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Chair

The Honourable Hedy Fry

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● (1530)

[*English*]

The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)): Good afternoon, everyone.

Pursuant to Standing Order 108(2), we're studying women and pension security.

We have today a lineup of witnesses who we hope will help shine light on some of the pressing questions we need to have answered before this committee comes up with a set of public policy recommendations.

The Office of the Superintendent of Financial Institutions Canada is one of the witnesses; the individual, Tammy Schirle, is another; the Canada Revenue Agency is your third; and the Department of Finance has four people with them.

I should just say to the witnesses that you're going to be treated as four groups, and each group has ten minutes to make a presentation. You have already obviously decided amongst yourselves who is going to present for you.

I will begin in order, with the Office of the Superintendent of Financial Institutions Canada.

Monsieur Ménard.

[*Translation*]

Mr. Jean-Claude Ménard (Chief Actuary, Office of the Chief Actuary, Office of the Superintendent of Financial Institutions Canada): Good afternoon Madam Chair, honourable members of the committee. Thank you for the opportunity to appear before you today to address the issues related to women's retirement income security.

The primary role of the OCA is to provide actuarial services to the federal and provincial governments who are Canada Pension Plan stakeholders. While I report to the Superintendent of Financial Institutions, I am solely responsible for the content and actuarial opinions reflected in the reports prepared by my office.

The OCA conducts statutory actuarial valuations of the CPP, Old Age Security Program, and pension and benefits plans covering the federal public service, the Canadian Forces, the Royal Canadian Mounted Police, federally-appointed judges and members of Parliament.

Whenever a bill is introduced before Parliament that has a significant impact on the financial status of a public pension plan falling under the statutory responsibilities of the chief actuary, the OCA must submit an actuarial report to the appropriate minister. The most recent report assessing the financial impact of the proposed changes for the Canada Pension Plan included in Bill C-51 was tabled before Parliament on October 19, 2009. This report confirmed that if the current plan is amended, with current economic conditions taken into consideration, a legislated contribution rate of 9.90% for years 2010 and thereafter would be sufficient to financially sustain the plan.

The status of women within the Canadian pension system is not the same today as it was 30 or 40 years ago. Historically, women had more interrupted work history, lower earnings, and as a result lower retirement pensions as compared to men. Presently, the gap in CPP pensions between males and females is narrowing even if it is not expected to disappear completely.

Labour market participation for women has increased over the years. Based on the most recent CPP actuarial report, the overall labour force participation rates in Canada from 1976 to 2006 clearly show a narrowing of the gap between male and female rates. While this gap was 32% in 1976 it has narrowed to 10% in 2006, and is expected to narrow further but at a slower pace. This trend is also well pronounced in the registered pension plans' coverage. The proportion of female RPP members increased from 35%, 20 years ago, to 49% in 2007. In 2007, 2.9 million females participated in the RPP as compared to only 1.7 million in 1987. For all paid workers, the proportion of female RPP members is now higher than for men, a situation that had not been seen before 2005.

The gap in employment earnings between women and men has also narrowed over the last 40 years. The ratio of female-to-male average employment earnings stood at about 48% in 1996 and was 71% in 2006. The 23rd CPP actuarial report projects that this ratio will further increase to 84% by 2050. As a result of these trends, it could be expected that future generations of female retirees will have access to more adequate retirement income.

I will now continue in English.

● (1535)

[*English*]

The Canada Pension Plan contains several features that are designed to promote higher retirement income security for women. The CPP provides benefits that are largely determined by how much and for how long a contributor contributed to the plan. As such, it is important to ensure that an individual's average career earnings are not affected by a certain number of years of unusually low earnings, which occur in most people's careers.

The dropout provisions of the CPP, in particular the child-rearing dropout and the general low-earnings dropout, allow for the exclusion of years with low earnings and help an individual to qualify for a larger pension. The child-rearing dropout provision was introduced in 1978. It benefits individuals caring for young children, mainly women. The general low-earnings dropout supplements the child-rearing dropout and permits 15% of the years of low earnings to be dropped from the benefit calculation.

Virtually everyone benefits from this dropout provision. I've heard that the impact on women's pensions is higher, due to lower earnings and a more uneven work history.

Finally, another feature of the Canada Pension Plan that mitigates the impact of low earnings is that no contributions are taken from the first $3,500 of employment earnings. This is called the year's basic exemption. The application of this provision provides a better return on contributions for lower-earning individuals. Once again, even if this is a universal provision, women benefit more from it because of their generally lower earnings as compared with men.

The cost of providing retirement income depends largely on life expectancy. Life expectancy is another aspect that differentiates women from men. Women are living longer than men; therefore, they are expected to receive their retirement income for a longer period of time. At the inception of the Canada Pension Plan in 1966, women at age 65 lived for an average of another 17 years. Today they are living for 21 years and are expected to live for 24 years by 2050. Indeed, women live about three years longer than men after they reach retirement.

In conclusion, the combination of old age security, the guaranteed income supplement, and the compulsory contributory pension plans —the Canada and Quebec Pension Plans—has contributed significantly to reducing poverty among seniors over the past three decades. The OECD and the Luxembourg Income Study Research Institute consider Canada to be the country that has the least difficulty ensuring the economic well-being of retirees. To quote the research institute: “The choice of policy is crucial, as shown for instance by the low cost but highly target-effective Canadian efforts in fighting elder poverty.” Canada is in an enviable group of countries that includes, in particular, the Netherlands, Denmark, Norway, and Sweden, where the incidence rate of low-income seniors is less than 5%.

I hope I have succeeded in providing you with some facts regarding women's retirement income. I wish to thank you again for the opportunity to appear before this committee. We'll be pleased to answer any questions you may have.

Thank you, Madam Chair.

The Chair: Thank you very much, Monsieur Ménard. You did that in seven minutes and a bit. That's very good.

I will now ask Ms. Schirle, assistant professor in the Department of Economics at Wilfrid Laurier University. Ms. Schirle is present by video conference.

Ms. Schirle, you have ten minutes to present.

Dr. Tammy Schirle (Assistant Professor, Department of Economics, Wilfrid Laurier University, As an Individual): Thank you for having me.

My objective today is to provide you with some background about women's pension security, based on the research that I've been doing for several years. Specifically, I want to give you a picture of how retirement incomes have changed over the past decade, how women are currently faring relative to men in retirement income, and how we might expect retired women to do in the near and distant future.

The past 10 years have seen some dramatic changes for women entering retirement. This starts with a group of women who were born in the 1940s. This is the first group of women to have had full access to the birth control pill. They are much more educated than their mothers. They have fewer children and they've spent a lot more time in the labour force. When you take these changes into account, the nature of their retirement is also very different from their mothers' retirement.

First, the most recent women who are retiring have had longer and more stable careers than those of earlier generations. This has led to more retirement-age women having both Canada or Quebec Pension Plan benefits and employer-sponsored pension plan benefits.

I want to put some numbers on this. In 1996, 25% of senior married women received some sort of RPP income. In 2006, 43% of these women received RPP income once they were over the age of 65. For senior men, there was also some increase in the likelihood of receiving a pension as seniors. But the increase is not nearly as large. It goes from 66% of senior men in 1996 to 74% of men in 2006.

The increase that we saw in RPP receipts for women has benefited all women—those from low-income families, middle-income families, and high-income families. Everyone seems to be benefiting. When we combine it with the increases that we've seen in men's pensions, we can explain a very large portion of the general increase in seniors' income over the past decade.

There is also better access to the Canada Pension Plan. In 1996, only 56% of senior women picked up CPP. It's hard to say exactly how many were eligible and just didn't pick it up. In 2006, 73% of these older married women picked up CPP, and this raised their family income. What makes this a bit different is that the changes in the CPP receipt drove income increases for lower- income and middle-income seniors, more so than for those with higher incomes.

What might we expect for the upcoming retirees? Here we're thinking of the baby boomers as a large group that is currently entering retirement. If you look at the population as a whole, the percentage of paid workers that have pension plan coverage is generally decreasing. Most of that decline happened in the 1990s. From 1992 to 2007, overall pension coverage among paid workers fell from 45% to 38%, which obviously does not bode well for our future retirees. That falling trend, however, has been driven mostly by men and not by women.

There are a few numbers here to think about. In 1992 and 2007, roughly the same number of men, about three million, were members of registered pension plans. The number of female members increased from 2.2 million in 1992 to 2.9 million in 2007. The percentage of women covered by an RPP has remained fairly constant since the early 1990s, roughly around 34%. Keep in mind, we have more women participating in the labour force. The percentage of female paid workers, all employees with pension coverage, fell from about 42% to 39% over this period. That's a much smaller decline than we've seen for men.

One important thing I think to note when you're looking at women in the labour force is that, proportionally speaking, more women have pensions than men. Overall, the data suggests that the retirement future for women now looks better than it does for men.

There are a few other gender differences that I think are worth mentioning. First, women who are members of pension plans, private pension plans, are more likely than men to be in the public sector, and they're much more likely than men to have defined benefit pension plans. That usually goes with the public sector plans. Of course, these are the plans that provide people with security during a recession. You're not as concerned about stock market fluctuations with these plans.

● (1540)

Men, on the other hand, are much more likely to be in defined contribution plans in the private sector, and these are subject to general fluctuations in stock prices. Effectively, a defined contribution plan can be thought of as the same as investing in stocks and bonds yourself, and having to deal with the market. Here again we have some indication that women appear to be in a better position than men when entering retirement in the near future.

The only real difference that remains a concern is in the dollar amount that men and women are contributing to their pensions on an annual basis. Typically men have higher salaries and they're saving more in dollar amounts, even though they have the same savings rate if you look at the portion of their income that goes towards their pensions.

I would expect that the gap in pension contributions will close in the near future, just as we've seen the gender gap in wages slowly closing over time. If you look at wages right now, the average wage of a woman today is roughly 85% of a man's, and that's largely due to differences in the types of occupations that women have been entering historically. We see women's attachment to the labour force improving and increasing. In part this trend could be due to the availability of longer parental leaves, such as the Employment Insurance maternity and parental benefits, and in part it is due to the fact that men are taking on more household responsibilities. As this trend continues, we should expect the gap in wages to close, which I think will lead to the gap in pension contributions closing over time as well. Overall I think we have reason to be very optimistic.

To summarize all this with a blanket general statement, in recent years women retirees are faring very well relative to earlier generations of women. We should expect this trend to continue for some time. I think the evidence is there to give us reason to believe that. Furthermore, when we compare women to their male counterparts, I think women retirees are faring relatively well.

Thank you.

● (1545)

The Chair: Thank you very much, Madam Schirle.

Now I will turn to Madam Laflèche, from the Canada Revenue Agency.

Ms. Danielle Laflèche (Director General, Legislation, Policy and Regulatory Affairs Branch, Canada Revenue Agency): Good afternoon, Madam Chair and members of the committee.

[*Translation*]

My name is Danielle Laflèche and I am the Director General of the Registered Plans Directorate at the Canada Revenue Agency. Accompanying me is Janice Laird. Ms. Laird is the Director of the Actuarial and Policy Division within the Directorate. Between Ms. Laird and I, we will do our best to answer your questions.

I want to thank you for inviting us to attend your meeting.

[*English*]

To set a helpful context for the discussions today, I would like to briefly describe the role of the Canada Revenue Agency, specifically the role of the registered plans directorate in the administration of the third pillar of the Canadian pension system, which consists mainly of registered pension plans and registered retirement savings plans.

As you know, the Department of Finance is responsible for developing and evaluating federal tax policy and the legislation through which policy becomes law. As administrator, the Canada Revenue Agency is responsible for the functions of implementing these laws, including providing information to the public and to stakeholders, establishing processes through which individuals and businesses may meet their tax obligations and receive benefits, and of course carrying out our compliance activities to help ensure that everyone respects the law as intended by Parliament.

The role of the registered plans directorate is to ensure that pension plans and other tax-assisted retirement savings vehicles are administered in accordance with the Income Tax Act. I can thus speak about the administration of the Income Tax Act for pension plans and other tax-assisted retirement savings plans.

The Income Tax Act allows individuals to save for retirement with various retirement vehicles, such as employer-sponsored pension plans and retirement savings plans. Under the Income Tax Act, individual contributions to retirement savings and pension plans are tax deductible. The plan assets, including the accumulated investment returns, are not subject to income tax until they are withdrawn.

In the case of an employer who sponsors a pension plan, the employer can make contributions to the pension plan and claim an income tax deduction. However, to be able to claim such a deduction, the employer must first have the pension plan registered and the amount of contributions approved by the registered plans directorate of the Canada Revenue Agency.

The employer must apply for registration, submit the plan text and an actuarial valuation report to the registered plans directorate, and demonstrate that the plan is established and will be administered in accordance with the Income Tax Act. The actuarial valuation report, which is prepared by an actuarial consulting firm at the request of the employer, specifies the amounts that the employer is required to contribute to meet the pension benefits promised.

The registered plans directorate reviews the plan text and the actuary's recommendation to ensure that the provisions of the Income Tax Act will be respected and that the contributions made by the employer on the recommendation of the actuary are reasonable. The determination of reasonableness is generally based on average age, average salary, and average years of service, not on gender.

The registered plans directorate also monitors and audits pension plans and other retirement savings vehicles to ensure that they continually comply with the provisions of the Income Tax Act. In addition, the registered plans directorate provides information services for other types of retirement and savings vehicles, including written responses and telephone services.

The directorate also develops and publishes on the Canada Revenue Agency website material intended for plan administrators, actuaries, and practitioners. Other areas within the Canada Revenue Agency provide telephone services, respond to written requests, and publish documents on the website to assist individuals in understanding their tax obligations and entitlements and in complying with the Income Tax Act.

● (1550)

The Canada Revenue Agency website includes specific portions with information for seniors and for individuals about registered retirement savings plans and other registered plans. I have brought some of these publications available on the website to assist you. These documents are: the guide for registered pension plans, which provides information for employers and plan administrators about the registration requirements of the plans; the guide for registered retirement savings plans and other registered plans for retirement for individuals; and the information sheet entitled “Death of an RRSP Annuitant”.

Madam Chair and members of the committee, this concludes our opening remarks. We're ready to respond to your questions.

The Chair: Thank you very much. That was wonderful. You've just done it in five minutes again. These are great witnesses.

Now we have the Department of Finance. You're going to begin, Mr. Forbes.

Mr. Chris Forbes (General Director, Federal-Provincial Relations and Social Policy Branch, Department of Finance): Yes, and maybe before I start, I'll lower the bar, as I might go over five minutes.

Good afternoon, and thanks for the invitation to appear before you today. As was mentioned, I'm Chris Forbes from the Department of Finance. I am the general director of the federal-provincial relations and social policy branch at the department.

As the chair noted at the beginning, I have three colleagues with me: Jeremy Rudin, assistant deputy minister, financial sector policy; Louise Levonian, assistant deputy minister, tax policy; and Ian Pomroy, the senior tax policy officer in the personal income tax area of the department.

We're here today to answer your questions about Canada's retirement income system, specifically as it pertains to women. I'd like to start first with a little bit of an overview of what the department's role is in that regard.

We have four main responsibilities. First, jointly with HRSDC, we have responsibility for the development of policies relating to the Canada Pension Plan, for which we share joint responsibility with the provinces and territories. We are also responsible for the legislation governing federally regulated private pension plans. We're also responsible for tax legislation, and for general advice to the minister as it relates to the federal budget.

[*Translation*]

The overall objective of Canada's retirement income system is to provide a basic income guarantee and basic level of earnings replacement to alleviate poverty. It also allows for opportunities for additional tax-assisted savings to maintain living standards in retirement. The system is based on three pillars.

The first pillar is the Old Age Security Program, which provides a basic monthly income of $517 per month to virtually all seniors who meet residency requirements, regardless of their work histories. In addition to the basic OAS pension, low-income seniors may also qualify for the Guaranteed Income Supplement, which provides a monthly benefit of up to $652. Low-income spouses and common law partners of GIS recipients, who are aged 60 to 64, can receive the allowance. For low-income survivors aged 60 to 64, there is the allowance for survivors. Old Age Security benefits are indexed to inflation. The program is funded from general revenues and spending for 2009-2010 is expected to be $36 billion.

The second pillar is the Canada Pension Plan, which is a mandatory public pension plan that operates throughout Canada except in Quebec. The Canada Pension Plan provides a basic level of earnings replacement to workers. It is financed by contributions from employees, employers and the self-employed. In 2007, there were 12.5 million workers contributing to the Canada Pension Plan, including 5.9 million women. Federal, provincial and territorial ministers of Finance, as joint stewards of the Canada Pension Plan, are required to review the plan every three years. Ministers completed the most recent triennial review this year and confirmed that the current contribution rate of 9.9% is sufficient to sustain the plan over the long term. I will return to the changes that the ministers proposed to the Canada Pension Plan coming out of the triennial review.

The third pillar is tax-assisted private savings in registered retirement savings plans, or RRSPs, and employer-sponsored registered pension plans, or RPPs. These plans help Canadians bridge the gap between public pension benefits and their retirement income goals. The deferral of tax on savings in registered pension plans and registered retirement savings plans is a valuable benefit that encourages and assists Canadians to save for retirement, as it allows individuals to grow their savings more effectively compared to savings outside of registered plans. The contribution and benefit limits for RPPs and RRSPs are designed to permit most individuals to save enough, over a 35-year career, to obtain a pension equal to 70% of pre-retirement earnings. The RPP and RRSP limits are integrated and provide comparable savings opportunities to Canadians whether they save in an RPP, an RRSP or a combination of both.

● (1555)

[*English*]

Canada's retirement income system is highly regarded internationally—I think Monsieur Ménard made a few points in that regard —for its adequacy and its financial sustainability. It has been effective in meeting its objectives of poverty alleviation and earnings replacement.

The incidence of low income for seniors is very low compared to other OECD countries, and the retirement income system also provides broad coverage to most Canadians. Virtually all seniors receive the OAS regardless of their work histories, and low-income seniors can receive, in addition, the GIS. It's worth noting that women constitute more than half of OAS recipients, two-thirds of GIS recipients, and 90% of allowance recipients.

In addition, all retired workers receive income from the CPP or QPP. So for low-income Canadians, the OAS, GIS, and the CPP/QPP together replace a significant portion of pre-retirement earnings.

Middle- and higher-income workers can also use RPPs and RSPs to increase their replacement rates. For example, 5.9 million individuals were covered by an RPP in 2007—I think that was the statistic that Professor Schirle mentioned. Of these, 3 million were men and 2.9 million were women. It's worth noting, I think, as was done previously, that the proportion of female members increased from 44% in 1997 to 49% in 2007.

Finally, I'll turn to a few steps the government has taken in recent years to strengthen the retirement income system. With respect to the first pillar, which is OAS and GIS, there was an increase to monthly GIS benefits made in two installments in 2006 and 2007. In addition, in budget 2008 the amount that can be earned from employment before the GIS benefit is clawed back was increased to $3,500.

With respect to the CPP, federal, provincial, and territorial Ministers of Finance recommended a number of changes this spring that will achieve three things. First, they will increase the flexibility by removing the work cessation test and increasing the low-earnings dropout in the pension calculation from a maximum of seven years to a maximum of eight years. On average, women will benefit more from this increased dropout room.

Second, they will extend CPP coverage to individuals who work and concurrently receive the CPP retirement benefit.

The third part of these changes was to restore actuarial fairness in the adjustments that are made to CPP pensions that are taken early— i.e., before age 65—or late, after age 65.

On the third pillar, the government launched a consultation last January to improve the legislative and regulatory framework for federally regulated private pension plans, and these represent about 7% of the pension plans in Canada. On October 27 the Minister of Finance announced a significant reform to this framework, including measures to enhance protections for plan members, reduce funding volatility for the defined benefit plans, make it easier for participants to negotiate changes to their pension arrangements, improve the framework for defined contribution plans and for negotiated contribution plans, and modernize the rules for investments made by pension funds.

The government has also taken a number of measures recently to improve the tax treatment of pensions and retirement savings. I'll give you a short list here. The amount of eligible income that can be claimed under the pension income tax credit was doubled to $2,000 in 2006. The age by which Canadians must convert an RRSP to a registered retirement income fund, or RRIF, and begin receiving pension benefits from an RPP was increased to 71 from 69 in 2007. Pension income splitting was also introduced in 2007. And tax changes were introduced to permit employers to offer more flexible phase retirement programs in order to retain older, experienced workers and ease succession-planning pressures as of 2008.

In addition, most seniors are benefiting from the $1,000 increases in the age credit that were introduced in 2006 and 2009. As well, the schedule of increases in the RPP-RSP dollar limits introduced in 2005 continues to be implemented, and those contribution limits are indexed to average wage growth starting in 2010 and 2011.

My final point will be that the new tax-free savings account will provide additional tax-efficient savings opportunities to all Canadians.

Thank you. That concludes my opening remarks. I'd be happy to take any questions.

● (1600)

The Chair: Thank you very much.

Now we move to the second part of the meeting, in which we will have questions. The first round of questions has seven-minute questions, and that includes the question and the answer. If we want to look at really giving everybody an opportunity to speak, I think I would like to stick as closely as possible to the time. I've allowed people to drift slightly on occasion.

We will start with Ms. Neville.

Hon. Anita Neville (Winnipeg South Centre, Lib.): Thank you, Madam Chair.

Thank you to all of you for being here today. And Ms. Schirle, you too—I'm pleased you were able to participate.

My first questions are to the Department of Finance. I have a number of questions. Let me just ask the questions and then you can give the answers.

I want to know what portion of taxpayers contribute to the maximum amount of RRSPs and I want to know the difference between men and women. I also want to know the numbers who contribute, period, to RRSPs and the difference between men and women. And I have a general question. Do you have disaggregated data on everything you have brought forward as it relates to the differences between men and women?

Then my other question relates to the information you gave us about the changes that the federal, provincial, and territorial ministers recommended, and you tell us on October 27 the recommendations that the Minister of Finance put forward.... What I am wondering is whether a gender-based analysis has been done on each and every one of these recommendations. And if so, can we see them?

● (1605)

Ms. Louise Levonian (Assistant Deputy Minister, Tax Policy Branch, Department of Finance): Madam Chair, to answer the question generally, we have a lot of disaggregated data. Basically our database is.... Do you know the T-1 form you fill out when you do your taxes?

Hon. Anita Neville: We all do, yes.

Ms. Louise Levonian: We have access to that T-1 data, and so we can do a lot of analysis on a gender basis by splitting that by men and women. We don't have everything disaggregated, but we do have a lot of information.

Hon. Anita Neville: Can I ask you whether you have it disaggregated by region as well? Can you give us the breakdowns between men and women across the country, if there are differences? I'd be interested to know that as well.

Ms. Louise Levonian: We have the information by province but not by city or—

Hon. Anita Neville: Okay, that's good enough.

Ms. Louise Levonian: But my colleague has the data. Just generally speaking, in the RRSPs there's a significant amount of room that's not used. Generally speaking, the amount of room that's not used is at the lower income levels and, generally speaking, that of course could be because individuals who have lower incomes don't have as much access to savings, but also a contributing factor to that could be the fact that GIS is available. So there are measures for low-income individuals, and a lot of the retirement income necessary for those individuals is available through other means. So you tend to see that the savings take-up is not as high and it is difficult to say specifically what the reason for that is.

But generally speaking, do you want to give the information on the total take-up, the amount of unused room, proportionally?

Mr. Ian Pomroy (Senior Tax Policy Officer, Social Tax Policy, Personal Income Tax Division, Department of Finance): Sure. Generally, at most earnings levels, there is unused RRSP room, meaning that people are not constrained by the limit. At the middle and lower earnings levels, it's even over 90% of people who have unused RRSP room. So not very many, less than 10%, are constrained by the 18% limit. That goes down a bit at the higher earnings levels but still, there are quite a few earners with unused RRSP room. If you're looking at over $125,000, about 70% of those people have unused RRSP room, so again it's a minority who are constrained by the maximum limits.

Hon. Anita Neville: Could you give us a breakdown of that? You determine the income groups, but could you give us a breakdown on what portion is unused by income groups?

Mr. Ian Pomroy: Yes, we have that.

Hon. Anita Neville: And again, I'd like to see male and female, married and single.

Ms. Louise Levonian: We don't have that here right now.

Hon. Anita Neville: No, I'm not asking for it right now, but if you could provide the clerk or the chair with that, that would be very helpful.

Ms. Louise Levonian: So, unused room by—

Hon. Anita Neville: By income group, male and female, and marital status.

Ms. Louise Levonian: We'll have to go back and check to see whether we have it by marital status. We'll see what we have.

Hon. Anita Neville: Thank you.

To my other question about gender-based analysis, can you tell us what kind of gender-based analysis has been done on the proposals put forward by the Minister of Finance or by the federal, provincial, and territorial ministers?

Ms. Louise Levonian: I'll give you a general overview of what the Department of Finance does from a gender analysis perspective. I'll turn to my colleagues if there are any specifics.

The Department of Finance has a very systematic approach to gender-based analysis. It conducts gender-based analysis for all budget measures that go to the minister. It does that on a systematic basis where data exists and where it's appropriate to do that kind of analysis. In looking at these kinds of low-income measures or tax measures, those are very conducive to gender-based analysis.

So gender-based analysis is conducted on all measures that go forward to the minister. I'm not sure if you were specifically referring to what measures—

Hon. Anita Neville: I'm specifically referring to the recommendations that are here in your presentation today.

Mr. Chris Forbes: We'll sort of hot-potato you around a bit.

On the changes that the federal, provincial, and territorial ministers of finance propose with respect to the Canada Pension Plan, as Monsieur Ménard suggested in his presentation, there is a fair bit of detail on the implications of the CPP or CPP changes on men versus women. So a lot of those implications would have been taken into account and known during the discussions.

My colleague could answer more specifically if you have detailed questions, but that was certainly available during the development of those policies.

● (1610)

The Chair: Thank you, Ms. Neville.

Madame Demers.

[*Translation*]

Ms. Nicole Demers (Laval, BQ): Thank you, Madam Chair.

Thank you very much for being here today, Mr. Forbes.

Ms. Schirle, thank you also for being here.

This is not easy to understand. I am not good with numbers, but I have a lot of heart. I have listened to what you said and I really am having trouble understanding everything. However, Ms. Schirle, I understand that a public sector job is better for women, that this type of job is preferable to working as a waitress. At least female public servants receive a good pension.

Mr. Forbes, you work for the Federal-Provincial Relations Branch. When you speak with your counterparts, do you discuss the various measures which are in place? We hear from seniors, who come to our offices, and whose incomes have decreased significantly because their provincial benefits have increased a little bit. So, these seniors went up one income bracket, and as a consequence their incomes fell, both on a monthly and on a yearly basis. Several seniors have told us the same thing.

Can you tell us whether you are aware of this and whether you have discussed this with your counterparts?

[*English*]

Mr. Chris Forbes: Certainly there are a couple of points.

With the CPP, there are, of course, joint federal, provincial, and territorial consultations. So the two orders of government are in discussion about that and have to be in agreement.

With respect to the relations between federal programs and provincial and territorial programs, nationally we have OAS and GIS in place and the provinces are well aware of those programs. The GIS does have a clawback rate, as it's targeted at very low-income people. As your income rises from other sources, you get less and less GIS.

The extent to which the provinces tailor their programs around that clawback is hard for me to say. It's up to individual provinces. Some will build on that. An example would be Ontario, which has a GIS-like program of its own, a supplement to the GIS. I can't speak specifically on what Quebec does or how they take into account those clawbacks.

[*Translation*]

Ms. Nicole Demers: Thank you.

My next question is for the representatives of the Department of Finance. Last week, we decided to focus on pension plans because we are conducting two studies at the same time, and we thought we could help you by giving you a copy of our report before the break in December.

Do you think that the committee's studies, which involve meeting with about 30 groups, will help you make decisions and bring about the changes which will have to be made to the Canada Pension Plan?

[*English*]

Mr. Chris Forbes: Certainly the consultations of this committee and any other committee are important for informing the work the department does. We have just gone through a tri-annual review with the Canada Pension Plan and the next round won't be done for three years. We have a budget-making process ongoing, though, and these are issues that come to the attention of the department. So the work of this committee and any other committee is of course useful to us in how we help to advise the minister.

[*Translation*]

Ms. Nicole Demers: Thank you very much.

Ms. Laflèche, I would like to know whether you have noted an increase in the number of seniors who have gone back to work since the measure allowing them to earn up to $5,000 a year, without affecting their benefits, was implemented. Do you know whether many seniors went back to work?

Ms. Danielle Laflèche: I'm sorry, but we don't have that information within our section. However, if you want, we can get those numbers for you.

Ms. Nicole Demers: I don't know who can answer my next question, which is about private pension plans.

In the last couple of years, we have seen that, when companies go bankrupt, employees lose their pension plans, and some employees, who had worked 16, 17 or 18 years for a company, ended up with $400.

Can anything be done to prevent that from happening? How can we prevent people who have worked many years for a company, and who have paid into their pension plans—sometimes with contributions from both the employer and the employee—from retiring with little or no pension benefits if the company goes belly up?

● (1615)

Mr. Jeremy Rudin (Assistant Deputy Minister, Financial Sector Policy Branch, Department of Finance): You are referring to private pension plans. At the federal level, we are responsible for regulating federal pension plans, which represent about 7% of all plans.

As Mr. Forbes mentioned a little earlier, in October the minister unveiled proposed changes to the pension plan system, which contained several measures, including increased protection for pension plan contributors. However, these measures would not completely eliminate the risk posed by the bankruptcy of an employer.

Ms. Nicole Demers: Fine.

I have a final question for you, Mr. Forbes.

In your statement, you said, and I quote: “Virtually all seniors receive Old Age Security, regardless of their work histories.” Which seniors do not receive Old Age Security benefits?

Mr. Chris Forbes: You have to have lived in Canada for 10 years or more. Therefore, those who have lived here for less than 10 years are not eligible.

Ms. Nicole Demers: They 're not eligible for Old Age Security. Therefore they are not eligible for the Guaranteed Income Supplement either?

Mr. Chris Forbes: Exactly.

Ms. Nicole Demers: Fine, thank you.

Madam Chair, do I have any time left?

[*English*]

The Chair: You have 30 seconds.

[*Translation*]

Ms. Nicole Demers: Thank you very much.

[*English*]

The Chair: Thank you, Madame Demers.

Ms. Hoeppner.

Ms. Candice Hoeppner (Portage—Lisgar, CPC): Thank you very much, Madam Chair.

And thank you to the witnesses for being here.

My first question is to Professor Schirle.

One of the things I'm very interested in hearing about, and maybe you can comment as well as the officials, is that in the last ten years there's been a dramatic difference in the way women are looking at retirement, and the way retirement will actually be for them, as opposed to older Canadian women.

I wonder, first of all, if you can comment on the role of education in financial matters. I'm wondering about the role of financial planning in the big picture and how many women view it as an individual and how many view it in the context of a couple. For example, if a woman decides to stay at home and raise her children, she and her husband make that decision. Part of that decision process is that they'll be losing some of their pension income, which means they need to make greater contributions to a spousal RRSP, which maybe means their taxes will be reduced and they'll have a little more disposable income either to save or.... Obviously that's part of a big plan. Then when they do retire, government has introduced income splitting between seniors, so it won't be as much about how much the woman's pension is and how much the man's is, because they can actually split it.

Can you comment on financial planning and looking at the big picture and how much is done in the context of spouses, as opposed to men or women?

Dr. Tammy Schirle: Okay, I can try to comment on that.

I don't think we always have empirical evidence for some of these ideas. Generally we saw a very large increase in the educational levels of women, starting with women who were going to college in the 1960s. They were going to college for the purposes of training for careers, and then that obviously led into their careers.

There is a big generation difference there on how all decisions are being made in the family. For women who were getting married before the 1970s, it was very much taking what their husbands were doing as given, and then maybe joining the labour force, contributing a little bit in terms of income to the household.

Today, though, when you look at how decisions are made by families, we can definitely say that those decisions are made jointly. So a husband and wife are going to sit down together and decide how much each of them is working in the labour market, how much time each of them is spending in the household and on child care, and all of these things, and all of their financial planning would be done jointly as well.

Now, there is some individual aspect to that. To the extent that if a woman spends time out of the labour force for child care, which might just be the choices they make as a family, she's the one who has to take the penalty in the sense that she's lost some labour market experience. She might have given up that raise, given up a job promotion. That happens, and you just take that as part of the package of staying home to take care of your children.

The concern is that if that couple were to get divorced, you couldn't contract how to handle that loss in the labour market. You can try. We do try to account for these things in divorce agreements, at least to some extent, but it's not something we can measure perfectly, so it's not something we can contract perfectly.

To that extent, we don't have perfect contracts for marriage. There is still some individual component to financial planning, and perhaps that's where we see a generation of women now who really independently plan their careers before they even think about getting married and having children. So you might think this really does get built into the individual decision, prior to marriage, before that even starts.

● (1620)

Ms. Candice Hoeppner: Okay, thank you very much.

Would the officials have any comment on that? No, none at all?

Okay, then I'm going to move on to something Madame Demers was talking about, and that's the role of the provinces in pension regulation. If I understand you correctly, 7% of the public plans are regulated by the federal government. Is that correct?

Mr. Chris Forbes: It's 7% of the private plans, yes.

Ms. Candice Hoeppner: So the remainder is regulated by the province. If changes are required, then, if I understand you correctly, the provinces would make that decision, or you would be suggesting changes to them. What is the relationship, then, between the federal government and the provinces so that we are not obviously, as a federal government, going out of our jurisdiction? Can you explain that to us?

Our goal is that we don't want to see people lose their pension and we don't want to see tragedies like we have seen recently, but I think we need to have a very clear picture of how much the federal government can do and what our role is. If you could explain that for me, that would be great.

Mr. Jeremy Rudin: Yes, I'd be glad to.

The jurisdiction decision as to which level of government is responsible for the regulation of a private pension plan depends, in the first instance, on what sector the employer is in. Certain sectors fall under federal jurisdiction, and then failing that, if it doesn't fall under federal jurisdiction, it depends on the location of the employer. Some employers have multiple locations, but I think there's a well-worked-out system as to who's in charge, and indeed the jurisdiction can, at times, be shared across certain provinces.

One aspect of the reforms that the Minister of Finance is proposing, which would have implications across the board for private pension plans, is a change to the tax treatment of the contributions that employers make to the funding of their pension plans. That's an Income Tax Act change that will be broadly applicable.

Other than that, the changes that were proposed by the minister would, in the first instance, only apply to federally regulated plans. That said, we do have a working group of federal and provincial officials on pensions. We share ideas. A number of provinces have gone through consultative processes similar to the process that the federal government has gone through, and there are reform agendas going forward in some provinces, not in lockstep, but informed by each other's experience.

Ms. Candice Hoeppner: When did some of these consultations begin with the provinces? Has it been recently, over the last couple of months, or over the last year?

Mr. Jeremy Rudin: The federal-provincial working group of officials on pensions was established two finance ministers meetings ago. It would be rude to whip out my BlackBerry to figure out when I first chaired one of those; it has been a number of months on an organized basis, but it's not as if we didn't have informal and bilateral discussions before that.

The Chair: Thank you very much, Ms. Hoeppner.

Now Ms. Mathyssen.

Ms. Irene Mathyssen (London—Fanshawe, NDP): Thank you, Madam Chair.

Thank you very much for being here. I appreciate the expertise and the information you have brought. I do have some questions, though, and I'd like to address these to Ms. Schirle and perhaps Monsieur Ménard.

Ms. Schirle, you indicated that the pension gap would close over time because the wage gap is closing. Currently, you said it was 85%. We've heard, however, from the Office of the Chief Actuary, that the ratio is different from that. In fact, what we just heard was that the ratio of female to male average employment earnings stood at about 48% in 1966 and was about 71% in 2006, and the projections were that this ratio would increase to 84% by 2050. That's a huge differentiation. I am wondering why there is that contradiction. It seems to me that 2050 is a very long time off.

● (1625)

Mr. Jean-Claude Ménard: If I may, if I present this information by age group, the picture will be completely different. The ratio I alluded to was the ratio for the age group 18 to 69. That is the contributory period for the Canada Pension Plan. If I look at younger workers, the 85%, and in some cases even more than 85%, the gap between males is smaller if you are looking at a younger cohort than an older cohort. My ratio is the overall workers from 18 to 69.

Ms. Irene Mathyssen: Ms. Schirle.

Dr. Tammy Schirle: There are a lot of measurement issues when people are talking about this ratio, and we have to be very precise on what we are talking about. I think Mr. Ménard would be talking about the ratio of annual earnings of women to men. That does look to be around 70% right now. That is perfectly true, and the trends he's talked about make perfect sense to me.

What I was talking about was the actual hourly wage, so if you took per hour what women are earning relative to men, that is at about 85%. The difference in annual earnings is in part what women receive as their hourly wage but also what they work in terms of hours over the year. On average, women are working many fewer hours than men are, so that gives them lower annual earnings than men.

When you look at the trends that both of us are talking about, the general trend is the same. We see a general increase in women's earnings or wages relative to men, but the precise number you place on that depends on whether you're talking about hourly wages or annual earnings.

Ms. Irene Mathyssen: Those lower annual earnings impact the CPP, which is something we're concerned about, too.

Again we are back to numbers. For those who have private pensions, if I heard correctly, that seems to be in decline, and we know there have been some problems in terms of pensions in the private sector. I heard it has gone down from a 45% level to 38% among men, and from a level of 42% to 39% among women. If we extrapolate those figures, shouldn't we be concerned about the future of people depending on pensions, regardless of gender?

Mr. Chris Forbes: Without commenting on the statistics, I would go back to one of the points in my opening remarks about the third pillar, which is registered pension plans and the RRSPs. The whole point of that combined system is that if you have a registered pension plan or not, your combined ability to save through the registered pension plan and the RRSP is in total the same, whether you are self-employed or holding a registered pension plan. So you have that third pillar there, which should give people the ability to save as much whether they are in a registered pension plan or not.

I can't comment on the numbers that you used, but that would be my one comment.

Ms. Louise Levonian: The one thing I'd add is that the tax-assisted savings are savings outside of pension plans. Your principal residence is a form of savings. You have life insurance, which is a form of savings. There are all kinds of forms of savings other than your pension plan. The savings Mr. Forbes was talking about are tax-assisted savings.

Ms. Irene Mathyssen: Then we're right back to the problem of those who cannot or do not take up the room in RRSPs.

We've heard from HRSDC that defined benefit plans are gradually being replaced by the defined contribution plans. I think we heard that again here today. I have a table here, and it takes a look at a defined contribution pension at two moments in time, and this would be a plan that was worth about $100,000. May 15, 2008, it was worth $7,659.20 a year, $638.26 per month. By February of 2009, that same $100,000 was worth $312.11 per month.

So there's clearly an issue with regard to pension security. That movement from the defined benefit to the defined contribution seems to be happening more and more. Should we not be concerned about that shift, because of fluctuations in market, because of uncertainty? People can't depend on that money any more.

● (1630)

Mr. Jeremy Rudin: It is certainly the case that within the space of registered private pension plans that defined benefit plans are smaller as the share of participation in defined contribution plans are rising. I think there are a variety of reasons for this, and there are a number of theories that are very difficult to sort conclusively. They certainly change the way risk is felt by the pensioners and what risk is borne by the employers. On the face of it, if one assumes the defined benefit plan will meet all its stated obligations, then the risk is essentially borne by the employer and reduced for the employee.

The Chair: Thank you very much.

Now we'll move to the second round. Ms. Zarac.

[*Translation*]

Mrs. Lise Zarac (LaSalle—Émard, Lib.): Thank you, Madam Chair.

Mr. Forbes, how often are pension plans reviewed?

Mr. Chris Forbes: I was referring to the Canada Pension Plan.

Mrs. Lise Zarac: Yes. How often is it reviewed?

Mr. Chris Forbes: It is reviewed every three years.

Mrs. Lise Zarac: You stated that the changes for the next three years had already been studied. Did I understand correctly?

Mr. Chris Forbes: We just completed our three-year review in May. An announcement was made by the federal, provincial and territorial ministers of Finance. Bill C-51 contains the results of that three-year review.

Mrs. Lise Zarac: Does that mean that there will be no changes for the next three years?

Mr. Chris Forbes: We will undertake another review in three years and another three-year report will be drafted.

Mrs. Lise Zarac: Fine, thank you.

You mentioned that you fall under federal jurisdiction; therefore this is obviously for federal employees. On the other hand, you also stated that you work with other businesses and provide them with your expertise. Employers who contribute to a pension plan for their employees benefit from tax credits. This is advantageous for them. For employees, this is the equivalent of social benefits. Often they agree to not being given salary increases because they have a good pension plan.

I would like to call upon your expertise. How could we protect employees in private businesses?

Mr. Chris Forbes: Protect them from what?

Mrs. Lise Zarac: You have good plans. Federal government employees can count on a pension plan. Employers have received tax credits, but their employees, for the reasons I just mentioned, were probably not given the increases they were entitled to.

What can we do? When I say “we”, I'm not talking about you; I understand that you are not responsible. What would you recommend in order for these employees to be able to receive their pensions?

● (1635)

Mr. Chris Forbes: In terms of protecting individuals, there are three pillars that I described earlier. The first is Old Age Security and the Canada Pension Plan, which provide a certain amount of protection to all Canadian men and women.

Mrs. Lise Zarac: I'm talking about private plans, not the plans that fall under your jurisdiction.

What would you recommend to businesses so that employees may keep... I don't know if my question is clear.

Mr. Chris Forbes: I think that this is connected to the announcement made by the minister on October 27 and referred to by Mr. Rudin. This is a series of measures whose purpose is to improve the security of private pension plans.

Mrs. Lise Zarac: How can we improve that security?

Mr. Jeremy Rudin: In terms of the pension plans that are federally regulated, the minister proposed...

Mrs. Lise Zarac: That is not what I'm referring to. I'm calling upon your expertise as a good administrator of pension plans. You stated that you work with the private sector and offer your expertise. If they want to protect their pension plans, what are your recommendations? Perhaps my question is not clear enough.

Mr. Jeremy Rudin: If I have understood you correctly, you are asking us what advice we would give to those who administer pension plans in the private sector.

Ms. Lise Zarac: Yes, exactly.

Mr. Jeremy Rudin: I would advise those who are federally regulated to take advantage of the new flexible measures that the minister's proposals will lead to in order to better capitalize their plans. There will be an increase on the limit for taxable contributions and there will be opportunities to use letters of credit—unfortunately I do not know the French term for this.

[*English*]

The Chair: Wrap it up very quickly, because we're very much over time on this one. We're a minute over.

[*Translation*]

Mr. Jeremy Rudin: There will also be new rules in order to strengthen the types of protection referred to in the press release.

That is all the time I have.

[*English*]

The Chair: Thank you.

Ms. Wong.

Mrs. Alice Wong (Richmond, CPC): Gentlemen and ladies, thank you very much for coming.

My question is directed to the Department of Finance. As you all understand, the parliamentary secretary, Ted Menzies, conducted a very wide cross-country consultation from March until May. Can you elaborate more on that study, especially on who was consulted during these consultations and how wide the scope of the consultations was?

Mr. Jeremy Rudin: Yes, I'd be glad to.

We began with a discussion paper that was released in January, called “Strengthening the Legislative and Regulatory Framework for Private Pension Plans”. We had an online consultation, and we received a great many submissions to that consultation. Those for which we had permission to post we've posted online, so there's quite a lot of information there.

Then Mr. Menzies went across the country, and there were a number of stops—most, but I don't think all, provinces. He met broadly with stakeholders, some of whom had responded to the online consultation and some of whom had not. Some of these meetings involved a good discussion amongst the participants, and a number of provincial finance ministers commented on their satisfaction with the process when the finance ministers met most recently here in Ottawa.

As an outcome of that process, the proposals that the minister announced in October were developed.

● (1640)

Mrs. Alice Wong: Thank you.

Going back to another thing you mentioned earlier, that the federal, provincial, and territorial finance ministers created a working research group regarding pensions, is that report to be presented in December?

Mr. Chris Forbes: Yes, the research working group will report its findings back to the finance ministers in December.

Mrs. Alice Wong: Could you explain further the purpose of this working group and what it is studying about pensions? You did mention it earlier, but not in great detail.

Mr. Chris Forbes: In fact it's a bit broader than pensions. It's a research working group on retirement income adequacy. They're looking at a broad range of issues. The goal of this is research work, so it's to come up with a common base of understanding for ministers of finance, and it will be shared with them in December.

It's touching, as the name of the group would suggest, on a lot of the issues you've been discussing about the adequacy of the current saving rates of Canadians and whether people are saving enough for retirement. It's looking at issues like the cost of mutual fund investments, active versus passive investments, and a wide range of things.

They'll present a synthesized version of those papers to the ministers in December.

Mrs. Alice Wong: Could you speculate on how this working group's decisions will affect the CPP in Canada?

Mr. Chris Forbes: Again to go back, it's to get a common base of research on the understanding about the facts of retirement income. So it's not actually about specific policy proposals or actions. It's really about providing the best research possible for the ministers to look at and get a good understanding, and hopefully a common understanding, of the system as it stands today and going forward.

Mrs. Alice Wong: How much time do I have, please?

The Chair: You have one and a half minutes.

Mrs. Alice Wong: Let's go back to some kind of history. Could you also explain to the committee and expand on the actions the government has taken since 2006 with respect to pensions? It seems to be a large question.

Mr. Chris Forbes: Sure. In my opening remarks I went through a few issues. I can go back to them, but I think we've made a number of changes on the first pillar of the retirement income system with respect to increasing the amount of employment income that GIS recipients can earn before their GIS is reduced.

On the second pillar, which is the CPP, I mentioned the triennial review results and a number of changes that have been proposed there, which are before Parliament as part of Bill C-51. Those include the removal of the work cessation test, and increasing the drop-out provisions.

On the third pillar, which would be the tax assistance for retirement savings and other tax measures, in fact we've had increases in the pension income credits. We've had an increase in the age amount. We've introduced pension income splitting. And the age when one has to convert an RRSP into a RRIF has been raised from 69 years to 71 years, and phased retirement as well. And the final one would be the tax-free savings account.

Mrs. Alice Wong: Yes, that's the next question I was going to ask.

Mr. Chris Forbes: Okay.

Mrs. Alice Wong: So you do believe that the introduction of the tax-free savings account will help the pensioners or people who really are planning for their pensions down the road?

Ms. Louise Levonian: The tax-free savings account is a multi-purpose vehicle. You can save in your tax-free savings account and if you want to buy a car and you have enough money in your account, you can withdraw it. You can use it to buy your home. But certainly it can also be used for retirement income. It's a multi-purpose available tax-free savings account, so it can be used for that as well.

The other thing that's quite a benefit of the tax-free savings account is that on the money put into a tax-free savings account, the earnings are accumulated tax-free. But when you withdraw the amount from your tax-free savings account it won't affect your GIS benefits or any other benefits upon withdrawal. You pay the tax up front and then you don't pay the tax after.

● (1645)

The Chair: Thank you very much.

So there you are. We went a minute and a half overtime.

Now Ms. Brunelle.

Perhaps I can remind everyone that this is a five-minute round. And I hesitate to cut someone off in the middle of an answer, because obviously we all want to hear the answer. But we have been going a minute and fifteen, a minute and a half now, over in the five-minute round. This is a five-minute round, so may I ask everyone to be quick with their questions and actually quick with their answers so we can get information without going over time.

[*Translation*]

Ms. Paule Brunelle (Trois-Rivières, BQ): Thank you, Madam Chair.

Good afternoon, ladies and gentlemen.

Mr. Ménard, you are an actuary. You therefore make sure that the Canada Pension Plan contains enough funds to pay out benefits to all those individuals retiring. You told us that the contribution rate of 9.9% that has been legislated and will apply in 2010 should be sufficient to ensure the viability of the pension plan. Your colleague told us that this should be for a three-year period.

What was the previous contribution rate?

Mr. Jean-Claude Ménard: From 1966 to 1986, it was 3.6%. After that there was a gradual increase which reached 5.6% in 1996. There was a significant increase from 1996 to 2003. It went from 5.6% to 9.9%.

Ms. Paule Brunelle: Was that because additional benefits were provided to retirees or simply because of all the baby boomers retiring?

Mr. Jean-Claude Ménard: At the very outset of the Canada Pension Plan, it was agreed that the contribution rate would not be enough. Around the year 2000, there was a consensus that the rate should be increased, even though in 1966, the thinking on the birth rate, in particular, was quite positive. In the end, there were less children born than expected and therefore the population aged much more quickly.

In my predecessor's actuarial report, in 1993, it was made clear that the contribution rate should be increased to as high as 14%, simply because of the aging of the population. Governments made the decision in 1997 and an agreement was confirmed on Valentine's Day. They truly agreed that day. They decided to increase contribution rates, decrease the growth of benefits by approximately 10% in the long term, and establish the Canada Pension Plan Investment Board in order to obtain better returns and to limit the costs of the Canada Pension Plan.

Since 2000—and this will apply up until around 2020—contributions to the plan total more each year than the benefits paid out. This contribution surplus is transferred to the Canada Pension Plan Investment Board, which then invests this money in a diversified portfolio made up of assets, shares, bonds, real estate, infrastructure and so on.

Ms. Paule Brunelle: The Canada Pension Plan, contrary to the Quebec Pension Board, for example, does not seem to have been affected by the problem of asset-backed commercial paper. There were no significant losses over the past year.

Mr. Jean-Claude Ménard: These people navigated the global financial storm very well in 2008. The return in one calendar year was -14%. That is not a return to be proud of, however stock market indices went down all over the world. There was a global financial collapse and stock market indices went down on average by 30% to 40%. During that time, the CPP investment board's return was -14%. In the context of the global situation, this plan did much better than most other pension plans.

Ms. Paule Brunelle: I would now like to address an issue about which much is said. My question is for whoever would like to answer.

Part of our constituency is made up of retired people. Old age security benefits were indexed, and people invested their savings in such things as RRSPs, but in some cases the money was badly invested. Some people have seen their investments lose approximately 30% in value. In my previous position, I participated in a defined contribution pension plan, as opposed to a defined benefit plan. And there were similar losses in that plan. People want to know what is going to happen. They are worried about their pensions.

Is it your sense that the situation is improving? As part of this committee's work, we are trying to find measures that would allow women to benefit from better paying pension plans, but what we are seeing on the whole is that people are becoming poorer.

● (1650)

Mr. Jean-Claude Ménard: The last two quarters on the financial markets have been positive, exceeding expectations. In that sense, things have recovered from the previous eight quarters. During that time, returns were lower than forecast. However, how things will evolve is quite uncertain. Be that as it may, the situation has greatly improved since March 9, 2009.

[*English*]

The Chair: Go ahead, Ms. Mathyssen.

Ms. Irene Mathyssen: Thank you, Madam Chair.

I've been doing some research, and we have information from a number of sources, one being the Canadian Labour Congress. They indicated that in January 2009, 567 farms pulled the plug on their operations and filed bankruptcy. Ontario manufacturing bankruptcies rose by 24%. Business insolvencies also rose in Quebec, because the recession very clearly is hitting the province's industrial sector very hard, and 250 companies closed their doors, while there were 202 closures in December 2008. This impacted a significant number of workers.

The only region in Canada that currently insures pensions is Ontario, where the mandatory fund protects earnings of about $1,000 per month, or $12,000 per year, for those pensioners who are suddenly without any money. We've talked about the review that's gone on, and an expert commission recently recommended that this amount be increased to $2,500 per month so that pensioners would truly be protected against the cost of inflation and the reality of what it costs to live.

Should such a protection plan be encouraged among the other provinces, as well as an increase, so that people are not left in difficult circumstances?

Mr. Jeremy Rudin: This suggestion came forward from some quarters in the consultation that we were just discussing. The federal government, as you can see, by omission did not proceed with it. The view animating that decision, which was expressed by many others in the consultation, was twofold. The first aspect was that employers should be given incentives to properly fund their pension plans. This is what solvency funding is about. The solvency funding regulations are there so that pension obligations will be respected as much as possible in the event of a bankruptcy, and the responsibility should lie with the employer who is providing the pension.

Also, it is common in these cases, especially if there is a large bankruptcy, for the guarantee fund to be exhausted. It is backstopped by the government, and there is a view that it is inappropriate for taxpayers in general to take on this role.

Ms. Irene Mathyssen: Were any suggestions made in regard to how you encourage employers to be responsible and ensure solvency of their plans?

Mr. Jeremy Rudin: In the proposals the minister put forward, there were a number of additional incentives for employers. One was to increase the ceiling on the tax-deductible contributions to the solvency fund in order to encourage a greater margin. Another was the option for employers to use properly funded letters of credit in place of cash investments. This can be more attractive to employers, and it is no less secure for employees. In addition, the government will propose to reduce the volatility of the calculation of solvency payments, and this should make those payments more manageable for employers without penalizing benefit security.

Ms. Irene Mathyssen: In the event of bankruptcy, companies are allowed to put pension funds owed to workers behind the money owed to creditors. Since this is very often a devastating practice that deprives pensioners of what they expected to have at retirement, would it be helpful if pension funds had the same standing as other creditors? In other words, would it be helpful if pension funds were moved ahead to the front of the line?

● (1655)

Mr. Jeremy Rudin: Funds that an employer has already put into a solvency fund are protected in bankruptcy, and they go to fund pensions. Amounts due from the employer to the fund that have yet to be remitted, such as a payment due on Tuesday after a company failed on Monday, are also given priority in bankruptcy. It is not the case, however, that the full unfunded amount on the solvency calculation, should there be any, ranks ahead of other creditors.

Ms. Irene Mathyssen: Would it be helpful if it did?

The Chair: You can very briefly answer: would it be helpful if it did?

Mr. Jeremy Rudin: I will be hard-pressed to do justice to this in ten seconds.

There is a very significant trade-off between the company's ability to borrow and fund its operations and its prospective obligations in bankruptcy that would rank ahead of that other funding. If there are many things that rank ahead of the other borrowing the company needs to grow and operate, it will be difficult for the company to grow and operate. That's the fundamental trade-off faced in determining the degree of bankruptcy protection for pension assets and pension payments.

The Chair: Thank you very much.

Ms. McLeod.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Madam Chair.

There are so many things I want to try to understand better. I would like to start with page 4 of Mr. Forbes' paper.

At the bottom, you talk about your third pillar. Could you talk about each of your bullets and help us understand what's behind each of them, in terms of the minister's intention? We've hit upon a couple in vague ways as we've gone along, but I'd like to understand them specifically in my linear mind.

Mr. Chris Forbes: Just to be clear, because my pagination may be a different from yours, are you talking about the announcement made on October 27?

Mrs. Cathy McLeod: Yes.

Mr. Chris Forbes: Okay. Mr. Rudin will answer that question.

Mr. Jeremy Rudin: Thank you; I'd be glad to.

We're speaking again of the legislative and regulatory framework governing private pension plans in federal jurisdiction. Here the reform proposals were grouped under five principal headings, which I will reiterate and then elaborate upon a little. The backgrounder runs to seven pages, so the chair won't let me read it to you.

Mrs. Cathy McLeod: Give us the Coles' Notes version.

Mr. Jeremy Rudin: Yes, this is the Coles' Notes version.

The first item is enhanced protections for plan members. We've already discussed a couple of these.

In addition, there are the employer contribution holidays: an employer deciding to stop contributing because, by their calculation, the pension plan is overfunded. These will be made more limited. Contribution holidays had been a contributing factor to low pension funding, as there was a failure to recognize just how volatile the value of the investments could be. hey will not be eliminated, to be sure, but they will be limited.

There will be a rule implemented that amendments that would enrich the payments in the pension plan cannot be taken if the pension is too underfunded. Benefits will vest immediately instead of, as under the current framework, after a two-year waiting period.

There's a variety of others. I'm sure the chair wants me to go on to the next topic: reducing funding volatility for defined benefit pension plan sponsors.

Here, the headline item is to introduce a new standard for establishing the funding position, such that it's less sensitive to the sorts of wild gyrations we've seen recently and more attuned to average performance over time. That will be of value to sponsors.

We've mentioned that the 10% pension surplus threshold in the Income Tax Act will be raised. This will make it more attractive for sponsors to fund their pension plans in anticipation of potential declines in values.

We have an aspect of this that looks at the resolution of plans' specific problems and would provide a mechanism for plans that wish to reorganize in co-operation, with the consent of their members and retirees; they will be able to do that in an expeditious manner. We've seen a couple of these reorganizations done essentially as one-offs recently. This would provide an ongoing mechanism to help solve these problems.

There would be some improvements in the framework that governs defined contribution plans, which are becoming more popular, and the hybrids somewhere between defined contribution and defined benefits plans, which are the negotiated contribution plans. These could also benefit from a clear regulatory framework.

And last, there's a modernization of the rules governing investments by the pension plan.

● (1700)

The Chair: You have one minute.

Mrs. Cathy McLeod: I guess this would then go to the Office of the Superintendent. These will impact your office, I would expect. Can you talk a little bit about the anticipated changes?

Mr. Jean-Claude Ménard: Well, although it's my office, I'm not responsible for this particular section of the business of OSFI. But when I look at my responsibility for the Canada Pension Plan, everything that helps to reduce the volatility of financial markets is definitely helpful to all administrators, plan sponsors, investors. The idea of using the average solvency ratio over three years is certainly a good idea to reduce the volatility for funding.

Last week, my colleague came to this committee saying that the estimated solvency ratio for federally regulated pension plans has gone from 85% to 88%—a modest improvement, but still in the right direction. The 88% means that we have assets equal to 88% of the pension liabilities.

The Chair: Thank you very much. I think we have ended this round.

We have a vote, so we must leave here at 5:30. Bells begin at 5:30 for a vote at 5:45.

I don't usually ask questions, but there is a question I want to ask.

What is the impact of income splitting, on women especially in their ability to be able to have access to GIS and OAS? If you “income split”, a woman who may have had zero income before will be able to get her GIS. If she splits income, she now no longer has zero income, so is she denied GIS, and does that decrease her OAS contribution?

So is the overall impact of income splitting poorer for the couple than it was originally?

Ms. Louise Levonian: The GIS is on a family income basis. Whether or not the income is split, the income is still on a family basis; it's not going to affect the—

The Chair: And what about OAS?

Mr. Ian Pomroy: OAS is individually income-tested. If an OAS recipient happens to be near the OAS clawback range, then it could affect the—

The Chair: It could affect the overall.

Ms. Louise Levonian: May I add one point to that?

Income splitting is a joint filing requirement, so both parties have to agree to do it. And both parties are liable for the tax, so it's not as though one party could do it and then reduce the other person's—

The Chair: I understand that. I just think it diminishes the overall income, at the end of the day, especially with regard to the OAS. It is disconcerting, because one made that decision based on thinking that all families work in a particularly harmonious manner and that people can disagree to have income splitting, whereas in a family it may not be as easy for the woman to disagree to share in income splitting.

Anyway, that was a comment. I want us to move on. I got the answers I wanted about the impact on the OAS, which was the one that concerns me now and has always concerned me in the past.

Thanks very much.

You wanted to say something, Ms. Levonian.

Ms. Louise Levonian: Even if the woman couldn't make the decision, the overall income of the family would still be something that, hopefully, the male would take into account. If there's that kind of control, the amount of income overall in the family would be reduced, if they were not to split income. I think you'd weigh all aspects as to what the family's income would be.

● (1705)

The Chair: I don't agree with that, essentially. We studied this a long time ago, when our government was looking at income splitting, and we felt that many women would actually be worse off and that the family as a whole would be.

Anyway, thank you so much for attending and for giving us the answers. Many of them were quite complex and difficult, but I want to thank you very much.

And thank you, Ms. Schirle, for being with us today.

We have to move into some members' business. We'll have a one-minute recess while we do so.

[*Proceedings continue in camera*]

●

(Pause)

●

[*Public procedings resume*]

● (1710)

The Chair: The motion by Ms. Mathyssen reads:

> That, pursuant to Standing Order 108(2), the committee invites the Minister of State for the Status of Women Canada to appear at the earliest opportunity to explain the extent to which federal government departments make use of Gender Based Analysis (GBA) across government departments for the process of decision making and the creation of policy.

Since it's Ms. Mathyssen's notice, I will ask her to speak.

Ms. Irene Mathyssen: Thank you, Madam Chair.

I hope to take the minister up on her offer to come here whenever we require and have questions or concerns.

My concern arises from two things. First is the appearance of the Auditor General at the public accounts committee and the information she gave that committee. I must say it was very much like the information she provided to this committee on concerns about deficiencies when it comes to the application of gender-based analysis.

I asked the minister this question because I think it's absolutely essential that there be consistent and effective GBA. Concerns were expressed by the Auditor General about having no written proof. There were verbal submissions or explanations back and forth, but nothing concrete that she could utilize in her determinations.

The minister did not answer my question. In fact she said:

> Treasury Board submissions in 2007, also now under the leadership of this government, required evidence of gender-based analysis. In 2008 we put a requirement in place that all memoranda of the cabinet would require evidence of gender-based analysis.

I think use of the word “evidence” makes me very uneasy, because it's not concrete. Evidence is not proof. Evidence is not a sense of confidence that I think we should have in the process going on. I would like her to clarify what she means by evidence of GBA, and explain how reliable the GBA is in terms of the various departments.

The Chair: Thank you very much.

I'm going to open it up for discussion, but before I do so, because many people are new to the committee and were not here just before the last session, we had the minister speak to the issue of gender-based analysis. She suggested at that time—this is just for information—that she was not responsible for responding to the finance department, HRSDC, or the decisions of Treasury Board, and that those should come from the ministers themselves. We asked those ministers to come to explain, and neither minister came. They all had very plausible reasons for not turning up, but we still never got the answers. So in case someone says to call the ministers, I would like to point out that was done.

Mr. Van Kesteren.

● (1715)

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): I think it's a wonderful motion, and we should vote on it.

The Chair: Is there any other debate?

Hon. Anita Neville: I won't go there. It's okay.

The Chair: Is there any other debate?

(Motion agreed to)

The Chair: The meeting is adjourned.

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