Addressing the Pension Issue – Enhancing the Canadian Pension Plan

The younger generation is facing low incomes, high debt and no private pension plan and will not have enough to live on unless CPP is improved. Current benefits pay just over $12,000 a year and even with Old Age Security and the Guaranteed Income Supplement, the income is just $16,000.

There are a number of factors impacting how Canadian save, primarily a lack of formidable saving. And, those in the private sector, mainly the middle class, have been singled out as being not saving enough for retirement.

In the past, Nova Scotia, Newfoundland and Labrador, Manitoba and Quebec favoured some kind of CPP enhancement measure.

In Ontario, the governing party believes change is urgently needed and is moving ahead with a mandatory Ontario Retirement Pension Plan. Finance Minister Charles Sousa claims "just 34 per cent of all Canadians have a private workplace pension and one-third of Canadians have no savings at all. Ontario's always stated our priority is to enhance CPP. It's a well-run system, it's well-managed, it's least expensive and it's the most appropriate means by which to proceed". The Premier of Ontario, Kathleen Wynne expressed the same position to delegates at the Ontario Chamber of Commerce Annual General Meeting in Cornwall in May 2015.

The Ontario Chamber of Commerce and business groups agree that "many businesses are worried about costs any stand-alone ORPP will impose". Although details have emerged about exemptions and improvements to mitigate "the cost of doing business", the implementation of a new perceived payroll tax is not conducive to good policy.

Regarding the provincial finance minister's comments on how Canadians are saving, "research reveals that most of the unprepared households belong to one of two groups of middle- to high-income households: those that do not contribute enough to their defined contribution (DC) plans or group RRSPs and those that do not have access to an employer plan and have below average personal savings. Targeted solutions to address the lack of readiness in these groups could strengthen Canada's already robust retirement readiness. However, these solutions should be balanced in such a way that they maintain the fairness of the system for all of Canada's households. (McKinsey and Company 2014).

The Ontario Chamber of Commerce continues to fight on behalf of the business community in expanding what types of savings options should be exempt from any mandatory provincial plan. In particular, Ontario must "revise the definition of a **"comparable" workplace pension plan"** to include other workplace retirement savings plans, such as Defined Contribution pension plans, Pooled Registered Pension Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and group Tax Free Savings Accounts.

The lack of movement at the federal level has caused this chain reaction by provinces such as Quebec, who have instituted their own plan, and in Ontario, where the introduction of ORPP legislation has caused negative business response and a program of advocacy by the Ontario Chambers.

A more viable option for all would be to enhance the CPP to mitigate a "chain-reaction" of bad provincial policy.

Recommendations:

That the federal government:

1. Immediately enhance the CPP to provide for adequate retirement income for the future population of elderly people without imposing an undue burden of taxation on the working population and the business sector.

2. Direct the appropriate department and/or agencies to create or commission demographic forecasts that list the in-demand groups who will be most affected by any enhancement to ensure no negative impact to private business.

SUBMITTED BY THE GREATER KINGSTON CHAMBER OF COMMERCE AND PETERBOROUGH CHAMBER OF COMMERCE