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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (1535)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 45th meeting of the Standing Committee on Finance. I want to welcome all of our guests here today.

Pursuant to the order of reference of Wednesday, February 1, 2012, we're continuing our study of Bill C-25, An Act relating to pooled registered pension plans.

We have before us seven witnesses.

[*Translation*]

First we will hear from Mr. Jean-Pierre Laporte.

Welcome.

[*English*]

We have, secondly, the Canadian Labour Congress. We also have the Canadian Life and Health Insurance Association. And we have the Canadian Union of Public Employees.

[*Translation*]

We have a representative from the Quebec Employers' Council.

[*English*]

We have Teamsters Canada. And as an individual, we have Monsieur Michel Lizée via video conference.

Can you hear me, Monsieur Lizée? Is the sound coming through for you? We can't hear him....

[*Translation*]

Mr. Michel Lizée (Economist and Coordinator, Community Services, University of Québec at Montreal, As an Individual): Is this better?

The Chair: Yes, it's fine.

Welcome.

Mr. Michel Lizée: Thank you, Mr. Chair.

The Chair: Thank you.

[*English*]

Each of you will have up to five minutes for your opening statements, and then we will have questions from all members of the committee.

[*Translation*]

We'll start with Mr. Laporte.

You have the floor.

[*English*]

Mr. Jean-Pierre Laporte (Pension Lawyer, As an Individual): Good afternoon. My name is Jean-Pierre Laporte. I'm a pension lawyer with the law firm of Bennett Jones LLP in the city of Toronto.

I welcome the opportunity to provide to the committee some expert testimony on pooled registered pension plans. My sense is that Bill C-25, in its current form, is an example of good intentions creating a legislative response that will have numerous unintended adverse consequences. Let me explain myself.

The stated goal of the legislation is to make it easier for Canadians to save towards their retirement. This is a goal that is shared by most Canadians. The vehicle chosen by Parliament is this pooled registered pension plan, or pooled plans. My remarks will explain why pooled plans are unlikely to achieve this goal.

First, at its core a pooled plan is a locked-in RRSP. As such, it shares all of the flaws of the RRSP, which I will discuss later, and has the added disadvantage that it doesn't have a lot of flexibility.

One of its three main deficiencies is that it locks in money until retirement. In other words, withdrawals are strictly restricted until retirement age. This may make sense in a traditional pension plan for someone who has a good salary and where every penny doesn't need to be used up to balance the family budget, but clearly this isn't the population that is targeted by pooled plans. We're talking about small entrepreneurs and their employees, and the self-employed.

The second is that it doesn't compel any employer contributions. This means that 100% of the funding responsibility rests on the backs of those who already have a hard time saving. At least under a defined contribution plan, the Canada Revenue Agency has imposed a minimum 1% employer contribution. I don't understand why the pooled plans don't have that 1% rule.

The third deficiency is that it doesn't give participants the right to vote with their feet. As I understand the legislation in its current form, it is the employer who selects the pooled plan from private sector providers, not the employees. So as long as the participants are employed, if they're not satisfied with the pooled plan, they're stuck with it. This isn't like an RRSP, where if you find higher returns somewhere else, you can always transfer your money.

Let me return to the RRSP flaws. Because it's a capital accumulation plan, the responsibility for the investments rests on the shoulders of the member. The member often is unsophisticated or doesn't have the time or the inclination to become an investment expert. So it ends up that bad decisions are made, which mean lower returns.

Finally, one of the fundamental flaws with all capital accumulation plans, including RRSPs, is that when there is an economic downturn and the value of the assets under management shrink, and you happen to retire at that time, the losses cannot be made up with additional contributions, the way they are in defined benefit plans, like the benefit plan the federal civil servants participate in. So there are no special payments and no way to make up for bad years. You're playing Russian roulette with the savings of Canadians. To me, this is a lot of taxpayer assistance going down the drain after decades of investing, so I have some real reservations about the current legislation.

Thank you for your attention.

The Chair: Thank you, Mr. Laporte.

We'll go now to Mr. Roberts, please.

Mr. Chris Roberts (Senior Researcher, Social and Economic Policy Department, Canadian Labour Congress): Thank you very much.

Thank you to the members of the committee for giving us the opportunity to appear before you today and to present our views on Bill C-25. My remarks to the committee today are developed and amplified in the written submission that I believe you all have before you.

Just as a quick word about the Canadian Labour Congress, it's the national voice of 3.2 million workers in Canada. We bring together Canada's national and international unions, along with provincial and territorial federations of labour and 130 district labour councils whose members work in virtually all sectors of the Canadian economy, in all occupations, and in all parts of Canada.

The CLC is particularly concerned that a growing body of evidence suggests that a very significant proportion of middle-income earners are entering retirement with significant debt levels and facing a major post-retirement decline in their standard of living. The most recent study suggests that half of baby boomers earning modest incomes—so between $35,000 and $80,000 a year, on average—risk at least a 25% decline in their standard of living after retirement.

While the causes of this are several, a significant factor contributing to this outcome is the declining access of employees to workplace pension plans. By 2009, just under 10 million employees, or over 60% of all paid workers, had no workplace pension plan coverage whatsoever. Factoring in the self-employed, there are 12.4 million Canadians in the labour force with no pension plan coverage. The problem is especially acute in the private sector, where three-quarters of paid workers have no access to a pension plan at work.

In the CLC's submission, a phased-in, fully funded doubling of future Canada Pension Plan retirement benefits remains the most efficient and cost-effective means of addressing the problem of inadequate retirement savings in Canada. Unmatched by any private sector retirement savings scheme, the CPP delivers a secure, dependable retirement benefit, protected against inflation and payable until death, at a very low cost. The CPP is funded through earnings based on contributions so that future beneficiaries are not dependent on future tax revenue. Virtually all working Canadians are already members and contributors to the CPP.

By contrast, PRPPs are voluntary arrangements that employers may choose to make available to employees, and to which both employers and employees may choose to contribute. Significant challenges confront PRPPs in achieving anything close to the universal portability that the CPP already provides. Built on voluntary individual savings accounts, PRPPs cannot provide income predictability or security in retirement, as the CPP now does.

In the CLC's submission, PRPPs will not reverse the decline in workplace plan coverage. The crisis of workplace pension plan coverage in Canada is largely a crisis of coverage in small workplaces. Currently the vast majority of workers employed by small employers have no access to a workplace pension plan or a workplace-based voluntary savings vehicle. This has to do with a higher likelihood of bankruptcy and high rates of job creation and destruction, as well as high labour turnover in small enterprises.

Taken together, the economic and financial circumstances facing small and medium-sized enterprises make the voluntary take-up of PRPPs by small employers no more likely than the take-up of group RRSPs or defined contribution plans. The reasons for that are developed more extensively in our written submissions.

I want to say, finally, that there is little evidence that savings rates are a function of fees. To be sure, high fees are a serious problem for building retirement savings, but it is the presence of a mandatory plan in the first instance that predicts adequate savings in retirement, not low fees in voluntary savings plans.

In sum, PRPPs are unlikely to significantly expand workplace pension coverage. Rather, they are likely to further undermine defined benefit pension plans that currently exist and distract from what many pension experts already agree is needed: an expanded CPP.

Thank you very much.

● (1540)

The Chair: Thank you, Mr. Roberts.

We'll hear now from Ms. Byrnes, please.

Ms. Leslie Byrnes (Vice-President, Distribution and Pensions, Canadian Life and Health Insurance Association Inc.) Thank you, Mr. Chair and members of the committee.

I'm very pleased to have the opportunity to be here today on behalf of the Canadian Life and Health Insurance Association and to share our views as the Standing Committee on Finance considers Bill C-25, the Pooled Registered Pension Plans Act.

The CLHIA is a voluntary association whose member companies account for 99% of our country's life and health insurance business. The industry provides a wide range of financial security products, such as life insurance, annuities, and supplementary health insurance, to about 26 million Canadians. Also, over two-thirds of Canada's pension plans, primarily defined contribution plans for small and mid-sized businesses, are administered by our life insurance companies.

We commend the government for introducing Bill C-25.

It targets the gap in Canada's retirement savings system that was identified in Jack Mintz's 2009 research for the joint working group of finance ministers, that gap being modest and middle-income Canadian households that may not be saving enough for retirement. It builds on the consensus among all federal, provincial, and territorial finance ministers, and it does so by seeking to build on the strengths of the third element of our three-pillar retirement saving system, namely, private sector savings.

The goal of the first two pillars, the public part, through OAS/GIS and CPP/QPP, is to provide a minimum income to meet basic needs. Canada is recognized internationally as doing a very good job at that.

It's the third pillar, private sector savings through workplace plans and individual savings, that's intended to provide income beyond the basic needs. This is where the shortfall exists, particularly with those who don't have access to a workplace retirement plan.

We believe PRPPs can be a vehicle to make a fundamental difference to the retirement savings landscape in Canada. The keys to their success are several.

One is their low cost: pooling will help to enhance scale and efficiencies. Another is simple designs that help keep those costs down. Also, professional administrators will relieve small and mid-sized businesses from the administrative and legal burdens that prevent so many businesses from offering retirement plans today. Next is harmonization across the country, which will be important in gaining the scale and efficiencies and which, again, are so important to getting at those low costs. Also, there are automatic features that provide behavioural nudges to encourage people to start saving, with appropriate opt-out provisions, of course.

We're hearing that small businesses are keenly interested in PRPPs. We've provided the clerk with the results of a survey of small and mid-sized businesses that we commissioned before Christmas. I'd just like to highlight a few points.

First, and hardly surprising, the smaller the company, the less likely they are to have a workplace retirement plan. Second, two-thirds of respondents said they would be interested in offering PRPPs. Third, over 70% of that group said they would be interested in contributing to a PRPP, even though they realize they wouldn't be required to do so. Finally, over 70% of all respondents thought that all employees should have access to some form of retirement savings plan at the workplace.

Clearly, there is still work to be done. Bill C-25 sets out the framework, but much of the detail will of course be spelled out in the regulations. As well, to ensure that PRPPs can be effective national plans, we'll also need provincial legislation. We look forward to working with governments and policy-makers on these next steps.

Thank you again, Mr. Chair, for the chance to appear here today. I'd be pleased to provide any further input.

● (1545)

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

We'll now hear from Mr. Skerrett, please.

Mr. Kevin Skerrett (Senior Research Officer, Canadian Union of Public Employees): Thank you, Mr. Chair.

My name is Kevin Skerrett. I work as a senior research officer on pensions at the national office of CUPE, the Canadian Union of Public Employees. In my role as researcher for the past 15 years, I've provided support to our locals and provincial sections dealing with pension issues, including collective bargaining.

We would first like to thank this committee for the opportunity to present to you today on Bill C-25. As we are all aware, this proposed legislation arrives in a period of very significant challenges for those of us working to defend, strengthen, and improve retirement security for Canadians.

CUPE is the largest trade union in Canada. We represent well over 600,000 workers, mostly in the public sector, but not entirely. While a majority of our members belong to secure defined benefit-type workplace pension arrangements, we have a significant minority, maybe about a third or 200,000 members, who do not have any workplace plan, or only have some form of defined contribution system or an RRSP.

I'll limit our comments today to three main issues. First of all, I'd like to strongly affirm our agreement with the written submission that was provided to the committee by our colleagues at the CLC. CUPE is the largest affiliate of the CLC. We feel that submission presents a powerful and comprehensive case that the basic design of the PRPP as represented in this legislation is fundamentally flawed.

Insofar as our common goal, the goal we all share, and the government's stated goal, is to enhance the current and future retirement security of Canadians, we do not see evidence that the introduction of a completely voluntary individual savings scheme, with absolutely no benefit security, will do anything to achieve this objective.

In contrast, the proven viable proposals from the CLC and other quarters for a fully funded and phased in doubling of the CPP at no cost to government budgets would greatly improve the pension and retirement prospects for those lower- and middle-income workers the current system is now failing.

This leads me to the second point we would like to make today, and that is about workplace pension arrangements. It is no secret that the defined benefit workplace pension plans that most of our members belong to, and many other workers, are under significant attack in both the private and public sectors.

In the private sector many of us have seen some high-profile cases where secure defined benefit arrangements with large employers—we think of Inco, U.S. Steel in Hamilton, the Royal Bank more recently, and even Air Canada last year—saw decent defined benefit-type arrangements replaced either entirely or partly with less secure defined contribution arrangements for newly hired employees. That's part of the landscape that is evolving.

Public sector workers, the bulk of our members, are also seeing pressures to give up secure benefits, often in the form of losses of indexation provisions—protection of the purchasing power of pensions.

In this context we believe that it is not only workers that have an interest in expanding the secure and efficient CPP, but also many employers. While most employer organizations will express opposition to expanding the CPP, we are convinced that many individual employers would in fact be supportive if an expanded CPP were recognized as an opportunity to rearrange their workplace-based pension arrangement and thereby reduce their cost and cost volatility.

● (1550)

The Chair: One minute.

Mr. Kevin Skerrett: Thank you.

This leads directly to my third and final point that I have for today. The government and the advocates for PRPPs have argued that the goal is to establish an arrangement that will extend workplace coverage to workers who don't currently have a pension plan. We are very concerned that there is a risk that the opposite will be the effect.

We believe that many employers will see this option of a PRPP as an alternative to their existing decent secure workplace pension coverage and see it as attractive to replace those arrangements with this less secure option. In that sense, the potential is to cannibalize those secure pension arrangements that have actually proven to be a success. We're greatly concerned about that.

I will close with the comment that there is a lot of turmoil evolving in the pension world these days, and I think we all know it. This has perhaps been underlined recently by federal government contemplation of changes to the OAS/GIS system.

We're greatly concerned about that. There are a lot of elements of our overall system that are being put into play. We'd like to see a summit called with government, labour, and the business community to discuss these issues in a holistic way.

Thank you.

The Chair: Thank you, Mr. Skerrett.

[*Translation*]

Mr. Dorval, you have five minutes.

Mr. Yves-Thomas Dorval (President, Quebec Employers' Council): Thank you, Mr. Chair.

The Quebec Employers' Council is comprised of several large Quebec companies and also includes the vast majority of sectoral employer associations. It is the only employers' confederation in Quebec.

The mission of the Quebec Employers' Council is to ensure that businesses have the best possible conditions, especially with respect to human capital, in order to prosper in a sustainable way in the context of global competition.

We thank the Standing Committee on Finance for giving us the opportunity to comment on Bill C-25 as part of its consultations.

[*English*]

The Quebec Employers Council supports the federal government bill providing for the creation of pooled registered pension plans for federally regulated companies. The flexibility and adaptability envisioned by the PRPP will allow federally regulated companies that do not already have a pension plan to provide a simplified one for their employees. Employers, notably those in the small and medium-sized business sector, will thus have the opportunity to offer a plan that ensures financial security for their employees when they retire but will not have the fiduciary responsibility or the obligation to make contributions.

[*Translation*]

Let's recall that, according to several evaluations, in particular from the OECD and Mercer, Canada's retirement income system is one of the best in the world. The three pillars of this retirement income system enable Canadians to maintain an adequate lifestyle when they retire. But it seems that up to 30% of Canadian workers do not save enough to ensure the same lifestyle after retirement as when they were working.

There is also a challenge for future generations. Some changes are desirable to improve retirement savings, even though we acknowledge that the problem of financial security is not necessarily generalized and that, therefore, the solutions mustn't be generalized either.

We need to keep in mind that, to finance their retirement, Canadians invest not only in pension savings accounts, but also in other assets, particularly the house they own and live in or in various financial vehicles. They can also choose to work full-time or part-time for a few years more, assuming they remain in good health.

[*English*]

The Quebec Employers Council proposes that discussions regarding the retirement savings issues be guided by four main principles: no transferring of the burden to future generations; no hindering of businesses' competitiveness; no removing of individuals' responsibility; and no increasing of businesses' administrative load. Any change should encourage a marked improvement in the investment rather than substituting one form of an investment for another form that already exists. The regulatory structure has to be simple and flexible. The simpler the plan is to put in place and the easier it is to administer, the better chance it has to be successfully implemented.

● (1555)

[*Translation*]

This bill clearly seems to be moving in this direction, and we have a few specific comments to make.

First, this bill offers a greater number of workers who were not covered by a retirement plan, especially those working in small and medium enterprises, the possibility of being covered. It also allows employees in SMEs to benefit from the economies of scale that large plans do. The intended employees would automatically be enrolled in their employer's PRPP, but could withdraw if they wish to. According to all the examples we have seen, being signed up automatically generally encourages greater participation.

Second, we also want employers to be able to offer their employees this kind of plan without being required to contribute. Companies that wish to may do so, but companies, particularly SMEs, often cannot afford to contribute more.

The Chair: Mr. Dorval, you have one minute left.

Mr. Yves-Thomas Dorval: Third, we also appreciate the fact that the employer does not have a fiduciary responsibility with respect to this new type of plan. This new plan should be attractive to employers, employees and the financial institutions that will offer it. So the framework would have to be simple and the obligations for administrators clear in order to generate interest from a minimum number of institutions, which would encourage competition. However, the devil is in the details. The simpler the plan is to implement and administer, the more chance of it being established successfully.

Pooling funds and simplifying the regulation and management of the retirement contributions by a financial institution should make it possible to reduce the administrative costs of the plan and the costs associated with investment management. So that the costs are reduced and the savings in place, there need to be enough participants and contributors. So it is important that there be a certain coordination and harmonization between the plans that would be offered by the employers in the various provinces and by federal employers targeted by this bill.

To conclude, this bill is clearly an interesting part of the solution for the issue of retirement savings, but it isn't the only one.

The Chair: Thank you.

[*English*]

Mr. Benson.

Mr. Phil Benson (Lobbyist, Teamsters Canada): Thank you, Mr. Chair, and my thanks to the committee for allowing me to appear before you today.

In a perfect world, we would be discussing modest increases in CPP and the PRPP. It's been said that politics is the art of the possible. The PRPP is possible, so let's deal with it.

The government has moved at breathtaking speed to strengthen the private leg of retirement savings. The TFSA, and now the PRPP, will give Canadians meaningful alternatives to save for retirement. If the PRPP does nothing more than reduce risk or reduce cost for retirement savings, it will be worthwhile.

The proposed PRPP could be viewed as a pooled RRSP offering lower-cost access to existing investment options, probably mainly mutual funds. Our experience with multi-employer plans suggests that it would be better for investors to share in that type of pooled retirement savings.

We're going to offer some thoughts on how we can make the PRPP more like a multi-employer plan.

Sponsors should have a legal obligation to serve the beneficiaries. There would be an obligation to include only investment options that meet the retirement purposes of the PRPP. It would seem inappropriate in a sponsored PRPP to allow the kind of “anything goes” investment options that RRSPs can include. Any investment options provided to members should fit a purpose within risk-reward objectives. The guidelines of the Canadian Institute of Actuaries for capital accumulation plans should apply. At the very least, we can hope investments will be more like those of insurance companies than RRSP mutual funds—bonds and their equivalents, rather than a reliance on stocks.

We think fiduciary duty is a critical idea and it should encompass no trailer fees. No proprietary product should be permitted unless it can be proven to be the best product for the plan. Plans should be subject to discretionary investing. Let the professionals make investment decisions, not individual investors. And if we call it pooled pensions, then let's deliver pensions.

Dealing with fiduciary duty will lower risk, but we have to deal with costs. Our canvass of existing pension plans leads us to believe that the upper limit should be 100 basis points, reduced to 50 basis points for plans approaching one billion dollars. Equally, there must be full transparency. There should be no benefit to plan sponsors as employers for offering a plan to employees. There should be a declaration of all ties between the trust and sponsor as well as a full declaration and report of all fees.

We think there should be, where possible, transportability of plans. Let's try to avoid stranding small pensions or, for that matter, other types of savings vehicles. Allow the transfer of a PRPP to a better pension where available or of a stranded pension to a PRPP. Let's promote some competition. Why don't we allow the transfer of RRSPs to a PRPP?

We also think it may be advantageous to allow existing entities that run multi-employer plans to offer PRPPs. From the Teamster's experience, it's not always possible to include company employees in those existing plans, but a PRPP alternative would be a better option than, say, matching RRSP contributions. This may allow existing MEPs to offer PRPP solutions where available.

No single solution will resolve the retirement savings issue. I think the PRPP proposal will move the ball closer to the goal line. Improving savings, reducing risk, and reducing costs is a winning formula. We think our suggestions will make this an even better product.

Thank you.

I welcome your questions.

● (1600)

The Chair: Thank you, Mr. Benson.

[*Translation*]

Mr. Lizée, you have the floor.

Mr. Michel Lizée: Thank you, Mr. Chair, for giving me the opportunity to appear before the Standing Committee on Finance.

I agree with the government's goal of increasing the rate of retirement coverage. But I fear that the goal will not be achieved and that improving the Canada Pension Plan would have been and remains a better option to consider.

A number of things have been mentioned, but I would insist on the argument of weakness. For the same level of contribution, improving the Canada Pension Plan would make it possible to provide pensions that are twice as high as a defined contribution plan. This is basically because a group plan tends to invest in a full economic cycle, but also bypasses the problem of a person who, retiring with significant capital, has only a very few investment options because he or she must protect the capital at all costs. In fact, a group plan can have a diversified policy, and the Canada Pension Plan management fees, which are at 0.67%, are much lower than the current fees for mutual funds, which are more around 2%. Each 1% savings in fees results in 20% more paid at retirement.

Quebec has been using the simplified pension plan for over 10 years. It is similar to the PRPP in a number of ways, and the results have been quite modest.

It seems to me that, at the next finance ministers' conference, it would be desirable that improving the Canada Pension Plan still be on the table. In a context where the PRPP would be improved, this model could be one more tool that would be available.

I would like to point out three main issues with the bill.

The first issue relates to the choice of the administrator. The paradox of the bill is that it's the employer, who doesn't pay a penny into the plan, who chooses the service provider, which is fairly specific. There's an old saying that goes:

[*English*]

no taxation without representation.

[*Translation*]

You can find more details about this suggestion in the brief. Actually, during the 30-day consultation period, participating employees should have an opportunity to raise objections to the choice of the administrator, the way it is with Quebec's member-funded pension plan, which is also for small and medium-sized businesses. And if more than 30% object, it would be safe to say that the employees have some serious reservations about that choice.

The second item I wanted to draw your attention to is more specific. I would actually like to point out that some features of federal legislation should be reviewed. For a number of years, I have been with a multi-employer pension plan that was set up for community groups and non-profit organizations. This plan is designed for modest-income employees, earning about $35,000. Given that the salaries are low and that the economic opportunities for employers are limited, the contribution rate is very low, at around 6%. So right from when the plan started, a mechanism was developed to encourage participants to make voluntary contributions and to take advantage of the collective management mechanism. The idea was for them to convert their contributions into additional annuities with a higher interest than the regular annuity conversions, even though we are very careful with our assumptions. On page 9 of my brief, you will see a graph that compares the possibilities for the two scenarios.

We are currently in talks with the Canada Revenue Agency, which is strongly encouraging us to get rid of that mechanism. Yet, based on the last date for which we have figures, almost 8% of the plan's assets came from voluntary contributions made by participants who had understood the message that they had to assume their responsibilities and take advantage of collective mechanisms.

Finally, Mr. Chair, I urge the federal government to think about the impact of introducing the PRPP on labour-sponsored funds. Quebec has two funds: the Fonds de solidarité FTQ and the CSN Fondaction. Just those two funds alone have almost 600,000 shareholders of whom 60% are unionized workers. For a number of them, the RRSPs from either one of those two funds is their primary pension plan. Those funds had a major impact in terms of job retention and job growth in Quebec. But if those funds are not recognized as a PRPP, there is the danger that a registered group pension plan would drain this source of funding and it would deny employees access to attractive mechanisms both in terms of taxes and job creation and retention.

Thank you, Mr. Chair.

● (1605)

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

[*English*]

We will start members' questions now. We'll start with Mr. Marston for a five-minute round, please.

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

Ms. Byrnes and gentlemen, welcome. I'm very pleased to have you here. The only problem is that I could spend 10 minutes on each one of you.

Mr. Benson, I was pleased to hear you talk about fiduciary duty. If that's written into the law, would it not impede the banks from being able to provide this product?

Mr. Phil Benson: Thank you for the question, Mr. Marston.

Most banks, of course, have trust divisions, and they do act, under fiduciary duty, for those particular trusts. I don't see this as being a product, if you like, from your TD bank on the corner. I view it as more of a trust; it has to be a trust relationship.

Mr. Wayne Marston: Another part of your presentation was talking about moving from the pension fund perhaps to this. One of the concerns that's been expressed is the pressure that might be put on employers, or they may put on, to move from defined benefit pension plans into this model. We're very concerned about that.

I'm not really posing a question there, so I'll move on. I have another one that goes a little further.

Mr. Roberts, are you familiar with the Australian super fund?

Mr. Chris Roberts: I am.

Mr. Wayne Marston: I've raised it here a couple of times. After the ten-year mark it was reviewed, and it didn't even keep up with the cost of living, with the fees and that.

You know, we have the government speaking of the PRPPs; we call it a savings scheme, which kind of annoys the government. We don't think there's evidence to prove the fact that the fees will be kept down. The majority of fees paid by defined contribution plans and sponsored RRSP members go to the record keeper, and financial advisers' fees paid to the actual investment fund managers used in the pension programs generally do not make up the bulk of the management fees paid by members. This means that the supposed lower costs will not be achieved through negotiating lower investment management fees.

Do you have an opinion on where they actually think they can find the lower costs?

Mr. Chris Roberts: I think what the Australian example shows, and it's fairly instructive, is that competition has been, at least in the Australian example, deemed to be ineffective in bringing down fees. The Cooper review of the superannuation guarantee system in Australia found pretty extensively that despite the existence of numerous funds competing, sales and promotion costs had driven up overall fees. It just hadn't been effective.

So I'm not sure where, in fact, low fees can be found, or how that can be insured in the Canadian instance outside of regulating caps on fees.

Mr. Wayne Marston: Yes, we've made that suggestion here.

Mr. Skerrett, there's something I would like to say, and I said the same thing in a previous meeting here. Greg Hurst of Benefits Canada made the statement, and this is just part of it, that from the latest reports of the chief actuarials, it shows that the federal pension obligations are fully funded with modest surpluses, and that there's “no crisis of unfunded pension obligations for the federal public service”.

The reason I say that is the Canadian Federation of Independent Business is doing a lot of talking across Canada these days about unfunded liabilities. Some municipalities certainly have them, and CUPE deals with more municipalities, I think, than at the federal level.

The other falsehood that's out there is how gold-plated the public service pension plans are. Now, I don't know whether CUPE's at this level, but the federal ones are, on average, $18,000 per worker per year, which is not huge.

I'd just like your thoughts on that.

Mr. Kevin Skerrett: I'll start with the second question, about the current levels of pensions being provided by the existing workplace arrangements.

In fact, CUPE, our union, represents, as you say, a lot of workers in the municipal sector, the hospital sector, school boards, the education sector, post-secondary. I would say it's by and large what could be called the non-professional sectors: custodians, cleaners, bus drivers, kitchen staff, that range of worker. As we might imagine, these are workers who don't have very high incomes in their ongoing work life.

It's very interesting, with all this talk of gold-plated pensions—which, as you say, is really popular talk, and pops up in the news a lot these days—to actually look at the pensions that are being paid by these workplace arrangements to those workers. I could share a couple of specific statistics; in fact, some I've come across just recently.

● (1610)

The Chair: Very briefly. There are about 30 seconds left.

Mr. Kevin Skerrett: Okay.

I was involved last year in working with the school board workers in the province of Prince Edward Island. I found out that their pension plan, which is supposedly a gold-plated public sector plan, is paying those workers an average annual pension today of under $5,000 per year.

I just saw recently in New Brunswick that for school board workers, their pensions are about $10,000 a year. In another case in New Brunswick, it's $12,000.

Now, you will have some that are as high as $15,000, but these pensions are not the $50,000, $80,000, or $100,000 a year being made out, in many cases.

The Chair: Thank you.

Thank you, Mr. Marston.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

Thank you, witnesses, for being here this afternoon. It's great to have your insight into this great bill. I appreciate all of your presentations here today.

I'd like to talk to all of you. As Mr. Marston said, there are lots of interesting questions and debates we could have, and that's a great country we have, Canada, where we can have disagreements and debate, but again, we only get five minutes.

Ms. Byrnes, I'm going to focus on you a little because you do handle a lot of pensions in your sector. I understand you handle about two-thirds of Canadian pension plans. Could you give me an idea...when you handle this type of fund, the pension plans, you're obviously not investing in one topic or one manufacturing sector or one business. You have your risk spread out over a variety of businesses. Is that correct?

Ms. Leslie Byrnes: Absolutely.

Mr. Randy Hoback: So you'd be having different percentages in different sectors?

Ms. Leslie Byrnes: Yes.

Mr. Randy Hoback: Wouldn't it be wise, if you were talking about pensions for Canadians, to say you've got the Canada Pension as one option, you've got OAS, you've got GIS, and now you're going to have PRPP as a fourth option? Wouldn't that be a wiser way to spread out that risk, rather than putting everything in the bag of the Canada Pension Plan?

Ms. Leslie Byrnes: We couldn't agree with you more. Getting back to the way our retirement savings system is set up, there are three pillars to it. Think about it as a three-legged stool. You need strength on each of those legs in order for the whole system to be stable. We see PRPPs as an opportunity to introduce an additional level of choice and opportunity at low cost for employers and employees.

The other thing I would point out with respect to this is we've got a world-class financial services sector in Canada. We're respected internationally for stability and innovation and the way we're regulated, so why wouldn't we want to take advantage of that?

Mr. Randy Hoback: Exactly.

One thing that concerns me—and maybe you can educate me—is when we have unemployment, how does that affect your pension plans today? We had the Canadian Federation of Independent Business here saying that for every 1% rise in the Canada Pension Plan it's going to cost 220,000 person years of work. If you looked at that, if we looked at the opposition parties and what they're suggesting for increases in CPP contributions and how that would have a domino effect on the small business sector with the loss of employment.... I think the CFIB used the number of up to one million jobs. How would that trickle through to your pension plans, and how would that affect your earnings in those pension plans so that you could actually pay out pensions to the people who are already under your existing plans?

I guess I'm asking you what would massive unemployment in Canada do to your ability to service your pension plans?

Ms. Leslie Byrnes: Obviously there would be fewer people who we would be providing pension plans to, which would be the bottom line there.

Mr. Randy Hoback: But then the companies you've invested in would not be paying the dividends that you'd be expecting and that also would have an impact on your plans, would it not?

Ms. Leslie Byrnes: It could certainly.

Mr. Randy Hoback: I look at this and it makes a lot of sense to me. We've heard the business community being very vocal about not being able to afford an increase in the Canada Pension Plan at this point in time, with the economy in the shape it is and the risk of it sitting there. We've been very clear in talking to the members of the opposition about why we're doing what we're doing at this point, and we've been very clear in talking to people about this. This is just one of many tools for retirement savings, giving Canadians options and choice so that they can make the best preparations in their situation on an individual basis.

Do you have any suggestions on how small and medium-sized businesses would utilize PRPPs? When I look at my farm, for example, I don't want to administer a PRPP; I don't want to administer a pension plan for employees. So how does a third party...? I guess I'm looking at a third-party administrator such as yourselves. How would you go about administrating this, or how important is it to have a third-party administrator for these types of funds?

● (1615)

Ms. Leslie Byrnes: I think when you take a look at the prevalence or the lack of prevalence of retirement plans in the workplace right now, 50% in the private sector have nothing. They're too expensive too administer or they're too complex. Employers simply aren't offering anything.

What we're hearing from small businesses is that they would welcome the tool. They see it as a competitive tool, as an opportunity to attract and retain employees. They see it as something they could actually do. We're also hearing that even though they wouldn't be required to contribute, they'd be interested in looking at ways to do that.

Mr. Randy Hoback: Actually, Chair, I'll stop there because my next question would go on for another five minutes.

The Chair: You've got about 15 seconds.

Mr. Randy Hoback: I'll leave that back to you.

The Chair: Thank you, Mr. Hoback.

Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair.

Earlier this week, in testimony, we heard from the Canadian Bar Association and the CFIB and the Canadian Association of Retired Persons that the Liberal proposal to have a supplementary, voluntary CPP would help achieve the stated objectives of Bill C-25.

Mr. Laporte, first of all, you're a pension lawyer. You're a member of the bar association. Would the low-fee option help, for instance, provide some advantages, including competition to PRPPs, and as such help keep fees lower?

Mr. Jean-Pierre Laporte: I definitely think introducing a large quasi-public sector competitor to the marketplace would create some market discipline, which would help with the objective of keeping the cost of managing these plans low.

Hon. Scott Brison: Is it likely that any particular PRPP option would match the diversification across asset class, sector, geography, and the low-fee structure and scale of the CPP? I think $152 billion is under management.

Mr. Jean-Pierre Laporte: No, I don't believe it would be possible for the private sector solution to match the CPP Investment Board in that regard. I believe the provinces would have to mandate that PRPPs be offered to members to reach those levels of scale that would then keep the costs low.

Hon. Scott Brison: Ms. Byrnes, in the event of a significant drop in the markets, a crash in the markets, either late in somebody's career or during a person's retirement, what would be the difference between the PRPP option and a fairly well-diversified RRSP, as it exists today, in terms of its effect on people's retirement security?

Ms. Leslie Byrnes: There are various considerations administrators will be taking a look at in the design of PRPPs. One of the things I know life insurers are interested in taking a look at is whether there is a way to incorporate some retirement stream security at some point along the line. It's possible that you could be looking at annuitizing some components as you go along. Those are the things that are still being explored.

● (1620)

Hon. Scott Brison: The PRPP options would not include a defined benefit option, for example.

Ms. Leslie Byrnes: No, they would not.

Hon. Scott Brison: A voluntary supplemental CPP would provide a defined benefit option. I understand the merit of the NDP proposal, but there is some concern about increasing payroll premiums at a time of high unemployment. This option would provide the advantages of a defined benefit, on a voluntary supplemental basis, without dramatically increasing payroll premiums at this time.

I'd appreciate hearing Mr. Benson. You have comments from your members.

The Chair: There is about one minute for a further comment.

Mr. Phil Benson: For the Teamsters, our experience is more in multi-employer, direct contribution plans. We have a chunk of our membership in DBs, which we dearly want to protect.

I think the PRPP, if you look at our fiduciary duty that we're talking about, would give the biggest protection versus an RRSP. In other words, you would be having professionals looking at the age groups and the people in there and starting to shift over to different types of products or investments. The larger the plan, the cheaper the cost should be. I don't think the cut will come from competition. If we had competition now, our RRSPs would not have the highest MERs in the western world.

Hon. Scott Brison: Again, I appreciate hearing from any of you.

Would simply adding to the mix, including a PRPP and a voluntary supplemental CPP option, provide some benefit to strengthening retirement—

The Chair: We have time for about one answer, Mr. Brison. Which one would you like?

Mr. Skerrett, give just a brief response, please.

Mr. Kevin Skerrett: I would say the proposal you're describing, if it is a supplement that is providing for a defined benefit CPP element, would certainly be superior to an uncertain insecure question mark, which is really what people are going to get from the PRPPs. The concern we have with that model is exactly this question of voluntary versus mandatory.

I think we're all very glad that the original design of the CPP was mandatory and across the board. If it had been voluntary back in 1966, our whole system I think would be much weaker for it. That would be my quick thought.

The Chair: Thank you.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, everybody, for coming.

At the last meeting I told the story of the wise king who determined the wisdom of the ages. He broke it down to one line, which was basically, "There is no free lunch".

We've talked about defined contributions. We've talked about defined benefits.

Pensions fall, in the private sector, with SMEs or corporations. With corporations you will sometimes find defined benefit pensions. In the public sector there are primarily defined benefits.

In a perfect world, I suppose we would have a system in which the workers would pay *x* number of dollars. We'd determine what that was. Then the government would pay whatever on top of that, whether it was two or three times that. That would have to be determined. It would then fall upon the government, if there was a shortfall, to take the risk and to take the cost if there was a discrepancy at the end of a number of years or something.

It would be much like our health care. Our health care operates kind of that way. Whatever it costs, we foot the bill.

This would give—I think Mr. Benson would agree—our manufacturers an enormous advantage, because now we could go to corporations that operate across the borders, and we wouldn't have to offer them any pensions, because now our government would cover those as well. It would definitely do what the NDP wants to do, which is to level the playing field for all Canadians. The only problem, of course—and I do not have the figures—is that I estimate it would cost hundreds of billions of dollars. So it's a moot point.

Mr. Benson, you told me a number of years ago when we were talking about pensions on another issue that the Teamsters handle their own pensions. You have companies, of course, so you have to take that into consideration every time you negotiate a settlement. If there is going to be a problem, you don't want to bankrupt your company. I'm sure you have companies that come along and say they can't make the payments.

I'm probably telling you what you already know, so why don't you tell me and the committee what your company or what your Teamsters have done to avoid that situation, and how you have managed to handle that issue.

Mr. Phil Benson: Thank you for the question.

Basically the difference between the DB and DC plan is that the DC plan has wages. A DB plan has wages too, but in the DC plan, of course, it's the sponsor and the workers contributing who bear the risk.

Now I'm very proud to say that the Teamster's fund is 100% funded. It was 100% funded in 2008, 2009, 2010, and it's fully funded now. Clearly we're doing a pretty good job.

The biggest problem we face is trying to get new members or new groups in. It's a constant battle with OSFI and with the regulators. They make it very difficult.

For example, we may find a new group of workers. They come into the Teamsters. They join the Teamsters, and we'd like to offer them a pension plan. Of course, we would like them to come into our pension plan, which is 100% funded and well managed.

● (1625)

Mr. Dave Van Kesteren: I want to break you up for just a second. I have a second question, and I don't have much time.

If you have a company that comes along and says they can't make the payments, and it's a big company, and you have sent your actuaries in, and you find out they're right—they can't—what happens to the rest of your group? Obviously, you have less money coming in.

Mr. Phil Benson: That would be a situation only in a DB plan or a stand-alone plan. That's a different situation. Companies like Purolator and UPS would have their own plans. Those are huge employers. CPR and CN have DB plans. They are kind of unique in the Teamsters. We do not have a lot of DB plans.

It's a situation of looking at the story, having the actuaries go in and see what the story is.

Mr. Dave Van Kesteren: But if it were true, would you all share the risk then?

Mr. Phil Benson: For a DC plan, you all share the risks.

Mr. Dave Van Kesteren: Do you think the current PRPP has an adequate ability to share the risk with those who would participate?

Mr. Phil Benson: I think clearly the PRPP will be some kind of a DC plan, and under a DC plan, you share the risks. The difference in the PRPP plan is that unless an employer wishes to contribute—and hopefully most employers will choose to go that route—it will be simply the employees. That's why we're adding the features. We're asking to look at the fiduciary duties, especially in the discretionary investing. I can't underline that more. Take the choice of investment away from individuals—they make very bad choices—and leave it with experts to look after the numbers and everything. I think that would really help reduce the risk the most.

The Chair: Thank you, Mr. Van Kesteren.

Mr. Chisholm, please.

Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP): Whether defined contribution or defined benefit, this stuff about a free lunch...these are negotiated plans, regardless. Benefits are in exchange for wages. The question, though, at the end of the day, is this. Is it guaranteed or is it not guaranteed? In terms of who suffers the risk, if it's defined contribution, it's the employee, at the end of the day, who ends up potentially without any money.

I think the point that Mr. Skerrett made is instructive about the reality out there in terms of what kind of money ordinary working people are taking home from their pensions. It's tough out there. There are an awful lot of low-income Canadians, and their pensions reflect that.

Maybe you can expand a bit on that. Also, there have been many before our committee—and members of our committee—who have talked about the idea that increasing contributions to CPP over a number of years is going to just devastate the economy in this country. There are going to be unemployed people lined up down the street and around the corner, everywhere. I wonder if those who support the idea of using the CPP to actually achieve what the government has talked about in terms of enhanced retirement income security could talk about what that plan actually looks like in terms of its impact on the economy.

Maybe, Mr. Roberts, you could start.

Mr. Chris Roberts: Yes. I just don't think there's any evidence that it's likely to have that impact. The last time that CPP contributions were increased substantially—65% between 1997 and 2003—the unemployment rate fell steadily and continued to fall for another five years after that. What we're talking about is a modest expansion, a modest increase in contributions, phased in gradually. And even if we wanted to set parameters around when the recovery was strong enough to trigger those improvements to the CPP, that's perfectly doable. But the trick is to define it now so that we don't have to wait and wait and keep pushing it off.

● (1630)

Mr. Kevin Skerrett: To add to that answer, you connected that question about CPP costs with the way employers try to handle pension costs as part of total compensation. It is worth registering the point that when workplace pension costs go up, in the current arrangement, employers understandably take account of that when they're also then discussing with unions or workers about current wage levels. In other words, the pension costs go up; current wage increases are reduced, in effect, most often. I would suggest that employers would similarly take account of proposed increases in CPP contribution rates when they assess their ability to pay overall compensation, whether it's benefits costs, wage costs, or whatever.

It's important to recognize—I tried to make the point in my statement—that as in 1966, when CPP was introduced in the first place, an additional expansion of CPP, we think, is very likely to result in changing the room for reducing workplace pension costs for those employers who have those plans.

I'm prepared to acknowledge that some of those plans have been shown to have cost volatility. Employer costs are spiking in a way that the CPP cost never does. It would be understandable if an employer would recognize CPP expansion as an opportunity to say, “Maybe that makes more sense. It's less risky, less costly.” That could be an advantage for a lot of employers.

The Chair: Mr. Benson.

Mr. Phil Benson: I'm probably one of the few people around the table who is actually dealing with the CPP increases. Those stories came out that it was going to devastate the employment, and it just didn't happen. The truth of the matter...modest CPP increases over a period of time.... The real message to workers is, you'll be getting fewer wage increases, but the CPP, of course, is a secure DB benefit, which is preferred.

We're dealing today, again, with PRPP, and it is a really good solution for a lot of Canadians.

The Chair: Okay. Unfortunately, this round is up. I'm sure we'll come back to you, Mr. Roberts.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair. I'm hoping to get in a whole bunch of questions, so if I could get brief responses, that would be great. I know it's a complicated subject for brief responses.

My first question is to Mr. Lizée. You indicated concerns about the employer getting to choose. The employee can obviously opt out. To me, that sort of takes care of that particular issue. Obviously, if the employer is going to be contributing also, then the employee would be less likely to opt out. Does that not soothe that concern at all, that the employee has a choice to opt out, and of course may stick with the other arrangements they have?

[*Translation*]

Mr. Michel Lizée: Thank you for your question, Madam. I will be quick.

For the past 10 years, Quebec has had regulations on simplified pension plans, which are a mechanism for the pooling of funds, similar to registered pension plans. But, in this case, employers pay for half of the contribution. So it is legitimate for them to do so.

The PRPP paradox is that the employer, who does not put a cent into it, can choose the financial institution. So we can assume that the bank that already provides the line of credit has an unfair advantage. So we have to find a way for employees to make their voices heard.

Of course, every employee can opt out, but that goes against the initial objective of the legislation, which is to increase the actual savings rate for people. People have to be convinced that the financial institution was selected based on efficiency and cost, and that it is the best choice in terms of savings. This aspect of the bill is weak, especially since the regulations allow for incentives even though they seem not to. So there might be a conflict of interest. That is what should be defined.

[*English*]

Mrs. Cathy McLeod: Thank you.

My next question would perhaps go to Mr. Laporte. I know that the Liberal Party is very keen on this voluntary increase to the Canada Pension Plan. Of course, the Canada Pension Plan is structured in such a way that it's compulsory. You did indicate your concern about the locked-in funds of this. Obviously, CPP is locked in. RRSPs are not. The fact that a PRPP is locked in...I wish I had something locked in way back.

Anyway, to go back to your comments in terms of the CPP, one of the things is if you had this voluntary system, it would completely change the structure of the Canada Pension Plan. Obviously, it would then increase administrative costs. Do you not agree with that?

● (1635)

Mr. Jean-Pierre Laporte: No, I don't. I've actually spoken with the leadership of the CPPIB. They said it would not increase the administration costs, first of all. It's actually kind of ironic, because with the introduction of the post-retirement benefit for people who are aged 65 and older, there is now a voluntary component to the Canada Pension Plan. You don't have to contribute for that piece after age 65. The current government has proven that you can have a voluntary add-on to the CPP.

Mrs. Cathy McLeod: My understanding would be that it would be a significant...I think we need to check into that particular issue.

Also, having said that, the fact that we are moving ahead with PRPPs, which have the unanimous consent of all of the provinces, versus the CPP, which of course we do need to have consent.... It doesn't preclude at a future time continuing to revisit that issue. To suggest there might be options...but this is another tool in the basket in terms of what we are doing and where we're going.

Ms. Byrnes, I might not have a whole lot of time left, but you probably wanted to respond to Mr. Marston originally when he talked about the fact that management fees are going to be very expensive. I could see that you looked like you wanted to respond. Perhaps you could talk about how the management fees with the PRPPs....

The Chair: There are about 30 seconds for a response.

Ms. Leslie Byrnes: The first point I would make is that for the legislation, the intent is clear that it needs to be low cost. Administrators are going to be licensed. They are going to be supervised, and they are going to be held accountable to make sure they deliver on the low costs, not only by regulators but also by employers, who can vote with their feet and move over to another provider if they want to.

The other point I would make is that life insurers are already delivering on the low costs with our DC plans out there. That has been demonstrated in the government's own research. Professor Jog indicated that on average, 60 to 70 basis points is what the life insurance industry manages to deliver on pension plans.

The Chair: Thank you, Ms. McLeod.

[*Translation*]

Your turn, Mr. Mai.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

One of our questions has to do with cost. We talk about low costs, but there is no limit, no ceiling.

Mr. Roberts, Mr. Skerrett and Mr. Lizée, you have all talked about the costs of this plan, which would be higher than if we were to invest in the Canada pension plan. Could you tell us about the difference? Perhaps we could start with you, Mr. Lizée, since you have talked about the RRSP costs compared to Canada pension plan costs.

Mr. Michel Lizée: Thank you for your question.

Mr. Whitehouse from the OECD has prepared a report based on the data from the Department of Finance. According to this report, which is on the department's website, the typical RRSP cost is around 2% right now. Mr. Whitehouse has concluded that, during a full life cycle, 37% of a person's savings goes to management fees. So the person is left with only 63% in savings.

We have to remember that, in Quebec, the simplified pension plan that was created 10 years ago, had the same objective, meaning to set up plans to be managed by the industry, but accessible to employers. After 10 years, we can see that the gains have been very modest. All the assets in simplified pension plans have the same scope as those in the average pension plan. It might be possible to reduce costs, but so far the rules of competition have stood in the way. In addition, the same players will administer registered pension plans. So I can't see what would motivate them to lower costs, since the regulations do not specify the criteria for a low-cost plan.

[*English*]

Mr. Hoang Mai: Mr. Roberts.

Mr. Chris Roberts: CPP has a very large scale, $150 billion in the fund, millions of members in the plan. That's the basis on which, combined with professional management, sound governance, and public administration, there is an ability to keep costs low.

With PRPPs we really don't know what we're in for. The more providers you get, the more dilution of economies of scale you're going to find. We don't know about the range of investment options that will be offered. There may be a default fund and then a whole series of other funds made available. The more choice, the higher the cost is likely to go.

There's a question about the transparency of those costs and whether they will be revealed or hidden in the process. We have a whole series of questions about the ability of the system as it's defined in the legislation to keep costs low.

● (1640)

[*Translation*]

Mr. Hoang Mai: Let me come back to you, Mr. Skerrett. I would like to address one of our concerns. It does not only have to do with costs, but also with the fact that the PRPP system will have a negative impact on other existing plans. Could you tell us about that? If we move forward with it, what will the impact be on the other existing plans?

[*English*]

Mr. Kevin Skerrett: That is one of our real concerns. We're currently in a period where employers who have workplace pensions, defined benefit plans, are facing difficulty. It's something they share with us, and we end up sometimes at collective bargaining tables, sometimes in other environments, trying to solve these challenges. In many cases they can be solved, but it is a challenge, and there is no secret there.

With this option hitting the table, our concern is non-union environments that still have pension arrangements. But even where there is a trade union defending employees, employers will see this as a very attractive alternative. There is no pension cost, so why not get rid of this workplace pension arrangement, replace it with a PRPP, and encourage the employee to contribute? You've succeeded in dumping all the risk and the cost on individual workers. For us, that's a real concern. This could be the first step toward destroying those workplace plans that have taken decades to build up.

[*Translation*]

Mr. Hoang Mai: Mr. Lizée, would you like to comment, in five seconds?

[*Technical Difficulty—Editor*]

Mr. Hoang Mai: That's unfortunate; we didn't understand, and the five seconds are already up.

The Chair: Thank you.

[*English*]

We'll now go to Ms. Glover, please.

[*Translation*]

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair.

[*English*]

I just want to make a couple of comments.

First, Mr. Skerrett and Mr. Benson said something that was very interesting to me, because we've been arguing in the House of Commons for quite some time—actually, probably since the election—that the recession hit us, but that it affected many countries even worse, that we've done fairly well, but that we have more to do because jobs are in fact at risk. We have created more than 610,000 jobs since the recession ended in 2009, but we have to maintain that track. We have to make sure that Canadians have jobs to pay for the things they need to pay for. Even those who have jobs are complaining that they don't have enough money to make ends meet.

I see you nodding your head yes, Mr. Skerrett, but what you said earlier was that we ought to increase CPP. In fact, the increase of CPP would lower wages of the average Canadian, which is disturbing because it's those same Canadians you just nodded your head about who are saying, “You lower my wage, I may not be able to make my payments for my home, or feed my children, or clothe my children.” Mr. Benson agreed that a rise in CPP will in fact lower wages of Canadian employees.

This government is not prepared to put jobs at risk. But even more than that, the consensus we need is not available. So I don't know why we keep coming back to the doubling of CPP or the increases of CPP, etc., when we're supposed to be talking about PRPP, because it's not going to happen—full stop. Changes to CPP are not going to happen in this environment. We are continuing the conversations with the provinces and the territories, but it's not going to happen.

So frankly, I want your advice on how we can better serve Canadians who don't have a pension plan and who don't have that option.

Coming back to that, I do have to make note that there have been some comparisons here with the Australian super fund, where again, we're comparing apples to oranges. As Ms. Byrnes rightly said, there are some differences. I'm going to put this on the table just so everyone stops comparing apples to oranges again.

Mr. Marston is smiling because he knows what I'm about to say, and he won't mention Australian funds again because he knows very well that they can't be compared to PRPPs. For example, the default option in the Australian fund has some problems, and, as a result of the problems from the default option, our plan intends to have some prescribed regulations to deal with that. Aside from that, the Australian fund is mandatory for businesses, which the PRPP is not. It is voluntary. Not only that, the Australian fund does not mandate a low cost, which will be mandated in our legislation. Under the regulations, administrators will require the licence, as Ms. Byrne said, and not only that, they will be supervised. That is very different from the Australian fund. Last but not least, inducements are going to be prohibited under this fund. Australian inducements may have led to some very terrible situations with that fund. Having said that, we won't ever have to hear about Australian super funds again because we've shown that they are not at all like the PRPP.

Ms. Byrnes, would you agree with what I have just said?

● (1645)

Ms. Leslie Byrnes: I absolutely agree that the Australian experience has been very instructive, and that there are lessons to be learned from that.

The other point I would add is the excess of choice that's in the Australian fund, and the complexity that's in it as well. There are something like 20,000 funds out there. Employees get to choose where they want their contributions to go. The employer has to remit them to possibly dozens of different funds. It's a time-consuming, complex, and expensive thing.

The other thing that happens, because of too much choice, is that you sort of get paralysis on the part of the employees. I think I've seen that something like 80% of them don't actually make a choice. And then, as you quite rightly point out, they haven't worked out the default option properly.

When you take a look at the proposal in Bill C-25 for the PRPPs, they've learned from that. You've got to keep it simple. The employer chooses the PRPP. There is a finite number of investment choices within that. There is a good default option within that, and the employer remits contributions to one PRPP. So I think it's streamlined, it's simplified, it's on the right track, and we think it makes sense.

Mrs. Shelly Glover: Thank you.

Do I still have a little bit of time?

The Chair: You have 10 seconds.

Ms. Shelly Glover: I have 10 seconds.

Well, I'll come back for another round.

[*Translation*]

I would like to take this opportunity to put a question to the representatives of the Quebec Employers' Council.

Thank you.

The Chair: Thank you.

Mr. Giguère, you have five minutes.

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): I want to try to avoid the math of the member for Saint-Boniface, who talked about 600,000 jobs. For my part, I consider that 150,000 jobs a year over four years is not extraordinary.

My first question is for the representative of the Canadian Life and Health Insurance Association Inc.

Your survey worries me. In fact, the representative of the Canadian Federation of Independent Business we heard here said exactly the opposite of what you said. It wasn't just somewhat different, it was exactly the opposite. Ninety-five per cent of small employers do not want to contribute to a pension system, nor can they; 70% of them are not interested in taking on its management. It is completely the opposite of the figure you arrived at.

How can you claim that this system will be viable when the crucial decision-makers concerned, the employers, say that the plan may be useful, but they aren't interested and they don't want to contribute to it?

[*English*]

Ms. Leslie Byrnes: I've circulated the results of the survey to all members of the committee. This survey was undertaken by Leger Marketing on our behalf and involved just over 800 small and mid-size employers. There was definite interest.

Perhaps I misunderstood, but you indicated you heard that small employers were not interested in administering a plan.

[*Translation*]

Mr. Alain Giguère: No, no, madam, it is not something I heard: we were told that. The Canadian Federation of Independent Business tabled its brief and submitted its survey. Their results were diametrically opposed to what you are telling us. They considered that this plan could be helpful, but that it was not the ideal solution and they did not want to finance it.

You are telling us that 72.5% of employers will participate. If the employers are so enthusiastic at the idea of participating financially in the plan, they may as well go directly to the Canada Pension Plan; they don't need you.

● (1650)

[*English*]

Ms. Leslie Byrnes: As far as them not being interested in administering them, I think we're all in agreement on that. They're looking for an option where the complexities are taken away from them. The PRPP provides that opportunity for them. A high percentage of them are looking at ways to retain and attract employees, and it provides a way for them to do that. Even if at the moment they're not able to afford to contribute, they can nonetheless offer that. The easiest way for an individual to save for retirement is through the workplace.

[*Translation*]

Mr. Alain Giguère: I would like to ask another question, Mr. Chairman.

The Chair: You have one minute.

Mr. Alain Giguère: My question is for Mr. Laporte.

You've indicated that this plan presents a greater financial risk and that it might even be dangerous to invest in it. Can you give us further details on that?

Mr. Jean-Pierre Laporte: It's the same principle as for the group RRSPs, that is to say that all of the responsibility rests on the shoulders of the participants. If the market collapses when they retire, what is left is all that will be available to them. If there isn't much, that means they will have a tiny pension.

Mr. Alain Giguère: My next question is for Mr. Lizée.

The problem is that 66% of Canadian workers do not contribute to an RRSP. Paradoxically, they are the same ones who do not contribute to registered pension plans. How will these people have the means to contribute to such a fund, if they can't manage to save any money and are not contributing to the other plans?

Mr. Michel Lizée: I can talk to you about my experience in Quebec with community group employees whose salaries were in the $30,000 to $35,000 range, and to whom we offered a multi-employer plan. I was struck by the fact that these people, who arrived at the meeting feeling that because of the poor performance of public plans, they did not have the means to contribute to a plan, had changed their opinion by the end of the meeting. Rather, they said that they could not afford not to contribute to their retirement. The fact that their employer would also be contributing made the plan more attractive to them.

In my opinion, if employers do not have to contribute to the plan, the employees will not be inclined to do so either. In countries where automatic participation mechanisms have been put in place, employers' contributions in many cases completed employees' contributions, and this is why the participation rate was high.

The Chair: Very well. Thank you.

Thank you, Mr. Giguère.

[*English*]

Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair. I apologize for being late.

Thank you for coming today. I want to talk about a couple things that happened to me. One is that I had a teacher named Evan Douglas during my MBA who taught me economics. The first day of economics, he took a dart board, placed it against a wall, took about 10 darts, and threw them. Most hit the board. Then he said, “You take all of the investment funds and go through them, and you will get the same return that I just did by throwing at the dart board.”

He has written a couple of books on economics. I was quite impressed with that. He said the major reason the darts would have the same return was because of the risk, and making sure that you spread the risk around. Mr. Skerrett and Mr. Benson, is that correct? Well, that's the reason that increasing CPP, to me, does not make the most sense. All the eggs in one basket comes to mind, and I think that's the major reason I say this.

The one thing about the Australian super funds is that the returns quoted in the APRA report are for the total assets of a super fund, rather than the different investment options. It might be interesting for you to know that between 2004 and 2008, 33% of those super funds received 9% return, and over 10% returned double-digit returns. That was, of course, before the global economic collapse. It's interesting to see that, because those returns are satisfactory indeed.

I'm proud to say I'm from Fort McMurray, and I think we have more union members there than anywhere else in the country. One of the major problems in Fort McMurray was the ability to compete with the union companies up there—the large companies. I worked as a lawyer there. I did divorces for many people. Usually people's pensions were the last thing they had. In fact, they were unable to save any other way. Employers made contributions, as the employee did. They were proud of that and quite savvy about what they had in pensions, because of the reporting requirements.

I also operated about 10 businesses there: a Quiznos, a car wash, a printing shop. I could not keep employees. The reason was that I couldn't compete on the pensions. I could compete on the wages, but I could not compete on the pensions. I looked for a Chamber of Commerce fund. I enrolled in there for two years, but it became too difficult to have pensions collected.

I have to tell you that as a small businessman who employs many middle- and lower-income people in the service industry and the retail sector, this is very welcome to me.

Mr. Benson, whom do you see this possibility benefiting the most?

● (1655)

Mr. Phil Benson: When we talk about the CPP, it relates to workers. There is a whole group of people out there who are not in the CPP—everyone from farmers to small business people to family run enterprises. For them to have access to a low-cost, low-risk plan is an important feature. They're part of the economy, and they deserve it. We shouldn't kick them to the curb because we like to see one thing more than the other.

There's also a second group of people. I'm talking about the Teamsters and others in the private sector. These are workers that we try our best to get pension plans for but can't. We have matching RRSPs, and we have DCs. It would be wonderful if we had a way of rolling them into a larger plan so we could lower the cost and the risk for them. There's a large group of people who could benefit from a PRPP.

Mr. Brian Jean: Excellent. That's what I feel too.

Mr. Roberts, you were nodding your head before. I hope it's in agreement, because I'd hate to think you disagreed with my comments.

Mr. Chris Roberts: I don't want to take your time. I just want to point out that virtually all Canadians, employees or self-employed, belong to the CPP. It's around 95%.

With respect to putting all of your eggs in one basket, it's important to remember that in the OECD, Canada is way below the average in pre-retirement earnings replaced by the basic pension, namely, CPP, QPP, OAS, and GIS. The average wage and salary and above, 1.5% and 2%, are two times the average wage and salary. Canada's basic state pension actually replaces below the average. So we don't have all of our eggs in the CPP basket, comparatively. We have most of our eggs in the voluntary savings, the third pillar—

Mr. Brian Jean: That's why the government's doing a financial literacy bill right now.

The Chair: Thank you, Mr. Jean.

We'll go to Ms. Glover again, please.

Mrs. Shelly Glover: Thank you.

[*Translation*]

I would like to put a question to the president of the Quebec Employers' Council.

As you know, the Province of Quebec is very much in favour of the passage of this bill on PRPPs. In fact, your organization has already indicated that it is in favour of the adoption of the bill. You said the following:

> The flexibility and adaptability envisaged by the PRPP will allow federally regulated businesses that do not already have a pension plan to provide a simplified one for their employees. Employers, notably those in the small and medium business sector, will thus have the opportunity to offer a plan that ensures financial security to their employees when they retire [...]

I also note that on your website, you state that your organization wants to ensure that businesses benefit from the best possible conditions in Quebec.

Do you think that the PRPPs will offer favourable conditions to Quebec businesses?

Mr. Yves-Thomas Dorval: The answer is yes, but there is already a simplified plan in Quebec. I am thinking of federally regulated organizations. However, this is true for all of Canada.

It could be beneficial for Quebec if we reach the necessary critical mass. That is why when we staked out our position, we also talked about harmonization between the provinces.

Financial institutions may offer PRPPs. Financial institutions, if they can offer them throughout Canada, will be able to reach a critical mass, which will lower their costs and allow them to offer a product that will be more interesting not only for the financial institution, but also for the employer and employee. In our opinion, this is an excellent opportunity.

All of this discussion has to come to an end. Canada's system is a good one. Not everyone has problems. One group is experiencing problems: that is the group whose salary falls between low wages and average ones. Those with very low salaries are well protected in Canada. People with average salaries and more are also very well protected. Whenever I hear a debate on the CPP or the Quebec Pension Plan, I always get the shivers. I feel that the intent is to impose a contribution on everyone to solve a particular problem that only affects one group. I think we have a very good system, one which can still be improved upon.

We are proposing to allow those who cannot provide pension plans—because they are too complicated, too costly or too complex—to have access to a new plan with the necessary critical mass to make it more affordable. Basically, we will be able to offer an option that will help people to put aside some of the savings that they need.

Wanting to impose that on everyone seems problematic to me. Let's take the example of a young couple who has small children and wants to obtain a mortgage. It is as though we were telling them that it is not important to pay their mortgage or their tuition fees, and that we want them to start to pay more into their pension fund right now. There has to be flexibility. Each household, each person must be able to make the investments they need to make according to their lifestyle and needs. People need to be educated on this topic.

The important thing is that the more access there is through employers—such as with this product—the more possibilities there are that are affordable, and the more people are made aware of savings opportunities, the better it will be. Moreover, the fact that people will be automatically registered and must opt out if they do not want to belong to the plan is excellent. It has been shown that with that system, a large percentage of people will decide to remain in the plan. To my mind, this is an excellent solution. It does not meet all of the needs out there, but it is one solution, and it is well targeted.

● (1700)

Mrs. Shelly Glover: Since I only have 15 seconds left, I would like to point out that I am very happy that you mentioned simplified retirement plans. Mr. Lizée had raised that question. Indeed, simplified retirement plans are not available to self-employed workers, but the PRPPs will be. It is thus a better choice for all self-employed workers.

Mr. Yves-Thomas Dorval: Moreover, we will be able to reduce costs if we manage to bring in a Canada-wide harmonization. This will allow financial institutions to offer products that will be easily accessible.

Mrs. Shelly Glover: Thank you.

The Chair: Thank you, Ms. Glover.

[*English*]

Go ahead, Mr. Marston, please.

Mr. Wayne Marston: Speaking of the Australian super fund one more time, the lessons from that fund you talked about are very real. There is nobody disputing that. And the government has learned some lessons from that super fund. But the one lesson it hasn't learned is about capping fees, because in this legislation there is no cap on fees. There is all kinds of talk about the incentives for the fees to be kept down and competition, but there is no cap on them.

Mr. Jean talked about small business in a very effective way. He talked about how they have to look for vehicles for their people, particularly in the competitive area he's in. To my mind, the Canada Pension Plan, an enhanced Canada Pension Plan, opens the door to just that, because you don't have to worry about administration fees. It's a defined benefit. It's well managed. It's a shared risk. It's all the things we talk about. There are no new administration fees applied to this.

I put out numbers the other day, and I want to repeat, they are very similar numbers. If you had $47,000 in income, and you increased the Canada Pension Plan contributions by $3.50 a week, which is about $185 a year, that is $6,500 over 35 years, and you get a return of $900. Mr. Laporte, where would we find a return like that anywhere else?

Mr. Jean-Pierre Laporte: It would be difficult to find.

Mr. Wayne Marston: That's exactly the point. We have a very well-managed, very serious plan in the Canada Pension Plan, and that's why we as the opposition keep coming back to it. We don't see the PRPP as a significant answer to the problems that are very real. You talk about them on the government side, very sincerely I'm sure, but we don't see the answer in the PRPP. We see a partial answer, yes, for some. If we could find a way to get the people into the Canada Pension Plan who have been excluded over the years—the farmers and the people we're talking about. And if we want to really sit down and look at the pension system of our country, then let's really take a look at the things we can do in a broad sense.

There is no better plan in much of the world, in terms of how it's managed and the returns it gets, than the Canada Pension Plan.

Ms. Byrnes talked about the fact that some 70% of employers would contribute, or some figure close to that.

● (1705)

Ms. Leslie Byrnes: They would be interested in looking at that.

Mr. Wayne Marston: That same 70% could contribute to the Canada Pension Plan and get a return that is on a scale, because of the scale of the investments....

The Liberals talked about the companion CPP. Mr. Roberts, you may want to speak to this. We have talked about increasing the core assets of the CPP so that we wouldn't need the new administration costs that a companion CPP would cause.

Would you like to respond to that?

Mr. Chris Roberts: There is an element of cost I want to touch on, actually, that hasn't been raised in the discussion. That's the cost of taxpayer-funded programs, such as GIS, which are already on track to increase from about $8 billion today to about $23.5 billion by 2030, when the baby boom cohort peaks.

All of those employers who don't offer good workplace pension plans today, and all of those who may even offer PRPPs with no employer contribution so that employees are carrying the costs and are unable to build decent, adequate retirement savings to live on in retirement, are getting a subsidy, effectively, from taxpayers. We're all paying the cost to support those employers who are not kicking into the retirement savings of their workers. So if the CPP actually does require contributions from employers and from employees, you have doubled it. You could go a long way to bringing down those future GIS costs we are all going to be on the hook for.

Mr. Wayne Marston: One of the things we've responded to in the talk about the potential OAS increase—I will say potential, because nothing has been firmly done on that yet—is that when the government talks about going from $36 billion to $109 billion in costs, they leave out the growth in GDP over the same period of time. I think that's where they got into conflict with the Parliamentary Budget Officer on the two different sets of numbers.

I have one minute. Oh, gosh. It's always one minute.

The Chair: Now you have 30 seconds.

Mr. Wayne Marston: I guess I earned that.

We have to look at retirement security for our seniors as a whole. If we start going piecemeal here and there, we may fix one problem and create another, such as the transfer of DB plans into this. I'm sure that was unintended on the part of the government. I don't think they would seriously go out there to impede good plans.

I am out of time.

The Chair: You have about 10 seconds.

Mr. Wayne Marston: To me, that's out of time.

Thank you, Mr. Chair.

The Chair: Okay, Mr. Benson, you can answer very briefly, if you want.

Mr. Phil Benson: I made the comment to Mr. Marston. I qualified it with the word “better”. It's not a reduction from a good plan to a lesser plan; it's to be able to move lesser plans into a better plan.

The Chair: Thank you.

I'm going to take the next round as the chair. I want to focus on the issue of cost. There's obviously been a lot of discussion about the cost related to the PRPP. I'll refer all of us to clause 26 of the bill:

> An administrator must provide the pooled registered pension plan to its members at a low cost.

Obviously, that's a general statement. Then later on, under clause 76, it talks about the regulations, Governor in Council, and under (j):

> establishing criteria for determining whether a pooled registered pension plan is low-cost for the purposes of section 26;

Now, I noticed in your presentation, Mr. Benson, that you're very specific with respect to your proposals, and I appreciate that. But most of your proposals, if I understand it, would be in the regulations.

Perhaps, for the benefit of the committee, you could point out which of these would be in the legislation and which would be in regulations.

Mr. Phil Benson: I personally think almost all of our suggestions are regulatory. The enactments in the legislation are sufficient. There are issues I would like the committee to turn their mind to and to think about, especially on the discretionary investment, to remove choice. It is critical that people who are saving for their retirement, believe it or not, have as little choice as possible. It's that discretionary investment that I think is critical; in other words, to leave the insurance companies and the experts....

When they talk about choice...if I can, very briefly, when you join a pension plan, you have no choice. Whatever is there, is there. Whoever runs it, runs it. The question is whether or not it's run properly, and that's something the regulations can deal with.

● (1710)

The Chair: Okay. I appreciate that.

Ms. Byrnes, I wanted to get your reaction and your association's. I don't know if it's fair to put you on the spot, as Mr. Benson has just presented this to the committee today, but you've heard some of his recommendations in terms of what should be in the regulations. Obviously, your members are hoping to be the administrator or the provider of PRPPs. Can you give us a reaction to some of the recommendations he's made to us?

Ms. Leslie Byrnes: Okay. On the cost issue—and Mr. Benson suggested that there be very specific thresholds—we worry that if you put a threshold that starts to take away competition and innovation that administrators might use to come in at lower costs than that threshold, that's the point that everyone would rise to. So our view is to set out the low-cost objective, work through the regulatory process on some criteria that can be around that, but don't actually put a threshold in, certainly not at this time, and see what the marketplace does.

As I've mentioned earlier, we're already delivering; we're already in the business of DC plans and delivering them at low cost.

The Chair: What about his recommendations with respect to transparency: no benefits to plan sponsors, declaration of all ties between the trust and the sponsor, declaration and report of all fees?

Do you have any problems with those recommendations?

Ms. Leslie Byrnes: No.

On the discretionary investment and removing all choice, I understand the point you're making there. I think it's going to be really important that there be criteria and that administrators think hard about what is an appropriate default option for those people who don't make choices. But as I understand it, the proposal for the PRPP is that there would not be a lot of choice. There would be, we're hearing, perhaps three, four, or five funds that are offered in addition to the default one, so just enough that there is some variety, but not enough to overwhelm and not enough to make it costly.

The Chair: Okay. I appreciate that.

Again, I have about a minute. There will obviously be time to consider regulations, and this will be a fulsome debate.

Mr. Benson and Monsieur Dorval, just briefly, if you want to respond....

Mr. Phil Benson: Part of a major pension is discretionary investing—let the experts make the decision. When you say “choice”, the person looking after the fund determines where the money should be and how they should be investing it, so the choice is really left to them to make sure that there is....

People coming in may be in different pools inside that plan. They can set that up, but as long as the person running the plan is the one making those decisions.... You shouldn't ask an individual if they want to be in foreign bonds or foreign this or that or something else. It should be left to the experts to determine: because of their age, experience, and savings, this is where their money should be. It's not the choice within the plan; it's the choice of the individual.

The Chair: We have an ongoing debate, and unfortunately I'm out of time.

I would like your comments on that between the time the legislation hopefully passes and the regulations. If I can get some further comment from the three or any one of the panels who want to comment on that, I would appreciate that as the chair.

Mr. Benson, I would also appreciate the end of your story to Mr. Van Kesteren. We don't have time to finish it now, with respect to OSFI, but if you want to submit that to me as the chair, I'd appreciate that as well.

I'll go to Mr. Brison.

Hon. Scott Brison: Thank you, Mr. Chair.

[*Translation*]

Mr. Dorval, according to the Canadian Federation of Independent Business and one of its vice-presidents, Dan Kelly, 77% of its members support our proposal to provide them with a plan that would complement the CPP, to be accessed on a voluntary basis. What do you think of that? Will having other choices be an advantage for your members? Once again, I want to point out that this is a completely voluntary option.

● (1715)

Mr. Yves-Thomas Dorval: Thank you for your question.

The fact is that the Canada Pension Plan already exists, and the government is trying to offer a new type of plan which would not be administered by the CPP. From our perspective, it is very clear that certain costs in a pension plan are lower when the critical mass is immense. Here we are talking about voluntary contributions, but if this plan is imposed on everyone, we are getting into a very different dynamic.

The costs we were talking about for the pension plan will not be the same as those for a voluntary plan to which people may or may not contribute, on a voluntary basis. Moreover, you are putting everything into the same bag. For our part, we really think that there will more flexibility if we let the market make an offer. Earlier, we were talking about costs. You know that in theory, setting a cost can be a good thing, just as it can be a bad one. If the cost is too low, no solid institution will want to make a good offer, and if the cost is too high, no one will be interested in offering a cost that will be lower than the threshold. So there would be no incentive to offer a lower-cost product with innovation, and so on.

For all these reasons, I think that the way in which the pension plan is administered, conceived and thought out is excellent, and that we ought to leave it alone. There are other types of savings plans. RRSPs are a very good way of saving money, just as buying a house can be. What is being proposed here is an additional option, and it is in that sense that we support it.

Moreover, concerning the pension plan, it is certain that governments, at one point or another, have a certain influence on policies that affect investment decisions. In my opinion, that is the worst thing that can happen.

[*English*]

Hon. Scott Brison: The CFIB feels that a voluntary supplemental CPP option would help by trying to provide some competition that would clearly be a very low-cost structure—the size and the professional management of the CPP investment fund. It's unlikely that any PRPP is going to match the breadth or depth of management expertise diversification or be able to manage that cost.

Mr. Jean said earlier that the government has introduced legislation to help increase financial literacy in Canada. We all believe that's a motherhood statement. We all want to see better financial literacy. Canadians are pretty busy working, getting their kids to hockey, and trying to survive on a day-to-day basis. Do you think the average Canadian, as a result of the government's legislation on financial literacy, is going to become a Warren Buffet or a Mark Wiseman? In all seriousness, is it likely that a piece of legislation on financial literacy by the federal government will turn Canadians into experts with the same level of expertise as professional pension fund managers?

The Chair: We'll have one person respond.

Who would you like to respond, Mr. Brison?

Hon. Scott Brison: Mr. Laporte.

The Chair: Mr. Laporte.

Mr. Jean-Pierre Laporte: I could just ask this whole committee a question. Does anyone know what is net asset value? Most people I ask in my day-to-day life say no. They don't realize that when they see their statement from their RRSP provider, the value that's reported is not the real value. It's the value net of fees. So when they see on their statement administration fees for the year of $100, they think that's all they're paying in fees, because they don't know. These are educated people. These are lawyers. These are accountants. These are people I deal with every day. If they don't get it, I certainly don't think the average Canadian is going to get it.

The Chair: Thank you.

I will finish with Mr. Butt, please.

Mr. Brad Butt (Mississauga—Streetsville, CPC): Thank you very much, Mr. Chair, and thank you, committee members, for the opportunity to join you this afternoon. I've been following this piece of legislation very closely. I came from a small business background before I got elected. I want to share a story with you and ask our guests, our witnesses today, to comment on it.

Before I got elected to Parliament, I ran an association in Toronto for owners of apartment buildings, and there were only two people on staff. There was me, as the executive director, and I had one administrative person who worked with me. We had a heck of a time figuring out how we were going to get a pension system for two employees. Nobody would touch us. They were not interested; it's too costly. It doesn't make any sense to have it for two people. We couldn't pool with anybody else. We looked into chamber of commerce plans, as Mr. Jean mentioned, and all this other stuff. It was way too complicated.

Doesn't this proposal meet the objective for those employers, those very small companies, with two, three, four employees, so that they can now create a pooled registered pension program? Two employees can contribute to it as long as they work there. The employer would also have the option to top up, to put their contribution in...as well as the one I clearly would have put in if I had had that option, if I were still working there. We'd be jumping all over this kind of a plan, because it's flexible. It's another tool in the toolkit. It makes a lot of sense I think for those very small businesses that have two to five employees, as well as self-employed people who may not have another option because they can't participate.

I don't know who wants to jump in on that. Is that not the audience we're trying to target with this new plan, a new tool, something extra that we have, those companies and those employees who work in those businesses so they can finally have an employer-employee contributed pension program?

Who wants to jump in on that?

Go ahead, Mr. Benson, if you wish.

● (1720)

Mr. Phil Benson: I agree with you in that regard. It's not just two people; it's groups of 25, 30, 50, up to 100. How do you convince OSFI that they can come into a Teamster's plan? How do you convince them? We have $1 billion and we'd love to take them, but we can't. It's not just two or three or four. It's also for people who own the company, the self-employed. These are people who are owners. Why should we leave them to the travails of high-priced RRSP products and high-priced products when they can get something cheaper? We shouldn't kick them to the curb.

I think the CPP, over time, is the way to go, but there are whole groups of people like that who it would really help and I think make a big difference.

The Chair: A lot of people want to comment.

Who's next?

Mr. Yves-Thomas Dorval: The answer is yes, as simply as that, because what you're also talking about is the need for employers—not only employees but employers—who would like to provide something that enables them to compete with other companies. There are many employers who would like to offer something, and they don't necessarily have in the regulations all the options they want. I think it's a good idea.

The Chair: I'm just trying to manage time.

Mr. Skerrett, please.

Mr. Kevin Skerrett: Just briefly, I appreciate the problem and the challenge. What's interesting to note is that I'm sure when you were an employer in that instance, you already had one pension available in the CPP. We all know the CPP doesn't pay very much, but what it does pay is secure. That's what I would emphasize. Yes, this creates an option, but it's really a savings option. Our view is that the take-up will be very low and the security will be very low.

The Chair: Ms. Byrnes.

Ms. Leslie Byrnes: I'd agree with your comments. This creates another option in the toolkit. It's innovative and it provides opportunities, not just for those small businesses but for.... When you look at how 50% of private sector employees don't have access to anything, it provides an opportunity for millions of Canadians.

The Chair: Thank you.

Mr. Roberts.

Mr. Chris Roberts: The problem I have is that the insurance industry in particular—but other providers—already market DC plans and group RSPs to small and medium-sized enterprises, and there's very little evidence of significant take-up there. There just has been for so long.... When there's an option to have a pension plan in your workplace for small and medium-sized enterprises, we have about 14% of those taking up group RSPs. There's just little evidence that it's the fees or the administrative burden that will make the difference with PRPPs.

The Chair: Mr. Laporte, briefly.

Mr. Jean-Pierre Laporte: In your particular case, I would just put you in a simple RRSP with exchange-traded funds, where you pay very little in administration fees. If you want to have a life-cycle fund so you don't have to worry about where you put your money, that's available as well. So I'm not sure that we need new legislation; it already exists.

● (1725)

[*Translation*]

The Chair: Very well.

Mr. Lizée, please be very brief.

Mr. Michel Lizée: I want to say that I agree with the Teamsters Canada representative.

In my experience, the defined benefit plan that we offer to community groups does indeed attract employers who have, on the average, six employees or less. That was set up because the far more effective solution, i.e. improving the Canada Pension Plan and the Quebec Pension Plan, is not being implemented at this time. However, the multi-employer plans are suitable for small groups.

[*English*]

The Chair: Thank you.

Thank you, Mr. Butt.

A point of order, Mr. Jean?

Mr. Brian Jean: I wasn't sure if Mr. Laporte was recommending to disclose those fees in those pension statements or not. Was that what he was recommending, that legislation should be brought forward...?

The Chair: That's not a point of order. You can follow up with him after.

Mr. Brian Jean: It's a point of clarification. I was just wondering, Mr. Chair.

The Chair: It's not a point of order, unfortunately.

Mr. Brian Jean: [*Inaudible—Editor*]

The Chair: What standing order is a point of clarification?

Mr. Brian Jean: It's Brian's standing order.

The Chair: Your standing order? Okay. Thank you.

Mr. Wayne Marston: I think this is called point*less*.

The Chair: Yes, you can have a discussion....

Voices: Oh, oh!

The Chair: Okay. Order.

We've had a very good meeting today and a very good discussion.

I want to thank all of our witnesses, both here and in Montreal.

[*Translation*]

I thank you for your presentations and for your answers to our questions.

[*English*]

If you have anything further, please submit it to the clerk and we will provide all members with it.

I'll just remind members that we do have a meeting on Monday with the delegation from Sweden, at 3:30 in room 112 north, Centre Block.

Thank you.

The meeting is adjourned.

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