomes law, then nobody will buy a PRPP. The industry will not be able to sell enough of it, as people think they only have so much room or extra money to set aside for retirement. That's what will happen. So it's an awful lot of effort for negligible results.

Ms. Teresa J. Armstrong: Okay. So if I could take the liberty of saying that you don't see that the PRPP is actually going to fill any existing gaps in the retirement plans, that if ORPP passes, what, then, is the purpose of the PRPP?

Ms. Susan Eng: I'll tell you that, from where I stand—which is from the standpoint that, until a couple of years ago, every government said that there's no need to help Canadians save for retirement at all; we need to do nothing—the fact that something is on the table is an advance on the status quo. I'm going to give it that much. The fact that we've talked about it endlessly for the last three or four years means that more people are paying attention to the need to save. So already we have added value to the status quo. That's another thing. But having this legislation doesn't really add much.

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Teresa J. Armstrong: Okay. Thank you for your contributions.

The Chair (Mr. Peter Tabuns): Okay. Thank you. Ms. Albanese?

Mrs. Laura Albanese: Thank you for appearing before our committee and for sharing a bit of the views of the members of CARP.

I was trying to read through the letter that you have provided to us. One of your recommendations is to make “mandatory minimum employer contributions to leverage participation.”

Ms. Susan Eng: Correct.

Mrs. Laura Albanese: Do you have an idea of what that minimum could be?

Ms. Susan Eng: Well, given the space that we have to go, at this point, experts are telling us that we need to enter into a pension arrangement that allows us to draw down post-retirement income of nearly 60% to 70% of our pre-retirement income. So the arithmetic requires us to make nearly 18% of current salaries into a collective, or pooled, pension vehicle, and that indeed is what people who have good retirement incomes do. We might begrudge them the apparently gold-plated pensions they have, but that’s what they have paid during their working lifetimes. So, between where we are today and where those people are contributing—some 9% through the CPP, up to a certain maximum—we have a ways to go before we match that.

At the present time, there has been conversation around a modest increase, ill-defined, but approximately 10% to 15% more coverage. And the cost of that, at least under the ORPP, is approximately 3% more, combined between employer and employee. That’s approximately the immediate step.

The Chair (Mr. Peter Tabuns): One minute left.

Mrs. Laura Albanese: I see in “Correcting the Course on the PRPPs,” you do comment that “there is no guarantee against high costs and fees.” So you would encourage us to—

Ms. Susan Eng: To regulate.

Mrs. Laura Albanese: —to look at that.

Ms. Susan Eng: I would encourage you to regulate. The providers indicate that if they get a large enough fund, they too can provide their advice at a reasonable fee, and if you work with industry to identify what that fee cap can be, you can regulate. That would give some comfort to a lot of people. Given the experiment in Australia, where they did not regulate fees, people’s earnings were wiped out by fees.

Mrs. Laura Albanese: Okay. Thank you very much for your comments and for presenting to us today.

Ms. Susan Eng: Thank you.

The Chair (Mr. Peter Tabuns): Thanks, Ms. Albanese. Ms. Munro?

Mrs. Julia Munro: Thank you for bringing your perspective here today. From this, I take it that this is kind of a qualified endorsement that you’ve done. I guess

one of the things that’s really important about this plan—pooled registered pensions—is, as you mention in your brief, that it’s cross-Canada. This is certainly something that, when you’re looking at the Ontario plan, is limiting, not only because of the fact that it is Ontario, but one of the concerns that has been raised is that it puts Ontario in a non-competitive basis when there’s the burden of the contribution rates and things like that. So I think that people recognize that in putting forward both of these legislative initiatives, they serve a different group.

We heard earlier the importance of providing something for somebody with fewer employees and that these are the people that have been most at risk. I think that by providing two elements to that, it can be provided very economically, and certainly I would think that any initiative, if not regulated, would certainly be by commercial agreement in terms of providing the service. There’s going to be that kind of cost containment for people. And the idea that it’s 30 minutes on the phone or online would be the kind of expectation for an employer.

So I think that the suggestions that you’ve made are certainly ones that the government should look at—

The Chair (Mr. Peter Tabuns): You have one minute left.

Mrs. Julia Munro: My final comment to you would be if you simply would comment on your membership. Has there been any specific discussion on the PRPP?

Ms. Susan Eng: We do on several levels. One is that they pay close attention to these discussions, and we survey them on a frequent basis. We also have chapters across the country—60 chapters across the country, two thirds of them here in Ontario, and at chapter meetings these issues have come up in great detail. So our members are very well versed in the different types of options and which are more preferable to the others.

I can tell you that by bringing together that information, there is strong support, first of all, for some kind of collective pooling of dollars to provide for their own retirement. They see that as critical. They are most supportive of a CPP, or anything that looks like the CPP, and they recognize the differences. They are—

The Chair (Mr. Peter Tabuns): I’m sorry to say, Ms. Eng, you’re out of time.

Ms. Susan Eng: Okay. Fine.

The Chair (Mr. Peter Tabuns): Thank you for your presentation today.

Ms. Susan Eng: Thank you.

The Chair (Mr. Peter Tabuns): Members of the committee, a reminder: Pursuant to an order of the House, the deadline to file amendments to the bill with the committee Clerk is 5 p.m. tomorrow. That’s Wednesday, April 29, 2015.

This committee stands adjourned until 2 p.m. on Monday, May 4, 2015.

The committee adjourned at 1703.

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