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Chair

The Honourable Wayne Easter

Standing Committee on Finance

Monday, November 14, 2016

● (1535)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I'll call the meeting to order.

The first section of the meeting is to deal with committee business. The fourth report of the Subcommittee on Agenda and Procedure of the Standing Committee on Finance has been sent out to committee members. Everybody has received that report. It's fairly lengthy. I don't know if you want me to read through it or you just want to go through it section by section. I'm in your hands.

Mr. Ron Liepert (Calgary Signal Hill, CPC): It should be section by section.

The Chair: You want to do section by section.

Are you okay with that, Guy?

The first section deals with the letter received by the chair from Michael McLeod, member of Parliament for the Northwest Territories, about the Honourable Robert McLeod, Premier of the Northwest Territories, requesting to meet during the week of November 21, 2016. It was agreed that the chair would write back indicating the committee's interest in hearing from him about their priorities but at a later date, perhaps during next year's pre-budget consultations.

The letter we received was mainly about pre-budget consultations for this year. Those meetings are already over. The report is being drafted—and I know it is the premier, representing a territory—so we would have to set up a special meeting to do so. We feel that if it's going to deal with budget matters, it would be better in pre-budget consultations next time around.

Ron.

Mr. Ron Liepert: I think our discussion was not to have just the Premier of the Northwest Territories in the pre-budget invitation for next year but to have the premiers of the three territorial governments, so I would like to see that in the letter versus what you verbally said.

The Chair: That's fine.

Is there any other discussion?

Robert, I know you had some concerns that we weren't meeting.

Go ahead, and then it will be Dan.

Mr. Robert-Falcon Ouellette (Winnipeg Centre, Lib.): Thank you very much, Chair.

Personally, I'm in favour of having the Premier of the Northwest Territories. He's an indigenous leader. He's an indigenous person. I don't think we've heard enough from indigenous leaders in our consultations. I also think we haven't heard enough from the north.

Did the committee go up north?

The Chair: No.

Mr. Robert-Falcon Ouellette: We did not go up north, and I think while he's not a representative of the Yukon or Nunavut, at the same time he still represents a very important one third of our northern country.

We often use the expression “coast to coast to...coast”—I put the pause in there for the blues—but it's important to recognize, I think, that perhaps there is still more we could be doing.

To me, waiting another year is too long, because if we wait until the fall of next year, essentially that's another 10 months. Whether we have a special meeting to hear from the Premier of the Northwest Territories about the issues facing the Northwest Territories, to have on the record some special consideration of what's going on up north, with issues not only of suicide but also of transportation and energy, I think we could find an hour for this gentleman.

If we can find an hour for the chair of the Economic Council of Canada to testify from South Korea, I'm sure if the premier is willing to come here to Ottawa in the week of November 21, we could at least hear him out, ask a few questions, and gain a better understanding of one of the only territories in the country where the federal government has a direct responsibility for almost all of the services.

The Chair: I think probably procedurally the best way to proceed is we need basically an agreement to adopt the subcommittee report, and if there's anything we want to pull out of it and deal with differently we can do that. Perhaps I could finish quickly going through the report and then come back to those sections that people want to deal with separately.

The second section really deals with the procedure and how we would deal with Bill C-26, which is the amendments to the Canada Pension Plan, the schedule that we would set up. It's listed on the paper.

The third section lays out, on a motion from Steven MacKinnon, the procedure that would be followed relative to votes on Bill C-26.

The fourth section lays out the plan of the committee to deal with Bill C-29, a second act to implement certain provisions of the budget tabled in Parliament on March 22, 2016, and other measures. That procedure on timing is laid out there.

The fifth section in the subcommittee report points out that we agreed to a motion by Steven MacKinnon that lays out how we would consider Bill C-29 and when the votes would have to take place.

The sixth section is laying out that in relation to the pre-budget consultations on the 2017 budget, if we can find the time, the committee would convene an in camera post-mortem meeting before the holiday break to discuss this year's progress and how we could do it differently.

The seventh section of the subcommittee report talks about how we would deal with Bill C-240, an act to amend the Income Tax Act (tax credit—first aid), which was referred to the committee on October 26, 2016, and that the committee consider this bill at the end of January or in February 2017, as the bill must be reported back to the House for March 23, 2017.

That's the subcommittee report. Have we got agreement on that?

You want to come back and deal with the first section, I gather? Okay.

Dan.

● (1540)

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): I'll wait until we deal with the first section, Mr. Chair.

The Chair: Okay.

Mr. Caron, were you on section one?

[*Translation*]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Mr. Chair, Further to the comment that was made, I am most amenable to meeting with the premiers of the three territories. A meeting with them is long-overdue. To my mind, it makes no sense to meet right away with just one premier. I think we should hear about issues affecting the north from all of the region's representatives. I would be in favour of a motion to meet with them at the end of this sitting, either before the holidays or immediately afterwards. I think it's a good idea. Not to say it would be an insult, but waiting too long to hear from them probably wouldn't be the proper thing to do.

Correct me if I'm wrong, but my understanding is that the Premier of the Northwest Territories is coming to Ottawa to meet with a number of committees, not just the Standing Committee on Finance. I think he is going to meet with the Standing Committee on Natural Resources, probably the Standing Committee on Indigenous and Northern Affairs, and so on. He's going to have an opportunity to speak with many people while he's here.

If the committee wishes to meet with the three premiers, I am very amenable to doing so.

[*English*]

The Chair: Okay. So then the question is, when?

At any rate, we'll draft that letter along the lines.... I had forgotten about the three premiers, my apologies. We'll draft that letter along those lines.

Is it acceptable to you that we go that way, that we draft this and try to meet the three together as soon as possible, given our agenda? It would have to be a separate study from the pre-budget consultations. Okay? All right.

Dan, you had a point.

Mr. Dan Albas: Originally I was going to add some comment to the discussion around section one. I thought we were going to come back to it later. I was just going to say we could do that later.

Would you prefer that I make my short comment now?

The Chair: Yes.

Mr. Dan Albas: I appreciate a letter. I think an invitation should go out. Again, I think it's important that people are heard, and particularly since the premier has made the request we should try to honour that if we can. The timeline may not work for the pre-budget consultation report, but certainly the government can listen and take any testimony from those conversations into consideration.

The Chair: Mr. Liepert.

Mr. Ron Liepert: One other thing we have to consider is that we have just had an election in the Yukon. We have a new leader in the Yukon, which might make it difficult to do before Christmas. I would suggest we take that into account as well.

The Chair: Is there any further discussion on the subcommittee report?

Steve.

● (1545)

Mr. Steven MacKinnon (Gatineau, Lib.): So moved.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: There's one other thing. We have the calendar, which people have, I believe. The calendar is laid out on the basis of the subcommittee report. It's there before you.

Are there any questions on that? Is there anything people may want to change?

Ms. O'Connell.

Ms. Jennifer O'Connell (Pickering—Uxbridge, Lib.): Thanks, Mr. Chair.

My only question is in regard to whether, when we're considering the draft PBC, we have a timeline. I know the Library of Parliament's working very hard on this. Do we have a timeline for the report, as well as the blues? It's just so that I can schedule within my own office anything we want to highlight.

The Chair: Do you want to respond, June?

Ms. June Dewetering (Committee Researcher): We are working diligently with the people who format the report and with the translation unit to try to get it into your hands by the end of business on Friday, November 25.

Ms. Jennifer O'Connell: Okay. Thank you.

The Chair: So we hope to have the draft report by the end of business on Friday, November 25.

Ms. June Dewetering: Correct.

The Chair: Dan.

Mr. Dan Albas: Thank you, Mr. Chair.

Just on another item—and we can defer this till later—as you may remember, I put forward a notice of motion about a potential comprehensive study of the economic growth council's first report. Since we've already buzzed through most of the agenda in 15 minutes, perhaps this might be an opportune time to discuss that. Especially given that we've had an opportunity to hear Mr. Barton once, it may behoove all of us to actually delve into it. It is quite an extensive set of recommendations. I think there would be a fair bit of interest in taking a further look at it.

If now is the right time, Mr. Chair, then I would just move the motion.

The Chair: Can I get you to hold that while we deal with one more item first?

Mr. Dan Albas: Absolutely.

The Chair: That is the request for a project budget for Bill C-26. The paper is going around. The clerk did calculations of how much it will cost to do the subject matter of Bill C-26, an act to amend the Canada Pension Plan, the Canada Pension Plan Investment Board Act, and the Income Tax Act. It is estimated to cost $9,500, given the witnesses' expenses that are outlined in the report before you.

Mr. Steven MacKinnon: So moved.

The Chair: It's moved by Steven.

Is there any discussion?

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Dan, do you want to move your motion?

Mr. Dan Albas: As I said earlier, I would like to move the previous motion, basically that the committee conduct a comprehensive analysis on the first report of the economic growth council. We actually have it *en français*:

[*Translation*]

> That the Standing Committee on Finance undertake a comprehensive study on the “First Report by the Advisory Council on Economic Growth” and that the Committee report its findings to the House.

[*English*]

Mr. Chair, if you find it in order, I'll speak to it and give my reasons.

The Chair: The motion is in order. Go ahead, the floor is yours.

Mr. Dan Albas: Thank you.

Again, we had a great opportunity to have Mr. Barton in to talk about the report. There's a number of ideas in there that have received all sorts of interest across the country. I think this would be a great opportunity for us to take a look at it and to properly evaluate and make recommendations. Again, this is a timely, relevant topic, and I think we can do a very good report for the Minister of Finance and for the House of Commons.

Thank you.

The Chair: Do we have any discussion here by anyone else?

Mr. Ouellette, then Mr. Sorbara.

Mr. Robert-Falcon Ouellette: It was interesting to have the conversation with Mr. Barton for an hour, but obviously there's a lot of other recommendations that came out. I think it could be very beneficial to gain a better understanding of who the individuals were, part of the economic council, what their recommendations are—not just from Mr. Barton, but other individuals—and to highlight that to Canadians. It's also the opportunity for us to delve into greater detail, that perhaps journalists won't have the opportunity to do, but also to look at it and gain a better understanding. I think I pretty well support this motion.

● (1550)

The Chair: Could I ask when we're going to find the time to do this?

Ms. O'Connell, and then back to Mr. Albas.

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

My concerns with this motion, as it stands, are twofold. One is that we understand the report isn't finalized, it was only the release of the first three ideas. It might be premature, but we can figure that out.

The other issue I have, which is the bigger issue, is this that is an advisory council to the minister. Mr. Barton pointed out that they may make recommendations, but the government may have no intention of taking it on or moving forward. I wouldn't want to waste the committee's time on studying something that the government, for whatever reason, may not move forward with.

I don't disagree with it in terms of if there was a recommendation that the government move forward on, and we look at that, but as this motion stands right now, my concern would be that to look at everything might not be the best use of this committee's time. It is already quite limited, given the amount of work we have, so I would focus more on whatever the government wants to actually propose versus an advisory council, which may or may not have the government's support in terms of each specific plan.

The Chair: I missed Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair.

Whether I agree or disagree with the motion, I want to get some clarification.

There are a number of other motions that have been put forward, including a housing study and an issue about looking at tax simplification and tax efficiency within our system that we've put forward. I'm just trying to think of the timeline specifically on the Barton report or reports. With the fall economic statement, a number of items from those reports did come into our government policy, so I can understand the desire to look at that. I'm simply trying to think about how this fits within the whole framework in terms of the time to get it done. That's where I come from.

The Chair: Okay.

Mr. Champagne, I think you wanted in.

Mr. François-Philippe Champagne (Saint-Maurice—Champlain, Lib.): I respectfully wanted to provide feedback to the committee, and it goes a bit in the sense of Mr. Sorbara. Some of the recommendations have been included in the fall economic statement. It might be more relevant—I'm submitting this respectfully to the members—that those recommendations that we have decided to act upon as a government....

I can think about the global-scale strategy, I can think about the invest in Canada hub, I can think about the infrastructure bank. But in terms of time, it seems that this committee should be looking at what we have adopted from some of the recommendations, as opposed to those that we have decided not to pursue. If the committee wanted to spend time on some of the.... A number of them are already in the fall economic statement, so officials or others could come and present what the government's intention is, as opposed to what a committee proposes to the government. The government has decided to act on a number of them, and they're in the fall economic statement.

The Chair: Do you want me to go to Mr. MacKinnon, or do you want to come in a little later?

Mr. MacKinnon, and then Mr. Caron.

[*Translation*]

Mr. Steven MacKinnon: Thank you, Mr. Chair.

I have more of a practical comment. As Mr. Sorbara, said, we have a number of studies that have been approved and others we need to consider. That includes a motion from Mr. Albas, I believe, on the *de minimis* threshold. We still have two full studies of bills left to do, as well as another study after the holidays.

Between now and when we examine the recommendations in the minister's advisory council report, the committee will have a number of other reports and many other government policies to deal with. For that reason, not only do I think the effort would be premature, but I also think it would impede other work that has already been approved by the committee.

● (1555)

[*English*]

The Chair: Mr. Caron.

[*Translation*]

Mr. Guy Caron: Thank you, Mr. Chair.

I think the Advisory Council on Economic Growth plays a pivotal role in the policy directions the government is taking right now. You don't appoint 14 people of that calibre simply to have them engage in theoretical discussions that bear no fruit.

A three-part report has already come out. I think it would be worthwhile to spend at least one meeting, if not two, taking a meaningful look at the recommendations in the report, especially if the government is showing an interest in moving in that direction. The benefit would be in meeting with people to whom we could put those questions.

I wholly understand the idea of discussing specific issues, but who are we going to invite to discuss those issues with?

I'm not so sure we'll be able to find people with whom we can have those discussions, unless the minister is willing to spend two days with us answering our questions on the subject. Even then, we would be getting only the minister's viewpoint and not a broader perspective.

For those reasons, I think it would be beneficial for the committee to hear directly from the council on the logic behind its recommendations, which the government is currently considering and, according to the economic update, is going to implement.

I am wholly in favour of the motion and hope that it will be adopted. We could find time to deal with the matter after the holidays. We have a good bit on our plate, yes, but in January and February, leading up to the federal government's budget announcement, we have a bit of latitude.

[*English*]

The Chair: Mr. Deltell.

[*Translation*]

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you, Mr. Chair.

I know we have quite a few studies before us. We have many irons in the fire, as they say, but that's no reason to relegate crucial issues to the back burner.

The government decided to establish the Advisory Council on Economic Growth, which, strictly speaking, we are not opposed to. There can never be too much goodwill brought to bear when making the big decisions affecting Canada's economy, the decisions delivering the greatest economic benefit and stimulus. That said, this is a new component. We should not think of it as an outside body; instead, we should look at it as a new body, one worthy of sober, serious, constructive, and, above all, proper consideration by the committee.

Doing that means taking the time to carefully examine each of the recommendations made. That would help not only the committee, but also the government. With a view to identifying the best possible ways to foster growth and prosperity, the government would certainly benefit from the insight and more detailed explanations by the advisory council that such an analysis by the committee would offer.

Of course, we all have our own political visions or agendas, not to mention biases against and in favour of certain approaches. That does not mean, however, we should not do what we can to shed light on these elements, in the most meaningful, enriching, and comprehensive way possible so that we, as parliamentarians, can gain a crisper understanding of the issues we care about. The other goal would be to help the government better understand the issues brought to its attention and the decisions it will have to make.

We believe this motion should be adopted and that it does not prevent the committee from studying the bills as planned. That is the regular or traditional work of the parliamentary committee. It goes without saying. This is not at all a matter of pushing our studies of the bills aside. That is part of our job.

In a nutshell, I think this is an important analysis, one that could benefit all Canadians. We are talking about a non-partisan exercise given that the government, in creating this advisory council, sought the counsel of people who do not belong to political parties. Therefore, we believe this motion should be adopted.

[*English*]

The Chair: Mr. Aboultaif.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thank you very much. I appreciate the opportunity to speak to this.

We know something for sure, and I believe this motion is beyond partisanship, because the aim of it is to be able to have a good understanding of economic growth. What we have seen, and without having to point any fingers toward any party, is that the indication is not there, the real measures are not there. We're going into a chaos of back-and-forth on where the numbers are, where the economic growth is, where the job growth is, and all this kind of stuff.

This is a fantastic idea. It has become very handy for the committee and for the Minister of Finance to make the best judgments on moving forward, because those measures are the real measures we can build on for the future outlook, for the budget, for spending, and for moving forward on more stable ground.

● (1600)

The Chair: The last word goes to you, then, Mr. Albas.

Mr. Dan Albas: I was hoping to get, as some of the other members mentioned, or to try to build some agreement, because this is the government, and they put together a group of individuals who wanted to contribute and have brought forward a report. We've been travelling right across the country to hear exactly what Canadians think, and their own regions think, about what they can do to grow the economy.

Before I make my final statement, perhaps members can say if there is an amendment possible to the motion. Is it a matter of timing for the motion? I'd really like to see if the committee can work this one out. I didn't mean to dominate this whole meeting, but we did schedule about an hour.

The Chair: It's not a problem. We have to deal with the motion.

Does anybody want to add anything else? I'm not sensing, really, where people are at.

Mr. MacKinnon.

Mr. Steven MacKinnon: Would you be prepared to wait until the growth committee submits its final set of recommendations?

Mr. Dan Albas: Can you give me the timing on that?

Mr. Steven MacKinnon: I don't think Mr. Barton can, so I can't.

Mr. Dan Albas: Oh. Okay.

Mr. Steven MacKinnon: I think it's been clear that he's going to try to get these things, these specific sets of recommendations, out in a punctual timeframe. I don't think any of the members of that committee believe it's an unduly long process, so I would think that by the middle of next year—but I don't know that—all of that work would be concluded. Then we could have the complete look at the Canadian economy afforded by the minister's group.

Mr. Dan Albas: In lieu of an actual time, then, perhaps we could just do a partial study right now on the first report, with the option to do a larger, more comprehensive one once we have the totality of the reports.

Mr. Steven MacKinnon: I'd be fine with that, as long as we put this in the priority order we've adopted for other studies that this committee, the entire committee, has already agreed to undertake.

Mr. Dan Albas: Okay. The reason I say this is that we have a few openings in the future, but that's why I purposely didn't put scheduling on this.

Maybe we could pass it to you, Mr. Chair, and the clerk, to make some suggestions on where we could fit something in.

The Chair: We'll be having a meeting of the subcommittee. We have three or four other motions, so I would say the subcommittee is going to meet on those at some point to see how we can schedule things. We're completely time-limited until the Christmas break for sure, because legislation takes a priority, and pre-budget consultations have to be done by December 7. We could deal with it as a subcommittee.

Mr. Dan Albas: Perhaps, if we can find support for this, we can just approve, yes, we're going to study it. If another report comes out, perhaps we can do another motion that will encompass both the new report and this first report as another option. Maybe we can just put this in the hopper and leave it to the steering committee to find where we're going to do this study.

Would that be reasonable?

The Chair: Those are the parameters we're dealing with.

The motion reads, just so that people are clear:

> That the Standing Committee on Finance undertake a comprehensive study on the "First Report by the Advisory Council on Economic Growth" and that the Committee report its findings to the House.

Mr. Steven MacKinnon: It says "comprehensive" and "first report"?

Mr. Dan Albas: We put it in the hopper and we schedule it and if another report comes up, then we can put another motion that incorporates this motion and another one. We're masters of our own destiny, so if we decide as a committee that we'd like to change that, we can.

Mr. Steven MacKinnon: Would you be prepared to accept a more general approach: that the committee undertake a study on the various reports from the Advisory Council on Economic Growth and that the committee report its findings to the House?

Mr. Dan Albas: I'm somewhat open, but I'm also a little concerned that if we're referencing things that don't yet exist, that's an issue. I didn't add a lot of meat to the bones for that purpose, to keep it general so that we could find some agreement on this.

Mr. Steven MacKinnon: What about "existing and future reports"?

● (1605)

Mr. Dan Albas: Would everyone else agree with that?

The Chair: I think they do, by the shaking of heads.

Mr. Dan Albas: I see some nodding.

Mr. Ziad Aboultaif: It's a new way of moving.

Mr. Dan Albas: If you want to make the amendment, I would be happy to support that.

The Chair: Okay. Mr. MacKinnon is amending it with “existing and future reports” instead of “first report”.

Mr. Steven MacKinnon: Yes, and strike the word “comprehensive”.

The Chair: Okay. Read it as it would carry with the amendment.

Mr. Steven MacKinnon: Sure: That the Standing Committee on Finance undertake a study on existing and upcoming reports by the Advisory Council on Economic Growth and that the Committee report its findings to the House.

Mr. Dan Albas: The only question I do have, though, and I'm saying this because I do know politics somewhat, is that we're agreeing that we will study it, and this isn't just a way to keep it permanently off in the future, I would hope.

Mr. Steven MacKinnon: Correct.

Mr. Dan Albas: Okay. I think that's just fine.

The Chair: On the amendment, Mr. Grewal.

Mr. Raj Grewal (Brampton East, Lib.): I just have a question. So we're studying a report to issue another report...?

The Chair: The report that's on the table is the first report of the Advisory Council on Economic Growth—

Mr. Raj Grewal: Essentially, they're making recommendations—

The Chair: —and there will be future reports, so it's opening it up so that we can basically study them all, as I understand it.

Mr. Raj Grewal: Then we write our own report and table that in the House.

The Chair: Then our committee would report those findings to the House.

Mr. Raj Grewal: Just to understand this in terms of process, the first report is by the Advisory Council on Economic Growth. These people are going to write a report on the recommendations to the finance minister, and then we're going to get that report, and we're going to study that report and write our own report to table in the House.

Does anybody else see a problem with that process?

The Chair: Mr. Champagne.

Mr. François-Philippe Champagne: Mr. Chair, does that include even the recommendations the government is not pursuing? So that's a report on a report including things that we don't implement?

The Chair: That is true.

Mr. François-Philippe Champagne: I'm just trying to understand the logic here.

The Chair: I don't want to get into the debate—

Mr. François-Philippe Champagne: No, I'm not debating, I'm just trying to understand the logic here.

The Chair: —but the fact of the matter is that the committee might decide, after listening to the economic advisory council, that the government should have put something, should have implemented a policy that they recommended and the government didn't accept. That's where you could end up.

Mr. François-Philippe Champagne: In a one-hour hearing.

Mr. Raj Grewal: I would keep this to pre-budget consultations and the regular business of the committee, in my opinion. I don't think we need to draft another report, especially based on a report. Like, that makes absolutely no sense.

The Chair: You're obviously against the amendment.

Mr. Albas.

Mr. Dan Albas: I'm not sure if Mr. MacKinnon's actually put a formal amendment to it. It sounds like his own members won't support the amendment, so maybe we should just have a vote on the main motion.

I would just point out—

The Chair: The amendment is already on the floor, so we're going to deal with it.

Mr. Dan Albas: Okay. Well, then the member opposite knows what we should do with it. Again, to the whole issue about a report to a report, so far the government has asked a group of 14 individuals who are donating their time, blue-sky thinking, and are giving to the government strategic ideas on how to grow the economy. Some of them are very far-reaching. Some of them have struck a chord, positively and negatively, across the country. As parliamentarians, when you're talking about things like, for example, an infrastructure bank and the capitalization of that and how it goes, we could ask some very good questions about that so we get a better understanding of it.

I think that part of our job here is not just to promote economic growth, but it's also to promote the opinions of the representatives—we're the ultimate representatives of the people—and what those things are.

I'm not sure; if members aren't going to support Mr. MacKinnon's amendment, maybe we should just dispose of that amendment and we should just go ahead with the original motion.

The Chair: We'll see what happens on the amendment.

Is there any further discussion on the amendment?

Mr. Raj Grewal: Sorry, it's just a process thing, and with my being a new member it might just be an amateur-hour question. To Mr. Albas's point on the fact that these recommendations are made, it doesn't prevent us from calling these people and asking them for more detail, and then taking that and asking those questions in the House, or getting clarification from the minister directly. You're adding work for the committee.

In my humble opinion, that's work for the sake of doing work. Here's a report that some very smart people are generating. Our committee will call them to testify here. We will ask them questions and then draft another report, saying whether we agree or disagree with their recommendations. That just makes no sense.

● (1610)

The Chair: As I said, I don't want to get into the discussion, Raj, but the advisory committee made a number of recommendations. The government accepted some. The committee would hear from the advisory committee. Maybe we as a committee would agree with the advisory committee in some areas that the government does not—I don't know—but you would report to the House on the basis of that fact.

Mr. Raj Grewal: Okay.

The Chair: All those in favour of the amendment?

(Amendment agreed to)

(Motion as amended agreed to)

The Chair: One other....

Mr. Caron, go ahead.

Mr. Guy Caron: What were you about to say?

The Chair: I was going to say that I had left out something earlier, which relates to supplementary estimates.

Mr. Guy Caron: Okay.

The Chair: I think everyone knows the process in supplementary estimates. If we don't meet on it, they are deemed passed by the committee. The deadline for the committee to hold a meeting on supplementary estimates—to report back to the House—is December 6. It could be earlier, depending on when the last supply day would be. If the committee wants to deal with supplementary estimates, then we have to schedule that in as well.

I don't know what people's desire on that one is.

Mr. Guy Caron: Does it need to be before December 6 or on December 6?

The Chair: They have to report it back to the House on December 6.

Mr. Guy Caron: Okay, so it needs to be before.

The Chair: It would have to be done.... I don't know where you would find time in here, to be honest.

Mr. Dan Albas: Mr. Chair.

The Chair: Go ahead, Dan.

Mr. Dan Albas: It's just the schedule here. Could the clerk maybe just offer some suggestions as to where she might try to either fill a hole or make one?

Voices: Oh, oh!

The Chair: Suzie, it's up to you.

Part of the problem is this. I think in all members' time frames.... As we get the draft of the parliamentary budget consultations, keep in mind there are 472 briefs and about 200 witnesses, and each party has yet to come up with recommendations. That is going to take some time. We are going to have that draft by the 25th. There would be possibly some time on the 24th, or the 29th, which is a Tuesday.

Mr. Caron, go ahead.

Mr. Guy Caron: I have a long shot here.

[*Translation*]

Obviously, the Minister of Finance will also be asked to appear on the estimates and even the supplementary estimates. The minister and public officials are appearing before the committee on the 17th on Bill C-29. If it were possible, that might be a good opportunity to discuss the supplementary estimates as well. We could hit two targets with one bullet. We could talk about the estimates, and we wouldn't have to ask the minister to come back.

[*English*]

The Chair: Are there any thoughts? It could be handled that way.

Mr. Aboultaif, go ahead, and then Mr. Albas.

Mr. Ziad Aboultaif: It would always be good for the minister to appear in front of the committee, especially on the topic that is on the table now, Bill C-29. It's very important for both the committee and the minister to have that discussion. Hopefully the minister's time permits that. I think it would be a great idea to have that. I support it too.

● (1615)

The Chair: Mr. Albas, go ahead.

Mr. Dan Albas: Thank you, Mr. Chair.

I think that either the 24th or the 28th.... I understand that Mr. Caron has requested that the finance minister be there. Perhaps we could ask the minister to see what his availability would be. I do know that we have these other studies and reports, etc., but again, the estimates are one of the most important priorities for parliamentarians. I would say that we should do whatever we can to move aside the time so that we can have a thorough estimates process.

I haven't done it before with this committee, Mr. Chair, and I really look forward to a very thoughtful process.

The Chair: It should be noted too, Guy, that the minister is not confirmed as yet on the 17th, and I understand he's having some difficulty with that date.

We don't have to decide it right now. I take it that it's the will of the committee to do a hearing on the estimates. We'll have to try to find a way to fit it in, and we'll work with the minister's office on that. Is that agreeable?

Some hon. members: Agreed.

The Chair: Is there anybody opposed to holding hearings on witnesses—not even you, Mr. Parliamentary Secretary? It might be you we have to put up there to answer questions. Are you ready for that?

Mr. François-Philippe Champagne: That's fine, sir. I do that every day in the House.

Mr. Steven MacKinnon: Sunny ways, my friends, sunny ways.

The Chair: Okay. Is there anything else on business?

Mr. Caron.

[*Translation*]

Mr. Guy Caron: Thank you.

I have one last question about Bill C-29. I'd like to know whether the Liberals and Conservatives still have no plans to call any witnesses for the committee's study. On our side, we have witnesses we would like to invite.

I had suggested that the committee invite witnesses who could speak to the technical aspects, not those who would argue in favour of or against the bill. The focus would be on the more technical considerations, such as the changes to the Bank Act and with regard to the

[*English*]

common reporting standards.

[*Translation*]

Mr. Steven MacKinnon: I thought we had talked about it and decided to have just one meeting day.

[*English*]

The Chair: We had agreed on a number of witnesses on Bill C-29.

[*Translation*]

Mr. Guy Caron: Does anyone object to my submitting a list of witnesses who could speak to the technical considerations regarding the points I just mentioned? I would have that list in by tomorrow.

Mr. Steven MacKinnon: Yes.

[*English*]

The Chair: I don't think the deadline is even tomorrow, Guy.

Is the deadline tomorrow?

Mr. Guy Caron: Yes.

The Chair: Oh, it is tomorrow. Yes, it is.

[*Translation*]

Mr. Guy Caron: For the technical witnesses—

Mr. Steven MacKinnon: it was 5-2-1.

Mr. Guy Caron: What does that mean?

[*English*]

The Chair: Just hold on—

[*Translation*]

Mr. Steven MacKinnon: It was 5-2-1.

Mr. Guy Caron: Therefore, you are going to invite five witnesses, and we'll invite two witnesses, and another witness on this side. Is that right?

Mr. Steven MacKinnon: I thought—

Mr. Guy Caron: We are following the usual structure, then, where we invite—

Mr. Steven MacKinnon: we'll have one meeting day.

Mr. Guy Caron: Yes.

[*English*]

The Chair: Mr. Caron, sometimes the parties may not fill all their slots. If you want to put in more than one, we will look at it.

[*Translation*]

Mr. Guy Caron: Great.

Mr. Steven MacKinnon: Thank you.

Mr. Guy Caron: So we're sticking to the usual structure and having one meeting day.

On that subject, before I wrap up, I see that the meeting is scheduled for November 22, from 3:30 p.m. to 6:30 p.m. We are supposed to hear from two times six witnesses, are we not? That means 12 witnesses.

[*English*]

The Chair: Guy, the clerk has suggested something to me. Are you talking about a meeting with just technical witnesses, or are you talking about witnesses on Bill C-29 and the regular witness process?

Mr. Guy Caron: I was under the impression that there was no desire for having witnesses, by and large, under the regular process, which is why I suggested bringing technical witnesses. However, if the intent is to actually fill by the regular process, then that answers my question.

[*Translation*]

We are talking about 12 witnesses, then.

Mr. Steven MacKinnon: We had agreed on eight.

[*English*]

The Chair: We had agreed, as a subcommittee, on 10 witnesses on Bill C-29.

[*Translation*]

Mr. Guy Caron: It's the usual breakdown, then.

[*English*]

The Chair: Give us your proposed witnesses by the deadline tomorrow.

[*Translation*]

Mr. Guy Caron: Very good. Thank you kindly.

[*English*]

The Chair: Is there anything else?

We will then suspend for a few minutes and start early with the witnesses on Bill C-26.

●

(Pause)

●

● (1625)

The Chair: Could we come to order, please?

Pursuant to Standing Order 108(2), our subject matter today is Bill C-26, an act to amend the Canada Pension Plan, the Canada Pension Plan Investment Board Act, and the Income Tax Act. We have with us witnesses from the Department of Finance, the Canada Revenue Agency, the Department of Employment and Social Development, and the Office of the Superintendent of Financial Institutions.

I think at the steering committee we had asked that there be separate hearings, but we agreed to just put everybody in the mix. If we can get done a little earlier, we will.

The floor is yours, Mr. Purves.

Mr. Glenn Purves (General Director, Federal-Provincial Relations and Social Policy Branch, Department of Finance): Thank you very much, Chairman.

Good afternoon to all committee members.

As noted, my name is Glenn Purves, General Director of the Federal-Provincial Relations and Social Policy Franch at Finance Canada. I'm joined today by officials from Finance Canada, Employment and Social Development Canada, and the Canada Revenue Agency, as well as from the office of the chief actuary.

Today we're pleased to answer your questions on Bill C-26 or any questions that you may have on the Canada Pension Plan enhancement. I brought copies of the backgrounder that was posted on the Finance Canada website for those of you who want a copy. In addition, I believe our parliamentary secretary circulated for your benefit an additional supplementary document that just gives context on the contribution rate and on the earnings replacement. I was going to suggest just walking through that at the end of my opening remarks so we can position ourselves appropriately on that.

The Canada Pension Plan is a complex program involving three ministers and departments. To situate you, Finance Canada is responsible for leading discussions with provincial officials on possible changes to benefits and contributions. In addition, my department is responsible for the development of policy and legislation on the Canada Pension Plan Investment Board and the Income Tax Act. The Canada Revenue Agency is responsible for the collection and administration of contributions, while Employment and Social Development Canada has significant responsibility for the calculation and payment of benefits to Canadians and for the overall administration of the plan.

You'll also be hearing from the Office of the Superintendent of Financial Institutions, from my colleague Monsieur Montambeault. Their officials provide expert actuarial projections on the financial position of the plan. These projections are most recently contained in the 28th actuarial report tabled in Parliament on October 28, 2016.

I'd like to provide you with a quick walk-through of Bill C-26. The bill proposes amendments to the Canada Pension Plan, the Canada Pension Plan Investment Board Act, and the Income Tax Act consistent with the agreement reached by Canada's ministers of finance on June 20, 2016, to enhance the Canada Pension Plan.

The bill consists of two parts. Part 1 amends the Canada Pension Plan, notably: to increase the amounts of the retirement pensions from one quarter to one third of pensionable earnings, as well as the survivors' and disability pensions and the post-retirement benefits, subject to the amount of additional contributions made and the number of years over which those contributions are made; to increase the maximum level of pensionable earnings by 14%; and to provide for the making of additional contributions, beginning in 2019 and phased in gradually over seven years.

The focus of the enhancement is very much on income replacement. To this extent, it resembles very much a registered pension plan that you would see in the workplace.

● (1630)

[*Translation*]

Part 1 also amends the Canada Pension Plan Investment Board Act to provide for the transfer of funds between the investment board and a newly created government account for the additional contributions, and to provide for the preparation of financial statements in relation to amounts managed by the investment board involving the additional contributions and increased benefits.

Part 2 makes related amendments to the Income Tax Act to increase the working income tax benefit in an effort to offset the incremental CPP contributions for eligible low-income workers and to provide a deduction for additional employee contributions so that Canadians are not subject to higher costs associated with the after-tax savings plan.

[*English*]

With that, I'll just walk everyone briefly through this back-grounder that has been circulated. This is the document that has the red and the blue attached in it just so everyone is on the same page.

Let's talk about this in steps. The first step I'm going to walk through is the red and then I'll follow with the blue. In step one, just to configure everyone, figure 1 talks about the contribution rate. Figure 2 talks about the earnings replacement. Contribution rate is the amount that's paid in terms of contributing to the CPP, and the earnings replacement is the amount that is received on the income replacement side. In step one, the first additional contribution rate and the first additional replacement rate would gradually be phased in over the base or existing CPP earnings range from the year 2019 to the year 2023. This is the red. This is the phase that goes from 2019 to 2023 for both the contribution rate and the replacement rate.

● (1635)

The Chair: I have to interrupt for a second, because I'm not sure myself. So the red covers the period from 2019 to 2023?

Mr. Glenn Purves: That's right. It's a gradual phase-in. By 2023 it hits a maturity. For 2024 and 2025 we're talking about the blue section.

So in 2016, for example, the base earnings range maxes out at $54,900. That is the year's maximum pensionable earnings that you see at the top right corner. The YMPE is indexed to wages, so that YMPE will gradually grow over time, but for now it's $54,900.

The first additional contribution rate, the very top figure we're talking about right now, combined employee and employer, would be gradually increased to 2%, and the first additional replacement rate, which is the red box on figure 2, would be gradually increased by 8.3%, thereby increasing the total earnings replacement from the CPP from 25% to 33.3%. If you see in figure 2, that's why, when we speak about it, it's going from one quarter to one third, the replacement rate. So for 2%, increasing by 2%, it covers going from one quarter to one third.

Now in step two, I'll just speak briefly about the blue section here. In step two, a new earnings threshold would be introduced, what we call, for the sake of this discussion, the year's additional maximum pensionable earnings. This is up and beyond what is permissible right now in terms of coverage. So in this case, if you see the blue, the year's additional maximum pensionable earning starts in 2024 and reaches 114% of YMPE in 2025.

The second additional contribution rate, which is figure 1, would only apply to earnings between YMPE and YAMPE, so just between the 100% and the 114%, which in 2016 terms would be earnings between $54,900 and $62,600. So that $62,600 is the $54,900 plus the 14%.

The second additional contribution rate would be 8%. Combined employee and employer, the second additional replacement rate would be 33.33%, as shown. So it would have the equivalent earnings replacement as what is seen on the base side. So we're going from nothing in this case—there's no coverage right now—to one third.

I think we'll leave it there. If there are any further questions on it, I can certainly answer these, or my colleagues can answer these. At the very back there are two tables. I'll start with table 2. Table 2 speaks to the indicative employee contributions to the enhanced portion of CPP—biweekly, nominal, after-tax. So this is every two weeks what the contribution would be. The top table speaks to the additional income or additional earnings that would be achieved at maturity, but in 2016 dollars. So we're not talking 40 years down the line indexed to inflation and so forth. We're bringing it back. It's in 2016 dollars. That is effectively what you're getting in terms of the additional earnings with the contribution that you make.

At any rate, this was passed around to help members in terms of navigating this.

● (1640)

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

I think members also have the Library of Parliament research paper that also explains it out in another way and in another chart, but equals the same thing.

I believe you're speaking on behalf of Canada Revenue Agency and the Department of Employment and Social Development as well, and those folks are here for questions.

We'll turn then to the office of the chief actuary, Mr. Montambeault.

The floor is yours.

Mr. Michel Montambeault (Director, Canadian Pension Plan, Old Age Security, Office of the Chief Actuary, Office of the Superintendent of Financial Institutions): Thank you, Mr. Chair.

I will start my remarks in French and move on to English.

[*Translation*]

Mr. Chair and honourable members of the committee, thank you for the opportunity to appear before you today. I am Michel Montambeault, Director of the Canada Pension Plan, known as CPP, and Old Age Security, or OAS, Actuarial Valuations at the Office of the Chief Actuary.

I have here with me my colleague Michel Millette, Managing Director. Michel is involved in the CPP Actuarial Valuations and liaises with the Canada Pension Plan Investment Board, or CPPIB. Michel is also responsible for the actuarial evaluations of the employment insurance, or EI, premium rate-setting and the Canada student loans, CSL, program.

The Office of the Chief Actuary, or OCA, is an independent unit within the Office of the Superintendent of Financial Institutions, or OSFI, that provides a range of actuarial valuation and advisory services to the Government of Canada. While the chief actuary reports to the superintendent of financial institutions, he is solely responsible for the content and actuarial opinions reflected in the reports prepared by the office.

The OCA plays an important role in helping decision-makers', parliamentarians', and the public's understanding of some of the risks associated with the public pension arrangements by providing checks and balances on the future costs of the different pension plans under its responsibility. As part of its mandate, the OCA conducts statutory periodic actuarial valuations of the Canada pension plan, old age security program, federal public sector employee pension and insurance plans, and the Canada student loans program.

Since 2012, the OCA has also been responsible for preparing the statutory actuarial report on the employment insurance premium rate. In addition, for the CPP, whenever any bill is introduced in the House of Commons to amend the plan in a manner that would materially affect the estimates contained in the most recent actuarial report, a supplementary actuarial report must be prepared reflecting the change in those estimates. A similar requirement also applies for other plans and programs. The purpose of all the actuarial valuations is to determine the financial status of the plans and to assist the stakeholders in making informed decisions regarding the financing of the plans.

[*English*]

Bill C-26 provides for the enhancement of the CPP as agreed to in principle by the provincial and federal finance ministers on June 20th. The enhancement increases the replacement level from one quarter to one third of pensionable earnings and increases the upper eligible earnings limit, the year's maximum pensionable earnings, by 14% by 2025. The additional contribution rates required are set at 2% below the year's maximum pensionable earnings and 8% above it, with the rates split evenly between employers and employees. There is a scheduled seven-year phase-in of the enhancement between 2019 and 2025. Under the enhancement, the new benefits will accrue gradually over time, with full accrual occurring by about 2065. Individuals with less than 40 years of contributions will receive partial benefits.

As required by the CPP statute, a supplemental actuarial report, the 28th, on the CPP was prepared to show the effect of Bill C-26 on the long-term financial state of the plan. The 28th CPP report was prepared on the basis of the last regular triennial report, the 27th CPP actuarial report as at December 31, 2015. This report pertains to the current or base plan. The 27th and 28th CPP reports were tabled on September 27 and October 28 respectively.

● (1645)

The findings of the 27th report confirm that the legislated combined employer-employee contribution rate of 9.9% is sufficient to financially sustain the base plan over the long term. The legislated rate of 9.9% is higher than the minimum rate to sustain the base plan of 9.79%, as stated in the 27th report. For the enhanced or additional CPP, the 28th report confirms that projected contributions under the proposed legislated first and second additional contribution rate of 2% and 8%, together with projected investment income, are sufficient to fully pay projected expenditures over the long term. The legislated rates are higher than the minimum required first and second additional rates of 1.93% and 7.72% respectively, as stated in the 28th report.

It is important to note that the financing approaches of the base and additional CPP differ. The base plan is partially funded such that contributions are and will continue to be the main source of revenue. In contrast, for the additional plan it is required that projected contributions and investment income be sufficient to fully pay projected expenditures over the long term in order to minimize intergenerational transfers. As such, investment income is the main source of revenue for the additional plan. This means that the minimum required contribution rates for the additional plan are far more sensitive to the rates of return earned on its assets compared to the base CPP.

As shown in the 28th report, for the additional CPP, if the projected real rate of return is reduced by 100 basis points, so that the average real return falls from 3.55% to 2.55%, the minimum additional rates would increase by 32%, exceeding the legislated rates of 2% and 8%—from 1.93% to 2.55% and from 7.72% to 10.2%. In comparison, for the base CPP the same 100 basis-point drop in the projected return for the base CPP, from 3.98% to 2.98%, would result in a projected increase of 8% in the minimum rate, from 9.79% to 10.53%. Although the base minimum rate would also exceed the legislated rate of 9.9%, the relative impact of lower investment returns is much higher for the additional plan, about four times higher than the impact for the base plan.

Thank you for the opportunity to appear before this committee. We would be pleased to answer any questions you might have.

The Chair: Thank you for your presentations, and thanks to all of you for coming.

Turning to the first round, Mr. MacKinnon, you have seven minutes.

[*Translation*]

Mr. Steven MacKinnon: Thank you, Mr. Chair.

Thank you to all the witnesses for joining us today and helping us with our study of this very important bill.

I'm going to start with the finance officials.

Since Mr. Purves didn't spend a lot of time talking about the compensatory measures for low-income individuals, would you mind describing the tax benefit and the enhanced benefit to help those who will have to make larger contributions?

● (1650)

[*English*]

The Chair: Mr. LeBlanc.

[*Translation*]

Mr. Pierre LeBlanc (Director, Personal Income Tax Division, Tax Policy Branch, Department of Finance): I appreciate the question.

The working income tax benefit will be enhanced beginning in 2019, meaning that the maximum benefit will increase, both for single individuals and families. In addition, an inclusion rate will be applied to the enhanced benefit so that low-income workers can access the maximum benefit more quickly. The rate will be lowered so that people can qualify for the benefit across a wider income range.

In short, the purpose is to roughly offset the additional contributions made by low-income workers during their working lives.

Mr. Steven MacKinnon: Very well. Thank you. That's very important information, and we must keep it in mind during our study of the bill.

Mr. Montambeault, thank you very much. Your analysis was very informative.

I have two questions for you. I'll fire them off one after the other, and then you can take the time you need to answer.

Mr. Machin, from the Canada Pension Plan Investment Board, spoke briefly about the language and provisions in the bill. I think many people are wondering why the office will now have two accounts, one for the current plan and one for the additional plan.

In terms that the people following our proceedings can understand, I would like you to explain why the second account is more dependent on investment returns.

Mr. Michel Montambeault: Thank you.

In response to your first question, I said, during my presentation, that the financing approaches of the base and additional CPP were completely different. The base plan is more dependent on contributions because it's not fully capitalized. Conversely, the additional plan relies entirely on the capitalization of contributions.

The base plan is 70% dependent on contributions and 30% dependent on investment income. The additional plan, however, is 70% dependent on investment returns and 30% dependent on contributions. Because of the two different financing approaches, it's important to keep track of each element. That's why there will be two accounts.

Mr. Steven MacKinnon: Very well. Why not, though, put all the contributions together?

I'm just trying to understand the public policy rationale behind splitting the two accounts.

Why not put all the contributions in the same account and lower the risk exposure of the second component?

Mr. Michel Montambeault: The reason is that we rely on various types of financing, and in the case of the additional plan, we rely heavily on investment returns. Therefore, a less volatile investment policy may be necessary, as compared with the one applicable to the current plan, which is a bit less reliant on investment returns for financing.

Mr. Steven MacKinnon: Currently, you do a review of investment returns every three years, and you perform a CPP evaluation with all the parties to the agreement.

Do you think a more frequent review timeframe will be necessary?

● (1655)

Mr. Michel Montambeault: That decision won't be up to me. Prior to 1997, before the major reforms, reviews were carried out every five years. Since 1997, they have been done every three years. I think that's sufficient, but the provinces, who are the decision-makers, may decide otherwise. For the time being, they have opted for the status quo, meaning reviews every three years.

Mr. Steven MacKinnon: Is it typical to review the pension funds every three years, or should this committee recommend a more frequent review?

Mr. Michel Montambeault: My colleague, Mr. Millette, may be able to give you an answer regarding the public plans. For private pension plans, I believe the review is also conducted every three years.

Mr. Michel Millette (Managing Director, Office of the Chief Actuary, Office of the Superintendent of Financial Institutions): Yes. It's three years for both public and private plans.

Mr. Steven MacKinnon: Okay, so it's consistent—

[*English*]

The Chair: Hold on. I don't think we're picking up on it. The translation is a little slower than you folks.

Mr. Millette, what was your answer to the question?

[*Translation*]

Mr. Michel Millette: For public plans, the review is also conducted every three years.

The Chair: Okay.

Mr. Steven MacKinnon: This corresponds to the usual practice. Okay.

Mr. Michel Montambeault: Yes.

[*English*]

Mr. Steven MacKinnon: I think that's all I have for now, Mr. Chair.

The Chair: Thank you. In any event, your time is up.

Mr. Deltell.

[*Translation*]

Mr. Gérard Deltell: Thank you, Mr. Chair.

I want to welcome everyone to this parliamentary committee of your Parliament and your House of Commons.

First, I want to ask Mr. Lavoie some questions.

Mr. Lavoie?

Mr. Claude Lavoie (Director, Economic Studies and Policy Analysis Division, Economic and Fiscal Policy Branch, Department of Finance): Yes.

Mr. Gérard Deltell: Okay. Sorry, I didn't see your name at a right angle. Some would say that I have crooked eyes, but not to that extent. We'll let the interpretation proceed.

Mr. Lavoie, did your division conduct a study on how these measures will affect employment?

Mr. Claude Lavoie: Yes. It was published in the backgrounder that the Department of Finance posted on the website.

Mr. Gérard Deltell: What were the findings of the study?

Mr. Claude Lavoie: The findings indicate that, in the short term, there will be a very minor negative impact on employment. However, in the long term, the impact will be positive.

Mr. Gérard Deltell: What do you mean by “long term”?

Mr. Claude Lavoie: The implementation will proceed over a seven-year period. The impact on employment will become positive around 2030 or 2035. Obviously, job growth will continue. Even during the implementation period, job growth will continue. However, it will be slightly weaker at the start, and will pick up again later.

Mr. Gérard Deltell: You're talking about 2030 or 2035. It will take 20 years for the impact to be concrete, real and positive.

Mr. Claude Lavoie: Yes, but the negative impact will be very minor in the short term. The system will be implemented over a seven-year period. It won't be fully in place until 2025. Five years later, growth will increase. The impact will be outweighed as of 2030 or 2035, five years after the system has been completely implemented.

Mr. Gérard Deltell: What do you mean by implementation period? Does each employee and employer need to make an additional contribution?

Mr. Claude Lavoie: No. The system will be implemented over a seven-year period. The first increase in contributions will take place in 2019. The contributions will gradually increase and will be two percentage points higher in 2025. Therefore, the contributions will keep increasing. The contributions will have increased by a maximum of two percentage points as of 2025.

Mr. Gérard Deltell: The contributions will have finished increasing in 2025.

Mr. Claude Lavoie: Yes.

Mr. Gérard Deltell: Also, employment will be affected until 2030 or 2035.

Once the workers have invested, when will they start making real gains? I'm referring to the improvement of the offer. I'll rephrase my question.

We want a greater return on people's investment. When will real gains be made? Will it be when the system is implemented or will it take decades?

● (1700)

Mr. Claude Lavoie: I'm not sure that I completely understand your question. When they retire, people will receive larger amounts under the CPP. In the end, they'll receive a greater retirement income.

Mr. Gérard Deltell: They key words are in the end. According to estimates, it may take up to 40 years for the movement to be fully accepted, for the full cycle to take effect, for the new system to be 100% in place, and for tangible results to be achieved.

Mr. Claude Lavoie: No. If a person contributes for only a few years, he'll still receive a higher pension when he retires, but on a pro-rata basis according to his contribution. Obviously, he'll receive the full amount if he has worked for 40 years. If a person contributes for five years and retires at the age of 55, he'll receive a higher amount, but not the full amount.

Mr. Gérard Deltell: That's more or less what I was saying. It will take 40 years for the full cycle to take effect. That's basically what you just told me.

Mr. Claude Lavoie: Yes, but it doesn't mean that people who contribute to the plan won't receive any benefits. They'll still receive benefits even though they don't have 40 years of service.

Mr. Gérard Deltell: Okay.

Supposedly, the additional charge for employers could amount to $1,000 per employee. Is that correct?

Mr. Claude Lavoie: I don't have the exact figures, but it's possible. The figures are in the backgrounder. I know the contribution rate will increase by two percentage points. It may be the case, depending on the person's salary.

Mr. Gérard Deltell: Okay.

In addition to the impact on employment, have you measured the potential impact on the GDP, business investments, disposable income and private savings?

Mr. Claude Lavoie: Yes. The potential impact on the GDP and employment has been measured, and the information is in the backgrounder. I don't have the figures on savings with me, but I think we have some of those figures, along with the figures on investments.

Once again, the impact will be positive in the long term.

Mr. Gérard Deltell: You say the impact will be positive in the long term.

Mr. Claude Lavoie: Yes.

Mr. Gérard Deltell: What about the short term?

Mr. Claude Lavoie: In the short term, there will be some substitutions in the total savings. Retirement savings will increase. Obviously, there will be slightly less private savings and slightly more public savings to compensate, but there will be more retirement savings in total.

Mr. Gérard Deltell: However, private savings may decrease. According to certain C.D. Howe Institute estimates, for example, private savings may decrease by up to 7% in the long term.

Mr. Claude Lavoie: If people contribute to either their private pension plan or their registered retirement savings plan, or RRSP, they may slightly reduce their RRSP contribution because they will be contributing to the CPP. However, in the end, people will have more retirement savings.

Mr. Gérard Deltell: Since I have only one minute left, I'll keep my question short.

Have you conducted an assessment on business investments?

Mr. Claude Lavoie: Yes. We have observed that the impact will be slightly negative in the short term and positive in the long term. However, I don't have the exact figures with me.

Mr. Gérard Deltell: Okay.

I'll finish my remarks.

We know that, when we face a great deal of international competition and we must have all the necessary tools for businesses to make significant investments, the businesses need to receive proper support. We think the implementation of these new measures may have a much stronger negative impact than predicted because worldwide competition is shaping up to be much fiercer than the level anticipated in recent months.

Thank you.

[*English*]

The Chair: Thank you, Mr. Deltell.

Before you start your round of questioning, Mr. Duvall, I would like to ask a question.

Mr. Lavoie, on a number of questions you don't have the numbers with you. Could you provide those? I think they are in the backgrounder, but could you provide the committee on a follow-up with what the numbers to those questions are? I just think that's fair to committee members.

Mr. Claude Lavoie: Yes.

The Chair: Just send them to the clerk, Mr. Lavoie.

Yes, Mr. Purves.

Mr. Glenn Purves: Thank you, Chair.

Perhaps I could refer to one of the questions raised that had to do with the annual contributions. If you look at page 16 of the backgrounder, table 4 talks about year-over-year increases in annual contributions. Only in a very rare instance does it reach $1,000. In most cases it's less than $1,000. Table 2 has it as well.

● (1705)

The Chair: Thank you very much. That's a good clarification, Mr. Purves.

Mr. Duvall.

Mr. Scott Duvall (Hamilton Mountain, NDP): Thank you, Mr. Chair.

Thank you, everybody, for coming today and answering these questions.

The CPP benefits that a person receives are based on an average of what earnings there have been from the time the person is 18 until they retire. To accommodate the periods when a person might have some hiccups—low earnings, or zero earnings—during those years, the plan allows for the lowest eight years of earnings to be dropped out from the calculation. This exemption is referred to as a drop-out.

There are also two other items we have besides the basic exemption that specifically are called drop-outs. One is for disability, and one is for child-rearing. If the person decides to stay home to raise their child, they won't be penalized for during that during their life.

That's in the base plan. When I look in the enhanced plan, I don't see that in there. Is there a reason that's not in there, or did I miss something?

Ms. Marianna Giordano (Director, CPP Policy and Legislation, Income Security and Social Development Branch, Department of Employment and Social Development): I'll answer this one.

You're correct that the drop-outs still remain in the base plan. With respect to the general drop-out, I can say that it is built into the structure being enhanced, so it's still there. Today, you have a base plan in which your contributions start at age 18 and end at age 65. You're talking about 47 years. You have a general drop-out of 17%, which drops out eight years, so that brings you to your best 39 years. The enhancement doesn't have that drop-out per se, but it takes your best 40 years. It's very similar to the general drop-out that is put in. There's also a plus-65 drop-out. You take in the base plan your contributions above age 65, and you replace your lower earnings prior to 65. That is also built in, because, again, you take your best 40 years.

With respect to the child-rearing and disability drop-outs, they will remain in the base plan and they will still protect individuals for eligibility purposes and continue to enhance their benefit.

With respect to the enhanced portion of the plan, these are not duplicated in the enhanced portion of the plan, as this plan is closely linked to the individual's contributions. As Glenn mentioned before, it's very similar to a workplace pension plan. It aligns with the full funding provisions by minimizing the subsidies and also by minimizing the intragenerational and intergenerational transfers.

Mr. Scott Duvall: If I may interrupt you there, did you do an analysis of what the actual cost would be if the drop-out provisions were included in the enhancements? Was there a cost done on that?

Ms. Marianna Giordano: With regard to the cost, I think that would be under Mr. Montambeault.

Mr. Michel Montambeault: No, we have no costing. The agreement did not include the drop-outs for CRDO, so we did not do any costing.

Mr. Scott Duvall: Were there instructions not to do the costing? Where did that come from? People believed they were going to get an enhanced CPP but not have two different phases. Were there instructions not to include that, or why wasn't it included?

Mr. Michel Montambeault: The deciders were what I call the CPP committee, which consists of the chair of the CPP committee, who is sitting beside me, and the 10 provinces and territories. They discussed the parameters, and we were not asked to cost that parameter.

Mr. Scott Duvall: Thank you.

Mr. Purves.

Mr. Glenn Purves: Thank you.

Given the fact that what was agreed to in Vancouver was an enhancement that focuses on income replacement very similar to the RPP, the package that was designed is very much consistent with what you would see in a workplace. For that reason, this is an enhancement to the base CPP. The base CPP continues to have all the provisions that are contained within the base CPP. This focuses on increasing the income for Canadians going forward for their security in retirement.

● (1710)

Mr. Scott Duvall: I understand that, but we also thought that the enhanced security would mean that the middle class would feel more as though they were part of it. That was the whole purpose of it. This drop-out provision really, really affects them. If they're paying the enhancement, now they're going to have two different categories. When they pay the base they're allowed it, but when they're paying the enhancement, they're not included in it.

You've given me one answer, about the provinces knowing about this, but were any women's groups or organizations for people with disabilities ever consulted about this and asked how they felt?

Mr. Glenn Purves: First of all, I should say that on retirement income, there's ongoing consultation through the triennial reviews with the provinces and so forth. In this period, there has been engagement with different levels of government to ensure that the focus of the enhancement is on income replacement, and that the base CPP itself and any engagement on changes to the base CPP are very much covered in triennial reviews. Of course, many engagements take place on that, but this enhancement is very much about improving the income security of Canadians in retirement.

Mr. Scott Duvall: Mr. Purves, has the Department of Finance or the office of the chief actuary projected the impact on the gap between the male and female average CPP retirement benefits? If so, what is that impact?

Mr. Glenn Purves: We don't have any calculations internally, at the Department of Finance, on that issue.

Mr. Scott Duvall: You're saying we don't have that.... I'm not trying to be hostile, I'm just trying to say that I'm having difficulty in saying retirement replacement and yet these people who make $54,000 to $82,000 are not included in retirement replacement if they have a disability or are bringing up children?

Mr. Glenn Purves: Perhaps my colleague can describe the provisions. I'm concerned that people don't understand the provisions and their applications as they pertain to the broader CPP and all the provisions contained in it.

The Chair: Ms. Giordano.

Ms. Marianna Giordano: As you know, the disability and the child-rearing provisions allow you a drop-out period when you're disabled or when you're taking care of young children. It helps you protect your eligibility for some benefits, and it also helps you increase your average. As you said, it's an average of your pensionable earnings.

The enhancement is not an average per se. The enhancement is based on what you accumulate in your best 40 years. The social insurance portion of the CPP remains in the base. The enhancement is linked to people's contributions. It's like a top-up to your retirement or other survivors' pension or disability pension, so you get your base CPP, which will cover your flat rates for your disability, your flat rates for your survivors, which are paid by contributions from all. Your top-up is linked to your own contributions.

The Chair: We'll have to stop you there.

Did you want to add something more, Mr. Purves? Okay.

Mr. Ouellette.

Mr. Robert-Falcon Ouellette: Thank you very much, Mr. Chair.

I must say that I'm also quite interested in this. I'll use the example of my wife. We had five children over the course of a 10-year period. She had a defined benefit pension as a teacher, but you're saying, essentially, that when she was working as a teacher, even though she wasn't making a salary—she was getting EI and various benefits—she was still able to pay into her pension plan to not lose space compared to, for instance, a male colleague who progresses in his career at the same time, so she wouldn't end up a little poorer in retirement because she took time out to do something really beneficial for society, raising children. What I'm hearing is that the new enhancement doesn't have a provision for someone like my wife to ensure she still can maintain that level of earnings.

● (1715)

Ms. Marianna Giordano: The base CPP will continue to protect that portion. However, the enhancement will be on the contribution that she made...so if she's outside of the workforce. We're seeing that women spend less and less time outside the workforce. Right now during her career a woman will stay on average fewer than four years outside the workforce, so the child-rearing provision has less and less impact. We're foreseeing in the future it will continue that way.

Mr. Robert-Falcon Ouellette: But eight years could still be substantial in a defined benefit plan. In the military, for instance, it would be equal to around 8% of someone's salary.

I'm a little concerned that we haven't looked at calculating that. I understand there's a child-rearing provision and a general drop-out provision, but I believe if someone and their employer were willing to contribute to the CPP during a certain period when they could show what their salary would be over a certain time, they should still have that ability to contribute to the CPP to ensure they don't lose that long-term buying power.

Obviously the contributions are very important, and I understand we want to have no longer a pay-as-you-go CPP plan but something that's...and we don't want to transfer wealth from one generation to another. At any rate, I hope somehow someone would be interested in looking at that in greater detail, both the actuary and the finance department.

I was wondering if you could give me the additional costs in the form of increased Government of Canada payments to cover the employer portion of the CPP enhancement in relation to federal employees. Around 250,000 public servants are in the employ of the federal government, and I'd like to know how much extra the enhancement is going to cost the federal government. I'd asked this previously and no one got back to me, so I'm asking again.

Mr. Claude Lavoie: Since our two systems are fully integrated between the CPP and our pension plan, the increased contribution to CPP is going to be offset by a decreased contribution to RPP, so my feeling is that it will be zero for the federal government.

Mr. Robert-Falcon Ouellette: That's the retirement plan for civil servants. Is that correct?

Mr. Claude Lavoie: Yes.

Mr. Robert-Falcon Ouellette: One of the issues I always had, when I was in the army, was that we had this superannuation act where you pay your money in, and then you retire at maybe 55 or 60, after 25 or 35 years of service, and you get 2% a year. Once you hit 65, though, you actually see a decrease in the CPP amounts you receive, even though you paid into it, and you paid into your military pension. I understand this is with all civil servants.

People now in the military aren't joining at 19 years old as often. There are people who are even in their forties, and you can join into your fifties. I'm just a little concerned that they're not going to see the full benefit of this enhancement for all civil servants because they'll still have that cutback or that taking away from them.

Mr. Glenn Purves: Just to add to Claude's first question on the CPP enhancement, the answer is that this legislation is intended to put it in place. There is a long trajectory to have it ramp up. There hasn't been any decision taken on how it will impact on the public sector pensions. To say that it's an automatic adjustment is not the case with respect to the enhancement, so it's very difficult to conclude that at this point. It's something the government will have to consider and take into account.

Mr. Robert-Falcon Ouellette: Okay.

Thank you very much, Mr. Chair.

The Chair: You have a couple more minutes. Go ahead.

Mr. Robert-Falcon Ouellette: Oh, I have more time.

The Chair: You have more time.

I'll interrupt you for a second, though—and I won't take the time from you.

Mr. Purves, on your response, are you suggesting that this is a matter of negotiation with the public service unions or whatever?

Mr. Glenn Purves: I think that over time, effectively, once legislation is put in place and these changes to pensions occur, there will naturally be a reaction by any other party that's involved or impacted. I'm saying that it's impossible for me, here in this position, to project what that impact would be; but it would happen in the private sector or anywhere.

• (1720)

The Chair: Thank you. That clarifies it in my mind.

Mr. Ouellette.

Mr. Robert-Falcon Ouellette: In your consultations, I was just wondering if you could describe what the reaction is from the labour unions, employers, employees, and other groups you've come across so far in your discussions about implementing this new enhancement.

Mr. Glenn Purves: I think that since the legislation has come out, there has been engagement with employers and so forth in terms of reaction to the legislation. I would say broadly that it's been quite positive.

I would say that British Columbia did a consultation, for instance, that came back quite positive, and this was very late in the process. Manitoba is doing a consultation on the triennial review right now that isn't linked to the enhancement, but so far, I would say that broadly we have not received any explicit negative reaction.

The Chair: Thank you both.

Mr. Albas.

Mr. Dan Albas: Thank you, Mr. Chair.

Thank you to all of our witnesses for the work you do for Canada.

I'm just going to make a quick comment, and then I'll get right into my questions.

Mr. Purves, I appreciate the work you do. However, I would say that, unlike Mr. Montambeault, who actually came and made sure we had a briefing here, it's disappointing when parliamentarians cannot have.... I was able to get a copy of your statement. Part of it is English and part is in French, and I think that puts other members at a disadvantage. I would hope that, in the future, anyone from Finance Canada who comes in will make sure this committee actually has their statements ahead of time so that we can be more informed and ask better questions.

I'll start first in regard to the working income tax benefit on a dollar-for-dollar ratio. Mr. LeBlanc, if someone is, let's say, working, low-income, will they receive that benefit dollar for dollar so that it compensates for any loss of income?

Mr. Pierre LeBlanc: Sure. What I can do is give you an example. I'll start with one example for 2019. Take a worker who is making $15,000. We're projecting that they'll receive about $150 more in WITB. We're projecting that their employee contributions to CPP, they'll pay about $100 more net of tax. That's about fifty.... Now, it will vary. I picked a particular income level, so it will vary, but that's an illustration.

Mr. Dan Albas: Do you feel this is going to allow people who are working and on a low income to be able to provide for themselves despite the added contribution rate?

Mr. Pierre LeBlanc: The idea is to provide a general offset for that additional contribution during their working years.

Mr. Dan Albas: We received from the Library of Parliament a briefing note. On page 2, it talks about the following:

> When the period during which second additional contributions have been made is less than 480 months, the proposed SAMPE would equal the total of monthly adjusted second additional pensionable earnings, divided by 480.

My understanding is that people who are putting in that second additional pensionable payment will be putting more in. When they go to receive it out, then they will be getting less compared to someone who's been in for 40 years. Is that correct? Could someone explain it?

The Chair: Do you want the statement read again?

A voice: Yes, if possible.

The Chair: Could you read that statement again, Dan, please?

Mr. Dan Albas: Sure.

It says:

> When the period during which second additional contributions have been made is less than 480 months, the proposed SAMPE would equal the total of monthly adjusted second additional pensionable earnings, divided by 480.

At 480, with 12 months in a year, then that's 40 years. If someone makes 40 years of payments into it, then obviously they would get that amount back, but if someone does not put in the 40 years and only puts up...they still are divided by 480. Why is that?

• (1725)

The Chair: The clerk is going to give you that statement, folks.

Mr. Dan Albas: Maybe they can look at it, Mr. Chair. I'll just go on to someone else, and we'll come back to it.

The Chair: We'll go on to another one, and you folks can think about that.

Next question, Dan.

Mr. Dan Albas: Thank you.

In regard to the earlier question from MP Ouellette about the additional payments, you said that doesn't apply.

I think, ma'am, you mentioned that social benefits, like disability, death benefits, and survivor benefits do not apply to that extra 14%. Is that correct? Did I read you right?

Ms. Marianna Giordano: No. This will apply.

Mr. Dan Albas: Could you please elaborate, then?

Ms. Marianna Giordano: The retirement pension, the survivors' pension, the disability pension, and the post-retirement pension are all enhanced with this. You will have your base CPP survivors' pension, and then you will have your two tranches of extra benefit, which is with your first additional contributions and your second additional contributions. They are like top-ups to your retirement pension. It will be the same for your survivors' pension. It will be the same for your disability pension.

Mr. Dan Albas: They're putting more money aside, so Canadians can rest assured they will receive a larger death benefit or a larger survivor benefit at the end. Is that correct?

Ms. Marianna Giordano: I didn't mention the death benefit. I mentioned the survivors' pension. The death benefit is not included in the enhancement, and neither are the disabled contributor's children and the orphans benefits, which are lump sum benefits. These are social benefits, which are—

Mr. Dan Albas: Thank you.

Do you have an answer for the 480, or are you still working on it?

The Chair: Madam Giordano.

Ms. Marianna Giordano: With respect to the 480, I'll explain how the pension is calculated right now. Your pension is calculated on an average, using the number of months that you have in your contributory period from age 18 to the time you stop working or take your retirement pension. It's not an average per se. You always divide on 480 months, so that's 40 years. I said you get the best of your 40 years; you accumulate. If you contribute for 20 years, you will get 20-fortieths. If you contribute for 10 years, you will get 10-fortieths. You accumulate according to your contributions and your benefits.

Mr. Dan Albas: You will get the full amount that's owing to you based on what you've put in. Is that correct?

Ms. Marianna Giordano: You will get the full amount that is owed to you according to your contributions.

Mr. Dan Albas: I just wanted to make sure that's there.

The Chair: I'm sorry, but you're over time, Dan. You needed to get that clarified, so we gave you the extra time.

Mr. Grewal.

Mr. Raj Grewal: Thank you, Mr. Chair.

Thank you to the witnesses for coming today.

My question is at a macro level. The enhancements to the CPP have been very well received across the country. In your professional opinions, how will this help young Canadians? The example would be somebody graduating from university, who at 22 years of age gets their first job earning $45,000; then the same question for somebody who is 55 years old and is about to retire; and then for somebody at 64 years of age who is retiring next year.

Mr. Glenn Purves: Sure. Why don't I take a crack at it and others can complement.

We'll start with the youngest. Given the fact that the implementation period for this CPP enhancement starts in 2019 and leads up to 2025, it's really over a period of 40 years to 50 years that you see this improvement and maturing of the benefits. Someone who is 22, for instance, is at a good age to benefit from the majority of this enhancement. The idea is that this enhancement is really about improving the income replacement for future generations. A lot of this has to do, of course, with concerns about retirement plans, defined benefit plans, shifting out of workplaces, and the efficiency of having a CPP and being able to expand the CPP and the portability of it and so forth. If you're 22, you stand to benefit for almost the maturity, if not the maturity, over that period of time.

For someone who is 55, you will be able to contribute starting in 2019, and as it has been conveyed here, you will get out of it what you put into it in terms of a certain return and a certain benefit. Having said that, the amount that the person of 55 years will receive, the majority of the CPP payment that they get will be on the basis of the base CPP, because the enhanced CPP will not have accumulated as much income replacement for...given the fact that the person will have contributed for, I would say, less than about five years or so. It will depend on the age they retire and whether they want to delay their retirement and so forth.

For someone who is 64 years old who is retiring next year, it's a different situation. This is a person who will qualify for CPP, the normal age being 65, in their next year. So the CPP enhancement will be for younger generations. For that person, however, when you think of the total support that's being provided by the government, you have to look at it through the lens of the OAS, the move of OAS from 67 years to 65 years, the GIS support and top-up, depending on the income that the senior will be generating, and the broader package of middle-income tax cuts and so forth and where they stand there.

Often, for those who are 55 years or 64 years, you look at the support structure that exists now. There is a certain benefit that someone at 55 will get from the enhancement, but really it's about younger generations.

● (1730)

Mr. Raj Grewal: Perfect. Thank you.

On the same thing, how does it affect employers?

Mr. Glenn Purves: On the employer side, the fact that this enhancement is being brought in on a gradual basis is key for employers. They're able to plan accordingly. If you think of it, right now it's 2016, and the maturity of the plan really kicks in at 2025. That's a nine-year lead-in to maturity for the plan.

Mr. Raj Grewal: It's safe to say that employers have more than enough time to plan accordingly and that disruptions in hiring decisions and profitability should be minimal, if anything?

Mr. Glenn Purves: That was certainly a consideration taken into account when the design was agreed to by ministers in Vancouver at the end of June.

Mr. Raj Grewal: Are there other—

The Chair: Thank you, Raj.

Mr. Liepert.

Mr. Ron Liepert: I have a few questions for the actuarial folks. First of all, thank you for being here today.

Did you say that you do an actuarial on OAS?

Mr. Michel Montambeault: Yes, we do that every three years.

Mr. Ron Liepert: I thought OAS was just general revenue.

Mr. Michel Montambeault: The financing is from general revenue, so we prepare the projections of OAS benefits. Of course, there are no revenues, no contributions, in OAS. We project future benefits every three years.

Mr. Ron Liepert: So you just do an estimate of what they have to pay out, effectively.

Mr. Michel Montambeault: Yes.

Mr. Ron Liepert: Have you done any comparative estimates? It would seem to me that if you increase CPP payout benefits, it should decrease OAS benefits, because you only qualify for OAS if your income isn't high. Is that fair enough?

Mr. Michel Montambeault: You are right about this. Our next OAS report is due by the end of spring in 2017, and in that report we will need to recognize the impacts of the enhancement.

Mr. Ron Liepert: That means it's going to relieve pressure on the budget that has to be paid out under OAS.

I want to talk a little bit about your comments on the enhanced portion being far more sensitive to the market. If I heard you correctly, you said that the current system is financed 70% contributions, 30% rate on return, and it's flipped around on the enhanced part. Is that correct?

● (1735)

Mr. Michel Montambeault: Correct.

Mr. Ron Liepert: So that's putting a lot of pressure on the investment of that fund.

Mr. Michel Montambeault: Yes. This is why in the 28th actuarial report we have assumed a different real rate of return than under the base CPP. Because the contribution rates are so sensitive to the rates of return, you want to have more stable returns and maybe a less volatile portfolio. But CPPIB at this point has not implemented any decisions about what they intend to do as an investment policy. They said they are still studying that. We believe that because of the sensitivity—and I think CPPIB is agreeing with this—the monies invested in CPP 2 should be under a portfolio that's less volatile, which will give more stable returns.

Mr. Ron Liepert: Will they be investing this money in two separate accounts, then?

Mr. Michel Montambeault: Yes. The current CPP monies will be invested as they are currently by the CPPIB. There will be a separate account set up by the CPPIB for the monies related to the CPP enhancement.

Mr. Ron Liepert: Does the current CPP fund break even?

Mr. Michel Montambeault: The latest actuarial report, the 27th, shows the legislated rate as 9.9%, but our latest actuarial valuation on that base plan, which is the 27th report, said the minimum rate you could charge to sustain the plan over the long term was 9.79%.

Mr. Ron Liepert: So the contributions and the rate of return are effectively paying out the benefits. Is that fair?

Mr. Michel Montambeault: Yes.

Mr. Ron Liepert: What is in the enhanced program that would give the government the confidence that when you flip it from 30% to 70%, to 70% to 30%, somehow it's going to be sustainable?

Mr. Michel Montambeault: Right now, based on our report and the assumptions we have made, we have come up with minimum contribution rates for the enhanced at 1.93% and 7.72%, and the legislated rates are at 2% and 8%. The rates that I calculate say this is the minimum required to financially sustain the enhanced plan and are lower than what is legislated.

Mr. Ron Liepert: Maybe I don't understand it properly, but I'm having trouble understanding how, if the current plan is breaking even at a 70%-30% contribution, we can feel confident that the enhanced plan is going to actually break even at a flipped-around number of a 70%-30%.

Mr. Michel Montambeault: As I said, the contribution rates to the enhancement will be much more sensitive to the investment results.

Mr. Ron Liepert: I would assume then that if the 70%-30% that exists today would be changed in the enhanced plan to, say, 50%-50%, that would mean the contribution rate would have to be even higher. Is that correct?

Mr. Michel Montambeault: I'm not too sure where....

Mr. Ron Liepert: In order to make this plan sustainable, but you would only rely on the rate of return at 50% of the plan, instead of 70%, as you suggested, that would mean the actual contributions would have to go up.

Mr. Michel Montambeault: The financing objective of the plan is to fully fund the projected future expenditures. When you are in a world where you have to fully fund your benefits, the expectation, and what happens, is that 70% of your revenues will come from investment. To have a 50%-50% would mean that you're not respecting the full funding principle. You'll be somewhere partially funded.

The Chair: Does that clarify where you're at, or do you need a supplementary?

● (1740)

Mr. Ron Liepert: I need one quick supplementary.

What I'm getting at is that if you did not rely so much on rate of return to fund your enhanced plan, the only other option would be to have higher contributions.

Mr. Michel Millette: Yes.

Mr. Michel Montambeault: Yes.

The Chair: Thank you both.

Ms. O'Connell.

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

Thank you for being here.

Canada is not necessarily in a unique situation financially in terms of the economy and pressures, workforce, and things like that. Just out of curiosity, are there other G-7 countries that are also looking at enhancements to CPP? I'm assuming it's not just a Canadian phenomenon that people are not saving enough. Are there other countries that are doing this as well and talking about it, that you know of?

Mr. Glenn Purves: I'll just point out a couple of things. First, we've had a lot of calls from the U.K. and from OECD countries that have similar systems, and including the IMF, asking us about the measures that have been taken and looking into the design of the enhancement and so forth.

Canada is unique in the sense that 41% of our retirement savings are privately funded and there's a portion that is on the public side that is less than the average for the OECD. So this would bring that portion up a bit. From a design standpoint, certainly we're getting calls about how we're pursuing this. I think there are questions also about the design of the CPP, in general, not just the enhancements.

In terms of how we're calibrating the enhancement, how we're working with the provinces, the process there has been of interest as well.

Ms. Jennifer O'Connell: Thank you.

This is just to clarify, because sometimes we get lost in some of the technicalities. That is the job of this committee, frankly. But for the public listening, what does this actually mean in plain language? We know that future generations are going to benefit the most from this in particular. But if a young person were to receive the full 40-year contribution, what would be the difference if we didn't do this? What's the average pension that somebody would receive, forgetting if they have their individual contributions or whatnot, versus with this enhancement? What does that average then change to in terms of the amount they would receive per year?

Mr. Glenn Purves: In terms of the amounts we're talking about, I think the sheet we handed out has some of that information. It provides, in table 1, the augmentation, the incremental CPP retirement benefits, by earnings and number of contributory years. This gives you a sense of the kind of additional income Canadians could benefit from, depending on their constant annual earnings and their contributory years.

If you look at our backgrounder, we do also talk about those who are at risk of not saving enough for retirement. It does lower those thresholds considerably doing this enhancement.

Ms. Jennifer O'Connell: One of my biggest concerns, frankly, is not necessarily even the design of this. With regard to these enhancements, what conversations are you having with the provinces and territories to ensure that they then don't reduce some of their other income supports? For example, one frustration we'll sometimes hear from constituents who might be receiving some type of disability support from Ontario, let's say, where I'm from, is that it's reduced because they get some other federal enhancement. Obviously, with something like this, you really don't see the full payout until you retire.

What's being done to work with the provinces and territories to ensure that these enhancements don't then reduce some other income support that might be needed prior to retirement in the provincial jurisdiction?

● (1745)

Mr. Glenn Purves: I'll answer that in two ways. First, as Monsieur Montambeault mentioned, we do have a CPP committee. This is a regular group of federal but also provincial officials who speak on a regular basis on CPP issues. This enhancement has consumed a lot of time with respect to this committee's purview over almost the past year and more. From that standpoint, we continue to have these dialogues with them on issues that deal with CPP enhancement but also just the base CPP. With the release of the 27th actuarial report, that triggers a triennial review that's looking at CPP in its entirety—all its provisions, its ancillary benefits, its contribution rates—and making sure it's sustainable.

Through that committee and through ongoing ministerial engagement, we will continue to have dialogue with our provincial and territorial counterparts on issues that are pressing for them on the CPP side. Outside of that, we continue to have dialogue as well on other areas of income support, because the provinces provide their own elements of income support as well as the federal side.

The Vice-Chair (Mr. Ron Liepert): With that, we'll move on to Mr. Duvall for three minutes.

Mr. Scott Duvall: Thank you, Mr. Chair.

I want to pursue this drop-out period. Is there any actual reason why the child-rearing and disability drop-outs cannot apply to the expanded CPP? Or is this a political question?

Mr. Glenn Purves: No, I think it has to do with the focus of the enhancement. The view of the CPP enhancement is not...and perhaps it's the reason why I'm having difficulty with your line of questioning.

From a Canadian standpoint, you're still going to benefit from a host of measures under the CPP core. I think as Marianna had outlined, there is a host of benefits there. The focus of the enhancement has very much been on income replacement. I hate having to keep coming back to this, but that is really the objective of this enhancement, to increase the income security of retiring Canadians going forward.

Marianna had mentioned some statistics just on the child-rearing side. Keeping in mind that this enhancement takes place over many years, if there is a view down the path, through these triennial reviews, that there have to be changes made to take into account issues, then that's the time to look at these issues through those triennial reviews. We will keep stock of these issues and the calibration that we have with respect to the enhancement and the base CPP as it goes forward. But for the purpose of the decision taken in June, the focus was on the income replacement side.

Mr. Scott Duvall: Mr. Purves, the previous government, when they made adjustments to the CPP, made increases so that if you wanted to retire early the percentage went up. I think it's now 35% if you take it at the age of 60. It used to be 30%.

Ms. Marianna Giordano: It's 36%.

Mr. Scott Duvall: It's 36%. So one of the things I was wondering about is people are complaining that we're not doing anything now for the people who are retiring. As they're going forward, nothing is going to help them. It's all going to help the people going forward, say, 10 or 15 years from now.

Was there any cost that was done to put that back down to 30%? Could it be done?

● (1750)

Ms. Marianna Giordano: There was no cost done to look at the actuarial factors when they were increased in 2009. They were increased to bring them to neutrality, to ensure it's neutral to the plan. So if you take your retirement earlier we pay it for a longer period of time. Therefore, you are receiving the same amount in the plan for which you've contributed. If you take it later, if you delay it as well, we've increased our actuarial factor to 42%. So you take it for a shorter period of time but you will be receiving more. It's a neutrality. There is a provision in the legislation that requires that these actuarial factors be looked at every third triennial review.

Mr. Scott Duvall: Okay, but it hasn't been looked at, it wasn't brought up, right? That's what I'm hearing.

Ms. Marianna Giordano: This wasn't part of the enhancement discussions, no.

Mr. Scott Duvall: So that wasn't brought up and the actual child-rearing wasn't brought up.

I have one last question.

Mr. Michel Montambeault: I would just say that the 27th actuarial report that we just released has reviewed the actuarial factors, and they are still cost neutral to the plan. But they were reviewed in the 27th actuarial report just recently.

Mr. Scott Duvall: But not to the enhancement.

Mr. Michel Montambeault: To the enhancement it's the same factors as under the base CPP.

Mr. Scott Duvall: Okay. That's a different answer. I'm glad you clarified that.

Bill C-26 has provisions pertaining to the insufficient rates section of the current CPP act. This section deals with what happens if the actuaries show that the contributions flowing to the CPP are insufficient to fund the benefit. Can you describe what happens if the same pressure came on to the expanded portion of the CPP?

Mr. Glenn Purves: Under the legislation it's the same provisions. But through regulations, effectively, that will follow, there will be additional context provided on solvency standards and so forth.

Mr. Scott Duvall: Okay. Thank you.

The Vice-Chair (Mr. Ron Liepert): I don't have any other speakers on the speakers list. We have two gentlemen who joined our committee.

Did either of you have any questions that you wanted to ask?

Mr. Mark Gerretsen (Kingston and the Islands, Lib.): I don't.

The Vice-Chair (Mr. Ron Liepert): Mr. Bratina, did you have a question?

Mr. Bob Bratina (Hamilton East—Stoney Creek, Lib.): Well, at my age I'm not going to benefit much, but I sure hope your calculations are right.

Voices: Oh, oh!

The Vice-Chair (Mr. Ron Liepert): You're supposed to be asking questions on behalf of your constituents, sir, not on behalf of you.

Mr. Bob Bratina: No, I'm fine. Thank you.

The Vice-Chair (Mr. Ron Liepert): You're okay? Good.

Is there anyone else? If not, I'd like to thank officials for being here today, and we'll adjourn the meeting.

Thank you.