House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 022 • 3rd SESSION • 40th PARLIAMENT

EVIDENCE

Thursday, May 27, 2010

Chair

Mr. James Rajotte

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● (1535)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Good afternoon. I call to order the 22nd meeting of the Standing Committee on Finance. We are continuing our study of the retirement income security of Canadians.

We have four witnesses with us here today.

[*Translation*]

First we'll hear from Mr. Daniel Béland, who is the Canada Research Chair in Public Policy at the Johnson-Shoyama Graduate School of Public Policy at the University of Saskatchewan.

[*English*]

We have Ms. Arlene Borenstein. She's a representative of the Rights For Nortel Disabled Employees.

We have by video conference from Toronto Mr. Keith Ambachtsheer, director of the Rotman International Centre for Pension Management.

From Paris we have Mr. Edward Whitehouse, head of pension policy analysis, social policy division, from the Organisation for Economic Co-Operation and Development.

Thank you all for being with us here today. We will go in that order and you will each have 10 minutes for an opening presentation.

[*Translation*]

Mr. Béland, go ahead, please.

Mr. Daniel Béland (Canada Research Chair in Public Policy, Johnson-Shoyama Graduate School of Public Policy, University of Saskatchewan, As an Individual): Good afternoon, and thank you for your invitation.

In Canada as in other countries, retirement pensions involve long-term commitments on the part of employers and governments. Canada's pension system has a number of outstanding qualities like the capacity to fight poverty effectively, at least compared to the systems in effect in other countries. However, many Canadians are concerned about the future of retirement security in our country. Considering trends like demographic aging, the 2008 financial crisis, and the decline in defined-benefit pensions, these concerns are legitimate. Pension reform is a difficult business because it involves complex rules and policy trade-offs and, in the case of the Canada Pension Plan, discussions between Ottawa and the provinces.

[*English*]

The role of the provinces in retirement security is only one of the several outstanding features of Canada's pension system. For instance, our pension system is based on the interaction between multiple layers of public and private schemes.

As far as public pensions are concerned, Canada has a modest flat pension, OAS, that works in tandem with CPP and QPP, and GIS in the case of low-income people. Regarding these public pension programs, from a comparative perspective it is clear that the Canadian system offers relatively modest replacement rates. The replacement rate for CPP is only 25% of covered earnings. Such modest replacement rates are related to our reliance on private pensions and personal savings, which are seen as complementary sources of retirement security for workers. This choice to rely extensively on private pensions and personal savings for retirement security was made in the mid-1960s when CPP and QPP were adopted. Interestingly, however, CPP and QPP were created precisely because experts and policy makers came to the realization that on their own, OAS and private pensions could not grant true economic security to the vast majority of Canadian retirees. From this standpoint, CPP and QPP were designed largely to offset the shortcomings of private pensions and private savings.

As for GIS, it was created in 1967 as a temporary measure that was later made permanent in order to provide durable support for low-income elderly Canadians. There is strong evidence that the GIS, combined with the other elements of our public pension system, is an effective program in the fight against elderly poverty, an area where Canada has done well compared to many other countries. In fact, concerning elderly poverty, Canada performs as well as social democratic Sweden, and much better than countries like the United Kingdom and the United States. For instance, using a standard definition of poverty, two American scholars recently showed that the rate of elderly poverty is much lower in Canada than in the United States. We can attribute part of this success to the GIS. However, despite the dramatic improvement compared to the situation prevailing 40 years ago—according to the Luxembourg income study, the elderly poverty rate dropped from 36.9% in 1971 to 6.3% in 2004—elderly poverty in Canada increased between the mid-1990s and the middle of the current decade. Raising GIS benefits could help further reduce elderly poverty in Canada.

[*Translation*]

Although fighting poverty is important, modern retirement systems do more than that, as one of their primary goals is to replace income. This is true because, when workers retire, they typically want more than simply to avoid poverty; they seek to maintain the living standard they have achieved during their active life. That's an important point.

In Canada, the CPP and QPP, that is the Canada Pension Plan and the Quebec Pension Plan, are especially crucial components of the public pension system. Considering the decline of defined-benefit pensions and the slow erosion of private pension coverage in general —work force participation declined from 46% to 38% between 1977 and 2008—CPP and QPP are more essential than ever. This is partly why many experts and policy makers are promoting the idea of improving the economic protections provided by these earnings-related schemes, CPP and QPP.

Yet, any attempt to improve the protection they offer should take into account fiscal, demographic and economic challenges, particularly, the necessity to maintain the long-term fiscal soundness of both CPP and QPP.

[*English*]

Since the beginning of this presentation I have mentioned CPP and QPP together, almost as if they formed one single program. Obviously this is not the case, as QPP is a provincial program under the control of the Quebec government. Nevertheless, although distinct from one another, CPP and QPP are highly similar by design. It was intended from the start that these programs would be highly similar or even identical.

The Quebec government enacted its own plan to feed the Caisse de dépôt et placement and invest some of the pension money in the economy of the province. It was not to have different benefits in Quebec or a different contribution rate. It was for macro-economic reasons, not for social policy objectives in the strict sense of the term. So what's important to understand here is that from the beginning, QPP and CPP were intended to be basically the same programs, as far as social policy benefits were concerned.

Right now, as far as retirement benefits are concerned, the two programs have the same contribution and replacement rates. In fact, as suggested by Edward Tamagno and others, maintaining the parallelism between CPP and QPP has been a major objective since the creation of the two programs in the 1960s. Partly because of this, it is important to keep in mind that major CPP reform is impossible, unlikely, or problematic without the involvement of Quebec, so the high level of policy coordination between CPP and QPP is maintained.

Furthermore, on CPP reform, all the provinces have a direct role to play, as any change to CPP must be approved by at least two-thirds of the provinces representing at least two-thirds of the Canadian population. Therefore, CPP reform is a complicated process, not only because of the tricky nature of the policy issues and trade-offs at stake, but because of the federal-provincial consultations necessary to achieve reform.

As evidenced by the 1997 CPP reform, which was followed by a similar reform enacted in Quebec, important changes to CPP and QPP involving potentially controversial issues like contribution increases are possible when federal and provincial policy-makers agree that reform is necessary.

● (1540)

[*Translation*]

Recently, there has been quite a bit of talk about CPP and QPP, so it is important to discuss the principles that could guide any future reform.

First, considering the problems facing private pensions and the legitimate economic anxieties of Canadians, putting increased retirement security to the forefront of the CPP reform agenda is essential. CPP and QPP are major tools to improve the economic security of retirees, and higher benefits would go a long way in improving the situation, especially when we deal with income maintenance, which, like poverty reduction, is an important objective.

Second, it is important to keep in mind the long-term fiscal sustainability of both CPP and QPP. While CPP is fiscally sound for the predictable future, this is not the case of QPP, which should face real fiscal challenges starting in the 2040s, and perhaps even earlier.

In Quebec, the discussion about the future of the QPP has been taking place for several years now, and it is essential to take this discussion into account as we think about CPP reform for the reasons stated above. It is important to maintain coordination, to take into consideration the issues of labour mobility and economic integration, in particular. From the outset, we could have considered establishing coordinated programs. Now we must make an effort to maintain the degree of coordination between the two programs.

[*English*]

In order to improve the economic security of retirees, a rise in the CPP/QPP combined contribution rate should be considered, as this would help increase the program's replacement rate. That's an important issue. There are many proposals on the table, so we should examine proposals like the one by the Canadian Labour Congress that pushes for a bold increase in the replacement rate.

We could examine more modest proposals that could be considered. Because a QPP contribution increase is already being discussed in Quebec, it might be possible to agree on a new higher rate for both CPP and QPP. That will lead to higher pension benefits for all Canadians, while providing a solution to the long-term fiscal issues facing QPP.

I think it's important to think in terms that there are two issues here. There is a debate in Quebec about the long-term sustainability of QPP from a fiscal standpoint, and there is a debate across the country about increasing benefits.

Another issue we could contemplate is increasing the yearly maximum pensionable earnings, which is now the average wage, of about $47,000. That is quite low by international standards. Other countries have much higher yearly maximum pensionable earnings. In the United States, it's way above $100,000.

It's important to understand that if we increase the YMPE, we can increase the maximum pension available under CPP, and perhaps QPP, if the same reform will be enacted in Quebec. That will help the middle-class people who don't save enough for retirement, and there is evidence that a significant portion of even higher income earners don't save enough for retirement. So an increase in the YMPE should also be considered.

Thank you very much for your attention.

● (1545)

The Chair: Thank you very much for your presentation.

We will now go to Toronto.

Mr. Ambachtsheer, can you hear me, and can you see us okay?

Dr. Keith Ambachtsheer (Director, Rotman International Centre for Pension Management, As an Individual): I can hear you and I hope you can hear me.

The Chair: Yes, we can hear you very well.

You have about 10 minutes for an opening presentation, sir. Thank you very much for joining us today.

Dr. Keith Ambachtsheer: Thank you for inviting me.

It appears that Canada has approximately a 15-year pension reform cycle. We created the Canada and Quebec Pension Plans in 1965. Fifteen years later, we looked at the supplementary pension arrangements, employment-based pension plans, and RRSPs, and created the legislative environment for these plans to operate. Adding another 15 years takes us to 1995, when we reformed the CPP and QPP arrangements so that they became sustainable. If you add another 15 years to 1995, that gets us to today.

Now, quite correctly, the attention today in terms of pension reform focuses not so much on the public side of the system, which actually was created and made more sustainable 15 years ago, but on the supplementary elements to those public pensions, namely employment-based pension plans and the private pension arrangements generally called RRSPs.

We've been doing research on these questions for the last five years. A lot of good research has been done. We know a lot more about what the issues are than we did five years ago. You could make a long list, but my list only has two items: first, we have uncovered a coverage and cost issue; second, we have uncovered a defined benefit plan sustainability issue.

To give you some context of where those two issues fit into the general broad scheme of things, think of this: Canada has a labour force of roughly 18 million people; 8 million of those 18 million are, for a variety of reasons, in the low-income category of $30,000 or less, partially because they may be part-time workers. They may have genuinely low-paying jobs. As the previous speaker pointed out, our public pension arrangements provide high rates of income replacement for low-income workers. I think the reform now has focused quite appropriately on the middle- to higher-income workers in Canada and on having a serious look at how well they're faring today with the current arrangements. We're talking about roughly 10 million workers.

Interestingly, when you look at that particular segment of the workforce, you find that about half of them are members of employment-based pension plans and half are not. You have five million workers with supplementary pension plans and five million workers without.

Obviously the two issues around defined benefit plan sustainability relate to the segment of the workforce that has a pension plan. For the other half, the issue is not so much sustainability as the question of whether these workers should have coverage and a pension arrangement of some kind. The other related question is this: if we ask them to save on their own through RRSPs, how cost-effective are these arrangements in helping them facilitate the creation of pensions that will be adequate for maintaining a standard of living after they stop working?

Let me give you a very brief insight into what we have learned about both of those issues. With respect to the defined benefit plan sustainability question, the history there is that originally these workplace pensions were gratuities. Over the course of evolving decades, they've looked increasingly like financial contracts. As these arrangements became financial contracts, we have not kept up with how we cost those contracts and how we provide for the capital requirements to ensure that those contracts can in fact be paid when they fall due.

That is essentially the issue with defined benefit plans. I believe the direction of the answer lies in what the world leaders in pensions, the Dutch, did almost 10 years ago. They started treating defined benefit pension liabilities the same way as they treat liabilities for insurance companies and banks. It's the general idea that if you make a financial promise, you have to keep it.

Regulation ensures that financial promises made are financial promises kept by creating capital requirement rules that ensure there will be sufficient capital to back up those promises. That's what the Dutch did almost 10 years ago, and it has hugely increased the sustainability of defined benefit plans by effectively making them more sustainable, more flexible, and more adaptable to changing conditions over time.

● (1550)

We have been stuck with DB arrangements that have not been flexible enough to deal with changing environments, and we need to change our regulatory environment so they become more flexible and hence more sustainable. I'm happy to discuss that issue further if you want to pursue it.

Let me go on to the other issue, which is the coverage and cost question for the five million workers who are not members of employment-based pension plans. Effectively, what we're saying to these five million workers is, figure it out yourself. Yes, we have provided the tax deferral rules that currently are in place, so there is an incentive to defer paying taxes on a part of your earnings if you put them in a registered pension plan, and you will pay those taxes later on when you withdraw the money as a pension.

So we have provided some provision in that sense, but we have provided very little from a public policy point of view into how much these people should save, what kinds of investment programs they should engage in, and what the costs might be that are incurred as they set up their own retirement savings programs.

What we have learned is that it is a very difficult thing for the average Canadian without a pension plan to figure out how much they should save to have a reasonable post-work standard of living that sits on top of what they get from the public pension. So the savings rate question is very difficult for them. The investment question is very difficult for them in the sense that the average person is not well schooled in investment theory, and then related to that question is the fact that if, for example, this money goes through retail mutual funds—and a good part of these retirement savings do go through that channel—then I think members of the committee generally are aware that the fees that are paid for being in those vehicles can be 2% or easily exceed 2% per annum. It doesn't take a lot to figure out if you pay 2% per annum in fees in a world where gross returns are perhaps 4%, 5%, 6%, it's very difficult to reach a reasonable income replacement rate, with a reasonable savings rate, over a 30- to 40-year period.

So these are the problems these people face. The question is, is that okay, or is this enough of a public policy issue where we should think about how to assist these people so they end up with reasonable income replacement when they retire, at a reasonable cost?

Two kinds of solutions have been proposed to deal with this challenge.

One, as was mentioned earlier, is just to expand the Canada Pension Plan so that it covers a higher level of earnings, for example, and that the benefit rate potentially could be increased. That approach has merit. It also has some demerits: does one size fit all? Do we really want to expand the notion of mandatory retirement savings without the flexibility of having people having some options? So those are the pros and cons of the “expand the CPP/QPP” approach.

The other approach that's been put forward is to facilitate the creation of personal pension accounts, but to do it in a way that gets more systematic savings owing, that regularizes the approach to savings, that helps people develop an investment policy, without their having to become investment experts, and also to help them, once they do retire, with how to de-accumulate their accumulated retirement savings in a way that they last the rest of their lives.

Should we help through creating some structures for these people, which could be a combination of private sector provision of the services together with some new regulation as to what these plans need to look like, especially with respect to cost? Those are the questions before us, those are the questions that have been debated, and those are the questions we now need to move to a resolution on.

● (1555)

As you well know, the next finance ministers' meeting on pension reform is in P.E.I. in the middle of July, and I think the time has now come to move from discussion and debate of these options to actually engaging in how to make some choices and move forward.

Thank you very much.

The Chair: Thank you very much for that presentation.

We will now go to Paris.

Mr. Whitehouse, I am the chair, James Rajotte. Welcome. Thank you very much for joining us here today. You have time for an opening presentation of 10 minutes.

Mr. Edward Whitehouse (Head of Pension Policy Analysis, Social Policy Division, Organisation for Economic Co-Operation and Development, As an Individual): Thank you very much.

I was asked by Mr. Ted Menzies, the parliamentary secretary to the treasury, to look at the Canadian pension system. It was a pleasure to come across a pension system that I would describe as high performing. There were a lot of very good things to say about the Canadian pension system. Normally when I work on a country in detail for the first time I find there are a lot of bad things that happen.

I will start by going through three things where the Canadian pension system works very well, some of which have been alluded to by other speakers.

I think the first area is that of adequacy. In an international comparison against the OECD 30 countries, Canada has the fourth lowest poverty rate among older people, with around a 4% poverty rate according to our standard definition of poverty, compared with an average of more than 13% in the 30 OECD countries.

We also see, if we look at old age incomes of all pensioners, that the average incomes of older people in Canada are high relative to the population as a whole. Their incomes are about 91% of the average, once we adjust for differences in household size. This compares very favourably with the OECD average of 82%.

Looking forward, as other speakers have mentioned, the basic pension, the old age security, and the means tested scheme, the guaranteed income supplement, look like they will provide a very effective safety net in the future.

I think one thing that hasn't been mentioned is that the drop-out provisions of the CPP/QPP also provide a very effective safety net for people with less than full careers.

So Canada's pension system is looking good on the measures of adequacy. It is also looking good on measures of financial sustainability. Current pension spending in Canada is about 4.5% of GDP. That compares to something like 8% on average in OECD countries and about 9% in the European Union.

If we look forward—and I have spent a lot of time with the Office of the Chief Actuary in Canada looking at the projections—Canada's pension spending is of course going to increase as the population ages, from around 4.5% of GDP now to 6.2% by 2060. But the increases in other countries are much more rapid. The EU will go from around 9% up to 13% of GDP. So Canada does not face the same financial sustainability problems as many other OECD member countries do, particularly in Europe and among the east Asian countries, Japan and Korea, whose populations are aging most rapidly.

I think the final positive point about the Canadian pension system is the concept of a diversified pension system. All kinds of pension schemes are subject to different kinds of risk and uncertainties. Individuals face different risks and uncertainties in their lives: losing their jobs, being persistently low paid, and divorced, and so on. The balance in the Canadian pension system, with its diversification between public and private provision of pensions, between the funded provision, putting money aside now to pay a pension for later, and the pay as you go provision, paying benefits after current contributions, we believe is the best way to protect against the different kinds of risks and uncertainties.

The foregoing is really a review of what we think are the positive points of the Canadian system.

I will move on to the diagnosis part now. I have three points to make about the challenges the system faces.

One question that has been asked is about the coverage of the pension system. As I mentioned, the public pension system, both through old age security and GIS, plus through the drop-out provisions of the CPP/QPP, has very good comprehensive coverage.

The private pension side is where there is the greatest problem. But Canada is not alone in having this problem. If we compare the coverage of private pensions by age, for example, the pattern in Canada, the U.K., Ireland, and the U.S. looks very similar, in that there is much lower coverage for younger workers and older workers, and, similarly, by earnings, there is much smaller coverage of low earners than high earners.

● (1600)

Now, in Canada and other countries with very redistributed pension systems, we can rely on the public scheme to pick up the retirement income requirements of the lowest of earners. But there is a problem with the low- to middle-earner groups, where coverage of private pensions is small, but they are not really being picked up effectively by the public scheme.

We have looked at the question that Keith Ambachtsheer was raising about how much do you need to contribute to get a pension. We took a target retirement income of just the average for the OECD countries. Actually, the numbers turned out to be fairly low. It's something like, if you contribute every year from age 20 to 65, you only need to contribute about 4% or 5% of your income into a private pension in Canada to reach the OECD average. The problem is that most people have missing years. Often at the beginning of their career they delay joining a private pension while they have other expenses, and often at the end of their career they want to retire early, and of course with those missing years the contribution rate increased very rapidly to something more in the range of about 8% or 9%.

The evidence suggests that many contributors, particularly those to RRSPs, have contributions at a relatively low level.

The second diagnosis issue is the labour market. The labour market exit age for Canada—I was quite surprised by these figures—is a little bit below the OECD average. Men are leaving the labour market on average around 63 and women around 62. That's about the same as in the U.K., but it's less than in Australia, Ireland, the U.S., Japan, Sweden, among the example countries that were studied in detail.

I would also echo the point he mentioned earlier on the average of charges. There is a concern these are rather high in Canada. If you crunch through, a 1% annual charge on the assets means that something like more than 20% of your contributions are going to charges. If it's 2%, this means that something like nearly 40% of your contributions are being paid in charges on the pension.

When we look at international comparisons, we find, for example, the industry funds in Australia, their management charge is somewhere between 0.5% and 1% of assets, although the retail funds in Australia are similar to Canada's. In the United Kingdom, again, when there were personal pensions in the U.K., charges of 2% were pretty common, but the U.K. government has moved, first, to establishing stakeholder pensions, to put a ceiling of 1% on charges, and then with the new scheme, the National Employment Savings Trust, or NEST, they're aiming for charges of 0.3% to 0.5% of earnings.

What are the ways forward as we see them? Different options are being mentioned by different speakers so far. One would be something like a CPP/QPP plus a proportionate increase in the contribution rate and the benefit of the CPP/QPP plan.

A second route would be to make some form of private pension compulsory, be it an RRSP or perhaps some new kind of defined contribution provider, as has been established in the U.K., to try to ensure that charges are rather lower than the existing RRSP system.

One alternative route would be to leave private pension coverage voluntary but adjust the incentive, perhaps by moving towards matching contributions rather than tax deductibility to make these schemes more attractive to lower-income workers who face lower marginal tax rates.

Finally, I would like to mention what one could call the third way, which is the route being adopted by New Zealand and the United Kingdom, which is the system of automatic enrollment whereby workers are automatically enrolled into a private pension. They have to opt out of the scheme if they do not want to be covered.

With those ways forward, I'll draw my opening statement to a close and look forward to your questions.

● (1605)

The Chair: Thank you very much for your presentation, Mr. Whitehouse.

For our final presentation we will go to Ms. Arlene Borenstein. She's with the Rights for Nortel Disabled Employees.

Proceed with your 10-minute opening statement, please.

Ms. Arlene Borenstein (Representative, Rights For Nortel Disabled Employees): Good afternoon, honourable members of the committee. My name is Arlene Borenstein, and I'm a Nortel employee on long-term disability. Thank you for giving me this opportunity to appear before the committee members today. I'm here to speak to you on behalf of all my fellow Nortel colleagues who are on LTD, with whom I'm certain you've become familiar by now. We're a very small and very vulnerable group of men and women, some single, some with large families. We were all struck down by illness in the prime of our lives and have not been able to earn an income for, on average, the last ten years. Nortel's bankruptcy has placed our small group of 400, of which very few are able to participate in the advocacy we try to do on our own behalf, within a much larger group of over 20,000 ex-Nortel employees.

My presentation to you today will focus on two areas: working income and its protection as it relates to the retirement income security of Canadians, and the reasons for the federal government's responsibility for protecting workers' disability income benefits.

The retirement income system in Canada is often referred to as having three pillars. The first two, which are designed to provide Canadians with a minimum income at retirement, are provided by our federal government. They are the OAS with the GIS and the Canada or Quebec Pension Plans, both of which recognize the necessity of including a disability benefit for those under the age of 65. The third pillar is the responsibility placed on the individual to use their own discretion in determining the extent to which they'll take advantage of registered savings plans, tax-free savings accounts, or registered pension plans. While these three pillars are a convenient way of presenting Canada's retirement income system, there will be no retirement unless one has the ability to earn a living. So without the protection of a worker's income, one may not have a retirement.

Yesterday we had a press conference at which I asked members of Parliament and all other Canadians to think of their most valuable asset in life. It's their ability to earn an income. All your planning for yourself, your children, your future, and your retirement are based on the assumption that you'll continue to earn that income. Most people realize the importance of protecting that asset by purchasing life insurance, but they don't realize that their chances of losing the ability to earn an income due to illness are much greater than are their chances of dying prematurely.

One worker in seven can expect to be disabled for five or more years before retirement. I can speak for all of us when I tell you that when you're that one worker in seven, all your planning for your family and your retirement are put on the back burner if you have something called a health and welfare trust or an employee life and health trust, a bankrupt employer, self-insured long-term disability, and contributions that are unaccounted for. We buy protection for our income that the Supreme Court of Canada refers to as a “peace of mind” contract, but I can assure you, we have none.

The cost of losing disability income would be equal to never having had it in the first place. For a disability that lasts to age 65, the financial cost can be many multiples of the household's annual pre-disability income earned. The costs are also quite significant for short-term disabilities that last one or two years, as they often involve incurring debt, which is difficult to recover from. The financial impact is not just the loss of income but also the additional expenses incurred by the disabled individual for health care and other items related to the disability. It would obviously be impossible for any of us to save for our retirement with an average disability benefit from Canada Pension of $800 per month or more than $8,700 below the poverty level for a single person.

● (1610)

The federal government would be responsible for protecting workers' disability income benefits for the following reasons.

Because it provides for a CPP disability benefit, the federal government already recognizes that it has this responsibility, and I'll assume that it has protection for that. In addition, it regulates the insurance companies to ensure their reserves are sufficient. In the case of a bankrupt insurance company, Canadians have assurers to fall back on if they have either a private or a group disability policy.

The federal government has the only legislation that deals with self-insured benefits. The rules for Nortel's long-term disability plan can be found in two government agencies, the Canada Revenue Agency and the Canada Pension Plan.

Currently under CRA it's an administrative practice with respect to health and welfare trusts. Now we learn that there is Income Tax Act legislation pending to create an employee life and health trust. So while we have all been trying to get your attention to tell you about the problems with these vehicles, plans and negotiations were going on to not just continue these types of trusts but to make them even less secure for employees.

Since the Canada Pension Plan disability program allows companies such as Nortel, which self-insure their plans, to be a second payer, they owe a duty of care to Canadian taxpayers to ensure that these plans are properly funded, regulated, and legislated so that beneficiaries do not needlessly and unfairly become applicants for other social government services.

By protecting the disability income of all other Canadians who receive these under a traditional insurance contract, and not those in a self-insured plan, the government's lack of action would be contrary to our Charter of Rights and Freedoms, contrary to every provincial human rights code, and, most glaringly of all, contrary to the rest of the states of the United Nations, since Canada's recent ratification of the UN Convention on the Rights of Persons with Disabilities was signed just months ago.

What are we saying as a society if an amendment to the bankruptcy act is not forthcoming? We promise you this. Not one Canadian will answer ”yes” when asked the following question: should 400 Nortel employees who have MS, Parkinson's disease, schizophrenia, depression, Crohn's disease, HIV, cancer, or strokes—employees who paid for their disability insurance coverage—be pushed into poverty so that junk bond owners, Bay Street lawyers, Toronto insolvency professionals, or big investment banks will be able to get a share of the disableds' missing $100 million or so? Are we really that country?

Employers use these self-insured schemes for one reason and one reason only: to save money and keep more of their profits. They're saving in the range of 10% to 20% on the cost of traditional group disability insurance, or, in real-life terms, $64 to $130 per employee, on average, per year. I am confident in saying to all of you here today, without even asking them, that each and every one of Nortel's employees on disability would have gladly opened their wallets, but we didn't know we were self-insured, or even what that meant.

As a society, Canadian taxpayers would not see the wisdom in more of their hard-earned money being used for more consultation, when the answer is very obvious and the funds are available in the hands of those who are financially and legally liable.

For Canada, the impact doesn't register on the radar, but for us 400 Nortel employees it's absolutely everything.

Thank you.

● (1615)

The Chair: Thank you very much for your presentation.

We will go to questions from members. We will start with Mr. McKay.

For our guests who are joining us by video conference and by audio, usually the questions are directed to a specific witness, but if you wish to answer, please indicate to me, and I will ensure that you have the opportunity to do so.

We'll start with Mr. John McKay. You have seven minutes, sir.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair.

Thank you, witnesses. It's a very good and thoughtful panel.

Let me start with Mr. Béland. I want to talk about the parallelism between CPP and QPP, and whether that parallelism you referenced over time is sustainable over time.

Quebec's demographics are quite a bit different from those of the rest of the country. It's an older population, it has a lower birth rate, and it embraces forms of birth control that the rest of the country doesn't. It has productivity challenges, it has a higher unemployment rate on average, and it is facing some government fiscal challenges because of policy decisions that were made over the last number of years—it supported Quebec Inc., if you will, the *caisse*. And then the QPP in particular has made some investment decisions that have been difficult to recover from.

So when you talk about the parallelism between CPP and QPP, aren't we really talking about two very different situations, between, if you will, what our friends from the Bloc call “the rest of Canada” and Quebec?

Mr. Daniel Béland: There are different situations. You're right, the demographic factor is important in explaining why QPP is not doing as well as CPP, in terms of the long-term projections. That's an important factor. I don't think the main factor is *la caisse* versus the CPP Investment Board. I don't think that's the reason why the QPP faces greater challenges in the long run. That's not the main explanation. I think the demographic issue is at stake.

Of course, when the two programs were created in the mid-1960s it was a different situation; the demographics in Quebec were very favourable. They started to decline after that in an important way.

Is the parallelism sustainable? I think it's possible. There are different issues here regarding QPP. There are some differences between the programs regarding disability benefits and survivor benefits, so some changes in that area could help the QPP stay afloat in the long run.

Hon. John McKay: Does that mean less generosity on the part of the QPP?

Mr. Daniel Béland: Yes, in that case, unless you increase the contribution rate. That might not be necessary, but it depends how far you want to go in—

Hon. John McKay: It's pretty hard to see how Mr. Charest or any other leader is going to propose an increase in contribution rates, though.

Mr. Daniel Béland: Increasing the contribution rate is discussed in documents from the Régie des rentes, alongside other measures. I mentioned disability benefits and survivor benefits. We're talking here about less than a percentage point of increase.

Hon. John McKay: So increased contributions, less generous benefits?

Mr. Daniel Béland: For disability and survivor benefits, that's what's being discussed in some of the documents. For example, a document that I have here, *Toward a Stronger and Fairer Québec Pension Plan*, published in 2008 by the Régie des rentes du Québec, put forward some alternatives.

What I'm saying is that at least we have to recognize that it will be a major shift in our public pension system. It's fine if QPP and CPP take two different paths. The replacement rate from QPP could be lower or higher and it doesn't really matter, or the contribution rate in QPP could be significantly higher than elsewhere in Canada. I'm just saying we have to recognize that's a potential problem and an issue we need to discuss at least.

Hon. John McKay: I think you're right in highlighting that, and that may create social difficulties that we can't quite appreciate right now.

I want to move on to Mr. Ambachtsheer—not that I don't want to carry on that conversation, but I've got a limited amount of time.

You raised an interesting question. You're dealing with the higher-end people, not the folks who have the ability to have a pension plan. You said half the workers have one and half don't. The half that does...you talked about a trust pension liability, the same liability others made reference to, I believe in the Netherlands, that sets up, if you will, robust capital rules. That's an interesting idea. If a company has a liability like any other liability, then it will have to provision on its books for that liability, and that will be disclosed up front.

Could you expand on that thought a bit more? I find that an intriguing idea.

● (1620)

Dr. Keith Ambachtsheer: History is useful here, the history of these contracts becoming increasingly binding over the decades. It's an important piece of the background to this thing.

If we look at this today, we see that the question all the way through has been the fact that through the 1980s and 1990s, the sponsors of these defined benefit plans took on a fair amount of investment risk. There was money in the funds, and the returns on those funds in the 1980s and 1990s were quite substantial. An unwarranted rule of thumb developed, which went something like this: the more risk you take, the more return you're going to get. So we built this model of defined benefit plans that assumed that if we put in a fair amount of money, taking risks with the money, the risks would in fact make the whole situation come out okay.

Well, then we got to the last decade, the early 2000 period, and then the more recent 2008 period, and it turned out that risk really is risk. It does eventually come to bite you. So now what's happening is that the old model that used to drive defined benefit plans, the rule of thumb that risk taking creates enough extra return to make the whole thing work, is now dead.

What I'm saying is that going forward we now need to look at the reality of not assuming that the next decade and the decade after that will again look like the 1980s and the 1990s, where risk would put everything back onside again. What we have to do is—

Hon. John McKay: It's a pity that wasn't true with the Nortel folks.

Dr. Keith Ambachtsheer: It's a classic example of what can happen if you assume that risk will turn into return.

Hon. John McKay: Yes, exactly.

Dr. Keith Ambachtsheer: The company can go bankrupt and you will have a situation like we just heard of in terms of disability and pension liabilities. All of a sudden you get this jarring halt and the whole thing comes to a jarring end. The only way to deal with that is in fact to go to the same kind of regulation that we use for insurance companies and banks.

The Chair: Thank you.

Thank you very much, Mr. McKay.

[*Translation*]

Mr. Carrier, please, for seven minutes.

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chairman.

Thanks to our witnesses who are providing us with interesting information. I'll start with Mr. Béland, who is our first witness.

In your presentation, you referred to the poverty rate among seniors, which is distinctly lower in Canada, compared to other countries. In spite of everything, a lot of our seniors are living below the poverty line, but we can be encouraged compared to others. You say this is partly due to the success of the Guaranteed Income Supplement.

I'd like you to confirm for me: before the Guarantee Income Supplement is determined, each person's income is considered, including the CPP and QPP that they receive. Is that in fact the case?

● (1625)

Mr. Daniel Béland: Yes.

Mr. Robert Carrier: So the poverty of those receiving the Guaranteed Income Supplement is due in large part to the deficiency of our pension plans, the CPP and QPP.

Mr. Daniel Béland: In some cases, yes.

Mr. Robert Carrier: What percentage of people have access to the Guaranteed Income Supplement, even where there is CPP or QPP?

Mr. Daniel Béland: I don't have the figure.

Mr. Robert Carrier: Approximately, based on your studies? You don't have an idea?

Mr. Daniel Béland: No.

[*English*]

Mr. Edward Whitehouse: Could I answer that question?

[*Translation*]

Mr. Robert Carrier: In any case, I think we could definitely conclude that the Guaranteed Income Supplement is a compensation by the government, in accordance with its social responsibility, that is due to the lack of forecasting of citizens' retirement income or retirement savings. Is that in fact the case?

Mr. Daniel Béland: Yes, it's a tool to combat poverty. In fact, it supplements the Canada Pension Plan and the Quebec Pension Plan, but it's for low-income individuals only. So obviously those who have—

Mr. Robert Carrier: In the study we're conducting on pension plans, couldn't we instead come to the conclusion that the CPP and QPP must necessarily be improved? That would avoid the government having to contribute more, through the Guaranteed Income Supplement, so that citizens will contribute more, despite their own decisions, as well as employers, which participate equally, if I understand correctly.

Mr. Daniel Béland: That's possible. It depends on the increase we're talking about, if you increase the CPP replacement rate. That said, there will still be people who won't have enough income, for one reason or another, who won't have been in the labour market.

Mr. Robert Carrier: In certain cases.

Mr. Daniel Béland: In certain cases, indeed, and that's why I don't think we can abolish the program. The Guaranteed Income Supplement will stay.

Mr. Robert Carrier: Without abolishing it, at least it could be limited to exceptional cases where there would be no employment income requiring individuals to contribute to the CPP or QPP.

Mr. Daniel Béland: Under the reform, that could reduce the tax burden associated with the Guaranteed Income Supplement, if the Canada Pension Plan or the Quebec Pension Plan were enhanced. That's what you mean?

In fact, it's like a waterbed effect: if the Canada Pension Plan expands, that could save us money under the Guaranteed Income Supplement. That's in fact what you mean?

Mr. Robert Carrier: Yes, that's what I mean.

In your view, wouldn't that be a normal direction in which a responsible government should be heading?

Mr. Daniel Béland: These are different measures; they're funded differently. When there's an increase in contributions, that also affects employers. That's a macro-economic fact that has to be taken into consideration: the funding isn't the same. So I'd say you need both.

Furthermore, I don't see the Canada Pension Plan reform as a reform based simply on combating poverty. Once again, if you increase Guaranteed Income Supplement benefits, you achieve promising results at a relatively limited cost. I don't think the Quebec Pension Plan and Canada Pension Plan reform should be viewed solely from the perspective of combating poverty. I previously mentioned that income maintenance was very important. In that sense, I don't think this is an alternative. These programs complement each other and play different roles.

That said, it's true that, if you increase the size of the Canada Pension Plan and of the Quebec Pension Plan, if benefits were higher, that could definitely help certain individuals get above the poverty line. Consequently, it could help combat poverty and perhaps reduce the costs of the...

There again, it depends on what reform we're talking about. We need actual figures.

Mr. Robert Carrier: Putting it that way, it's as though we were establishing the facts, the figures without giving any orientation—on your part, in any case. You leave the odium or importance of the decision to us.

Mr. Daniel Béland: Absolutely.

Mr. Robert Carrier: Mr. Ambachtsheer, can you hear me? Do you have the interpretation?

[*English*]

Dr. Keith Ambachtsheer: I can hear you, yes.

[*Translation*]

Mr. Robert Carrier: You heard the questions I asked in French. I'd like to know your opinion on the possibility of reducing the government's share in the Guaranteed Income Supplement by instead increasing responsibility at the bottom level through a larger contribution by every worker and employer.

● (1630)

[*English*]

Dr. Keith Ambachtsheer: I have to say that I found the previous speaker's answer quite compelling, and mine is very much the same. I think we have a national issue of how we address poverty. There's a whole discussion around what the poverty level is and how you calculate that and how you provide income for people who somehow fall below that poverty level.

What we have designed in Canada, at least for people over 65 years of age, is the GIS, which plays a major role in lifting people above the poverty line. As our speaker from the OECD pointed out, over a 20- or 30-year period, that program has been hugely successful in reducing poverty among seniors. So I think we shouldn't try to change a program that has been fundable and successful.

The issue from my point of view today is not so much poverty among seniors. We've demonstrated that we have largely dealt with that issue. The issue today, for me, is the middle-income workers who do not have pension plans. That's a different issue that requires a different design. You could use CPP/QPP to address the middle-income worker issue, but it relates to raising the YMPE from $47,000 to a much higher number, for example. It implies increasing the benefit level from 25% of income replacement to a higher number, like 50%, for example. It's a different discussion. This is not about fighting poverty; it's about creating mechanisms for middle-income workers to be able to maintain a reasonable standard of living after they stop working. It's a different discussion.

The Chair: Thank you very much. *Merci beaucoup*.

We'll go now to Ms. Block, please, for seven minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

Welcome here. It has been a very good discussion so far, and I just want to turn the discussion a little bit to something that was referenced to us as a finance committee earlier in our study. One of the themes that we as a committee have heard is the idea of calling for publicly funded insurance or backstops of pension plans. Insurance in general is something we can all agree is good for people to have. In fact, we Canadians gain comfort from having our homes and our cars insured, and we all, to varying degrees, make use of health insurance.

But I have a few observations concerning the development of plans, the goal of which is to insure pensions. From what I have been reading and have been able to learn about this idea of a pension guarantee fund, I would say that the development of this type of a plan brings with it a very unique set of circumstances and challenges. For example, a guarantee fund could provide a disincentive for employers in financial difficulty to properly manage their pension plans to control risks if their pension liabilities would be covered, an example of moral hazard. A plan sponsor could engage, in fact, in riskier investment practices without bearing downside risk, which would increase its incentives to take on such risk while potentially increasing the cost to guarantee the fund.

We've also heard the concern expressed that the creation of such a fund would lead to the inappropriate subsidization of weak sponsors at the expense of strong ones. A risk-based premium would be perceived to penalize most of the plans that are vulnerable and for which the protection scheme would be sought. Ultimately it could contribute to a plan wind-up or exacerbate the challenges of the sponsor in financial difficulty as it would impose additional costs.

Finally, it is also my understanding that the experience with these types of plans has been problematic. In fact, existing guarantee funds in the U.S., the U.K., and Ontario all have significant deficiencies and could require taxpayer funds in order to meet their obligations.

So having said all of that, I'd like to ask Dr. Whitehouse a couple of questions. Are there any jurisdictions that have managed to address the issues of moral hazard with respect to a pension guarantee fund, and if so, what are the characteristics of the country's pension and retirement income system that led it to be able to do so?

● (1635)

Mr. Edward Whitehouse: Thank you very much for the question.

As you said in the question quite rightly, all of these schemes that have been established have faced immediate problems. The Pension Benefit Guaranty Corporation in the U.S. was set up in the mid-1970s and was already in deficit a couple of years later because of problems with steel companies and the airlines and so on.

The U.K. has tried to address the issue of the moral hazard question by attempting to risk-rate the premiums for the pension protection fund established in the U.K. Again I think there is a problem there where the recent financial crisis has just made the holes in the balance sheets very much larger. Most countries with significant defined benefit schemes—Canada, Ireland, the U.K., the U.S. or even the Netherlands—were in pretty similar situations of being about 25% underfunded immediately after the crisis. And there's a risk, such as in the case of the lady from Nortel, that when a company goes bankrupt it will leave behind a scheme in significant deficit.

I am greatly concerned that these funds do face problems in their design, and I don't think any one country has been able to have a protection fund that avoids the moral hazard problem and doesn't become a drag on the public finances.

Mrs. Kelly Block: Thank you. So we've addressed the challenges.

I'm wondering, are there any policies that you would suggest could reduce the risk of plan members facing a loss in respect of their promised pensions that are more effective than a pension guarantee fund?

Mr. Edward Whitehouse: I think part of the problem we're facing in many countries is there is a shift away from defined benefit to defined contribution schemes. Canada has been a little behind the U.S. and the U.K. in that shift, but the shift is nevertheless going on.

The problem is that we now have defined benefit schemes where the demographics of those schemes is very old. The schemes are closed to new members and they consist of pensioners and older workers. That's very difficult to finance when you don't have ongoing movement and contributions into the schemes. It makes the options very, very difficult when plans are closed to new members or closed to new contributions from existing members, as many plans have become.

It is a very difficult problem. In the long term, when we have defined contribution schemes, this problem does not arise. People have their individual accounts.

Dr. Keith Ambachtsheer: Mr. Chair, if I could add to that, what I said earlier is in fact a response to your question, which is to start regulating defined benefit plans the same way we regulate banks and insurance companies. In other words, if you have risk on a balance sheet, you must have a risk buffer against adverse outcomes. That's what we do with banks and insurance companies. We have not done that with DB plans. Until we start doing that, we're going to continue to have these problems.

I totally agree with everything that was said about these insurance schemes. They will never, never work.

Mrs. Kelly Block: Thank you very much, Mr. Ambachtsheer.

The Chair: You have time for a brief question.

Mrs. Kelly Block: Are there any other witnesses you could suggest we call to appear before us who could make some more suggestions on this point?

Dr. Whitehouse.

Mr. Edward Whitehouse: I think I could recommend colleagues from OECD. I certainly have colleagues at OECD who are experts in this field, and I can forward their names to you.

Mrs. Kelly Block: That would be great. Thank you.

The Chair: Thank you, Ms. Block.

We'll go to Mr. Marston, please.

● (1640)

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): Thank you, Mr. Chair.

I'm at one of those stages where I have way too many notes from these presentations.

I want to thank the folks for the information being provided today.

Ms. Borenstein, I was the one who put the motion about LTD to the House. I've offered our party's support for Mr. Eggleton's bill on it. We'll be moving forward on that as best we can.

Mr. Béland, you were talking about the Canada Pension Plan. The one thing that's happening to some degree today is that we're moving to the point where we're looking at the private side as opposed to the public side. From my perspective, the public side has to become the foundation, and it has to sustain as the bare minimum for people.

My understanding on living in poverty...we heard the figure of 4% a few minutes ago. From Statistics Canada, the figure is 266,000. It is growing, the last I heard, so we had proposed an immediate increase to GIS.

But in talking about the CPP plan, you're probably aware that some of the provinces and the Liberal Party have suggested a supplemental plan to the CPP. We're concerned about that because of administration costs. We've proposed that you take the core assets of CPP and increase those.

The other difference I'm seeing is that the Liberal Party has spoken about it being voluntary. I don't think that will work. We understand that 63% of Canadians have neither a pension nor savings, and there's evidence built into that number that I believe makes it important that whatever we do we build a foundation that is mandatory.

I'd like your response on comparing the two, if you would.

Mr. Daniel Béland: The supplementary plan is better than nothing. It's better to have a supplementary plan than no action whatsoever regarding CPP and public pensions, but I think that we already have CPP and QPP programs that Canadians know about. The programs work, but they are relatively modest by international standards. There are different ways to increase the contributions and benefits. It could be the replacement rate, it could be a YMPE increase, or it could be both. I think it's just a more straightforward and probably more effective way to improve long-term retirement security for Canadians.

I believe in simply improving what we already have instead of creating something on the top. We already have a lot of supplementary options for Canadians. There are RRSPs, which are voluntary, obviously, and there are private pensions, but coverage is limited. Some people are not covered. The good thing about CPP and QPP is that all workers contribute and participate. I think it's a program that could be expanded.

I'm not saying we should necessarily double the replacement rate. Even an increase from a 25% to a 30% replacement rate or in the YMPE will be a significant increase and way above the average wage. That could help a lot of people who don't save enough for retirement. Again, it's not just about low-income people; in that case it's really the middle class.

Mr. Wayne Marston: It takes the pressure off.

Mr. Daniel Béland: I think it's important to increase the maximum pension available under CPP. Again, it's an income maintenance issue here. The focus is not so much on poverty, although it could have a positive effect on that too.

Mr. Wayne Marston: Thank you.

Dr. Ambachtsheer, in your opening statement and at several other times I heard you talk about the role of government regulation within the defined benefit pension plan.

We've had instances in Canada of corporations apparently using the CCAA to get out from under these obligations. At the start of your presentation—at least, I believe it was yours—you mentioned how it began as a gratuity and became a contract, and workers today very much see the private pension plans with their employers as contracts.

We had the situation of Hollinger, which sold off some newspapers but kept the pension liability, and now people are receiving notifications that they're going to wind it up. In my home community of Hamilton, when Canwest was selling off CH TV to, I believe, VisionTV, they had a pension plan that was $5 million short. They wound up that pension plan for the employees, but they put $41 million in for the executive side just before they wound it up.

Those kinds of abuses, to me, scream for some sort of government intervention, and I would like your comments on that. Also, there's a bill in the House that just went to committee. It's called Bill C-501, and it talks about giving preferred status to pensions within CCAA and within the BIA. I'd like to hear your comments on that, please.

● (1645)

Dr. Keith Ambachtsheer: In the short term, that might help some workers some of the time, but it doesn't fundamentally deal with the question that defined benefit arrangements, especially in the private sector, are incomplete contracts even today. So you always have this property rights problem.

The only way to deal with the property rights problem—and this may not totally suit you—is to have individual pension accounts that are owned by workers themselves. At least then you would have clear property rights. That's why I believe that in the private sector the move is inevitably toward individual pension accounts.

I do agree that increasing the Canada Pension Plan and the Quebec Pension Plan is a reasonable and attractive alternative in a number of ways. But I read somewhere that politics is the art of the possible, and the reality is that there is a very significant constituency in Canada of small employers who would be forced to increase their labour costs, and you just cannot ignore that issue. So when you advocate a mandatory increase, you can't just talk about the workers; you have to talk about the total system, and the reality is that you're going to have considerable resistance to that approach.

I've been scratching my head and thinking about what an alternative might be that would get greater buy-in, that would still meet some of the needs of coverage and property rights but also get larger buy-in from a larger group of people.

There is now a new branch of economics called behavioural economics. It has taught us that even though economic theory assumes people are rational and do rational things all the time, the reality is they don't. So how do we design retirement income systems that take that reality into account?

You mentioned earlier the notion of voluntary. I agree you could create the best voluntary system in the world and you would get relatively low take-up. But we've learned that the notion of automatic enrollment in a well-designed system... But let's say every non-covered worker in Canada who doesn't have a pension plan gets a letter on January 1 of some future year. It says, "Congratulations, as of January 1 you are now a member of..." In my C.D. Howe paper, I call it the Canada supplementary pension plan. "You don't have to make a lot of choices. This will be your contribution rate. This is the target pension it should produce under reasonable assumptions. This is what your investment program will look like as you age over time, unless you intervene."

That kind of design is tremendously attractive, in the sense that if people trust the system, a lot of them will go along and say thank you very much that you did this for me.

The Chair: Thank you very much, Mr. Ambachtsheer.

Thank you, Mr. Marston.

We'll move to Mr. Eyking, please, for a five-minute round.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair, and I thank the committee for having me here today.

I'm replacing Mr. McCallum, which is very convenient for me, because I have some employees from Nortel in my riding and they have brought me some of the very bad situations they're in. One is Derrick McPhee. He has MS and he's from Nortel. When you mentioned that, it showed how bad a shape they're in—not only losing their jobs, but having illnesses to deal with.

What should we be doing to help these employees? How are they dealing with it now? Do they have CPP or...?

Ms. Arlene Borenstein: Are you talking about the ones on long-term disability, OAS?

Mr. Mark Eyking: Yes.

Ms. Arlene Borenstein: We don't even know who the 400 employees are. We have contact with about 100 or so. It seems that most of us have qualified, even under the stringent eligibility requirements for Canada Pension disability. That's even more difficult to qualify for than the long-term disability plan at Nortel. But the average monthly amount is only about $800, according to 2008 numbers I have from Service Canada. As I said earlier, that puts us about $8,000 below the poverty line for a single person, and it forces us to rely on government social programs.

If there were an amendment to the bankruptcy legislation, it would be part of a safety net that would prevent people like us from falling through the cracks. The legislation seems to be missing a piece on self-insured plans.

● (1650)

Hon. Mark Eyking: There has to be a safety net there, and that brings me to my second question. I'm going to ask Mr. Ambachtsheer about a safety net.

When you hear today about employers going bankrupt and taking the money before they go, and managers of funds taking 2% and more, it seems that others are getting the take on this and employees are left in the lurch. What if we had a system similar to the EI system, where employees put some in and employers put some in? I don't know if you'd have the government manage the fund, but you would also have a bit of insurance. Every company in Canada would pay into an insurance plan of some sort, so if one went bankrupt the insurance could cover some of that failure.

Are there any creative ideas like that in other countries, where they have something like that and everybody pays into it? You would have two things: one part where you'd both contribute, but also an insurance where the company would have to put so much money in. All companies across the country would have that fund that could be administered to help the plan that was not sufficient.

Dr. Keith Ambachtsheer: I assume the question is to me.

Hon. Mark Eyking: Yes.

Dr. Keith Ambachtsheer: Thank you.

I don't think we need to look at other countries; we just need to look at the fundamental concept of insurance. If we want to apply the principle of an insurance promise that's going to be kept, it has to be funded. If you go to the notion of allowing companies to self-insure when clearly there's a probability of bankruptcy there, then you have significant exposure on the part of these employees, and as was pointed out, they're not even aware of it.

So we clearly have a chink missing here in the insurance concept. I just don't think it makes sense in our country to allow these kinds of benefits to be self-insured. They either have to be separately funded and a trust fund set away by the company itself or the insurance has to be done with a third-party insurer that comes under the insurance regulations.

Hon. Mark Eyking: But the money has to be protected.

Dr. Keith Ambachtsheer: That's what we should do prospectively. There's still the retrospective question of what we do with people today who didn't have the benefit of that kind of protection. That's a separate issue.

The Chair: Thank you.

Thank you, Mr. Eyking.

Monsieur Paillé.

[*Translation*]

Mr. Daniel Paillé (Hochelaga, BQ): Thank you.

Sometimes the government imposes a number of things on us at the same time in parliamentary terms. The committee's two vice-chairs had to be in the House speaking on Bill C-9. That's why you sometimes see this round table.

I'd like to ask Mr. Béland my first question.

On page 4 of your brief, you say: “While CPP is fiscally sound for the predictable future, this is not the case of QPP, which should face real fiscal challenges starting in the 2040s, and perhaps even earlier.” You say that the QPP “should face” challenges, which, in my view, is a little too affirmative. I would have said that it “might” face challenges. I note a reference in one of your endnotes entitled “Débâcle à la Caisse: Que faire avec le Régime de rentes du Québec?”

You know that the Quebec Pension Plan is managed by the Caisse de dépôt et placement du Québec, where the pensions are deposited. The caisse makes investments, as its name suggests. Yes, there has been a collapse. Some have even said debacle.

In view of the fact that the new administration of the caisse seems to be managing its risks in a more appropriate manner, aren't you trying to scare people somewhat by saying that the Quebec Pension Plan will be facing enormous challenges starting in 2040?

● (1655)

Mr. Daniel Béland: Did I say “enormous”?

Mr. Daniel Paillé: No, but the fact that you used the words “should face” led me to add the word “enormous”. To use one of our popular expressions, it's like scaring people.

Mr. Daniel Béland: I wrote the brief in English, and then it was translated. I don't know what term I used in English.

Mr. Daniel Paillé: We are in a bilingual country for the moment, and as you speak very good French—

Mr. Daniel Béland: Look at what I have here. This is a document from the Quebec Pension Plan that was published in 2008, before the financial crisis. It states that there will be significant problems starting in the 2050s. It's in the documents that were published before the financial crisis, before the debacle at the caisse. I also referred to the QPP document. The one I cited was published before the crisis, and that's why I said “perhaps”. I'm sticking with the conditional. The year appearing in the text I saw was 2037. I don't know whether that's realistic. That year is already partly erased by the returns that were higher the following year, and so on. I'm entirely aware of that. It would be preferable to say “should” rather than “will”, I agree. I couldn't find what I had written in English. Whatever the case may be, it's preferable to use the conditional.

Mr. Daniel Paillé: I was thinking, since you were so affirmative, that you could leave your career at the University of Saskatchewan and make a lot of money by making investments and ensuring a good return.

Mr. Daniel Béland: No. There is the return issue, but you have to be careful. There are nevertheless demographic realities. I'm talking to you about a Quebec Pension Plan report that was published in 2008, before we received the results from the caisse for that year, even before the financial crisis. So they were already talking about significant problems. On the other hand, if adjustments are made quickly, those problems can be solved.

Mr. Daniel Paillé: That's it. You previously emphasized that, if the governments... You said: “It's therefore important to examine...” You also said: “With higher benefits...” We seem to be comparing apples and oranges, or not to be putting the Canada Pension Plan and the Quebec Pension Plan on the same footing.

As the allotted time is very short—

Mr. Daniel Béland: It's more or less the same thing for pensions. It's the same replacement and contribution rate for the moment. I'm saying that we have to try to work together to solve the long-term financial problems with regard to the Quebec Pension Plan and to improve pensions for all Canadians. I'm not saying that—

Mr. Daniel Paillé: Pardon me for interrupting you, but I would like to ask this gentleman we see on the screen a question. I imagine he is in Toronto.

We've talked at length here about the ability of businesses to finance themselves if pensions were considered as deferred salary, if protecting the pension plan was a priority, that is to say in case of bankruptcy, creditors, such as the people from Nortel, could have priority over everyone.

Have you conducted any analysis to determine whether or not corporations would be in financial difficulty or wouldn't be able to finance themselves, as the urban legend suggests?

[*English*]

The Chair: Mr. Ambachtsheer, we've got very little time, so could you answer that very briefly, please?

Dr. Keith Ambachtsheer: I haven't done the analysis myself. I know of analyses other people have done. In fact, maybe our speaker from the OECD is better positioned to answer this question. I know that the priority requirement does exist in some European jurisdictions. My understanding is that it has not stopped those companies from being able to finance their operating requirements.

I think it's more that if you retroactively change the credit standing, then that's an issue, but if you make it clear before the fact, it becomes a different situation.

● (1700)

The Chair: Okay. Thank you.

We'll move on to Mr. Wallace, please. You have five minutes.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

I want to thank our guests for being here, particularly our guest from Paris, because I understand it is relatively late in the evening there.

Let's put on the table what we've been hearing over the last little while on these pension meetings. One option is supplementary, adding to the CPP, in terms of contributions from the employer and the employee to basically double that. The second option is a voluntary addition to the CPP whereby individuals can decide whether they want to partake in that, which I don't see as being any different from the individual deciding to invest in an RRSP, to be perfectly honest with you. The third option we're hearing from the private sector is to deal with having the private sector take a more robust role, multi-employer plans, and so on. They want an automatic enrolment program so they get everybody's money. Then there are the costs associated with that. Those, in a nutshell, are what we've been talking about.

I want to ask Mr. Whitehouse, from his experience and knowledge of what's happening around the world in terms of the administrative costs of a voluntary plan over a non-voluntary plan... I know New Zealand has made some changes recently and added a pension plan; I know the United Kingdom has had some issues. What are we seeing happening elsewhere as we do our study on this pension issue?

Mr. Edward Whitehouse: Thank you very much. It is indeed 11 p.m., but I'm a night owl anyway, so I'm quite happy to stay up and talk to you.

I think in terms of cost, many countries have been trying for a long time to bear down on the cost of offering private pensions. If you have mandatory private pensions, which is the model followed in Chile and elsewhere in Latin America, and it's also very common in central and eastern Europe, in those cases where you have a limited number, a small number, of competing private sector providers—somewhere between 10 and 25 is the norm—there the lowest you can get the cost down to is something like about 0.7% of assets per year.

I mentioned briefly that in Australia and the U.K., which, very much like Canada, had a system of voluntary personal pensions, voluntary individual accounts, the costs were typically around 2%. Australia has moved toward multi-employer schemes, toward industry funds, and they're a much lower cost; they're of the order of 0.5% to 1%. The U.K. has moved, first by regulation, by simply capping their charges at 1% and is now moving to having a much more centralized structure.

Many of the options you offered at the beginning...I think there is a difference between a voluntary contribution to CPP in addition to a compulsory contribution. You're buying a defined benefit rather than having a defined contribution plan, so the CPP is in essence bearing the investment risk for you.

This is something of a distinction there, but I think in terms of getting the charges down, to get to low charges, and I'm talking here of 0.3% to 0.5%, you need a much more centralized system and a centralized clearing house for collecting contributions and some centralized contracting out of asset management.

There are two examples I would suggest you look at there. The clearing house model is the example of Sweden where a cost contribution for the compulsory private pensions are low, they're only 2.5% of earnings. They've got to be very careful to keep costs low. The other example is the Thrift Savings Plan in the U.S., which is a defined contribution scheme for federal employees in the U.S., where the costs are absolutely tying them down at 0.1% to 0.2% of assets.

Mr. Mike Wallace: Are there any comments from Toronto?

Dr. Keith Ambachtsheer: Yes. I co-founded a company called CEM Benchmarking, which measures the pension costs around the world. We have very good data on global experience from a company based right here in Toronto.

If you take the Canadian numbers, for example, and divide them into wholesale and retail retirement savings—wholesale is CPP and all the employment-based pension plans, $1.1 trillion—the average cost there is 0.4% per annum. If you go to the retail sector, which now is the RRSP sector, then you get a wide range of experience, but the average experience is around 2%. So you do have this distinct difference between what I would call wholesale and retail approaches, and that's common around the world. You get the same kind of experience wholesale versus retail right around the world.

● (1705)

The Chair: Thank you.

Thank you, Mr. Wallace.

Back to Mr. McKay, please.

Hon. John McKay: Mr. Wallace anticipated my question, so I just want to pursue that a little bit more. Essentially in this, what's being described as a super CPP or additional savings, you have three choices: you can go voluntary; you can go mandatory; or you can go, in effect, with negative option billing. It seems to me that from what all of you are saying, voluntary is just a waste of time. It just won't happen. So then the choice becomes negative option billing versus mandatory. I'd be interested in your thoughts, first of all, both Mr. Whitehouse and Mr. Ambachtsheer, on that choice.

Then the second issue we've been hearing a lot about is whether it's a public model or a private model. I think what you were saying, Mr. Ambachtsheer, is that if it's a public model, i.e. wholesale, then the costs are 0.4%. If it's a private model, your costs then effectively become 2%. But if you don't in effect create a private model or option, shall we say, you make a lot of insurance companies and banks very unhappy indeed.

Could you elaborate on those two issues for us, please?

Dr. Keith Ambachtsheer: Right. I'd be happy to start.

First of all, when you say “negative option billing”, it reminds me of Rogers.

Hon. John McKay: Which was not a happy experience.

Dr. Keith Ambachtsheer: That was a very different situation, because basically they said we're going to take your money unless you stop us. Here, with auto-enrolment, we're saying we're going to allow you to put your own money into a pension account that you still own if you allow us to do it. I think that's a different context. So that would be my number one point.

By the way, in the U.S., where this auto-enrolment has been used in 401K plans for years, it's shown to be tremendously effective. It's shown that the retention rate of employees is 95% with automatic enrolment, whereas if you go the voluntary route, it's much lower than that. That's point number one.

On the question of the wholesale-retail, it isn't as simple as public versus private. For example, in our database, if you look at very large 401K plans in the U.S., they also run at one-third of 1% per year. So it's not public versus private; the big driver is scale. In other words, scale creates economies of scale, which leads to low unit cost.

The other driver is, in whose interest are the decision-makers acting? The problem with commercial vendors is they have a conflict of interest. They have their own bottom line they're trying to maximize and they're trying to do the best for the employee. I'm not saying that they totally go one way or the other, but they have this conflict.

If you create a situation where the conflict doesn't exist, in other words, where by definition and by design all decisions are made for the interest of the beneficiaries, the combination of scale and that element will drive your cost up.

Hon. John McKay: Mr. Whitehouse? Hello, Mr. Whitehouse.

The Chair: Mr. Whitehouse, we have about a minute. Do you have a comment on that question? Mr. Whitehouse, can you hear me?

Hon. John McKay: It's 11:30 there. Maybe he fell asleep.

I'll go back to Mr. Ambachtsheer with respect to public and private. That's an interesting distinction: it's scale. So if we look at scale, what is the tipping point of scale? Is scale $100 billion? Is scale $1 trillion? It seems to me that's a pretty important point,and you actually have a handle on that.

● (1710)

Dr. Keith Ambachtsheer: Right. If you look at the size of the funds in the CEM database, they go as small as $100 million and as large as $400 billion. We actually do see a very considerable size range. What you find over that range is that for every tenfold increase in size you get about a 20 basis point, or 0.2%, reduction in costs. So there is a significant difference between a $100 million fund and let's say a $20 billion fund.

The interesting question is, is there such a thing as getting too big? In other words, can you run into dis-economies of scale if the operation gets too large? I think, theoretically, yes. We haven't seen it very much yet in our database in that range we're looking at, where the maximum largest funds in the world are funds that are $200 billion, $300 billion.

The other way to look at it is in terms of the size of the membership of the fund, of the pension plan. Again, there, numbers like 100,000 minimum membership work a lot better than 20. Whether you need to go to a membership of one million versus 100,000, I don't think so. I think you'll get very good scale effects at 100,000.

The Chair: Thank you.

We'll go to Monsieur Généreux, *s'il vous plaît*.

[*Translation*]

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska —Rivière-du-Loup, CPC): Thank you, Mr. Chairman.

Thanks to all the witnesses.

I'd like to ask Mr. Béland a question. In your brief, I also underlined the sentence that states: “While CPP is fiscally sound for the predictable future, this is not the case of QPP...” I'm relieved to belong to Canada, not a country of seven million inhabitants.

An hon. member: Oh, oh!

Mr. Bernard Généreux: I knew that would trigger a reaction. Moreover, don't feel uncomfortable “scaring people” with the words “will” or “would”. In the past 20 years, they're the heavy weight champions in the art of “scaring people”. We don't need anyone else to do that.

However, I would like you to go back to the report you mentioned earlier, that is to say on exactly what the report states and the variable years aspect. We agree that there will always be good and bad years in the stock market and elsewhere, so there will be variable years. However, we're nevertheless talking about a long period of time here, nearly 30 or 40 years.

Mr. Daniel Béland: You're absolutely right. Obviously, Mr. Paillé is also right in that these are actuarial forecasts related to changing economic and fiscal realities, that's true, but also to basic demographic realities.

I mentioned the Quebec Pension Plan report. The main reason, which was also raised in other studies that I cited in the brief I've given you, that was distributed, is a demographic situation, and that is the main reason, I would say, why there is this challenge. However, it's an easy challenge to meet. It doesn't require a lot of changes.

The idea isn't to “scare people”, but to encourage action. And I think we can kill two birds with one stone: we can improve benefits for everyone in Canada and Quebec in both areas, and we can resolve the long-term problems or challenges.

In fact, my aim isn't to say that one plan is better than the other. This is a reality; these are facts. It is true that these are forecasts. However, they are nevertheless based on demographic realities that cannot be denied.

Mr. Bernard Généreux: You made such a good pass I couldn't miss it.

Some countries have opted for automatic membership. I would like you to talk to me about that, Mr. Béland and Mr. Ambachtsheer. Where automatic membership is implemented, how can that really improve the system in the very long term? It's the employer and employee who contribute to the plan, of course.

Unless I'm mistaken, based on the evidence we've heard to date, there is no single solution in this matter. Variable solutions will have to be consistent with each other. I'd like to hear what you have to say on that subject.

● (1715)

Mr. Daniel Béland: I agree on this idea of mechanisms related to economic theory.

It's true that the idea that people should be automatically included in the system and then that they should be able to decide to withdraw has positive effects on a purely voluntary system in which people choose to save. In the latter case, they automatically save until they decide to withdraw.

Studies have shown—Mr. Ambachtsheer might be better at talking about this than I—that people generally save more if they are automatically encouraged to save and can withdraw voluntarily, rather than the other way around.

In my view, it's true that the basic argument is valid. The question is whether this is a solution to the challenges that must be met. Personally, I think we can increase Canada Pension Plan and Quebec Pension Plan benefits and that that would be a major step in the right direction.

Is the other perspective possible? Yes, it can be done at the same time. I don't see any contradiction between the idea of increasing the benefits of both plans and exploring other possibilities regarding voluntary or automatic saving.

Mr. Bernard Généreux: All right. Thank you.

May I get an answer from the gentleman in Toronto?

[*English*]

The Chair: Could we have a very brief response, Dr. Ambachtsheer?

Dr. Keith Ambachtsheer: There's a book called *Nudge: Improving Decisions About Health, Wealth, and Happiness*, and it basically explains behavioural economics. The example that starts out this book is a high school cafeteria, and what we're asked to imagine is how the diet of the kids would change depending on how you arrange the food choices. If you think about that for a minute, I think we would all agree that by arranging the order that people go through the choices in food, you could create healthy diets or poor diets.

The analogy is actually a very powerful one because it explains how people make decisions, and, by the way, a lot of the stuff the Obama administration is doing is based on these notions of behaviour. The point of the *Nudge* book is that we could do the same thing with retirement savings, in that how we design the mechanism impacts how people behave. If we can do a really good assessment of what makes the most sense, then we can design that.

The Chair: Thank you. *Merci.*

We'll go to Mr. McKay.

Hon. John McKay: I know you're just trying to give me a nudge here, Mr. Chair.

The other issue that keeps coming up here—and Nortel is the classic example—is the issue of a superpriority. Folks who are entitled to their pension benefits lose out because other people get in ahead of them in a bankruptcy situation.

We are certainly getting push-back from a variety of financial entities, saying that if there is the creation of a superpriority for either defined benefits or for regular pension plans, financing will dry up, the cost of capital will become more expensive, and businesses will find other places to lend their money in countries that don't have this kind of a superpriority.

I understand Mr. Whitehouse is back with us. Maybe I could direct it to all three of Mr. Béland, Dr. Ambachtsheer, and Mr. Whitehouse. I'd be interested in your thoughts with respect to the concept of a superpriority for folks such as the ones Ms. Borenstein represents.

The Chair: Could we just have a brief comment from each, please?

Mr. Whitehouse, perhaps let's start with you.

Mr. Edward Whitehouse: I think a number of countries have addressed this question, but we have to remember that only in very rare conditions do we have such major underfunding of companies' pension schemes as occurred after the global financial and economic crisis. As I said before, at that time there was a shortfall of about 25%, on average, in defined benefit plans in most of the OECD countries where these are common.

When a company goes bankrupt with an underfunded scheme, there is, of course, a problem, and some countries—the U.K., for instance—have moved unfunded pension liabilities higher up the priority in bankruptcy. The taxman always wants to come first, of course, and then you have the banks and the bondholders, but they have tried to move pensioners up the range. They have also introduced the pension protection fund to protect those defined benefit liabilities.

● (1720)

The Chair: Thank you.

Go ahead, Dr. Ambachtsheer, please.

Dr. Keith Ambachtsheer: My response would be that the question is becoming increasingly a moot point. Most corporations have already closed their defined benefit plans. They've already moved to a system oriented to individual pension accounts.

No new DB plans are being opened by the corporate sector, so you're really talking about almost a wind-up situation. As for the idea that you can retroactively change these priorities, I'm not a lawyer, but I think there's a huge legal argument that says you cannot. I don't think it's a big deal to do it prospectively, because that's not where pensions are going.

The Chair: Go ahead, Monsieur Béland, *s'il vous plaît*.

Mr. Daniel Béland: I agree with this answer. We are moving in a different direction. That's probably not where we should focus much of our attention right now.

Hon. John McKay: I want to give Mr. Paillé the 30 seconds I have left so that he can ask more questions about QPP.

[*Translation*]

The Chair: Mr. Paillé, you have one minute.

Mr. Daniel Paillé: Yes, I'm very pleased that my lobbying worked well. My question is for the person from the OECD. It's said that businesses would have financing difficulties if pension plan obligations became a priority claim on the same level as salaries.

I think that's only an urban rumour because investors would include those risks in their models. Do you have any analyses showing that managing investments ultimately means managing the risks and that that wouldn't prevent healthy corporations from financing themselves in the market?

[*English*]

The Chair: Mr. Whitehouse, could we have just a brief response?

Mr. Edward Whitehouse: The regulation of defined benefit plans has improved significantly over the last 20 or 30 years. In the past they were scarcely regulated at all. In most jurisdictions there is a detailed requirement that those assets be held separate from those of the company as a whole, and they should, in some sense, be sufficient to meet their liability. Part of the problem was that during the 1980s and 1990s, the actuarial evaluation, as Mr. Ambachtsheer was saying, based on the historical high investment return, suggested that these schemes were in substantial surplus. At that point the regulators were happy that schemes were in surplus, but the people who were unhappy were the tax collectors. They said that the companies were overfunding these pension schemes and that they were like a tax-free corporate savings plan. The revenue authorities came out on the other side and said, no, we won't let you overfund your pension by more than 5%. We had companies trying to fit into a very narrow window between not being less than 5% underfunded and not being more than 5% overfunded. When we had the payoff in the markets, it was a very hard corridor in which to fit.

The Chair: Thank you.

Merci.

[*Translation*]

Mr. Daniel Paillé: We could ask him to say hello to the parliamentary secretary and the two finance critics who are in Paris while the government tables a securities bill.

[*English*]

Mr. Edward Whitehouse: I will be meeting him tomorrow.

The Chair: You can say hi to him for us.

Mr. Weston, go ahead, please, for five minutes.

[*Translation*]

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Thank you very much, Mr. Chairman.

Thanks to our guests. Ms. Borenstein's testimony today was very moving. Everyone spoke clearly.

I have three questions for you, Mr. Béland, and also for you, Mr. Ambachtsheer. In your view, who are the most vulnerable people in Canada with respect to pension schemes today and 20 years from now, if current trends continue?

Second, in your opinion, who are the most unjustly treated people, today and 20 years from now, if matters continue in this way?

How many people are affected in the two groups I just named?

● (1725)

Mr. Daniel Béland: I didn't understand the last question, but I'll answer the first two.

Who are the most vulnerable individuals? Obviously, those who have no private coverage, who have no private pension, who are unable to save. That's a large category. There is the issue of gender: single women are also more vulnerable in old age than married women. There are these categories; there are quite clear figures on the subject. I believe that—we talked about this a lot today—those who don't have access to a private pension or to private savings are vulnerable and will be even more vulnerable in future. I think that's quite clear.

Which people are treated most unjustly? First you have to define what you mean by “justice”; it's in fact a loaded question; you would have to explain to me a little what you mean by “justice”. Nevertheless, it's definitely those whose employers offer no protection, who have to make do, or those who are unable to save. However, I'm not sure about the question, of what you mean. What do you mean by “justice”?

As for the last question, I didn't understand it; so I wouldn't be able to answer it.

Mr. John Weston: In your view, how many people are affected by this vulnerability or this lack of justice?

Mr. Daniel Béland: We talked about poverty rates, about income replacement problems. The question is whether that will increase in future or whether the situation will remain the same. I think the risk is that the vulnerability of certain categories will increase as a result of changes. There's a decline in private coverage; there are fewer and fewer people whose employers contribute to the plan; so that's a problem. In addition, there is a switch away from fixed-benefit plans to fixed-premium plans, which could also ultimately reduce the financial security of millions of people.

There again, I don't have a crystal ball to see what the economic and fiscal situation will be. We didn't predict the 2008 crisis. There is a lot of uncertainty, but I think the shift away from a fixed-benefit system will increase the uncertainty, the insecurity in future financial crises. The next time should be even worse than what we saw in 2008, if we continue down this path and if we don't increase the protection offered by the Canada Pension Plan and the Quebec Pension Plan. I think there's a vulnerability that will only increase in financial terms, which could therefore also cause injustices.

Mr. John Weston: Mr. Ambachtsheer.

The Chair: You have five minutes.

[*English*]

Mr. Ambachtsheer, be very brief.

Dr. Keith Ambachtsheer: Yes. I think the way to answer the question is, first of all, to say that we know for certain now that the post-war period—the 1950s, 1960s, 1970s, 1980s, and 1990s—generally was a period of relatively high economic growth. There was some inflation, but it was eventually controlled. It was generally a good economic period to live in and to be retired in. There's a whole question now as to the next and future decades with the changing demographics and the lower growth expectations. I think all of us are in for a riskier time. Then the question is, within that reality, which groups are most vulnerable?

I think there are two ways of answering the question. One is in terms of the whole poverty line question that we've already had. Are more people going to fall below that line, and what do we do about that? But I think there's another sense that is very important. Again, the Nortel case is a classic example. I think we're going to end up with a significant number of workers who are doing relatively well and who, for whatever reason, believe they're going to have a good retirement at an early age but are wrong. There's going to be some set of circumstances where either their company fails or they don't get on the savings track, and they're going to have a significantly lower standard of living than they thought during their lifetime.

● (1730)

The Chair: Thank you very much.

We just have a very brief question from Mr. Marston, a final question or final round.

Mr. Wayne Marston: It's going to be very quick.

First of all, to our Liberal friends who were talking about having a superpriority, Bill C-501 is at committee, and we're looking at having a priority, not a superpriority. We can work together on that, I'm sure.

To my friends from the business community who are here, I really appreciate your engagement today.

The CPP offers a safe, well-managed vehicle. It's a defined benefit plan, and as we heard, many of those are just disappearing. So it's a very real outcome that we can work towards.

I'm not going to ask a question because there's not enough time, Mr. Chair. I appreciate it.

Voices: Oh, oh!

The Chair: Thank you. I appreciate that.

I just want to thank all of our witnesses. I want to especially thank our witnesses from Toronto and Paris for checking in, especially at such a late time. We appreciate the very substantive discussion. If you have anything further to say, please submit it to the clerk. We will ensure that all committee members get it. We may in fact ask you back for further discussion. Thank you to those of you who are with us here in Ottawa.

The meeting is adjourned.

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