



ISSN 1710-9477

**Legislative Assembly  
of Ontario**

First Session, 41<sup>st</sup> Parliament

**Assemblée législative  
de l'Ontario**

Première session, 41<sup>e</sup> législature

**Official Report  
of Debates  
(Hansard)**

**Monday 27 April 2015**

**Journal  
des débats  
(Hansard)**

**Lundi 27 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

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

## STANDING COMMITTEE ON SOCIAL POLICY

## COMITÉ PERMANENT DE LA POLITIQUE SOCIALE

Monday 27 April 2015

Lundi 27 avril 2015

*The committee met at 1400 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 for 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 2:45 p.m. today, and also that written submissions have been distributed to members of the committee.

Each presenter will have up to five minutes for their presentation and up to nine minutes for questions from committee members, which will be divided equally among the three parties. When we get to it, we'll be starting the rotation with the official opposition. I will normally give you a one-minute warning when you're running out of time.

### CANADIAN LIFE AND HEALTH INSURANCE ASSOCIATION INC.

**The Chair (Mr. Peter Tabuns):** Our first presenters are the Canadian Life and Health Insurance Association Inc.: Leslie Byrnes, vice-president. Would you like to introduce yourself for Hansard? Please begin.

**Ms. Leslie Byrnes:** Good afternoon. My name is Leslie Byrnes, with CLHIA, and I'm accompanied by my colleague Ron Sanderson.

Mr. Chair and members of the committee, it's my pleasure to speak to you this afternoon on behalf of the Canadian Life and Health Insurance Association to share our views on Bill 57, an act to create a framework for pooled registered pension plans.

The CLHIA is a voluntary association whose member companies account for 99% of Canada's life and health insurance business. The industry has over \$240 billion of

investments in Ontario, making it one of the largest investors in the province's economy. The industry administers about two thirds of Canada's pension plans, primarily defined contribution plans for small and medium-sized businesses. In Ontario, we administer 18,000 workplace retirement plans for over 2.2 million workers.

At the outset, we would like to commend the government for introducing Bill 57. We know that Canada's three-pronged retirement income system has on the whole been highly successful, but we also know that a pension gap has emerged for some Canadians. Research consistently identifies that gap as mid-income workers who do not have access to workplace retirement plans and aren't saving sufficiently on their own.

Those working for small to mid-sized companies are most likely to be affected. Statistics Canada data shows that 82% of workers with employers of 500 or more workers have workplace retirement plans. That percentage falls to 26% for employers with 100 to 499 workers and falls even further as workplaces get smaller. In Ontario, 54% of workers are at workplaces with under 500 employees.

We believe that Bill 57 and PRPPs will help to close the pension gap and will make a fundamental difference to the retirement savings landscape for Ontario workers. The key factors that will contribute to this success will be: These are plans that are offered at the workplace, where it is easiest to save through a payroll deduction; unlike other voluntary retirement options, they have built-in behavioural nudges like auto-enrolment—in other jurisdictions, like the UK and the US, experience has shown that only about 15% of people choose to opt out; funds invested in a PRPP are locked in for retirement; they make it easy for small and mid-sized businesses, as well as the self-employed, to participate; and by pooling many businesses together and keeping the design simple, PRPPs will have economies of scale that allow them to be delivered at low costs. This means more savings for workers.

Ontario joins Quebec, BC, Alberta, Saskatchewan, Nova Scotia and the federal government in moving forward with this important initiative. If PRPPs are to realize their full potential, it will be important that they have national scope and they have scale. Clearly, having Ontario on board is important to the success of PRPPs across the country.

If there is one area where Ontario might improve upon Bill 57, it would be to take a page from the Quebec

model. When Quebec introduced its version of the PRPP, the voluntary retirement savings plan, or VRSP, it took it one step further. Quebec reasoned that if a primary driver of undersaving for retirement is access to workplace retirement plans, then the public policy objective of improving Quebecers' retirement readiness would best be met by requiring employers to offer some form of workplace retirement plan. They don't require that all employers offer the VRSP, but they do require that all employers with five or more employees offer some form of workplace retirement plan. The system is being phased in over several years by size of employer, starting with the largest.

With Ontario moving forward on various initiatives to improve retirement savings, including the ORPP, it will be important that these be coordinated in such a way that they can be optimized. If the government chooses not to recognize PRPPs as comparable plans for the purposes of the ORPP, this could have the effect of neutralizing PRPPs before they even have a chance to get off the ground. That would be a shame for Ontario workers without workplace plans.

In conclusion, we believe PRPPs can have a very positive impact on the retirement readiness of Ontario workers. We urge the government to move forward with Bill 57 and to ensure that PRPPs are not handicapped by restrictions imposed by ORPP legislation. We would also strongly urge Ontario to consider the universal access approach that Quebec has taken.

Thank you, Mr. Chair, for the chance to appear before the committee today.

**The Chair (Mr. Peter Tabuns):** Thank you as well. First rotation to Ms. Martow.

**Mrs. Gila Martow:** Thank you very much for your great presentation. I would just ask you if you have any other concerns. We've been hearing deputations about a universal Ontario-only pension plan and that these plans would not be considered comparable. If you can elaborate on your concerns.

**Ms. Leslie Byrnes:** Yes, certainly. I believe we've appeared before this committee on exactly that point. We think the Ontario government has shown a commitment to both the ORPP and PRPPs, and we think it's really important that they both be given a chance to meet their objectives. PRPPs are very specifically directed at the undersaving cohort and workplaces without retirement plans. It makes it easy for them to save. Experience has shown as well with existing DC plans and even group RRSPs that average contribution levels are fairly significant both for employers and employees.

So not making them comparable and not giving a chance for employees to save at a much higher rate and instead forcing them into only the ORPP will, in effect, have a more negative outcome on the retirement income of that worker.

**Mrs. Gila Martow:** We keep hearing that it needs to be universal; it needs to be universal if there's an Ontario plan. I think it's because they want some workers to be able to carry workers who aren't able to contribute

maybe as much, but there's no recognition that some people's pensions will be less if they lose these kinds of options and that you're trying to help some people by hurting other people.

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

**Mrs. Gila Martow:** I just wonder if you have any comments on that. If this wasn't considered comparable, what percentage of people would be hurt?

**Ms. Leslie Byrnes:** Well, we know that not recognizing existing plans affects 2.4 million workers: the 2.2 million that our industry covers and another 200,000. So we know it affects that.

**Mrs. Gila Martow:** In just Ontario?

**Ms. Leslie Byrnes:** In just Ontario. We know also from surveys that we've done that about three quarters said they would consider reducing their existing contributions to existing plans, and two thirds said they would even think about whether or not they'd keep their existing plans.

**Mrs. Gila Martow:** So it's very harmful to people who, right now, have a great plan. Thank you.

**Ms. Leslie Byrnes:** Thank you.

**The Chair (Mr. Peter Tabuns):** Ms. French.

**Ms. Jennifer K. French:** Thank you very much for joining us here at Queen's Park today. I've appreciated your input, and I have some specific questions because you're certainly the person to ask. You have said that PRPPs will make a fundamental difference to the retirement savings landscape for Ontario workers. I'm also interested: What would be some of the differences to the savings landscape that they might make, not to workers but to other plans and other investments currently in the market, like RRSPs? Is there going to be competition? Is it just sort of one more added to the landscape, so to speak?

**Ms. Leslie Byrnes:** That's a good question. I think there's no question that there could be some shifting from existing plans over to the PRPP, so it wouldn't be entirely new employers offering plans. Some may say, "Well, I like the behavioural nudges in this. I like the fact that everything is locked in there," so there could be some shifting. But I think the very exciting prospect for PRPPs is that you will be attracting employers who have nothing right now, as well as the self-employed.

1410

**Ms. Jennifer K. French:** I had wondered, because I know that it's, I would say, a step better than RRSPs in the pooled aspect. So I wasn't sure, then, if we were going to see RRSPs obsolete or challenged.

**Ms. Leslie Byrnes:** No, I suspect not. I think there's room for a variety of different types of plans out there that meet different needs.

**Ms. Jennifer K. French:** Okay. And to your point that we would see employers choosing to have these at their workplaces—

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

**Ms. Jennifer K. French:** Would the PRPPs—we know that employers aren't obliged to pay into the pool, but where we see PRPPs elsewhere, do you have any

numbers or stats about employers that do opt to contribute?

**Ms. Leslie Byrnes:** I actually do not have directly those stats, but I do know that you're going to hear later today from a provider in Quebec who does have stats on that. So there are some stats.

We also found out from a survey that we did almost two years ago that about two thirds of employers said that they would be interested in making a contribution even though they knew they wouldn't be required to do that. At some point, it comes down to being competitive in the marketplace, recruiting and retention. That starts to play into all that, too.

**Ms. Jennifer K. French:** Okay. Thank you.

**Ms. Leslie Byrnes:** Thanks.

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

**Mrs. Amrit Mangat:** Thank you for your presentation. My understanding is that your association is supportive of Bill 57?

**Ms. Leslie Byrnes:** We are very supportive, yes.

**Mrs. Amrit Mangat:** Thank you so much. I have lots of small and medium-sized businesses in my riding of Mississauga–Brampton South. Could you please shed a light on how it would affect the small and medium-sized business community?

**Ms. Leslie Byrnes:** It's making it easy for small and medium-sized businesses to offer a plan. Right now, it's more administratively complex for them to offer a plan and, frankly, a lot of them just shy away from it. They'll say, "Well, okay, we can give dental benefits, but we don't want to get involved in pension plans." So it takes the administration away from them and it houses the administration with financial providers who have the experience to do that, and a number of them are pooled together as well so you get low cost.

So for the small employers, you've got them able to offer a benefit to their employees at a cost that you usually only see with the various biggest pension plans. So that's a huge benefit. And you take away the administrative complexity for them.

**Mrs. Amrit Mangat:** Thank you.

**The Chair (Mr. Peter Tabuns):** Ms. McGarry?

**Mrs. Kathryn McGarry:** Thank you very much. I'm very interested in those who have been self-employed and the benefits that they may be able to realize from that PRPP. As we know, those who are self-employed often complain that they don't have enough benefits and that's one of the reasons why they may not choose to be self-employed. So what benefits will the self-employed individual have?

**Ms. Leslie Byrnes:** Well, I think the biggest benefit is simply access to a low-cost pension plan, which they don't have now. That would be the biggest one.

**Mrs. Kathryn McGarry:** Okay. Just echoing my colleague's comment: When you're talking about small business, a small business that would only have two or three employees would benefit from that?

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

**Ms. Leslie Byrnes:** Yes, because they could get into it.

**Mrs. Kathryn McGarry:** Okay. And let's say that somebody with a small business only has part-time employees: Would that benefit a part-time employee or would it need to be a full-time employee?

**Ms. Leslie Byrnes:** I think if you take a look at the Quebec example, it tends to be full-time employees. I'm just going to defer to my colleague to see if you have any more information.

**Mr. Ron Sanderson:** I believe that is correct for the Quebec status, but there's nothing that would preclude part-time employees from participating in the plan.

**Mrs. Kathryn McGarry:** And would you, if you were writing the plan yourself, include part-time employees, or would you have, let's say, if they were working 60% of a full-time—

**The Chair (Mr. Peter Tabuns):** I'm sorry to say, Ms. McGarry, your time is up.

**Mrs. Kathryn McGarry:** I could go on.

**The Chair (Mr. Peter Tabuns):** I understand that.

Thank you very much for your presentation and for your answers to questions.

#### CANADIAN BANKERS ASSOCIATION

**The Chair (Mr. Peter Tabuns):** We're going to the next presenters now. I have the Canadian Bankers Association. As you've observed, you get five minutes to present, with three minutes to each party for questions. I'll give you a warning at the one-minute mark. If you could introduce yourself for Hansard.

**Mr. Marion Wrobel:** My name is Marion Wrobel. I'm with the Canadian Bankers Association. I have a short presentation and I'd like to make it even shorter to leave lots of time for questioning.

First of all, I'd like to thank the committee for inviting us to appear on this particular bill, Bill 57, the Pooled Registered Pension Plans Act. The Canadian Bankers Association works on behalf of 60 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 280,000 employees, the majority of which are located right here in Ontario.

A strong and healthy banking system is good for the economy generally, and I think it's good for Canadians in terms of providing them with safe, sound institutions and products that help them to meet their financial requirements. It's our view that a harmonized and well-designed pooled registered pension plan framework has the capacity to substantially increase both the number of Canadians who participate in a workplace pension plan and the number of employers who provide such plans.

For employees, the PRPP is a low-cost pension plan, and that's one way in which it differs from RRSPs generally. It offers opportunities and incentives to save. It's not just a savings vehicle; it is a pension plan. It's particularly appealing to Canadians who are employees of small and medium-sized businesses and self-employed individuals.

For employers, the PRPP allows SMEs to provide a pension plan to their employees, which they really couldn't do before because of the complexity, the administrative burden and the fiduciary requirements that the current pension system requires. It enables employers to put this as part of their benefits package in terms of wages, salaries and the pension plan.

Banks are well placed to deliver PRPPs to the small business community. We have a relationship with over a million small businesses in Canada, and it's a very good opportunity to leverage that and offer new products to the customers with whom we've had a relationship for many years.

SMEs across the country can have access to information about PRPPs and how they work. The broad reach ensures that the target market for PRPPs is developed quickly and cost-effectively. Moreover, the banks can rely on the skills, resources and experience of their broader financial group to effectively deliver PRPPs.

One important factor that will be crucial in ensuring the success of the PRPP across the country is that there must be a sufficient number of participants so that a minimum efficient scale can be achieved. As a result, it's very important that Ontario implement legislation to ensure the PRPP has the critical mass to help ensure its success, not just in Ontario but across the country.

There must also be a high degree of regulatory harmonization across federal and provincial jurisdictions, and simplified and streamlined supervisory and regulatory requirements. You've heard that Quebec is going in a slightly different way. We're very pleased to see that in the Ontario budget there was a commitment to harmonization across the country in terms of the PRPP legislation.

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

**Mr. Marion Wrobel:** We've been long-time advocates for the PRPP and support Bill 57. We encourage the members of the committee and the Legislature to support this important legislation that will provide an accessible, low-cost and easy-to-use option for individuals who do not currently have access to a private sector pension plan.

I look forward to your questions.

**The Chair (Mr. Peter Tabuns):** Thank you very much. First question goes to the third party. Ms. French.

**Ms. Jennifer K. French:** Thank you very much for joining us here today. I appreciated hearing your words. I also have some questions.

One of the terms that you used, harmonized and well-designed plans—in the interest of harmonizing all of the different initiatives that are currently out there or upcoming, as we see with the ORPP, do you have thoughts on how all these initiatives can kind of be coordinated so as to be not competitive, so they can be optimized?

1420

**Mr. Marion Wrobel:** I made that observation from the perspective of a bank—financial institution—that operates across the country and wants to offer a PRPP to its customers in every province and territory in which it operates. If the rules differ from province to province—in

some cases, the differences may seem trivial to the legislator or the regulator writing that—it makes it very difficult to offer a single plan across the country. We have to comply with the various requirements in different jurisdictions. Therefore, from our point of view, that kind of harmonization is crucial to making this work.

**Ms. Jennifer K. French:** Thank you. Also, to the point about being able to effectively deliver this plan, you mentioned minimum efficient—

**Mr. Marion Wrobel:** Scale.

**Ms. Jennifer K. French:** —scale. What happens if we don't reach that efficient scale?

**Mr. Marion Wrobel:** As was mentioned earlier, there were a number of provinces that have introduced PRPP legislation—

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

**Mr. Marion Wrobel:** —that I believe, with the exception of Quebec, is consistent with what you're doing here in Ontario. The size of Ontario makes it crucial to achieving that minimum efficient scale. Once Ontario is on board, I suspect the other provinces will come on board. That will be the key ingredient to enabling institutions to offer a PRPP to Canadians across the country.

**Ms. Jennifer K. French:** Is there a sort of magic number, in terms of critical mass that we would see low-cost or medium-cost or—

**Mr. Marion Wrobel:** The plans will be low-cost. There is a commitment by the industry and there is an expectation by government that it be low-cost. It will be delivered that way.

Just from the point of view of the institutions, I think it would be a lot easier if two thirds of Canadians can get a PRPP from a financial institution.

**Ms. Jennifer K. French:** Okay. Thank you.

**The Chair (Mr. Peter Tabuns):** We go to the government. Mr. Anderson.

**Mr. Granville Anderson:** Thank you very much for coming this afternoon. What benefits would Ontario employees see if the PRPP were to be implemented? The second part of the question is: Would the ORPP prohibit small and medium-sized employers from now signing up their employees to become a part of the PRPP?

**Mr. Marion Wrobel:** Let me answer the second part first.

**Mr. Granville Anderson:** Okay.

**Mr. Marion Wrobel:** As we look at the two, the ORPP and the PRPP, they're both obviously priorities for the government. But it's important for the two to be well coordinated so that they complement each other and don't work at cross-purposes. I think making sure the PRPP is a comparable pension plan, for the purposes of the ORPP, is crucial to the success of the PRPP.

If, for example, we are asking a small business to perhaps work with a financial institution to implement a voluntary pension plan at the same time that a compulsory pension plan would not recognize it, the small business is going to have to ask itself some questions about whether it should participate in that or just have the compulsory plan apply to it. So making sure that the two work in harmony is very important.

In terms of the first part of your question—what are the benefits?—well, the benefits are that many Canadians who have a number of savings vehicles today don't have access to a pension plan. The PRPP is a pension plan that is different from a straight savings plan.

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

**Mr. Marion Wrobel:** It's associated with an employer, there are workplace deductions, there is locking in of the contributions. The employee can determine over time how much the contributions are going to be, but it is a pension plan. So we think of it as a very different and unique addition to what employees have today and what households have today in terms of how they can save for their retirement.

**Mr. Granville Anderson:** Do I have time left?

**The Chair (Mr. Peter Tabuns):** You have 30 seconds.

**Mr. Granville Anderson:** Okay. Would you say the PRPPs would be less costly to implement administratively, versus other plans that are currently available?

**Mr. Marion Wrobel:** Well, there is a commitment that the PRPP be a low-cost plan that's offered to employees. No one has put a number on what "low-cost" means, but you're probably looking at something that is comparable to—

**The Chair (Mr. Peter Tabuns):** Thank you, sir. I'm sorry to say that you're out of time with the government.

**Mr. Marion Wrobel:** Okay.

**The Chair (Mr. Peter Tabuns):** We'll go to the opposition. Ms. Martow.

**Mrs. Gila Martow:** Thank you very much for your presentation. I think that most people listening are left to wonder why we would need an ORPP if we have a PRPP that could be run with low administration costs and be movable across the country. We've all read stories about people in the States who can't change jobs, even though they've been offered a better job, or can't move to another state where somebody they'd potentially like to marry lives, because they can't lose their health insurance. It's not transferable, and they cannot risk losing it. Well, the same thing with pension plans: We want to have people comfortable to be moving across Canada and living across the country, and not just stuck in Ontario with an Ontario pension plan that is not movable.

What I would ask you is: What do you think the government could do to maybe encourage PRPPs instead of having very expensive administration associated with an ORPP? Could you see the government somehow use that funding and kick-start a PRPP? What kind of effort would be needed to get this program off the ground?

**Mr. Marion Wrobel:** I don't think the government needs to kick-start it, in terms of funding or anything like that. One of the things we have observed—you've heard from many people about the retirement savings gap. It's our sense that, for the most part, Canadians are saving well for retirement, but there are some pockets where they're not doing a good job, and part of it is that they lack an employer plan. What we have observed is that those households that do not have an employer pension

plan tend to engage more in discretionary savings than those that have an employer plan.

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

**Mr. Marion Wrobel:** So it's our view that if you produce a product like a PRPP that is appealing to them and that offers them something that other savings vehicles don't, they will take it up. They do make rational decisions if given the opportunity. So the PRPP, in our view, is a very useful and very valuable addition to the products that are already out there.

**Mrs. Gila Martow:** Fantastic. Again, I just want to comment one more time that the PRPP could be developed, especially if Ontario leads the way, into something that is very movable across the country, while an ORPP would be very difficult. Thank you.

**The Chair (Mr. Peter Tabuns):** Thank you, sir. We appreciate your presentation.

#### SUN LIFE FINANCIAL

**The Chair (Mr. Peter Tabuns):** We go to our next presenter, Sun Life Financial.

Gentlemen, as you know, you have five minutes to present and three minutes per party to answer questions. I'll give you a one-minute warning when you're running out of time.

If you'd introduce yourselves for Hansard.

**Mr. Derrick March:** My name is Derrick March. I'm with Sun Life Financial. I'm joined by my colleague David Whyte.

**The Chair (Mr. Peter Tabuns):** Proceed.

**Mr. Derrick March:** Mr. Chair, members of the committee, on behalf of Sun Life, I'd like to thank you for the opportunity to provide our perspective on Bill 57, An Act to create a framework for pooled registered pension plans.

As Canada's largest provider of defined contribution pension and savings plans, we have been constructively engaged with the government of Ontario on the issue of policy improvements to the Canadian retirement system to help ensure that all Canadians can adequately save for a good retirement.

We commend the government of Ontario for introducing Bill 57, as PRPPs will help strengthen Canada's retirement system by making pension plans available to those Canadians who do not currently have pension plan coverage in the workplace, and will thereby go a long way to closing a significant gap in Canada's retirement savings problem. By making low-cost plans available to many small and medium-size enterprises, PRPPs will effectively target those three million to five million Canadians who are most at risk of undersaving for their retirement years, including approximately 1.3 million Ontarians.

**1430**

Moreover, by moving forward with PRPPs, Ontario would be in harmony with other provinces, including Quebec, British Columbia, Alberta, Saskatchewan and Nova Scotia that believe that PRPPs will be an effective

measure to address the retirement undersavings problem. Ontario's adoption would be a very positive step forward so that ultimately all provinces and territories adopt PRPPs and that all Canadians have access to the same type of low-cost retirement savings vehicles in the workplace.

The benefits of PRPPs for employees are that they will provide working Canadians with a straightforward and affordable path to save gradually and sufficiently on a good retirement, through regular payroll deductions into a dedicated retirement savings plan. Employees will be able to start saving at their workplace right away, using low-cost, professionally managed funds. PRPPs are also portable from one workplace to another.

The benefits of PRPPs for employers are that they are simple and affordable to set up and leave the burden of plan administration to qualified, licensed plan providers. By removing these barriers and risks from the small employer, PRPPs will help them attract and retain the talented workers that they need.

While Bill 57 does not mandate that employers set up PRPPs, as they do in Quebec under the VRSP model, we believe that such a measure, which we refer to as universal access, would contribute to higher employee participation and ultimately help achieve the government's public policy objective.

Also, with Ontario also moving forward with the ORPP, we believe that it will be important that the PRPP and ORPP be coordinated in such a way as not to work at cross-purposes since they are both designed to address the same retirement savings gap, namely the retirement undersaving of some middle-income earners.

In conclusion, we believe that PRPPs are a positive step forward to effectively address the retirement undersaving problem in Ontario and encourage the government to move forward with Bill 57, with a view to possible enhancements to PRPPs in the near future, such as universal access, to help optimize its effectiveness.

Thank you very much. I'd be happy to answer questions.

**The Chair (Mr. Peter Tabuns):** Thank you. We'll go to the government. Mr. Potts?

**Mr. Arthur Potts:** Thank you, Mr. Chair. Thank you very much for appearing here to talk about this; an area of obvious great interest to your organization because you'll be on the marketplace selling them.

There's always that gap between people, where young people want to spend now on their families rather than save for the future, and that has been part of the gap. Do you see this encouraging more people to start saving earlier?

**Mr. Derrick March:** I absolutely do. You hit the nail right on the head in terms of young people not being as engaged in saving for retirement. They have many issues on the table that they look to. We would categorically see this as mandating that aspect of their savings at an early part of their life, which just makes sense.

**Mr. Arthur Potts:** Right. The voluntary nature of it—as an employer enters into these programs voluntarily—

would you anticipate having rules within the employment that employees must mandatorily participate, if there's a plan set up, as a condition of employment?

**Mr. Derrick March:** Yes, we would support that, absolutely; the element of auto-enrollment—that's what we call it in our business. If we look at statistics in the US, for example, where that element of participation is in place, you would have participation rates of approximately 85% of eligible people participating. Without it, that number can drop by about 50%, if we look at our traditional defined contribution type of plans.

**Mr. Arthur Potts:** I'm also very interested in the whole portability aspect. Would an employer establishing one plan—would the other employer have to be in the same plan or would they be in a different plan? How does that portability work between employers, within the province and across the country?

**Mr. Derrick March:** Portability in our business is actually quite common and quite easy to manage. The fact of the matter is that you have a number of providers across Ontario and across Canada who—this is what they do every day, all day long for thousands of existing small employers.

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

**Mr. Derrick March:** We're all very much aware, on the same page and working collaboratively to make sure that that portability feature is very easily done.

**Mr. Arthur Potts:** All right. Finally, around tax sheltering of retirement earnings, these obviously qualify as an RRSP would, so people would be able to save the taxes. Would you anticipate a large uptake? How much more revenue would the province and the feds potentially not have in their coffers because people were rightfully saving for their retirement?

**Mr. Derrick March:** That's an interesting question. I'm not sure I would have a stat off the top of my head, but thank you for asking.

**Mr. Arthur Potts:** Would it be significant?

**Mr. Derrick March:** It may.

**Mr. Arthur Potts:** Thank you.

**The Chair (Mr. Peter Tabuns):** To the opposition: Ms. Martow.

**Mrs. Gila Martow:** I think that that's sort of the crux of it. It's not the government's money; it's the people's money that they've earned. The government's job is to ensure that people are saving enough of their money so that the government doesn't have to then support them and have a net loss.

Everybody is being kind of polite, but if we have a PRPP across the country and maybe even legislate that companies of a certain number of employees have to provide it, what use do we have for an ORPP in Ontario, in your opinion?

**Mr. Derrick March:** It's a good question. We'd maintain that the two can certainly co-exist, but a well-structured PRPP will categorically have an impact on—sorry; let me put it in a different way. Uptake with a PRPP, if it is not considered an equivalent plan within the ORPP legislation, would significantly impact our ability to get the scale that we would need in the plan and to



provide a therefore longer term at low cost to those who are in the PRPP. So if the two don't harmonize in some way, shape or form—we believe that form should be in terms of it qualifying as a comparable plan—the PRPP mandate will be severely impaired, in our opinion.

**Mrs. Gila Martow:** My understanding from experts is that a PRPP would have lower administrative costs and be easier to have universality and portability between workplaces and across the country, plus, plus, plus. The only difference, in my opinion, between an ORPP and a PRPP is that the government can't touch the funding in the PRPP.

**Mr. Derrick March:** Interestingly, in terms of administrative costs to run the plan—

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

**Mr. Derrick March:** —PRPPs are moving into a structure that's already established by many lifecos and other institutions across Canada. The infrastructure is in place. We're already administering a similar type of plans. You had a previous question around the cost of ORPP. Quite honestly, that investment to create that infrastructure for ORPP, for all intents and purposes, could be banked as the infrastructure is already in place across Canada through PRPP legislation.

**Mrs. Gila Martow:** Thank you very much.

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

**Mrs. Julia Munro:** Do I have time?

**The Chair (Mr. Peter Tabuns):** You've got 30 seconds.

**Mrs. Julia Munro:** Thank you for coming.

**The Chair (Mr. Peter Tabuns):** An economical use of that time. Third party: Ms. French.

**Ms. Jennifer K. French:** Thank you very much. Again, thank you for your presentation and for joining us here today. I wholeheartedly support the need to bring improvements to the retirement system.

I had some questions about the low cost. We just heard again about it being low-cost or a lower cost. Is that just overall or is that on the accumulation side versus the decumulation side? Can you speak to the costs?

**Mr. Derrick March:** Sure. When it comes to the idea of low cost, the actual cost of the PRPP—in its current structure, take the VRSP, for example. The cost is legislated. It is mandated down to us. So we have to figure out how to work our framework of providing great service that we offer on a regular basis to all of our plan members across that new group of individuals. From that perspective, we don't control the cost, although we certainly control the cost of running our own businesses. That's certainly something we're engaged in every day. The cost at the member level is actually something that's imposed on us as opposed to us deciding to impose it backwards.

When it comes to the decumulation phase, that's something, I'm going to say, a little bit different. It's a big issue in the Canadian marketplace right now in terms of where the baby boomers are going. We've got 1,000 Canadians retiring every day here in Canada. That's a big issue, and they all need help working through that decumulation phase of their lives. For that element we have infrastructure in place to manage, as we do today for our defined-contribution plan members as well.

**Ms. Jennifer K. French:** And will those who have been putting into the plan have various options—because the employer can choose a PRPP, but then do the members get that choice on the decumulation side?

**Mr. Derrick March:** Yes. They can either annuitize or they can—

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

**Mr. Derrick March:** —register a retirement income fund or a life income fund so they have—

**Ms. Jennifer K. French:** But they'll have competitive options on that side?

**Mr. Derrick March:** That's correct.

**Ms. Jennifer K. French:** You had also mentioned about—or it might have been earlier, but the scope and scale. So I had asked an earlier question about employers who choose to pay into the pool, if you had any thoughts on those numbers. I understand the need to be competitive in terms of recruiting and retention, but is there a moral obligation? Are there employers who say, "Hey, this would feel good to pay in"? Do you have any—

**Mr. Derrick March:** Yes, it's a great question. So far our experience would be in Quebec through the VRSP, obviously, and to date we have seen that 15% of plans have actual employer contributions attached to the employee contributions, which we think is a good start, but we've got some work to do to improve on that as well.

**Ms. Jennifer K. French:** And are those matched or just opting in?

**Mr. Derrick March:** We define that as some contribution to the plan. The 2% is mandated by the legislation in Quebec at the employee level as a starting point, and it escalates over time. We find that 15%—we have some matching, some going higher, some going lower, so it's a little bit all over the map so far.

**The Chair (Mr. Peter Tabuns):** I'm afraid you've run out of time. Thank you very much for your presentation today.

Members of the committee, pursuant to an order of the House, the deadline to file amendments on this bill with the committee Clerk is 5 p.m. on Wednesday, April 29, 2015, which is pretty soon.

The committee stands adjourned until 4 p.m. tomorrow, April 28, 2015.

*The committee adjourned at 1441.*





## CONTENTS

Monday 27 April 2015

Pooled Registered Pension Plans Act, 2015, Bill 57, Mr. Sousa / Loi de 2015 sur les régimes de pension agréés collectifs, projet de loi 57, M. Sousa.....	SP-323
Canadian Life and Health Insurance Association Inc. ....	SP-323
Ms. Leslie Byrnes	
Mr. Ron Sanderson	
Canadian Bankers Association.....	SP-325
Mr. Marion Wrobel	
Sun Life Financial.....	SP-327
Mr. Derrick March	

### STANDING COMMITTEE ON SOCIAL POLICY

#### Chair / Président

Mr. Peter Tabuns (Toronto–Danforth ND)

#### Vice-Chair / Vice-Président

Mr. Jagmeet Singh (Bramalea–Gore–Malton ND)

Mr. Granville Anderson (Durham L)

Mr. Vic Dhillon (Brampton West / Brampton-Ouest L)

Ms. Christine Elliott (Whitby–Oshawa PC)

Mrs. Marie-France Lalonde (Ottawa–Orléans L)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mrs. Gila Martow (Thornhill PC)

Mrs. Kathryn McGarry (Cambridge L)

Mr. Jagmeet Singh (Bramalea–Gore–Malton ND)

Mr. Peter Tabuns (Toronto–Danforth ND)

#### Substitutions / Membres remplaçants

Mr. Victor Fedeli (Nipissing PC)

Ms. Jennifer K. French (Oshawa ND)

Mrs. Julia Munro (York–Simcoe PC)

Mr. Arthur Potts (Beaches–East York L)

#### Clerk / Greffière

Ms. Valerie Quioc Lim

#### Staff / Personnel

Ms. Susan Viets, research officer,  
Research Services