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Monday 30 March 2015

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Lundi 30 mars 2015

**Standing Committee on
Social Policy**

**Comité permanent de
la politique sociale**

Ontario Retirement Pension
Plan Act, 2015

Loi de 2015 sur le Régime
de retraite de la province
de l'Ontario

Chair: Peter Tabuns
Clerk: Valerie Quioc Lim

Président : Peter Tabuns
Greffière : Valerie Quioc Lim

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON SOCIAL POLICY

COMITÉ PERMANENT DE LA POLITIQUE SOCIALE

Monday 30 March 2015

Lundi 30 mars 2015

The committee met at 1400 in committee room 1.

ONTARIO RETIREMENT PENSION PLAN ACT, 2015

LOI DE 2015 SUR LE RÉGIME DE RETRAITE DE LA PROVINCE DE L'ONTARIO

Consideration of the following bill:

Bill 56, An Act to require the establishment of the Ontario Retirement Pension Plan / Projet de loi 56, Loi exigeant l'établissement du Régime de retraite de la province de l'Ontario.

The Chair (Mr. Peter Tabuns): Good afternoon, everyone. We're here to resume public hearing on Bill 56, An Act to require the establishment of the Ontario Retirement Pension Plan.

Please note that the agenda has been revised since it was sent out last week. The 3 p.m. and 3:30 p.m. witnesses have been switched. You have the revised agenda in front of you, members of the committee. Also, our last witness for today is at 5 p.m. and no further witnesses have been scheduled after that. Note that additional copies of written submissions have been distributed to the committee.

For those who are presenting today, each presenter will have up to five minutes for their presentation and up to nine minutes for questions from the committee members, which will be divided equally among the three parties. Today's rotation starts with the official opposition.

CUPE ONTARIO

The Chair (Mr. Peter Tabuns): Our first presentation is from CUPE Ontario, Mr. Fred Hahn. Fred, if you'd take a seat and introduce yourself for Hansard. At the one-minute-to-go mark, I will tell people they have 60 seconds left. Please proceed.

Mr. Fred Hahn: Thanks very much. My name is Fred Hahn. I'm the president of the Canadian Union of Public Employees. We're the province's largest union and we have more than 240,000 members who work in virtually every community and every riding across the province. Our members provide services that help make Ontario a great place to live.

We're employed in five main sectors of the broader public sector: health care, municipalities, school boards, social services and post-secondary education. Our members look after Ontarians in hospitals, at home and in long-term care. We provide support and educate the next generation from their first day in a child care centre through primary and secondary school, all the way to university. We help keep our lights on, our water clean, our neighbourhoods safe and clean. We provide emergency medical services when needed. We make life better for developmentally challenged adults and children and we protect children at risk.

I want to tell you a little bit more about our members by way of demographic stats. Our members are 68% women. Sixty-four per cent of them are permanent, full-time employees, and about 14% are in part-time employment. The other 22% are in more precarious arrangements: They are relief staff, they are on call or they are temporary employees. Many of our members are in low-wage occupations and our average wage across all of our members is about $38,000 a year. Seventy per cent of our members have some form of retirement arrangement at work. Some have workplace pension plans that cover the full range of kinds of pension plans and some contribute to workplace RRSPs.

We're here today to talk about Bill 56. Really, Bill 56 is about retirement security. There's a lot of agreement between us as CUPE and many others, including, I would say, the government of Ontario, that action needs to be taken on retirement security. In fact, we've agreed, with many others, that the very best way to do that, to provide enhanced retirement security, not just for people in Ontario but across Canada, is to enhance the CPP.

Given the lack of government action at the federal level, it's understandable that the Ontario government would try to move forward to try and address this issue here. But what is being proposed in Bill 56, the current ORPP, will actually leave millions of workers out, still struggling to cobble together enough income in their retirement. That will include many members of our union.

The ORPP isn't actually, in its current form, a public pension plan. It's a workplace pension plan for people who don't have one. But a public pension plan, in our view, is a public pension plan like the CPP. It is a universal plan available to all.

Like many Ontarians, our members have divided work experience. They can work for multiple employers and have different types of work over the course of their careers. That can mean that they can have access to multiple, different kinds of pension arrangements, have split service, have years in a workplace where they had no pension coverage at all. Without something that is universal and portable and a fully public pension plan, too many of our members would find themselves without the income replacement needed in their own retirement.

Now, you may think, "Look, many of your members are in good defined benefit pension plans." And they are. But I want to provide you an example from our school board sector where the vast majority of our members are actually 10-month employees. Those members are members of the OMERS pension plan, the Ontario Municipal Employees Retirement System, one of the largest and best defined benefit pension plans in our country. They contribute to that plan, as do their employers.

But a 10-month employee, an education assistant, a woman who may have had one or two children during the course of her working life, can contribute to that pension plan—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Fred Hahn: Oh, dear. That went by fast—and can end up with half of the meagre $18,000 that would be the normal amount our members would achieve.

Once you start excluding people from a pension plan, the line forms to the left and everybody wants exclusions. The administrative nightmares this will create, not just for the plan but for employers, will be difficult in many workplaces. Some members will be in and some members will be out. This plan, excluding certain people, could also inadvertently negatively impact the Canada Pension Plan. It presents a second, lower tier of pension coverage. Our experience is that once there's a second tier, the pressure goes to that lower tier, not to the higher one.

In conclusion, the ORPP needs to be changed—Bill 56 needs to be changed to make it a fully universal plan for all people in the province of Ontario.

The Chair (Mr. Peter Tabuns): Thank you, Mr. Hahn. Our first question goes to the official opposition.

Mrs. Julia Munro: Thank you for coming here today. When you mentioned that it's not public, it's a workplace, and obviously yours are workplace as well, I'm just wondering, from the comments that you've made, you're opposed to Bill 56?

Mr. Fred Hahn: We're opposed to Bill 56 in its current configuration. We think there needs to be enhanced retirement security. Workplace pension plans are one part of the suite of things that help to make up somebody's retirement income, including public pensions, like the CPP and the OAS. But if we're going to add on to that tier, it needs to be something that's universal for all people. That's why we say that enhancing the CPP would be the best way to do that.

In its current configuration, Bill 56 needs to be amended to make sure that there are no exclusions, that everybody who works in the province of Ontario will contribute and be a member of a new pension plan.

Mrs. Julia Munro: Are you concerned about the notion or the question about having a comparable pension plan that automatically creates exceptions? Can you comment on that?

Mr. Fred Hahn: I'm very concerned about it. I tried quickly to provide an example where defined benefit pension plans are considered comparable plans, but even for our members, who can work for 25 years as educational assistants in the school board sector, as 10-month employees they're not considered full-time employees in their plan. The majority of those workers are women. If they take one or two leaves as a result of having children, that also decreases their pension at the end. At the end, they can retire with $7,000 to $9,000 a year in pension. Now, that's better than nothing, but it is absolutely in need of augmentation and enhancement. That's why we don't believe those workers should be excluded.

Mrs. Julia Munro: I know we're discussing Bill 56, but the government also has—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mrs. Julia Munro: —Bill 57. I wondered if you had had a chance to look at that.

Mr. Fred Hahn: Could you remind me what Bill 57 is?

Mrs. Julia Munro: It's the pooled registered pension plan.

Mr. Fred Hahn: Well, pooled registered plans aren't actually pension plans; they're RRSPs. They're investment mechanisms where the folks who benefit most from those kinds of vehicles are the investment folks who are charging higher fees. The best way to pool money is through a public pension plan. That's why we're saying, if we're going to create one in Ontario, it should be a universal one.

Mrs. Julia Munro: Thank you very much.

The Chair (Mr. Peter Tabuns): To the third party: Ms. French.

Ms. Jennifer K. French: Thank you very much, Mr. Hahn, for joining us today. I would like to go back to some of the comments that you had made when you were explaining about the average wage of your members and some of the average situations. You had given a specific example of educational assistants as part of an OMERS plan. We know OMERS could be considered comparable, although we don't know really what comparable would look like. Are there any other examples that you could give us of when some might be part of what could be considered a comparable plan that are not going to find themselves in comparable circumstances?

Mr. Fred Hahn: I come from developmental services. Where there are pension arrangements in developmental services, often those workers and those employers are part of what's called the multi-sector pension plan. It's a target benefit pension plan. Generally, the contribution levels there are about 2% from employees and 2% from the employer and the average wage there is under $40,000 a year. So even at a 2% contribution level in a target benefit plan at a wage under $40,000 a year for the term of your working life, most people will retire, again, with something, but not something that is sustainable or enough when matched with CPP. It's why we keep saying that all of these workers, whether they're in target plans, whether they're in defined benefit plans, every citizen of Ontario, in fact everyone across Canada, could and would benefit from enhanced retirement security.

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Ms. Jennifer K. French: We have yet to know for sure what some of the design elements are going to look like. We can bat that back and forth all day. But some of the things we have heard about, whether portability or really anything else—are there any other examples of why you think having exemptions would be detrimental to even the benefit of the plan itself?

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Fred Hahn: The most successful social programs are in fact universal. When we think about the CPP, our health care system, this is what makes them successful. They're universal. Everyone is part of them, everyone contributes, everyone is covered by them, no matter what their income, their status or their other circumstance.

By creating a plan that is not universal, it will, again, create pressure on those universal plans. It will, we think, potentially damage them. In effect, it is not a public pension plan. It doesn't serve the purpose of enhancing retirement security that's necessary for people across the province.

Ms. Jennifer K. French: Might it be an easier plan to manage if it's universal?

Mr. Fred Hahn: It would be incredibly easy to manage. Look, at one of our workplaces you could have an employer that had full-time people who were in a pension plan, part-time people who may have opted to be part of their pension plan, part-time people who did not opt to be part of their pension plan, and temporary employees or casual employees who would never qualify to be part of their pension plan, and an individual employer would have to track all of that, let alone—

The Chair (Mr. Peter Tabuns): Thank you. You're out of time on this question. We go to the government. Madame Lalonde?

Mrs. Marie-France Lalonde: First of all, I want to thank you for being here, but also I would like to say thank you to all your members, who work tirelessly in our schools, in our long-term care. That's something very sensitive for me as a previous long-term-care person.

The government ultimately, as you're aware—the preferred, I should say, is the enhancement of the CPP. Unfortunately, as you mentioned in your deposition, we're not there. They're not interested. Ontario is taking that leadership role to bring forward a plan, considering that we know about three million Ontarians won't have a plan or don't have a plan right now.

When I think about this plan and the predictability of having a stream of income—can you tell me, based on your knowledge, the benefit of that predictable stream of income for a person in Ontario?

Mr. Fred Hahn: Well, naturally, for all of us, when we retire, having a predictable stream of income is incredibly important. It's why we have agreed with the government of Ontario that enhancing the CPP is the very best way forward in that regard.

But what's being introduced here, because it excludes some people in the province of Ontario, actually has the potential—and I would believe this is inadvertent, not intentional—to damage the CPP. Were we to put in place the ORPP as it's currently configured, excluding over a million Ontarians, not only will we create a huge administrative challenge for that plan, a huge administrative challenge for many employers who would have to track whether or not a worker was eligible to be part of it or not, but we would be creating, in essence, a pension plan that is a lower tier than the current universal Canada Pension Plan—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Fred Hahn: —and should any government then say, "Look, if a progressive government like the Liberals in Ontario, who say they are progressive, think that it's sufficient to have a public program that actually excludes some people in the public, then maybe we should do that for others across the country." It could endanger something that we actually hold quite dear in our country.

Mrs. Marie-France Lalonde: I guess from my perspective, I'm quite concerned about the fact that some plans are very volatile. High fees have also demonstrated on the market that they can fluctuate. I like to think that this plan will bring that predictable stream of income to individuals who ultimately, in the long term, will be able to spend more money in our economy in contributions to the mom-and-dad grocers, any retail industry. We want to make sure, in the long-term aspect—

The Chair (Mr. Peter Tabuns): I'm afraid your time is up. Thank you, Mr. Hahn.

Mr. Fred Hahn: Thank you.

ADVOCIS

The Chair (Mr. Peter Tabuns): Our next presenter, Advocis, Mr. Pollock and Mr. Greene. Gentlemen, I'm sure you've heard the routine; you've seen us go through a cycle. If you'd introduce yourselves for Hansard.

Mr. Greg Pollock: Thank you very much. My name is Greg Pollock. I'm president and CEO of Advocis, the Financial Advisors Association of Canada. With me is Paul Greene, who is chair of the Advocis Retirement Income Adequacy Committee.

Advocis members are financial advisers and planners, providing comprehensive financial advice to Canadians through all stages of their lives, including estate and retirement planning, wealth management, insurance strategies, tax planning, employee benefits, critical illness and disability insurance.

In particular, our members provide retirement planning and investment advice to both employers and employees who are enrolled in defined benefit, defined contribution and capital accumulation plans, as well as individual and group RRSPs, RRIFs, tax-free savings accounts, annuities and other retirement products.

Advocis supports initiatives by the Ontario government that assist Ontarians in saving, building wealth and preparing for life events. We would caution, however, that these efforts should not be at the expense of the many solutions that already exist: assisting millions of Ontarians in their savings and retirement planning strategies.

In our view, much of the debate around the introduction of an ORPP has missed a critical element; that is, the central role that financial advice plays in the financial health of Ontarians. Our sense is that many believe, including legislators, that investing for one's future is a game of chance. This simply is not the case.

In 2012, a landmark study through the CIRANO institute, affiliated with the University of Montreal, examined the financial habits of 10,000 Canadian families and concluded that those that receive financial advice accumulate up to almost three times more assets than non-advised households. Last year, a PricewaterhouseCoopers study, Sound Advice, found similar results. Therefore, if we are to encourage the financial wealth and health of Ontarians, then financial advice must be part of the solution.

According to the PwC research, there are 37,000 independent financial advisers in Ontario, serving 4.8 million households. Paul is one of these advisers. A report last month by McKinsey and Co., Building on Canada's Strong Retirement Readiness, reported that 83% of Canadians are currently on track for retirement. Together, let's ensure that whatever ORPP solution we land on, it does not place in jeopardy or have the unintended consequence of reducing access to individual financial advice.

In its recent consultation paper, the government addressed the issue of comparable plans. Their preferred approach would exclude DC pension plans, group RRSPs, group TSFAs, PRPPs and deferred profit-sharing plans. We believe the definition of "comparable" must include such plans. To do otherwise will lead to many of these plans being eliminated or reduced, resulting in the unintended consequence of less savings for this large group of Ontarians.

Advocis believes that Ontario's employers and employees should be able to choose from alternatives to the ORPP, provided the alternative plan has certain key features similar to the ORPP, specifically with regard to contribution rates. So, how might we move forward?

At the very minimum, all plans with a 3.8% or higher contribution level should be included in the "comparable" definition. Secondly, converting DC and group RRSP plans into annuities should be examined. After all, isn't a defined benefit plan just an annuity—

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Greg Pollock: —providing guaranteed payments for life with minimum guarantees on premature death? Thirdly, PRPPs with auto enrolment, as well as voluntary opting-out provisions, should be implemented.

Another consideration, although within federal purview, is to make adjustments to existing retirement accounts, such as increasing the age limit for contributions to RSPs from age 71 to 75 or lowering the RRIF minimum withdrawals.

And finally, also at the federal level is the tremendous potential of the relatively new TFSA option. People who are in their twenties today will be able to accumulate significant amounts in their TFSAs by the time they retire, with no tax consequences.

In conclusion, today there are millions of Ontarians benefitting from retirement planning advice from financial advisers. We believe that whatever solution Bill 56 adopts, it must account for the many retirement programs already in place. To do less will destabilize a major leg of the retirement planning stool, leading to less financial independence for Ontarians.

The Chair (Mr. Peter Tabuns): Thank you, Mr. Pollock. To the third party: Ms. French.

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Ms. Jennifer K. French: Thank you very much for joining us today at Queen's Park and obviously bringing a very invested, if you'll pardon the pun, voice on this topic. I certainly don't have to talk to you, I wouldn't think, about the importance of financial wealth and health.

I appreciated when you were commenting on the initiatives being taken in terms of savings and growth of wealth and preparing for life events. I think that's something that we often forget, that life happens and it's difficult to plan or prepare for it, but many who are facing retirement and those without a solid plan for retirement or a solid, stable income worry about what's coming in life more than just the money, but they'll hold on to it and they won't participate in our economy. I think I'm preaching to the choir in terms of talking about the importance of retirement and savings.

I'd be interested—we've heard the 83% a lot from the McKinsey study. I wish I had it in front of me. It talks about households being on track for sustaining or maintaining their current standard of living, or exceeding, but I wonder if you could tell me—because I haven't had this answer yet—what defines a household? Is it someone in a position to own a home or would it be someone in low-income rental accommodation? Do you know?

Mr. Greg Pollock: Do you want to—

Mr. Paul Greene: My answer to that, as a financial adviser with 41 years' experience, is that a household is whoever stays together in a relationship and pools the sources of wealth. It can be any number of things, from single to married to common law—I think you know all the definitions. I don't think household necessarily refers to property ownership.

Ms. Jennifer K. French: Okay. I wasn't sure of that, and we hadn't gotten that answer.

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Jennifer K. French: Also, "on track" to maintain or exceed their current standard of living: Can that also include those in impoverished situations currently, to be on track to maintain or exceed?

Mr. Paul Greene: I think there's lots of research on the fact that at low levels of income, the Canada pension, the GIS and the OAS do a very good job in replacing a substantial portion of a low-income earner's income at retirement. Actually, the research is more that it's the middle class. Wealthier people have a chance to take care of lots of deductibility, lots of sheltering, lots of deferral, which are great. It's your middle class that is squeezed at the moment.

Ms. Jennifer K. French: And as the government is putting forward their plan to come up with the body that's going to manage this plan, do you have insight or ideas, advice for them on who that should be or how that should be managed?

Mr. Paul Greene: Again, I've been involved in the pension business for 41 years. I acknowledge the—

The Chair (Mr. Peter Tabuns): I'm sorry to say that you're out of time. We go to Ms. Vernile with the government.

Ms. Daiene Vernile: Thank you very much, Mr. Pollock and Mr. Greene, for coming and speaking to us today. I'm going to start by stating perhaps the obvious, and that is that you're in an industry—you represent financial advisers and planners in Canada who have a vested financial interest in maintaining the status quo and not moving forward with this particular plan.

You talked about the reasons why people don't invest and how it is considered to be a game of chance, but you argue that it's not when you invest. Yet I look back at the recession in 2008, when many people who were retiring then—I've a friend who's a teacher who lost one third of her pension value with what was happening in the markets. She was 65 and had to go back to work. She got a job as a massage therapist, so she'd have enough money.

I want to talk to you about the predictability of the markets and having retirement security. The reasons why people don't invest—we have such volatility in the job market today and pension plans don't follow you when you go from one place to the next. We also see volatility in the markets that are not dependable, as mentioned. We have high management rates and fees. We have low interest rates today.

So when you look at what your Old Age Security pension is going to pay, as well as your CPP, it can be as high as $12,500 a year, but the current average is $6,800 a year. Is that enough on which to live?

Mr. Paul Greene: Ma'am, you've raised a lot of points and some of them are not correct. The maximum of the OAS and CPP combined is about $19,500 per year.

Ms. Daiene Vernile: CPP only?

Mr. Paul Greene: CPP and OAS, ma'am, are $19,500 for 37 years of service.

Ms. Daiene Vernile: Yes, but I was referring to CPP.

Mr. Paul Greene: Going back to your comment about markets, yes, markets are volatile—and it also deals with the comments of the previous person who asked the question. But remember—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Paul Greene: —markets are going to be really volatile for the plan sponsor of this, and the Ontario government is going to be the sponsor, the administrator of this huge pile of investment. If markets go up and markets go down, so does this.

It's interesting: I manage about $800 million. We manage about 50 pension plans, involving something around 20,000 employees. Group retirement money is unbelievably sticky, and actually the vast majority of people in defined contribution pension plans, group RRSPs and deferred profit-sharing plans who held the fort are actually probably better off, although the pain of the volatility was bad at the moment.

Sadly for your teacher friend, she took horrible advice. Actually, courts have now ruled that they're not even allowed to do it, where you cash out the DB plan.

Ms. Daiene Vernile: So we are looking, though, at a predictable stream of income.

Mr. Paul Greene: Yes, but the plan sponsor has to endure all the volatility. Volatility will come and go.

The Chair (Mr. Peter Tabuns): I'm afraid to say that you're out of time. We have to go to the official opposition. Mrs. Martow?

Mrs. Gila Martow: Would you like to continue what you were just saying or have you wrapped up?

Mr. Paul Greene: I just think that volatility is going to come and go. We certainly found out in 2008 and 2009 that there wasn't a government in the world big enough to manage the volatility.

Mrs. Gila Martow: Exactly.

Mr. Paul Greene: My colleague has a comment that he'd like to make that I think is very germane and part of your question.

Mrs. Gila Martow: Sure.

Mr. Greg Pollock: I think, just related to that, if you look at—we provide a number of charts—the plan contribution levels, the 3.8%, you'll see today what's being contributed to group RRSPs: an average of 7.8% with employer-employee; and with DC plans, almost 11%. Our concern is that by starting an additional plan with some of these employers, it's very possible that they will say, "Look, we now have another plan to administer, so let's get out of this DC plan as an employer," or, "Let's get out of this group RRSP as an employer." We have a serious concern about that.

Mrs. Gila Martow: I think that's one of our concerns over here. What we see possibly happening is that people who have a better plan in place, either matching RRSPs or some kind of other savings for retirement plan with their employer contributing, are going to actually get less in employer contributions and less money at retirement, which would defeat the whole point of the member opposite, who said to the previous presenter that these people have more money at retirement to spend in the economy. Well, there's going to be a chunk of people who are going to have less money in retirement.

Eighty-three per cent of people—studies keep telling us that most people are on track for retirement. In your opinion, if this plan, as it is now, without amendments, was brought in, how many more people would be on track to retirement? It's still not going to be 100%. We heard from CUPE that there are a lot of part-time workers and relief workers and contract workers—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Paul Greene: Not only can it not deliver 100% coverage, but we would argue—and actually, after 41 years and the volume of business we do, I surveyed my clients. They are going to pull money off the table. ORPP actually maroons money. It takes away from the availability of capital to manage their own wealth, and overall it would take away.

Mrs. Gila Martow: So there would actually be fewer people ready for retirement.

Mr. Paul Greene: Absolutely, especially over the course of the next 10 or 15 years, until this got some momentum.

Mr. Greg Pollock: If I could just make a quick comment on fees as well, because I did hear it previously in the questioning—high fees, private sector, self-interest in terms of fees and so forth—I'd strongly encourage you to read our brief, because when you compare the fees, say, in the Canada Pension Plan Investment Board to those of DC plans that are currently administered privately, they are absolutely comparable, but there's this—

The Chair (Mr. Peter Tabuns): Sir, I'm afraid you've run out of time.

Mr. Greg Pollock: Thank you.

The Chair (Mr. Peter Tabuns): Thank you very much for your presentation today. I appreciate it.

COLLEGES OF APPLIED ARTS AND TECHNOLOGY PENSION PLAN

The Chair (Mr. Peter Tabuns): The next presenter is the Colleges of Applied Arts and Technology Pension Plan, Derek Dobson. Mr. Dobson, you'll have five minutes to speak and nine minutes of questions. I'll give you notice when you're getting close to the end. Please proceed and introduce yourself for Hansard.

Mr. Derek Dobson: Thank you. My name is Derek Dobson, the CEO and plan manager of the CAAT pension plan, which administers the pension for 40,000 members inside the college system. We have about $8 billion in assets currently under management. I'm also a father of three, a proud Ontarian and a full-time student of pensions for the last 28 years, and I'm still learning.

Adequate retirement savings programs are the cornerstone for a healthy Ontario, both now and in the future. Through well-designed, stable retirement programs, Ontario will benefit from stronger health care, lower levels of pensioner poverty, and much-needed investment in infrastructure. Given the clear needs of the future, we must turn our focus to delivering pension income as efficiently as possible.

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We appreciate the government's recognition of the superior efficiency of pooling in defined benefit and target benefit plans. Such plans can deliver predictable retirement income that fosters the well-being of the elderly and their families while easing pressure on government health care and social programs by providing a source of deferred taxes and healthier retirees. Strong pensions also benefit employers and taxpayers.

The CAAT Pension Plan fully supports the principles behind the ORPP. A sophisticated and advanced province should use its power to assist Ontarians in finding ways to save for retirement efficiently and at an appropriate cost. The ORPP is a positive step, especially for those who do not have access to a secure and efficient defined benefit plan.

Turning to implementation, where a workplace already has a strong and secure defined benefit pension plan available immediately upon hire, we believe part-time employees should be exempted from automatically joining the ORPP. The key rationale supporting this:

(1) In the longer term, employees would be better served by joining an efficient existing DB pension plan that is tailored to their needs.

(2) Part-time employees may need more time to assess their retirement savings needs and options.

(3) The reduction in part-time members would have a negative impact on existing plans.

(4) Limit the administrative costs of having employees move between the ORPP and existing pension plans.

Accordingly, we urge the government to focus on Ontarians with the greatest need, namely those without full access to a comparable workplace pension plan, in designing its implementation strategy.

Failing this, we request that when phasing in the implementation of the ORPP, those with full access to a comparable pension plan should be the last to be required to join the ORPP. This will allow large employer pension plans like CAAT to work with our employers and member groups to develop needed communication tools and programs to allow part-time employees to properly assess which pension plan will best suit their needs in retirement. This may be a complex decision for many employees and we must ensure it's a well-informed decision.

In closing, the ORPP is a good step in the right direction for Ontario. Thank you.

The Chair (Mr. Peter Tabuns): Thank you. Our first question goes to the government. Mrs. Mangat?

Mrs. Amrit Mangat: Thank you, Mr. Dobson, for your presentation, and welcome to Queen's Park. My understanding is that in your presentation you said that the ORPP is a positive step in the right direction. Similarly, last week, a presenter also made similar comments and he said, "The proposed ORPP is a good economic and social policy. For example, it reduces the number of retirees below the poverty line and addresses workers in precarious employment. Not enough workers can save using RRSPs." That's what you mean? Do you agree with that statement?

Mr. Derek Dobson: In general, I do. I think coverage is a big issue we have to deal with, not only in Ontario but across Canada. All the stats from Stats Canada show that people are well underutilizing the RSP room and you need to fully utilize that at the time it's available to have an adequate retirement income. So steady, predictable contributions over your career are the best way to save for retirement.

Mrs. Amrit Mangat: So do you agree that our government looking to address a problem that we are seeing on the horizon is right?

Mr. Derek Dobson: The future of Ontario for retirees is much different than it is today. The direction of adding to retirement income savings is definitely a positive step forward. So, yes.

Mrs. Amrit Mangat: So how do you feel that the ORPP can benefit the workforce you represent in the present and into the future?

Mr. Derek Dobson: The workforce of the college system is already well served by the CAAT Pension Plan. There are some part-time members who are not required to join our pension plan, although we offer it immediately when they're hired. This is a very progressive stance from our plan sponsors. So for those who have chosen not to join the CAAT Pension Plan—one example might be because they're not going to be in the college system for a long time—the ORPP would benefit them.

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Derek Dobson: For those who want a lower savings target because they're already adequately covered, the ORPP would also be an option for them. But by and large, our members are well served by the current pension arrangement.

Mrs. Amrit Mangat: Thank you.

The Chair (Mr. Peter Tabuns): Thank you. The official opposition: Mrs. Munro.

Mrs. Julia Munro: Thank you for coming this afternoon. Just to make sure I'm on the right track here, obviously it's fair to say that you support Bill 56 as it is presented to us?

Mr. Derek Dobson: Definitely the principles behind it. There's always room for tweaks, but yes.

Mrs. Julia Munro: Yes, and I would want to echo a sentiment that you raised in terms of the benefit of the defined pension at community colleges, because it did set them up when the college system was set up.

My concern is people I think of who are in my riding. Those are people who work in businesses that are generally small employers. They're looking at this as a tax. The moment they feel the hand of government going into their pocket—it doesn't matter what you call it—they believe it's a tax. I think we have to be very vigilant on that side of the discussion because margins aren't that great in many businesses, so there's a significant concern about it.

I'm just wondering: When you're here in the position you're in as a defined benefit, it's a very different world than the kind of thing that they're facing in the private sector, in small business particularly. The issue then becomes one of, "Is this the right time? Is this the right amount?" particularly when there's no definition of "comparable." What is "comparable," in your mind?

Mr. Derek Dobson: "Comparable," in my mind, is something that can deliver a retirement income stream. That's all retirees should really care about: What are they actually going to get paid in retirement? When you look at a defined benefit pension plan, that is defined up front. That's essentially what the ORPP is. So to define "comparable" for any other vehicles, you would have to determine—

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Derek Dobson: —what level of contributions would be necessary to replicate that style of benefit in retirement. "Comparable" for me is really on the income stream that the ORPP is designed to replace.

There's clear evidence that defined contribution plans and RRSPs and TFSAs are less efficient. I brought with me a study from Dr. Robert Brown, president of the institutional association of actuaries. He suggests that DB plans like the ORPP and the CAAT Pension Plan are 77% more efficient. For small business owners and Ontarians, I would want them to try and make their dollar go as far as possible and have this type of large, low-cost style of pension plan. I think that would be a positive step.

Mrs. Gila Martow: So you agree with forcing employers, though, to switch?

Mr. Derek Dobson: If you can tell your employees—if you have a 4% DC plan, and you're changing it for a 4% ORPP—that their income will almost double, that's a good deal.

The Chair (Mr. Peter Tabuns): Third party: Ms. French.

Ms. Jennifer K. French: Thank you very much for joining us here today. I appreciated at the beginning when you said that you're a student of pensions. I myself am also a student of pensions, and there's a lot to learn. I'm learning that here at committee as well.

I'd like to have you elaborate, if you wouldn't mind: You said that the ORPP or a plan like it would be important for easing pressure on our social systems. If you could just maybe expand a little bit on that?

Mr. Derek Dobson: Sure. There are a lot of Canadians and Ontarians who aren't properly saving for retirement, and there's a lot of studies that suggest that the less secure you are financially, the more you utilize health care at the wrong levels and the more you utilize social programs like GAINS and GIS and those things. Having adequate savings built up over your working career will necessarily bring those ultimate costs down. It's really about paying a little bit now or paying a lot more later, from my perspective.

Ms. Jennifer K. French: As you said, there's always room for tweaks. We have yet to see the design pieces of this and what it will look like. I certainly hope that you'll be lending your voice as they continue to consult on what that would look like. Do you have thoughts today that aren't in this? I see that you've given advice about the implementation, but in terms of the design, do you have anything you'd like to add?

Mr. Derek Dobson: In terms of a predictable stream of income, that's very important from a savings target perspective. In terms of replacement income, I think there's a big debate in the industry about whether—as the previous speakers said, it's really middle-income Canadians. So what's the low-income threshold where contributions and benefits should start? I think that's a very big issue. One thing that I'd caution the committee against is necessarily—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Derek Dobson: —assuming that CPP enhancement will come. I think it's better to just design the plan for the needs of Ontario today, and if CPP enhancement does come, then to address changes or the evolution of ORPP if that eventuality comes. Those are a couple of the design things that I would bring up.

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Ms. Jennifer K. French: You had also said that you offer the option to join for your part-time employees. Do you see that there is a place in the conversation for the ORPP to have an optional opt-in for those who might be exempted, as they could also—do you see a benefit to that?

Mr. Derek Dobson: I think that would be a good discussion to have, to see whether it's member choice, because they already have access to a solid defined benefit program and they may have made decisions to opt out of the CAAT Pension Plan for very valid reasons. So that is worth a conversation.

Ms. Jennifer K. French: Thank you.

The Chair (Mr. Peter Tabuns): Thank you very much.

CANADIAN FEDERATION OF INDEPENDENT GROCERS

The Chair (Mr. Peter Tabuns): Our next presenters, then, the Canadian Federation of Independent Grocers, Gary Sands and Christy McMullen. You've seen our routine here: five minutes—

Ms. Christy McMullen: Yes.

The Chair (Mr. Peter Tabuns): All of that. That's great. If you'd introduce yourselves for Hansard, we'll start the clock.

Mr. Gary Sands: I'm Gary Sands, vice-president of the Canadian Federation of Independent Grocers.

Ms. Christy McMullen: My name is Christy McMullen. I am a third-generation grocer with two stores and 240 employees.

Mr. Gary Sands: Thank you, Mr. Chair, and to members of the committee, on behalf of the Canadian Federation of Independent Grocers, for the opportunity to be here this afternoon to express our position with respect to Bill 56, providing for the establishment of the Ontario Retirement Pension Plan.

The CFIG represents, of course, independent grocers and distributors across Canada. Our membership includes large, medium and small-sized stores. In Ontario, independent grocers represent close to $4 billion in retail sales, accounting for more than 30,000 jobs in ridings across the province.

At the outset, CFIG wishes to express our appreciation to Minister Hunter for her outreach to us on this particular issue. Notwithstanding CFIG does not agree with the government on the issue of Bill 56, we want to acknowledge the genuine interest by the minister and her staff in hearing our concerns and facilitating a dialogue with us.

CFIG certainly would like to echo many of the concerns I believe this committee has heard from other associations and organizations about the bill. I know, as chair of the Small Business Matters Coalition in Canada, which has 21 member trade associations representing close to 98,000 businesses, that there is widespread concern with this legislation from the small business community.

However, in my role as vice-president of CFIG, I want to use this opportunity to try and help you understand the particular and unique challenges our retail members face, which differentiate us from many other businesses. This is because it has become very clear to us over the last few weeks, in dealing with the Ontario government on the beer and wine issue, that there is a significant lack of understanding of both how our industry works and some of the disturbing issues that confront the retail grocery industry today.

While this committee is understandably focused on the particulars around the legislation contained in Bill 56, for independent retail grocers, the context for the ORPP is one of operating on an uneven playing field dealing with a myriad of challenges and other cost pressures that I know Christy McMullen can also talk about as a store owner and operator.

The ORPP is, in essence, a payroll tax of 1.9% on businesses, with absolutely no linkage to the profitability or circumstances of the business. Everyone is treated, for the purposes of the legislation, equally. But for our members, things are not equal. We already exist on that uneven playing field.

Retail grocery is a high-volume, low-margin sector. It operates on margins of between 1% to just under 2%. But in Canada, particularly in Ontario, retail grocery consolidation, the most recent examples being the Loblaw purchase of Shoppers Drug Mart and the Sobeys purchase of Safeway Canada, has created more of an imbalance and tilted that playing field even more.

A corporate chain retailer can and does exact what they euphemistically describe as "cost synergies" from a myriad of suppliers, or can impose penalties on suppliers for any number of reasons. These chains also "invite" suppliers to pay for their store renovations, or help them underwrite the cost of acquisitions they have made, which ironically have increased their leverage and ability to impose those retroactive cost synergies on suppliers. Of course, this in turn has an impact on the independent retail grocer with their supplier relationships and what is defined as trade spend. Yet at the same time, the independents' tight margins remain unchanged, so consolidation has been very much at the expense of both suppliers and independent grocers in Canada. These practices have raised concerns with the Competition Bureau and investigations are ongoing, but in the—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Gary Sands: Okay. Then I'm going to move along because you've got the brief.

We also want to draw your attention to high credit card swipe fees. The credit card fees in Canada remain significantly higher than in other jurisdictions. Again, this federal government has opted for a voluntary approach so we're not too optimistic about what's going to happen. That takes about $5 billion to $7 billion out of the pockets of retailers.

We've also drawn your attention in our brief to some of the other additional costs that grocers face that other retail sectors don't, such as the cost of food safety and labelling. We very much support those things—let me be clear about that—but they are additional costs that we have.

As I said, most importantly, we've been seeing proposals—in this context, we've been telling you about our industry—to allow beer and wine in grocery stores along with some auction fees, and to us this is an additional barrier to entry for independents, providing yet another—

The Chair (Mr. Peter Tabuns): I'm afraid you're out of time.

Mr. Gary Sands: Okay.

The Chair (Mr. Peter Tabuns): We go to the official opposition. Ms. Martow.

Mrs. Gila Martow: Thank you so much for your presentation. We all know that most Canadians live close to the US border and that cross-border shopping for groceries is a serious concern for all of us. How do you think that this plan is going to affect cross-border shopping? Do you think that this cost is going to be put towards higher food prices, or else you're going to have to go out of business? Would this drive people to go across the border more often?

Mr. Gary Sands: It's either going to do that or, for the independents, what we see is our stores closing. Since 1994, we've lost 25,000 independent grocery stores across Canada. With all due respect, if those were family farms, we'd be having a first ministers' conference, but we don't get the same degree of attention. That's what will happen.

That's why in a lot of areas of the province you're seeing what is now commonly referred to as food deserts. When the independents are gone, they're gone, and a corporate chain will make a different kind of decision as to whether they want to move into a different community. Those are the impacts of all of this stuff, the cumulative impacts. We're just trying to wave a red flag at everyone.

Ms. Christy McMullen: As a third-generation grocer, we're very passionate about the grocery business, but adding another tax and all this legislation and things like that is making it really difficult to want to stay in business when I could go and just sell my property and make a ton of money off of that. I don't want to put 240 people out of a job, but right now, another 1.9% out of my pocket is making it really tough for us to survive. It's going to cost me $145,000. Where am I supposed to get that money from next year? And it's not just one year; it's every year. It's just so easy for you guys to come in and say, "Let's put this other tax on them," and it's so difficult as an entrepreneur to feel excited about going to work every day when we're trying to do things that are so challenging.

Mrs. Gila Martow: My colleague has a quick question and I just want to make a comment.

The Chair (Mr. Peter Tabuns): We have one minute left.

Mrs. Gila Martow: Yes, go ahead.

Mrs. Julia Munro: First of all, I think of this as a mandatory bill. It's a mandatory 1.9%. We don't know why 1.9% was chosen. It's mandatory if you don't have a comparable pension etc. But I wanted to give you the opportunity to talk about why it's important for us as consumers that the independent grocer stays in the province of Ontario.

Mr. Gary Sands: Well, there are a number of reasons. One, even the manufacturers in the Canadian food industry would say it's very important to keep the independents in the channel, because having that diverse food supply channel is very important.

We have to be price competitive, but one of the big things we have to do is be able to differentiate ourselves, and a key component of our business model is buying local.

The Chair (Mr. Peter Tabuns): I'm sorry to say that you've run out of time here. We go to the third party. Ms. French?

Ms. Jennifer K. French: Thank you. I appreciate very much your being here. I'll let you finish that thought, if you wouldn't mind, and then I've got some questions.

Mr. Gary Sands: Buying local is a key part of the independents' business model, and the impact that we have on the on-farm sector, particularly in Ontario, is huge, but it's often overlooked.

Ms. Jennifer K. French: Thank you. I appreciated your comments earlier about the fact that you're seeing that significant lack of understanding for how your industry works. I certainly don't come out of the grocery business, but I come out of education and I know there are many fields where the front-line workers would like to feel heard and that those who are in their industry would like to have their voices heard. So thank you very much for bringing them today.

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When you bring up issues like swipe fees and your everyday business realities, those are important things for all of us to be reminded about.

There is something I'd like to ask you about. If the ORPP is going to roll out as promised, when it comes to the implementation side and phasing in, we've sort of heard what that could look like. Whether it's set in stone, that is the intent. Do you have thoughts on how it could maybe ameliorate the challenges?

Mr. Gary Sands: From our perspective—and I know I'm being somewhat parochial here in talking about the independent grocers—we would like it to be phased in when, finally, the federal government does something to bring in some regulatory controls or mechanisms that exist in many other jurisdictions, to prevent some of the abuses that we're seeing in the retail grocery industry. If we could have some restoration of normal fair practices in the industry, then we'd be having a more comfortable conversation about this issue too.

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Jennifer K. French: I think that for some of those things to happen, there does need to be that provincial-federal dialogue. Can I assume that you would also then encourage the government to have those positive conversations with the feds?

Mr. Gary Sands: We definitely do. We've been encouraging OMAFRA to have those conversations with the federal government.

Ms. Jennifer K. French: Thank you. If there's anything else you'd like to add in the 10 seconds?

Mr. Gary Sands: No. I'm glad you brought up the credit card fees. I wish I could talk to you about that one ad nauseam, as the chair of the small business coalition, because we're taking a huge hit. Small business is taking a huge hit there, but—

The Chair (Mr. Peter Tabuns): Okay. Thank you very much.

To the government: Madame Lalonde.

Mrs. Marie-France Lalonde: Thank you very much for being here. There are many points you've brought forward. I'm going to say I used to be a business owner. My husband owns a business. I come from a long-standing family of grocers, actually, so some of my family members have owned, at one point or another. So I won't pretend to know, but I certainly understand where you're coming from.

An aspect, though, that I really don't understand is the 1.9% that you refer to as a tax. I have to be honest. I had 97 employees. If that bill had been there, offering 1.9% towards savings for that employee, and also committing to that employee that I care for them enough that I want them to grow within my businesses—I have to say I don't see it the same way.

One other point that I want to make, and this may be—I don't know if you know this. We're planning—and this government understands the business side of things, and we want to make this as easy a transition as possible. I don't know if you're familiar with this, but this is a bill that will be, first of all, introduced to large employers, phased in over two years. It would also coincide with the EI portion, where the federal is going to be reducing.

As a previous business owner, in fairness, I remember in 2010, when my corporate taxes were reduced, that was a very nice incentive for me as a business owner.

I also look at our commitment—and I don't want to say the name, Bill 7, because that won't tell you anything—with the Better Business Climate Act, which is really reducing the regulatory burden on businesses by 17%.

Having said all this, I understand your perspective, and we want to continue that discussion. But how would you see that your employees—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mrs. Marie-France Lalonde: —would benefit from having more savings in the long term?

Mr. Gary Sands: We want to be in a position where we have the employees. That's where I think we have a bit of a divide, with all due respect, between us and the government.

And I would have to disagree with you again, with all respect: The conversations I have been having with the government over the last few weeks on the beer and wine issue have been indicative to me of a lack of understanding of how our industry works.

I'll give you, if I have time, one quick example. First of all, the retail margins in grocery, as I'm sure you know, are about four to five points less than in other retail sectors. Also, a lot of the money that comes to all grocery stores comes from what is call "trade spend." That's the money that manufacturers spend on in-store promotions, marketing, those kinds of things. If Loblaws, for example, says to all of the suppliers in Canada, "We're taking"—

The Chair (Mr. Peter Tabuns): Mr. Sands, I'm sorry to say you're out of time. It was a good point, but your time is up. My apologies; we have to go to the next presenter.

NATIONAL ASSOCIATION OF FEDERAL RETIREES

The Chair (Mr. Peter Tabuns): The National Association of Federal Retirees: Rosemary Pitfield. Ms. Pitfield, as you know, you have five minutes to present. There will be nine minutes of questions. I'll let you know when you're running out of time. If you'd introduce yourself for Hansard. Thank you.

Ms. Rosemary Pitfield: Thank you. Rosemary Pitfield, director of advocacy and communications with the National Association of Federal Retirees. Thank you very much for having me this afternoon.

The first point I would like to make is that none of our members, 185,000 strong, who are federal retirees—both public servants, Canadian Forces and members of the RCMP or federally appointed judges—will ever be able to avail themselves of the ORPP today, as they are all retired.

They have, however, huge concern that we ensure that all Canadians have adequate retirement income. Their biggest concern is for their children and their grandchildren. Our association sees this bill as being critical for our future. It really isn't, in our view, about current employees so much as about ensuring that youth, who we know will not be spending 20, 25, 30 or 35 years with a company in the future, but are likely to have five to six careers in which they may spend five to six years with each individual organization or company that they work for—that doesn't harken well for a defined benefit or a defined contribution plan, really any kind of savings plan that's developed by companies or organizations. We're also seeing a huge decrease in the number of defined benefit plans that are being provided by companies across the country, and even some defined contribution plans are now being eliminated.

While our association would much prefer to see CPP expanded—and we do see that the federal government, or current government, is not interested at this point in expanding it—we see the ORPP, or Bill 56, as a very positive step forward.

Having said that, there are some considerations we would like you to think on.

The association believes that employees and employers with comparable plans should not be excluded from the ORPP. Rather than trying to determine what a comparable plan is, there should be no exceptions, and every employee and employer should contribute to the ORPP. We see this as a universal plan and not as another form of pension plan. Some defined benefit plans can be poorly managed, so suggesting that this be comparable to a defined benefit plan could eliminate, as was pointed out by CUPE, many potential individuals.

As mentioned, we believe it should be a universal plan and that while someone may fall under a narrow definition of "self-employed" under the Income Tax Act, that does not mean they are truly self-employed. The province needs to ensure that these individuals do not fall between the cracks and that they have access to the ORPP.

Employers currently offering pension plans could expect their plans to work alongside the ORPP in much the same way as the CPP does: a mandatory retirement savings plan with no option for opt-out. Unfortunately, we know that the plans that are most solid in this country are the plans where a mandatory requirement to put money into the plans has been included.

We recently conducted some focus groups around the country, of which we conducted two in Toronto.

The Chair (Mr. Peter Tabuns): You have one minute left.

Ms. Rosemary Pitfield: Thank you.

We conducted two in Toronto, and I can tell you that Canadians and Ontarians are very, very concerned, including the youth. In Toronto, we heard from individuals who were 25 to 30 who expressed concern over the fact they thought they may have to actually help their parents in retirement. So, as suggested, we would highly recommend that one of the critical aspects of this plan be the universality of the plan.

Thank you.

The Chair (Mr. Peter Tabuns): Thank you. First question, then, to the third party: Ms. French.

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Ms. Jennifer K. French: Thank you very much for joining us at Queen's Park and for weighing in on this discussion. I appreciate that your members don't have a vested interest personally but that they do when it comes to their children and their children. It's interesting, because we do talk about future generations, and I realize that here at Queen's Park, there are many, many people running around these halls who are in the 25-year-old range. We're talking about them and we're talking about their retirement when we're looking at this plan. It's important to remember who we're talking about.

As you said, the five to six careers on average, and appreciating what you're saying about universality and not having people be exempted—not just from the ideology side of things but from a logistical standpoint, why do you think it would be better for it to be a universal plan?

Ms. Rosemary Pitfield: In essence, what we're seeing is that if the Canada Pension Plan isn't increased—which, as I said, would be our number one position—with the ORPP, this would be another layer that would provide protection in retirement.

If it's universal, it means that it's portable. As you change employers, as long as you stay in Ontario, you carry that plan with you, which means you're contributing from day one into a program that, when you retire, is available to you.

Ms. Jennifer K. French: Certainly, sometimes when you start a new career, even though you might have access to the ORPP, if there's a phase-in or it takes a while, as you said, you're only in those careers for potentially four or five years. So how many of those years that you're even there would you be eligible to contribute? All of that remains to be seen. Thank you for that point.

As you said, this ORPP could serve—

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Jennifer K. French: Thanks—as another layer. What we've been hearing a lot from those who are not enthusiastic about the ORPP is that it will be the end of all DC plans, and then everyone will shut down and stop their current plans, potentially.

Is it possible that the ORPP could serve as a supplement to many of these plans, or that those plans could serve as a supplement to the ORPP and not suddenly shut down?

Ms. Rosemary Pitfield: I think the concern that our association has is that, over the years, what we have seen is that plans are being shut down by companies. To suggest that the introduction of the ORPP would shut these plans down—I think they're already doing that, and we have a greater concern about that.

Ms. Jennifer K. French: Do you think that any of them could work alongside the ORPP?

Ms. Rosemary Pitfield: I think they could. As was pointed out, we certainly don't see 1.9% as a tax. We see it as an investment in people's retirement.

The Chair (Mr. Peter Tabuns): I'm afraid to say you're out of time.

Ms. Jennifer K. French: Thank you.

The Chair (Mr. Peter Tabuns): We have to go to the government: Ms. Vernile.

Ms. Daiene Vernile: Thank you very much for coming in and talking to us this afternoon, Ms. Pitfield.

A question for you: Earlier this afternoon, we had a presenter who sat in the chair where you're sitting right now, who told us that a large percentage of seniors today have no issues maintaining financial security on retirement, and that they're going to be able to maintain their standard of living. However, we do know that CPP pays out, on average, $6,800 a year, and we know that two thirds of Ontarians currently do not have a workplace retirement plan.

So, with that considered, tell me what your members are telling you about the realities of surviving as seniors with the salaries that we have now.

Ms. Rosemary Pitfield: Thank you for that. I can tell you that about 40% of our membership are over the age of 80, and probably about 25% to 40% of those are actually widowers and survivors, and a survivor pension is less than 50%.

Without something like the ORPP, the future generations who don't have what are our membership have—and our members understand that they have defined benefit plans, which is more than most people have, and the big concern for them is for the future.

We do hear from our members. The federal government has recently increased their cost for public health care, and I can tell you that I've had members sending letters in the last week who have indicated that they are going to have to cut their grocery bill, that they may have to stop taking certain medications because they can no longer afford it. There are people who can afford retirement, and that's wonderful, but there are many, many Ontarians and Canadians who cannot, and our members are included in that.

Ms. Daiene Vernile: When we see seniors who do have a stable, predictable income, what impact do we see on the economy?

The Chair (Mr. Peter Tabuns): You have a minute left.

Ms. Rosemary Pitfield: I would suggest—and we've actually seen it—that when seniors have a stable income, they actually have better health outcomes as well. So if we start to reduce what seniors have in retirement, then we're going to end up paying for it—and, I would suggest, double or triple—in our health care system.

Ms. Daiene Vernile: Thank you for the work that you are doing.

Ms. Rosemary Pitfield: Thank you.

The Chair (Mr. Peter Tabuns): To the official opposition: Ms. Martow.

Mrs. Gila Martow: Thank you very much for coming in. We're hearing from expert after expert—and it doesn't seem to end—saying that this is going to cause a huge reduction in jobs. I think that we would all like to see seniors have more income in their retirement. We would all like to see workers get paid more. We would all like to see people have more benefits. But we don't want to have people lose their jobs by the tens of thousands in order to have a better retirement for others.

Ms. Rosemary Pitfield: Unfortunately, one of the things that we are seeing is that seniors are having to go back into the workforce in order to be able to sustain their retirement, which means that, in fact, they're taking away jobs from the future.

Mrs. Gila Martow: But what do you say to the people who are about to lose their jobs in order to roll out a pension plan?

Ms. Rosemary Pitfield: We heard the same things when CPP was expanded the last time, and that did not occur. I think that there are things that people will say in a way to keep change from occurring, but one of the considerations that we truly have is that we are seeing seniors increasingly staying in the workforce longer and into their 70s in order to sustain their retirement. That's only going to increase.

Mrs. Gila Martow: And what I would say is that we're hearing from many of our constituents of seniors who have had to go back and get part-time jobs to pay their hydro bill because they've seen their hydro bill triple. So it's not just any one factor, and I think that's what concerns us over here. One thing doesn't happen without affecting others, and we're hearing that small grocery stores are already being squeezed for various reasons. In small towns, if seniors have to get a lift if they can't drive anymore because there's no longer a small grocery store to walk to—all of these are grave, grave concerns for our seniors. Thank you very much.

Ms. Rosemary Pitfield: Thank you.

The Chair (Mr. Peter Tabuns): Thank you very much.

ONTARIO FEDERATION OF AGRICULTURE

The Chair (Mr. Peter Tabuns): Next presenter: Mr. Don McCabe, Ontario Federation of Agriculture. Don, you've probably seen that you get five minutes to speak and nine minutes of questions. I'll tell you when you're running out of time.

Mr. Don McCabe: Thank you, Mr. Chairman. I'd like to also offer for the record that the vice-president of the Ontario Federation of Agriculture, Peggy Brekveld, has been able to join me today. We thank the committee for the opportunity to present.

There is a submission that I'll be referring to, but some of you around the table know that I'm usually pretty good at straying from the notes.

I'd like to just start off with the issue of painting a picture of who the Ontario Federation of Agriculture is and the sector we represent. We represent 37,000 farm members from across the province. They are producing 200 different commodities on the scale necessary to meet needs here and abroad. At the end of the day, the proprietorship and ownership of these entities is quite diverse, from sole proprietorship to corporate to all other sorts of partnership in between.

When it comes back to this particular Ontario Retirement Pension Plan Act, I wish to step through the three points that the OFA would like to highlight at this point that are in concert with the submission that we made earlier:

(1) Exempt non-resident employees with Ontario employment from mandatory ORPP participation;

(2) Define comparable pension plans broadly to encompass as wide a variety of retirement saving options as possible; and

(3) Closely mimic the CPP design in terms of administrative requirements, with some notable exceptions.

Stepping up and now going through these in a little bit more detail, our purpose in requesting the exemption of non-resident employees is because, in particular in the agricultural sector within the fruit and vegetable or horticultural aspect of our business, we have a great number of employers out there who are using a seasonal worker program to bring in folks. At the end of the day, regardless of whether it's horticulture or any aspect of agriculture, the reality is that we buy at retail, we sell at wholesale and we pay the trucking both ways. Therefore, the issue of putting in this sort of a pension plan requirement is another cost to a business. That, , as I've alluded to with regard to the proprietorship issues, can end up being a drain on the business itself.

1510

When we burrow down in the horticultural sector and this issue with the non-resident employees, we are seeing that this would be a transfer out of the country to folks who have come here for work. We certainly appreciate it because there's nobody else who is willing to do it. But at the same time, the issue of this request for exemption is that these folks have been paid for their efforts, and the retirement should be for them.

Moving to the issue of defining comparable pension plans, the ORPP does very clearly include an exemption of employees with a comparable workplace pension plan. Our concern is that there's no clarity at this time as to whether the current employee retirement benefit package will be considered comparable. We would like to see Bill 56 offer clarity to that issue. The OFA believes that "comparable pension plans" should be broadly defined to encompass as wide a variety of retirement saving options as possible. Again, clarification is absolutely necessary. We do not want the ORPP to cannibalize other retirement savings plans because this will not help achieve the objective of enhancing the retirement savings of Ontarians.

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Don McCabe: Thank you, Mr. Chair.

Therefore, we're really wishing to see a broad definition of comparable pension plans to include all employee group RRSP plans and all registered single employer or multi-employer pension plans, whether they be defined benefit, targeted benefit or defined contribution.

Finally, the sooner that we can get this to be part of the Canada Pension Plan the better, because it will reduce administrative burden, and we wish to ensure that any complexities that would come out of this—as it is probably going to be enacted—would be minimized. We thank you for this opportunity to come before the committee today and ask you to refer back to our submissions here for more details.

The Chair (Mr. Peter Tabuns): Thank you, Mr. McCabe. We go to the government: Madame Lalonde.

Mrs. Marie-France Lalonde: Thank you very much for joining us today. I really appreciate your feedback, actually. As I understand, you had some opportunity to raise some of your concerns already with various groups on this issue. I don't know if you understand that Bill 56 is a framework for the Ontario Retirement Pension Plan.

One aspect that I want to raise with you—and maybe I'll have some of your feedback—is regarding the self-employed. I don't know if you know that self-employed Ontarians right now will be excluded, and the default is really at the federal level, unfortunately, because the act doesn't support that. So we're going to be working very hard to engage in conversation with our federal counterparts.

The landscape in terms of retirement savings in your industry, can you tell me a little bit about it?

Mr. Don McCabe: Thank you for the question. I wish to come back on the issue of the self-employed being exempted. It depends on how you wish to put that fence up on whether we're exempted or not. If it's a cost to our business—our business is our retirement plan, in some cases, because, like anybody else, you're going to wish to sell the business or move the shares over to others and so on and so forth; that is part of our retirement plan. The unintended consequences of having an added cost to that business can impact the longer-term issues of that business. With the 1.9% assessment that's here, using Stats Canada data, the Ontario Federation of Agriculture estimates the cost of the ORPP to Ontario agriculture to the tune of $20 million.

The Chair (Mr. Peter Tabuns): You have a minute left.

Mrs. Marie-France Lalonde: But I asked a question: Currently, if you look at the people who are working for you as a farmer, their retirement landscape, how does it look?

Mr. Don McCabe: That I cannot address directly because I believe it will depend on that individual's engagement with the industry they're involved in. It's a similar deal to saying that the minimum wage in this province is actually just a baseline. Folks who are more productive will have a higher wage and, therefore, would probably have a better opportunity. Whether or not pension plans then exist that help move that wage around, that is within that particular industry, and I know that some organizations are large enough to be able to offer benefits to that extent, but anything I would offer would not be conclusive.

The Chair (Mr. Peter Tabuns): Thank you. We're out of time. To the official opposition: Ms. Munro.

Mrs. Julia Munro: Thank you very much. There are several questions that I have, but I want to go back to a moment ago, when this bill was described as framework legislation. I think that's important to keep in mind, because what it means is that we don't have a definition of "mandatory." We don't have an idea of exactly who is in and who is out. Those are all the kinds of things that will be in regulation.

Regulation, of course, is a private, invitation-only process. It's not one that is like this venue. So I think it's important to keep in mind, because obviously, while the government talks about the 1.9%—that apparently is mandatory—we don't have a business plan that explains why it's that amount. That, obviously, is part of the framework. You have to kind of guide yourself through what is actually being put forward and what will come later.

Agriculture is a very specialized business. It has issues that other businesses don't, and I'm glad that you're here to be able to provide that kind of understanding for the committee.

The point that you made about the transparency of the rules—again, that's something that will come along in regulation.

I found it interesting when you said that you were looking at a $20-million cost for implementation. The Ministry of Finance, in an internal document, has suggested that for every $2 billion that is collected through this process, there would be 18,000 jobs lost. It gives you an idea—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mrs. Julia Munro: —of the kind of restrictions that we're faced with. How do you think that the average farm family/business is going to be able to respond to the 1.9%?

Mr. Don McCabe: Thank you for the question and the comments. I would offer up that the way that this will be responded to is to, in some cases, find more mechanization or remove that particular issue of commodity production from their business because they would not be able to warrant carrying that cost on their business. It will be decisions made at the farm level.

I wish to offer for the record that family farms can be corporations. The reason for that is that there are tax shelters to being a corporation. Ninety-seven per cent of Ontario farmers are family farmers, and some of them are corporations because they don't like Revenue Canada any better than anybody else does in this room.

The Chair (Mr. Peter Tabuns): And with that, we go on to the next question. Third party: Ms. French.

Ms. Jennifer K. French: Welcome to Queen's Park and thank you very much for joining us today.

I'd like to say that I appreciate your submission, reading through this, and I'll take the time to look at it more carefully. This is the first time, certainly in committee, that someone has brought up the issue of exempting non-resident employees.

I represent Oshawa and part of Durham region, and we have many seasonal workers who live and work in our communities. So while I'm not sure exactly where I land in this conversation with you and we don't have to debate it today, thank you for bringing a voice to another group.

I do have questions, though, as to your call to closely mimic the CPP in terms of administrative requirements, with some notable exceptions. I would give you the opportunity to talk about what those notable exceptions would be and how you would like it to diverge from the CPP.

Mr. Don McCabe: Thank you for the question. The direct answer to that is, first of all, to open, the OFA recommends that the ORPP closely mimic the administration of the CPP (1) to provide clarity and transparency of rules by relying on the interpretation of existing CPP rules; (2) to minimize administrative complexities for employers, especially burdensome on small businesses; and (3) to simplify ORPP's future integration into an enhanced CPP.

Pardon me for all the analogies, but that's just faster.

1520

The Chair (Mr. Peter Tabuns): And you have about a minute left.

Ms. Jennifer K. French: Got it.

All of that, in terms of making it easier to integrate and less burdensome—yes, when it comes to the administrative side or cost and complexity, I hear you. That makes sense.

One of the things that I'm reading in your brief but you haven't mentioned here is—when it comes to farming, I imagine that you are concerned and are paying attention to what's happening in other provinces. Of course, the ORPP is a made-in-Ontario plan. Do you have recommendations on where they should go in terms of making it more Canada-wide or connected to other provinces?

Mr. Don McCabe: First and foremost, yes, we are concerned with our competitiveness, but it's not only Canada-wide; it's global-wide. The issue that we could end up losing food processors or other distributors, because of their reaction to an added cost, is of grave concern to us because, bottom line, I can't move the farm. If I had a hockey stick farm, I could move the hockey sticks, but I don't.

The Chair (Mr. Peter Tabuns): I'm sorry to say, Don, we're out of time. Thank you very much for the presentation. Good to see you both here today.

Mr. Don McCabe: Thank you very much for your time.

CANADIAN TAXPAYERS FEDERATION

The Chair (Mr. Peter Tabuns): Our next presenter, then, is the Canadian Taxpayers Federation: Christine Van Geyn. Ms. Van Geyn, you've seen numerous iterations. You have five minutes.

Ms. Christine Van Geyn: Yes, thank you.

The Chair (Mr. Peter Tabuns): If you'd introduce yourself for Hansard.

Ms. Christine Van Geyn: Thank you to the committee for having me. My name is Christine Van Geyn.

I'm the Ontario director for the Canadian Taxpayers Federation, which is a grassroots, not-for-profit citizens' organization dedicated to lower taxes, less waste, and accountability in government. We're funded by about 23,000 individual donations each year.

We've made our position clear on ORPP since it was first proposed. This is yet another tax burden on Ontarians that's going to make life in the province even more unaffordable. When this plan is combined with rising hydro rates, income tax hikes, health care premium taxes and the looming proposal of a carbon tax, the burden on Ontarians is simply unsustainable. Ontarians will not be better off with this proposed plan, which will cost employees up to $1,643 a year.

The problem of undersaving for retirement is actually much narrower than a blanket scheme like ORPP demands. While there is a retirement savings gap, forcing all Ontarians, many of whom are adequately saving, into a government-mandated, mandatory scheme will leave many people worse off.

Ontarians can find better uses for their income than sending it off to a pension investment board for decades. Young couples will be financially better off if left with enough disposable income to pay their debts or to buy their first home. It will allow them to build fourth-pillar private assets in things like equity in a home or in a business.

Given the current economic and tax environment, increasing the burden on Ontarians through ORPP will not achieve the goal of increased savings. People will be forced to reduce other forms of savings, such as RRSPs and TFSA contributions, in order to maintain their standard of living.

The ORPP could also leave Ontarians worse off by putting employer-sponsored plans, like defined contribution plans and group RRSPs, in jeopardy. The government has indicated a preference to restrict the definition of comparable plans to only defined benefit plans. If ORPP is implemented, it could have the unintended consequence of causing employers to claw back 1.9% of their contribution to a private plan, or it could result in employers cancelling those private plans altogether.

Private sponsored plans have, on average, higher contribution rates than ORPP. Compare 6.5% for defined contribution plans, and 3.9% contribution through employers for group RRSPs, to the proposed 1.9% contribution through ORPP. The loss of these plans would unquestionably leave Ontarians worse off for their retirement.

Ontarians will also be worse off with ORPP because it will make employees more expensive to hire. It increases the cost of each employee and creates a new administrative burden. This will negatively impact job creation and could create a disincentive for business investing in the province, on top of actually creating labour market distortions in favour of large firms that are already offering defined benefit plans.

We also have serious concerns about ORPP's management mandate. If modelled on CPP as an actively managed fund, management fees could end up costing those who contribute hundreds of millions of dollars each year in an attempt to do what is almost impossible, which is to beat the market.

We're also concerned that without a clearly legislated management mandate, ORPP will be used to underwrite—

The Chair (Mr. Peter Tabuns): You have one minute left.

Ms. Christine Van Geyn: —the Ontario industrial policy of financing infrastructure. In fact, the 2014 budget stated that ORPP would be used to create new pools of capital "for Ontario-based projects, such as building roads, bridges...."

Pension funds do have an interest in long-lived assets, but pressure from Ontario politicians could undermine prudent investor behaviour. Investment in assets like that should only be made when it's going to generate the best return for those who contribute.

We're also concerned with this government's ability to manage the fund when its own public service pensions are faced with a $75-billion unfunded liability and 92% of government defined benefit plans are unfunded.

This is an unfunded liability that's underwritten by the taxpayers, and if the government's management of ORPP is similar, it will be again the taxpayers underwriting that risk.

Finally, we believe that the government should not be undertaking large-scale and open-ended spending commitments given the province's $12.5-billion deficit—

The Chair (Mr. Peter Tabuns): I'm sorry to say you're out of time.

Ms. Christine Van Geyn: Thank you very much.

The Chair (Mr. Peter Tabuns): Questions go first to the official opposition. Ms. Munro.

Mrs. Julia Munro: Yes. Thank you very much for coming. I think that one of the key things that people are starting to realize, as they understand a bit more about this proposal, is the question of lost jobs. Perhaps from the taxpayers' federation point of view, you could give us how you see that happening. How is it that in fact it's going to cost jobs?

Ms. Christine Van Geyn: It has the risk of creating losses in employment because it's a greater burden on employers that makes employees more unaffordable and increases the cost of each employee, in addition to actually creating new administrative burdens.

Mrs. Julia Munro: You mentioned that it was actually the budget that you quoted from, that "new pools of capital would be available." When you look at other pension plans, which comes first, the investment or the pensioner?

Ms. Christine Van Geyn: It absolutely should always be the return on investment. However, if ORPP is modelled on something like the Quebec Pension Plan, which has a dual mandate which involves investing in the Quebec economy, we could see devastating results, like the 2008 loss of a quarter of the value of the Quebec Pension Plan after they chose to invest large quantities in things like asset-backed commercial paper.

Mrs. Julia Munro: I guess it would be a bit—the person who pays into the pension fund gets the bridge built and then gets to pay the toll on the bridge.

Ms. Christine Van Geyn: Yes. Simply, the priority for any pension needs to be the return on investment for the people who contribute. It shouldn't be treated as a pool of money that can be used to invest in government projects.

Mrs. Julia Munro: Did you have anything?

Mrs. Gila Martow: I would add that they may pay a third time because they pay into the plan, they pay to get that bridge built—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mrs. Gila Martow: —they have to pay tolls on the bridge, and then they have to underwrite as taxpayers when there is no money in the fund for others who need to collect their pension. They have to, then, underwrite that as taxpayers. I'm just repeating what was said.

Is there anything you want to add to your presentation?

Ms. Christine Van Geyn: We just simply think that given the debt and deficit situation in this province, undertaking a scheme like this—especially when Bill 57 is pending—is a strange priority when there are vehicles for private savings that could be strengthened instead of a scheme that forces many people who are adequately saving into a program that takes their own money away from them.

Mrs. Gila Martow: Would you prefer to see the government make it mandatory for employers to match up to a certain amount of RRSPs to encourage people to invest in tax-free savings accounts and RRSPs?

Ms. Christine Van Geyn: We would simply prefer that a plan like this not be implemented.

Mrs. Gila Martow: Thank you.

The Chair (Mr. Peter Tabuns): Ms. French, third party.

Ms. Jennifer K. French: Thank you very much for joining us here today at Queen's Park. Just to continue on, you had mentioned twice that many people are not adequately saving. I'd actually be interested in having you expand on what we're talking about, and what adequate savings would look like.

1530

Ms. Christine Van Geyn: Adequate savings would be the ability to meet the same level of consumption post-retirement as pre-retirement. A number of witnesses who have testified have referred to the McKinsey study, which says that 83% of Ontarians are on track to meet their pre-retirement goals.

There are two groups that are not meeting those pre-retirement goals. It's people who don't have a plan through their employer and are also under-saving, and the other group is people who do have an employer-based plan and are not contributing sufficiently to it.

When it's only 17% of people who are faced with this problem—and to be fair, it is a problem—it's not right to treat a problem like this with a sledgehammer, forcing everyone into a plan, when the vast majority of people are adequately preparing themselves.

Ms. Jennifer K. French: You bring up the McKinsey study, and you're right: We've heard a lot about that, and it's interesting. I'm interested in finding out what the definition of "households" is, because we're hearing that term come up.

You had suggested that it would be a good idea for people to build equity in a home or in a business. While I'm not arguing that point, I wonder: What do we say to those who are not young couples, as you had mentioned, but are single-income families struggling in the margins? Should they set their cap on equity in a home or in a business?

The Chair (Mr. Peter Tabuns): One minute left.

Ms. Christine Van Geyn: Actually, the people in the margins often are preparing adequately—not preparing adequately, but many of them will be able to meet the same consumption levels in their pre-retirement and post-retirement, just because they have such low levels of expenditures to begin with. The people in the margins are not actually going to be well served by ORPP and could be faced with clawbacks to OAS or GIS if it's implemented.

The savings problem is actually more in the middle class.

Ms. Jennifer K. French: I don't know if we have time, but we've also heard from the business community that it creates an uneven playing field to have some plans be exempt and others not. Would you say that that's a fair point?

Ms. Christine Van Geyn: It would create distortions in the labour market to show a preference to either unionized workplaces or to large firms.

The Chair (Mr. Peter Tabuns): I'm afraid you're out of time.

We have to go to the government: Mr. Anderson.

Mr. Granville Anderson: Hello. Thank you very much for coming. I have heard yourself and a number of other presenters refer to the McKinsey study. It's a study that's based out of the United States of America, in case you didn't know that.

There are three other Canadian studies that I've never heard referenced by the opposition or people like yourself, speaking from your perspective.

RBC, for instance, said that:

—39% of respondents said—enough Canadians do not put money away for retirement;

—30% said they have not yet begun saving for their retirement;

—75% of female respondents said they do not have a retirement savings goal, compared to 62% of male respondents;

—67% said they have done no retirement planning; and

—39% of women polled said they do not have an RRSP, compared with 31% for men.

Sun Life Financial: 60% of respondents now expect to work past 65, up from 48% in 2008.

CIBC: 54% of Canadians said they are not making contributions to an RRSP for the 2014 tax year.

You are paying no attention to Canadian studies. Are you saying that these are not reputable, that you would rather rely on one US study that supports your point of view? I don't believe that's a balanced approach.

I have met a lot of people in my riding—health care premiums, for instance. Last week, a neighbour returned from the US. I said, "Why are you back here from sunny, sunny California?"

"It's because of health care," she said. "I had a child. I went to emergency. I paid $6,000 for an emergency visit."

These are the things we pay premiums for, because we expect return and we expect good-quality health care.

Hydro rates: If the Conservatives had paid any attention to upgrading the system, hydro rates wouldn't be as high as they are now. Do you remember 2003? I am sure you're old enough to remember that. That's why hydro rates are high, because we are paying for—

Mrs. Marie-France Lalonde: A debt.

Mr. Granville Anderson: —the debt, the faults of the previous Conservative government because of taxes.

Please respond to these questions. Thank you.

Ms. Christine Van Geyn: In my remaining time, I would refer you to a number of other Canadian studies. For example, there was a 2009 StatsCan study, if the McKinsey study is not sufficient for you, that found that 69% of Canadian households are saving enough to meet 100% of their retirement consumption levels, and 78% are saving enough to meet 90% of that threshold—

The Chair (Mr. Peter Tabuns): I'm sorry to say it, but you're out of time, and we have to go to our next presenter.

Interjections.

The Chair (Mr. Peter Tabuns): Colleagues, order. Thank you. Thank you, Ms. Van Geyn.

LABOUR ISSUES COORDINATING COMMITTEE

The Chair (Mr. Peter Tabuns): Labour Issues Coordinating Committee: Ken Forth and Ken Linington. Gentlemen, you have up to five minutes. I'll give you notice when you're running out of time, and then there will be questions from all three parties. If you'd introduce yourselves for Hansard.

Mr. Ken Linington: Thank you. I'm Ken Linington, and Ken Forth is the chair of LICC. We appreciate the opportunity to comment on the Ontario Retirement Pension Plan. The Labour Issues Coordinating Committee is a coalition of agricultural and farm organizations representing the interests of Ontario farm employers. It was formed in 1991 to develop consensus in the farm employer community on employment and labour-related issues and represent those collective positions to government.

Ontario has 57,000 farms, of which 20,000 employ a broad range of skills from a very diverse labour market. Ontario farms are small and medium-sized businesses with no publicly traded corporations.

Typically, the industry is a high-capital, high-risk, low-return industry. Many are incorporated for tax purposes but are family owned, with only a handful of exceptions.

Ontario farms employ roughly 100,000 workers in a predominantly seasonal industry. Roughly 18% are temporary foreign workers, with close to 16,000 alone coming from the seasonal agricultural workers program that originated in the mid-1960s.

Workers are found in every commodity across the province but are more prominent in the mushroom, greenhouse flower, greenhouse vegetable, field fruit and vegetable, and hatchery industries. Access to a reliable workforce is often the most limiting factor to the capacity of our industry.

Agriculture is an industry where farmers must manage biological processes that are subject to climatic and environmental conditions, dictating a flexible management approach. It involves a family orientation that competes in the global market. Unlike McDonald's or Best Western hotels, our competitors are not across the street. They are indeed other countries, developing countries in particular. Competing countries are not obligated to comply with a whole host of Ontario societal regulations like environmental standards, food safety standards and, more significantly, our labour standards.

Agriculture is composed of food production, ornamental production and, more recently, industrial production. Food is often a political football, with both the United States and the EU subsidizing their industries.

Farming is the largest domestically owned industry in Ontario and dominates the rural economy.

Our largest competitor, the United States, and more specifically the state of California, relies heavily on undocumented workers: 75% of farm workers in California are undocumented workers. Our food industry sells into a grocery value chain dominated by two or three players that focus on the lowest-cost provider.

Should there be an Ontario registered pension plan? In short, no.

The province feels that the Canada Pension Plan is inadequate and is proposing an enhancement to the program. Their concern is that some Ontarians are not saving enough for their retirement years, and through this legislation, they will reduce poverty and dependence on government support programs.

The written consultation focused on a set of specific questions, many of which we found difficult to answer without the benefit of a number of impact studies and a thorough knowledge of the pension industry.

1540

Poverty reduction is an admirable goal, but without truly understanding the fiscal burden and its impact on the economy, is a pension plan a better vehicle than, say, removing income tax or other legislated fiscal burdens on lower-income earners?

The Acting Chair (Mrs. Julia Munro): You have one minute left.

Mr. Ken Linington: We do not believe you can legislate wealth or legislate the creation of wealth. Like minimum wage, we believe that a pension plan is a very coarse and poor tool for low-income earners.

Agriculture is a very mature industry that operates in a global economy. Ontario has the best soils, climate, and farm practitioners in the world but, when shackled by a broad range of legislated burdens, functions on a 5% to 6% margin.

If we are to look at the advantages to either enhancing or developing a plan that mirrors the CPP, we do feel that there are certain advantages. However, there are many questions we have around making a mandatory pension plan for people who are not Ontario residents. This could include people from neighbouring provinces, the United States, or any of the countries participating—

The Chair (Mr. Peter Tabuns): I'm sorry to say that you've run out of your time. We're going to go to the first questioner: Ms. French, third party.

Ms. Jennifer K. French: I appreciate your taking the time to come here to speak with us today, especially because it's refreshing to be reminded that there is a rural economy outside of Toronto that we all benefit from. So again, thank you very much for bringing that voice.

I would actually be interested in hearing the rest of what it was that you were saying, if you'd like to—

Mr. Ken Linington: I was just going to complete the—we feel the pension plan should not apply to temporary foreign workers, since they are not Ontario residents and, when their work is complete, they do not live in Ontario.

Ms. Jennifer K. French: Thank you. I was listening so intently I wasn't thinking of what I was going to ask you. I appreciated also when you were talking about the different parts of your industry, whether ornamental or food, and being a political football. I appreciated being reminded of that. There are many political footballs that we're seeing here at this Legislature.

Not saving enough for retirement, as you said, is certainly a problem. What would you say might be a solution—you had said that you don't agree with or support the ORPP. If we were wanting to put forward a strong and far-reaching poverty-reduction strategy, what would you think that might look like in your industry?

Mr. Ken Linington: I think if that is something that Ontario society wants, then Ontario society should participate in it—all of society, not just the employer sector. Part of the concern that we have with this particular plan is that it will impact the sectors that have the least capacity to contribute. Agriculture is a mature industry—

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Ken Linington: There's not a deep well there, and we employers don't have control over the value of our product. We sell into a marketing chain that has two or three giants. They buy from all over the world—whichever is the cheapest.

Ms. Jennifer K. French: I don't have any other pressing questions. If there's anything else you wanted to add in our limited time, or I'll thank you.

Mr. Ken Linington: No.

The Chair (Mr. Peter Tabuns): Thank you. To the government. Ms. Mangat?

Mrs. Amrit Mangat: Thank you for your presentation. I really appreciate your comments about the rural economy, which plays a big role in our broader general economy.

I'm pleased to share with you that I have spent some of my youth in a rural area, at a farm, and I also ran a small business before entering into politics. So I fully understand where you are coming from, but I'm also sure that you're aware that our government's preferred approached was CPP enhancement. The government is moving forward with the ORPP because of the federal government's negligence. Our government has been very mindful of the impact of the ORPP on business. That's why we are enrolling in stages, and it would be phased in. ORPP will be introduced in 2017 to coincide with planned EI premium reductions. It's not being introduced in isolation, and our government has reduced a significant number of regulatory burdens when we implemented HST, lowered corporate and personal income tax and brought a Better Business Climate Act.

My question is, having said that, can you shine some light on what the retirement savings scenario would look like in the field of agriculture and how it would be different and separate from the other industries?

Mr. Ken Linington: Agriculture is a highly seasonal industry. When we talk about 100,000 individuals, you cannot think of that in terms of 100,000 persons a year equivalent. That is one of the real challenges of having a seasonal industry. We see people coming into and leaving the industry all the time. How do you have a savings—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Ken Linington: How do you have a savings plan? I think there's a real challenge in that because a big part of the industry is constantly mobile and workers drift in and out, so it could not be done uniquely or in isolation with agriculture. It would have to look at where there are other forms of employment, what times of the year, where in the province and those types of challenges.

Mrs. Amrit Mangat: But that's why we are moving for ORPP.

Mr. Ken Linington: And we find that there's a cost to both the employer and the employee in the sectors of the economy that can least afford it. So if we are serious about wanting to reduce poverty, why would we not look at societal capacities and not just rely on the individual worker—

The Chair (Mr. Peter Tabuns): I'm sorry to say, but time is up and we have to go to the official opposition. Mrs. Munro.

Mrs. Julia Munro: Did you get to finish your sentence?

Mr. Ken Linington: Close enough.

Mrs. Julia Munro: Okay. A couple of things, I think, are really important. You mentioned about these issues and the groups that are least able to support this initiative.

I think that you'd agree that this is framework legislation. The government has described it that way. But what that means is that anything that is not in the bill is then dealt with as part of a regulation, and regulations are by invitation only and they're not like this; they're not in an open, public forum. So I think you have to be cognizant of that when you're looking at whether or not you would support this legislation as it stands. Are you in a position to make that decision?

Mr. Ken Linington: No, I can't say that we really are.

Mrs. Julia Munro: Okay.

Mr. Ken Linington: One of the things that we found as a challenge when it came to answering the questions was that we don't have access to impact studies and we are not insurance people or pension people. We are agriculture; I can tell you how to grow things. So as a group that's making a presentation, how much time, energy and effort do you spend to become an expert in pensions? I guess our answer is that the expertise is either sitting around this table or you have access to it. What we're presenting are our feelings, given the information we have.

Mrs. Julia Munro: I think that is the object, and you certainly are performing admirably. I think one of the things about this—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mrs. Julia Munro: —that characterize it is that it's mandatory. It's mandatory that everyone belong and that it's 1.9%. We have no idea of the business plan that determined that amount or who should be in or what is a comparable pension. None of those questions have been answered either through this process or through the legislation proposed as it is. So your feelings are certainly shared by many others.

Mr. Ken Linington: Thank you.

The Chair (Mr. Peter Tabuns): Thank you very much for your presentation.

MR. RICHARD PIEPRZAK

The Chair (Mr. Peter Tabuns): Our next presenter, Richard Pieprzak. I apologize for mangling the pronunciation.

Mr. Richard Pieprzak: You did a very good job. Thank you.

The Chair (Mr. Peter Tabuns): As you know, you have five minutes to present and nine minutes of questions. I'll give you notice when you're running out of time. If you'd introduce yourself for Hansard.

1550

Mr. Richard Pieprzak: Okay. My name is Richard Pieprzak. I am a group plan adviser in the southwestern Ontario marketplace; I work out of London. I do appreciate the opportunity to come here this afternoon to speak with all of you.

I appreciate the Ontario government's concern for the degree to which Ontarians are prepared—or ill-prepared, if you will—for retirement. I'm here this afternoon speaking to you as an individual, drawing from my experience as a group retirement plan adviser. The plans I oversee consist of group RRSPs, group RRSP-DPSP combo plans, group RRSP defined contribution registered pension plan combination plans, and pure defined contribution registered pension plans.

I believe that Ontarians need help, but not in the way that you might think. In the plans I oversee, the participation rate is well in excess of industry averages. Many of these plan members are working people in the manufacturing sector, for some of whom their contribution to the retirement plan represents a significant sacrifice. In their words, they "really can't afford to contribute." In other words, they really can't afford not to because of the matching contributions made by their employers, but they do.

In most of the plans, the minimum employer plan sponsor contribution for employee contribution matching purposes exceeds the proposed 1.9% ORPP employer contribution. Many plan members, in fact, are contributing far more than the 2%, 4%, 5% or 6% that the formula in the plan requires.

These plans, in my opinion, are an excellent example of employers offering a valuable deferred compensation scheme, and employees taking advantage. These employers, plan sponsors and their employees don't need help or encouragement when it comes to promoting or saving for retirement. I believe that the ORPP should be exempting these Ontario employers and employees. The ORPP definition of "comparable plan," which has been discussed many times in the last 45 minutes, so I won't belabour it—I would personally like to see that the definition is changed to accommodate these people who are doing their job saving for retirement.

Where do the savers need help? Many plan members are ill-informed in the whys, hows and wherefores of RRSPs, pensions and retirement saving in general.

My next point speaks to the November 2, 2009, Minister of Education press release that said, "We're now going to introduce financial literacy into the high school curriculum." I had the opportunity to take a look at the curriculum; in fact, I know a lot of teachers in the London and southwestern Ontario marketplace—guidance counsellors—and recently spoke to them. In spite of what the curriculum document indicates, there is not a lot when it comes to financial literacy. To wit, I went to the document and did a word search on "RRSP" and it occurred twice in about 230 pages. RPP: zero times; LIRA: zero times; RIF: zero times; and "locked," referring to locked-in plans: zero times.

In my opinion, ORPP seems to philosophically oppose the desire or need to raise financial literacy. We're talking about a benefit that's going to happen and take care of people. They're going to put their money in; the employer is going to put their money in. Perhaps a better approach to achieving the government's goal of helping Ontarians prepare better for retirement would be to provide an incentive for employers without workplace savings plans to offer one.

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Richard Pieprzak: Supplement that incentive with another reward if the employer or plan sponsor demonstrates that they are doing their part to raise financial literacy in the workplace.

I'll end it with saying this: Remember, if you give a man a fish, he eats for a day, but if you teach him how to fish, he eats for a lifetime. Thank you.

The Chair (Mr. Peter Tabuns): Thank you, sir. First to the government: Mr. Dhillon.

Mr. Vic Dhillon: Thank you for your presentation. I myself am an ardent, strong supporter of financial literacy for students as early as possible in school. More importantly, when kids graduate from school and go on to post-secondary education, they need to know the choices that they're making. After they graduate from their post-secondary field of study, they're presented with job offers and later on they have to make decisions on buying a house or a condo, a car etc., on and on and on.

With respect to this, I'm going to be putting forward a motion some time in April asking the House to agree on the fact that we should do more in terms of financial literacy. I agree that the terms you mentioned, "RIF," "LIRA," "RSP," "insurance" and "interest rates" should be the bare minimum, the ABCs, of what kids should know. I personally believe that will go a long way in ensuring that a person has a comfortable retirement.

Having said that, I don't think that alone is enough, because of market forces. You may plan to the best of your ability—for example, we had the recession, and a lot of people, including myself, lost quite a bit in our investments. So the volatility may not make it possible for financial literacy alone to guarantee a decent retirement.

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Vic Dhillon: Could you give us some advice as to how government should go about financial literacy in terms of whatever we're going to be—

Mr. Richard Pieprzak: Sure, absolutely. That's a great question. One of my concerns speaking to that is that kids go through elementary school, and then they go through high school. We encourage our own children to get those high marks so that they can gain acceptance to college, gain acceptance to university. Then that prepares them to create arguably the biggest asset that they'll ever have in their lifetime: $50,000 a year for 20 years is $1 million, and we haven't taught them anything about how to deal with it.

I would include a required course in the high school curriculum. I've been advised that there is a grade 10 careers course. In that careers course they speak—it might be for an hour, but that would be pushing it. It's probably closer—

The Chair (Mr. Peter Tabuns): I'm sorry to say that your time is up with the government. I have to go to the official opposition. Ms. Martow.

Mrs. Gila Martow: Thank you so much for your presentation. I remember actually in high school learning about reconciling bank accounts. That was the first time I heard the word "reconcile"; I remember it was on a test.

I feel that you sort of hinted that there's a lot of great plans that employers have that are actually much better than this plan the government is rolling out, and these plans won't be exempt. They'll have to switch them from the defined benefit plans into the new Ontario pension plan. My colleague and I have been discussing quite often that part of it is that the government wants to use this money to invest in infrastructure. I think "new pools of capital for infrastructure" was in the last budget. Do you think that's why the government wants to force these plans to transfer? Do you have any thoughts on the matter?

Mr. Richard Pieprzak: It's interesting, because we haven't been told, really, otherwise. These are valid plans. These are good plans, especially a defined contribution plan where employer and employee contributions are locked in. They can't access them. They are protected. They are under Ontario pension law, if they're governed under Ontario law, for retirement. To not exclude them, I'd have to think that there must be another agenda that's going on that requires companies and employees to participate.

Mrs. Julia Munro: Can I just ask you one quick question?

Mr. Richard Pieprzak: Sure.

Mrs. Julia Munro: Many times people have suggested that a DB carries with it less risk—they don't use that word. I'm just wondering, when you look at defined contribution, is there a difference in risk?

Mr. Richard Pieprzak: I think the risk with a defined—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mr. Richard Pieprzak: I think the defined benefit plan risk—and I've seen it—is that it becomes underfunded. The employer isn't able to bring it back to a level of fundedness, and then the person walks away when the company is wound up, or they leave the plan with a commuted value somewhere less than 100%. I would argue that a well-managed defined contribution plan is as good, if not better.

Again, that speaks to financial literacy. As far as the volatility goes, that's all part of financial literacy. If you don't understand the forces that push and pull your investment, then you will unfortunately be a victim when something bad happens.

Mrs. Julia Munro: Thank you.

Mr. Richard Pieprzak: You're welcome.

The Chair (Mr. Peter Tabuns): Thank you, Ms. Munro. Third party: Ms. French.

Ms. Jennifer K. French: Thank you very much for joining us here today. I come to this role from the classroom, so when we talk about the importance of education, you're speaking my language.

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Mr. Richard Pieprzak: Good.

Ms. Jennifer K. French: And certainly when we're talking about financial literacy, I can appreciate that. I've taught at various ages, understanding that you're not going to talk about RRSPs in grade 5, but you can make it an appropriate conversation for the ages, and I appreciate that.

I remember in high school learning about compound interest, seeing the graphs and what it could do for you and how it could work against you. I thought of those things later in life when I was forced to live off credit cards and figure out how I was going to navigate the system with student debt and all of the above. I think, as we've heard, that that financial-literacy piece is very important for the education side, but recognizing that it can also mean that individuals know just how badly things are going when they're forced to live under difficult and challenging circumstances.

I know you were here earlier when we were hearing from others that despite how Canadian we are, we can't grow hockey sticks. I also know that money doesn't grow on trees; we do need to focus on jobs and growing the economy, I guess.

You had made a point earlier about—well, not just a point. You were talking about matching contributions in various plans. How important is that to the growth of an investment, to have matching contributions as opposed to just the plan members' contributions?

Mr. Richard Pieprzak: I'd say it's extraordinarily important for all of the people. This is one of the things that I end up talking to them about. These are people who have—for example, I'll quote one plan. An employee can contribute up to 4% of their base wage and have the employer match it right away. That's a little different from my situation, where if I put 4% of my income into an RRSP and I'm earning 10% a year, it takes a little over seven years to double that money. They double their contribution instantaneously, so it goes a long way.

Ms. Jennifer K. French: A plan that doesn't have that matching contribution, or the employer obligated to match—or exceed, just for fun's sake: Should plans like that be considered comparable?

Mr. Richard Pieprzak: No, not at all. I think it's a little bit much of a stretch to consider just an employee contributing to a group RRSP—no, that wouldn't be considered comparable.

Ms. Jennifer K. French: We have Bill 57 coming in, and the onus is on the employee, so I was just sort of curious, because—

Mr. Richard Pieprzak: They can take advantage of things like the Home Buyers' Plan and Lifelong Learning Plan and still not have money for retirement. There are a lot of opportunities for abuse.

The Chair (Mr. Peter Tabuns): I'm sorry to say that we're out of time. Thank you for your presentation today. We appreciate it.

Mr. Richard Pieprzak: Thank you for your time.

MR. ALEX BERTOLA

The Chair (Mr. Peter Tabuns): Members of the committee, our next presenter, Unifor Local 444, hasn't arrived yet. We'll go, then, to Mr. Alex Bertola.

Mr. Bertola, you have five minutes to present. There will be nine minutes of questions. I'll give you notice when you're running out of time. If you'd introduce yourself for Hansard.

Mr. Alex Bertola: Thank you very much. My name is Alex Bertola, and I'm hoping to bring you a different view. I'm an employee of a company that offers a mandatory registered pension plan in Ontario, and I'm presenting to you as an employee and as an Ontario resident.

My plan allows, or calls for, a mandatory 7% employee contribution, and my employer puts in 5%. Right off the bat, I've already doubled my money right off my first deposit. My DC registered pension plan allows me the investment choice—not dictated. I control my investments.

I have a wide range of investments. One of the "benefits" of the ORPP is a benefit for life. My registered pension plan allows me a benefit for life. I can purchase an annuity. I can purchase a life income fund. I have those options. The only option I have in my ORPP is an annuity payment.

Speaking of an annuity payment, it will actually decrease based on my death, whereas if you had an RSP in your bank, or had a personal bank account or a TFSA, and you deposited $5,500 every year and then passed away, your husband walks in—or your partner, sorry; I don't want to make any assumptions. Your partner walks in and they're told, "No, no, no. You only get 40% of that." What would they tell the bank? "That's not fair. It's $5,500 of my spouse's money. It's my money. It shouldn't be clawed back or cut in half."

Pooled investment risk: We know the history of Ontario governments. It doesn't matter if it's Conservative or Liberal; it doesn't matter what it is. When the cost comes in, if they estimate that it's a billion, triple it. If the annual administration is going to be $300 million, triple it. They're not experts in this industry.

I can control my own investments. I have a very low investment management fee. I can walk up and down this hall and ask individuals, "What are the MERs in your accounts?" and 99% of you won't even have a clue. I know that my average investment management fee is 70 basis points. I do well with that.

The cost of operating this: 1.96% of my money and 1.96% of my employer's money. What percentage of that is going towards administration? What percentage of that is going to fund a person who is not contributing to the ORPP yet is receiving that benefit? That's unfair. Part of my money is going to fund somebody who is not contributing.

You know what? It's time to wake up. Let's get people motivated. Let's get people excited about their retirement, get people educated about their retirement. Some 60% of companies out there do not offer retirement programs. Why not? It's a cost. They don't see an incentive. Provide incentives for them, as my company does.

Affordability: My DC registered pension plan moves with me wherever I go. If I decide I'm going to move to

Vancouver or to Montreal, my plan moves with me. ORPP does not move with me. It stays here. Who knows what is going to happen with it?

Retirement readiness: In my plan and my accounts, I can tell at any single point what I'm going to have at the time of retirement. I can plan with my spouse. I know exactly what my income can be, based on returns, based on future forecasts. ORPP does not do that.

Canada Pension Plan—I tried to find my statement. It took me 15 business days just to get an activation number and then another five days to figure out how to navigate this thing. It's not commonplace.

Let's figure it out. Allow me and allow Ontarians to control and get engaged in their retirement planning. I want to control my investments; I don't want to be dictated to, so stop trying to put your finger into it. Ontarians don't need to be controlled. They don't need to be babied. If you want to talk about financial planning, it's three simple numbers. I've figured this out, and I'm not a financial planner—

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Alex Bertola: Take 75% of your household income. That's what you should target at the time of retirement. How to get there? Put away 10% a year, at a minimum, between your household income. Once a year, sit down and review it. Have a conversation. Talk to a financial planner. Get involved. That's what it comes down to. There you go.

The Chair (Mr. Peter Tabuns): Okay. Thank you, sir. Questions go to the official opposition. Mrs. Munro.

Mrs. Gila Martow: I'm going to go first.

Thank you. That was so refreshing. I think what you're trying to say is that you don't want to live in a nanny state and you see us on that slippery slope, where that's where we're headed—that people shouldn't have to think for themselves and plan for themselves.

What I would suggest to everybody in the room is that people can accrue incredible personal debt. Just because they have two pension plans—you know what? They could have five pension plans. If they retire with no home equity and they've racked up multiple credit card bills and maybe borrowed from family members, they're not going to have any money to live on either.

I just want to thank you very much for coming in. My colleague has some questions.

The Chair (Mr. Peter Tabuns): Mrs. Munro.

Mrs. Julia Munro: I just have one. This is a quote from the 2014 budget, and it suggests that by "encouraging more Ontarians to save through a proposed new Ontario Retirement Pension Plan, new pools of capital would be available for Ontario-based projects such as building roads, bridges and new transit." Is that the real purpose of this bill?

Mr. Alex Bertola: No, that should not be the purpose of this bill. We know that the roundabout way of this is—you can't be blind to it. It's an Ontario tax grab. That's all that this is. The number one investment choice for whoever is going to pool the investments—they're going to purchase Ontario savings bonds. It's going to go to infrastructure. It's not going to go towards retirement savings.

I'll give you the best example. Right now, one of the electrical unions, what they've done with their plan members—if you have not contributed for two years, they've given you two options: commute the value, where you receive 50% of that value right now. The other 50% is held back for another five years. Based on market volatility, you'll receive either the maximum of 90% or as low as 60%.

What have they done with that money? They've taken it and invested it back in projects. They're trying to invest it back in the market. That's all that this government is going to do.

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Alex Bertola: That's it. It's just a tax grab. You're $900 million short in your budget? How didn't you know that during your election? How are you $900 million short? The only way to come up with this is to raise personal taxes, raise corporate taxes or ORPP, and that's what they're going to do. That's how they are making their funding deficit.

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Mrs. Julia Munro: That's right.

The Chair (Mr. Peter Tabuns): That's it?

Mrs. Gila Martow: Thank you.

The Chair (Mr. Peter Tabuns): Okay. Ms. French, third party.

Ms. Jennifer K. French: Thank you very much for coming today. I would echo the concern that, certainly, the money needs to be kept—if it's going to be kept in a big and growing pool, certainly arm's length isn't far enough. So I would echo that we need to do what we can to put that far out of reach.

You made a couple of points, and I appreciate—actually, it reminds me of conversations at the kitchen table with my father, in terms of what percentage of what I was making should go to this or that. While you said you're not an expert, you clearly are very involved in your own investment and your own financial literacy, and I applaud you for that.

As you had said, the government—not experts. Sitting around this room, we're not pension experts per se. What would you encourage the government to do in terms of ensuring that there are experts involved in handling this?

Mr. Alex Bertola: There are so many things that can be done. It is starting off at grassroots. It is educating at a younger age. It is getting into the schools.

I was very fortunate that I had that conversation when I was a lot younger. I'm a social worker by background. That's the scary part, if you really want to get into the whole thing of it. I started off in that whole belief that, yes, we need to take care of everyone. I quickly moved to "You can't take care of everyone." They need to stand up and take care of themselves.

Actually, it shocks me that there are not more people like myself coming down, as a resident of Ontario, and expressing just total concern for this. So it is getting out there. It is talking to people. It is starting off at the grassroots, putting people like myself—getting our feedback. How would you design a proper retirement program? It is having multiple investment selections.

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Alex Bertola: It is encouraging people to stand up and get involved. Take the time. Actually, give incentives for plan sponsors to match contributions. If the target is 10% contribution, and they put in a five-and-five, give them a great incentive for matching that five-and-five.

Right now, 60% of companies aren't offering it, and 40% are. Of that take-up rate, only 60% of people are taking advantage of it. Why aren't they? It's not because they can't afford to. It's a matter of getting out there and telling them, "You can't afford not to do this."

It's getting in their face, and that's what the Ontario government needs to do. Stand up and say: "You know what? We've got you, plan sponsors. This is great. We want to have this debate. We are now changing this. We're not going to put in this ORPP. You know what? We're going to give you an incentive to actually put this in place. We're going to mandate retirement programs, but not controlled by the Ontario government."

The Chair (Mr. Peter Tabuns): Okay, your time is up.

Madame Lalonde, for the government.

Mrs. Marie-France Lalonde: Thank you very much for being here. Certainly, you're bringing a perspective on the ORPP.

Just to let you know, I was a social worker also. I became a business person. Unlike you, though, I have to say I still believe that three million Ontarians in this province are not saving enough. I think it's two thirds of the people of Ontario who are not saving at all.

Where do you work right now?

Mr. Alex Bertola: I work for Manulife Financial. Why?

Interjections.

Mr. Alex Bertola: Whoa, whoa, whoa. That has nothing to do with this.

Mrs. Marie-France Lalonde: No, no, that's okay. I just wanted to know. No, no—

Interjections.

Mr. Alex Bertola: No, the gentleman in the far corner has a problem with where I work.

Mrs. Marie-France Lalonde: No, I think my question is because the level of your knowledge is extraordinary, but most Ontarians don't know all that. In all fairness, I am very involved with my financials, but I'm certainly not as involved as you.

I do believe, with my background as a business owner and as a social worker, that this government taking that leadership in bringing forward a way of contribution, I would say, and ensuring that security, that predictability, of having a revenue for spending dollars as we're aging to contribute back to our economy, is good business sense from this government. That way, when our 25-year-olds of today retire at 65—who knows at what time they will?—they will have more than what CPP is offering right now, which is definitely not enough at $6,800 a year, on average. And you know your numbers. We have a maximum of $12,500 that we can contribute—

The Chair (Mr. Peter Tabuns): You have a minute left.

Mrs. Marie-France Lalonde: Unfortunately, the average is $6,800. How would you say to that worker, when he retires, that he's going to trust someone, based on the—

Mr. Alex Bertola: Volatility.

Mrs. Marie-France Lalonde: —volatility; thank you—of the market, as to how much money he will have to retire?

I just want to say one more thing: portability. You mentioned that. I have to say that I was born here but grew up in Quebec, and for a period of my life I know that I contributed to the Québec Pension Plan. When I retire, that money will be there for me. So if tomorrow—not tomorrow; a few years from now—I was to choose to go to British Columbia at 65 years of age, my contribution to the ORPP will be there for me.

Mr. Alex Bertola: But at what value, ma'am?

Mrs. Marie-France Lalonde: Pardon me?

Mr. Alex Bertola: At what value? It has not been outlined—

Mrs. Marie-France Lalonde: You know what? This is a plan—

Mr. Alex Bertola: You've not dictated—

The Chair (Mr. Peter Tabuns): Excuse me, both of you. Time is up. Thank you, Mr. Bertola. I appreciate you making your presentation.

Mr. Alex Bertola: So I don't get a chance to reply?

The Chair (Mr. Peter Tabuns): No, you don't, actually. Thank you.

MR. IAN LEE

The Chair (Mr. Peter Tabuns): We have our next presenter: Ian Lee, I believe. Ian, you're on teleconference.

Mr. Ian Lee: Yes.

The Chair (Mr. Peter Tabuns): You have five minutes to present and then we will have nine minutes of questions rotating between the parties. I'll give you a minute's warning before your time is up. Mr. Lee, please proceed.

Mr. Ian Lee: Okay. Thank you very much. First off, I'll very quickly give three disclosures.

Number one, I do not consult for anyone or anything, anywhere—not corporations, not unions, not NGOs, not governments, not persons, not trade associations. One hundred per cent of my income is from Carleton University.

Secondly, I only source authoritative, reliable data, which I define as organizations such as Stats Canada and the US Census Bureau; international governmental organizations such as the OECD, the IMF, UNCTAD, that sort of thing; and thirdly, OECD government departments. I do not source union or NGO data as they are policy advocates and they're not neutral, as government agencies are.

My third disclosure is that this presentation I'm giving today—I do have the slides, which I will provide to your committee after I've presented today—is based on a peer-reviewed paper by Chancellor Professor Vijay Jog and myself on Canadian pension debates—the debates concerning Canadian pension reform in Canada. Professor Jog was one of the five professors who provided background papers to the 2011 first ministers' conference on pension reform in Canada that was called by the late finance minister, Jim Flaherty.

Essentially, our argument is that there is not a pension crisis in Canada. There is not a pension savings crisis in Canada. And we make that statement based on the empirical data.

First and foremost—and I have all these graphs, as I said, which I will provide to the committee after the fact; I'll email them to the Clerk—this is all from, as I said, reliable sources such as OECD. Canada—this is from the OECD Pensions at a Glance 2013—has the third-lowest level of elder poverty in the OECD at 7.5%. The OECD, of course, are the wealthiest countries in the world with the highest standard of living. We have the third-lowest level of elder poverty in the world. Only France and the Netherlands have slightly lower elder poverty than we do: just below 7.5%. So that's the first issue.

The second issue—and this is based on Stats Canada, the quarterly household balance sheet that publishes the famous debt figures that are often quoted, but what is not so often quoted are the asset numbers. Canadians—and we're talking individual Canadians, not corporate assets or government assets—have $9.5 trillion in aggregate gross assets, less the famous $1.7 trillion, so our net worth is around $8 trillion or approximately $250,000 per person, although I should immediately disclose that it's heavily skewed. Younger people have far fewer assets, on average, and elderly people have much more. In fact, in the StatsCan publication this spring, the average net worth of elder families is $650,000. That's net after debt. It's an astonishing figure, whereas young people, of course, have far less wealth.

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The third point has been documented by Professor Kevin Milligan at UBC and Professor Jack Mintz and others. In Canada, when people retire, we do not have a problem in the bottom two quintiles, meaning the bottom 40% of Canadians measured by income. Their incomes go up—up—in retirement, on average some 25%, because their incomes were very low when they were working. They were often minimum wage type people, and because of the first pillar including guaranteed income supplement, their incomes actually go up in retirement. The documentation is shown, and I was at a conference—

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Ian Lee: One minute left, okay. We do have some people who are not saving enough in the upper two quintiles—not the top quintile, but the second and third quintiles—who are dropping down from $125,000 or $150,000 when they retire down to $40,000 or $50,000 or $60,000. But I argue, and we argue, that it's not the role of government to address the problems of the upper middle class in a lack of savings.

The final point, and I'll say it very quickly, why I'm so opposed to the ORPP beyond the fact that we do not need it based on these stats, is that it will be clawed back at 50% from people who are in the bottom quintiles who qualify for GIS. So they'll be paying for years and years in payroll deductions to contribute and then losing a very significant amount in retirement when it's clawed back.

I'll stop there and take questions.

The Chair (Mr. Peter Tabuns): Thank you, Mr. Lee. First questions go to the third party. Ms. French.

Ms. Jennifer K. French: I appreciate your call, Mr. Lee, and I appreciate your very thorough presentation. That was refreshing. You did say that there is not a savings crisis or a pension crisis in this country.

Mr. Ian Lee: Right.

Ms. Jennifer K. French: I would ask, then: What do we have if it isn't a crisis? Based on your numbers and your presentation, what do we have, then?

Mr. Ian Lee: I'm not sure if I understand. We have 7.5% below the poverty line. I don't dispute that that is a real number. The late Jack Layton recognized that in the 2011 federal election and that we should do something. Professor Mintz, in a position paper only a few months ago, put out a proposal which I strongly agree with that we could eliminate elder poverty in this world by targeting those 7.5% rather than a universal solution where we adopt an ORPP or an enhanced CPP that hits everybody indiscriminately. In other words, we do have a crisis: 7.5% below the poverty line, to be precise.

We should be targeting that through, for example, increasing the GIS and, as Professor Mintz suggested, providing 100% survivor benefits to those people who are below the poverty line. What has happened is they tend to be elder females; in other words, women like my late mother who raised a family in the 1940s and the 1950s. They didn't work outside the home, so they never had their own CPP. When their husband passes away, their income drops very significantly because the survivor benefit drops. Jack Mintz suggested, and I agree, to give them 100% survivor benefits and top up GIS. We can eliminate elder poverty for about $5 billion a year, rather than creating some Rube Goldberg invention such as the ORPP.

Ms. Jennifer K. French: You kind of answered the second question I was going to ask, which was—

The Chair (Mr. Peter Tabuns): You have one minute left.

Ms. Jennifer K. French: Thank you—when you were referring to the bottom quintiles. I was going to ask you to expand on strategies or what you would counsel the government regarding that. If you want to add anything—

Mr. Ian Lee: Well, we have a system, and it's not the same as Europe. It involves three tiers, as everybody knows. I argue actually that there's a fourth tier, which is assets outside of RRSPs and employer pension plans. Of that $9.5 trillion, only about $2.5 trillion are actually in pension plans. In this debate, those advocating an increase in ORPP, for example, are completely ignoring the $7 trillion that we hold as assets, which are savings—assets equal savings. That money can be used and drawn down in our retirement as many Canadians do, but we are ignoring the role of that savings. So what I'm arguing is right now, between the OAS, the GIF and the CPP—

The Chair (Mr. Peter Tabuns): I'm afraid your time is up with the third party. We go to the government for questions: Madame Lalonde.

Mrs. Marie-France Lalonde: Thank you very much, Professor Lee. I really appreciate you calling us today. I certainly hope that you will pursue the idea with our federal government regarding survivor benefits and continue your great advocacy on the issue.

I think it was raised by my counterpart here in committee, but you mentioned that you believe Ontarians are saving enough for retirement. When I look at all the studies—and you have brought many numbers to us today, but I'm going to share with you some of the latest numbers that were presented to us here—RBC found that 30% of Canadians have not put anything away for retirement yet. Sun Life found that 60% of respondents now expect to work past 65, and that's up from 48% in 2008. CIBC found that 54% of Canadians say they are not making any contribution to their RRSPs for this taxation year.

Having said those numbers to you, Professor Lee, how would Ontarians benefit from a predictable stream of income in retirement?

Mr. Ian Lee: I'm in those categories you just quoted. I do not put any money into RRSPs. I'm one of those bad people who don't do that, because I don't need to. I have very substantial equity in my house. Some 69% of Canadians own their own home—StatsCan data—and 51% are mortgage-debt-free; the median age is 62 years. So as we move towards our senior years—

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Ian Lee: —pay it off over time, we have more and more equity there.

Mrs. Marie-France Lalonde: But Professor Lee, would you say this is the generation of today? If you look at our 25-year-olds, who will benefit from our proposed plan, wouldn't you say that this is why we have to do this? Ultimately, they change jobs often and they don't contribute to their RRSPs. So we're going to be helping future generations of Ontarians to have what you're describing to us, which currently some of our seniors or some of the people of Ontario benefit from. I think 7% of Ontarians only have what you're referring to.

Mr. Ian Lee: What I'm worried about—and I'm a former mortgage manager. Years ago in Ottawa, we were doing about a hundred deals a month. Many, many ordinary Canadians understand that they have a trade-off to make between saving for a pension versus buying a house. They self-consciously make the decision to put more into the house because it's the only asset in Canada that is tax-free—

The Chair (Mr. Peter Tabuns): I'm sorry to say that your time is up in this answer.

Mr. Ian Lee: So that's the decision they make rather than saving, and that's the decision I make—

The Chair (Mr. Peter Tabuns): Mr. Lee, I'm afraid your time is up with the government. We go to the official opposition for their questions. Ms. Munro.

Mrs. Julia Munro: Thank you very much for making yourself available today. I really appreciate it.

The first time I heard about your position on this was from one of my caucus colleagues who was on the committee that you presented at. I believe it was there that I first heard about your work in terms of assessing the potential clawback that would simply undo the concept of providing people with a provincial pension plan. It seemed to me that this demonstrates the lack of analysis and understanding of the process; that, in fact, what the government is proposing to do would do more harm than good. For that, I certainly appreciate your analysis today.

Mr. Ian Lee: Thank you.

The Chair (Mr. Peter Tabuns): Ms. Martow.

Mrs. Gila Martow: I would ask you—and we've been asking a few people, because we were wondering what the government's premise is for bringing out this pension plan. What we're hearing from some of the experts is that they see it as being a possible slush fund to invest in infrastructure. What are your thoughts on that?

Mr. Ian Lee: I was at the University of Calgary, which had a conference on aging and pensions in Canada last Friday, in Ottawa, at the Chateau Laurier. I was there for all the papers. This came up frequently in the various sessions. I know there were a good number of people in the room who were speculating—I don't want to suggest it was proven; it wasn't—that the real reason was because the government knows that there's a clawback on GIS. It's not a secret. It's well-known; it's at the website—but that the reason is to generate a pool of capital—

The Chair (Mr. Peter Tabuns): There's one minute left.

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Mr. Ian Lee: —that can be used to finance infrastructure. This is the one I've been hearing. I certainly lean to that as a theory to explain the support for the ORPP by the government.

Mrs. Gila Martow: Yes, it's a bit of smoke and mirrors and kind of robbing Peter to pay Paul.

Mr. Ian Lee: But the most important thing to remember is that in the bottom two quintiles, their income goes up 25% in retirement. So why are we doing this?

Mrs. Gila Martow: Thank you very much. My question exactly.

The Chair (Mr. Peter Tabuns): Thank you very much, Mr. Lee. We appreciate your contribution today.

Mr. Ian Lee: Thank you.

PROGRESSIVE CONTRACTORS ASSOCIATION OF CANADA

The Chair (Mr. Peter Tabuns): Our next presenters are the Progressive Contractors Association of Canada. Colleagues, I just want to let you know that Unifor Local 444 has cancelled, so this will be our last presentation. That's why the shift in order.

As you know, you have five minutes to present. There will be nine minutes of questions. I'll let you know when you're running out of time. If you'd just introduce yourself for Hansard. Thank you.

Mr. Sean Reid: Sure. Thank you, Mr. Chair and members of the committee, for the opportunity to be here today. My name is Sean Reid. I am vice-president federal in Ontario for the Progressive Contractors Association of Canada, or PCA. PCA is the voice of progressive unionized employers in Canada's construction industry.

The member companies of PCA employ more than 25,000 skilled construction workers across Canada, including 2,500 in Ontario and growing. Our employees are represented primarily by the CLAC. PCA's member companies are committed to supporting our workers during their careers and in their retirement. To that end, PCA is aligned with the Ontario government's goal of ensuring that Ontario workers have a means to a secure retirement.

Some 91% of PCA employers participate in the CLAC pension plan, which is a multi-employer, defined contribution registered pension plan. More than 71,000 past and present CLAC members are covered by that plan. PCA member companies participate in the CLAC pensions plan out of a desire to support the security of their employees in retirement. This desire is rooted in a fundamental respect for the dignity of our employees and the work that they do.

Taking steps to support people in retirement is the overarching goal of Bill 56. While this bill is largely an enabling bill, we believe it's important to raise some considerations at this time regarding the design and implementation of the ORPP before final decisions are made.

I'll now call upon PCA's senior manager of public affairs, Karen Renkema, to provide an overview of those considerations.

Ms. Karen Renkema: Thank you, and good afternoon. I will review some of our most pressing recommendations in my prepared remarks and would be happy to address other recommendations from our submission in the Q and A period to follow.

First of all, we believe the government should reconsider its proposal to exempt all defined benefit pension plans from participation in the ORPP while not exempting any comparable defined contribution plans that may meet all of the objectives of the ORPP.

Simply put, not all defined contribution plans should be painted with the same brush. There are a variety of DC plans in Ontario with differing characteristics and a range of benefits provided to employees. We believe that close examination of some DC plans, like the CLAC pension plan, will prove that they are comparable to the ORPP and meet the same objectives when their unique characteristics are considered.

Under the CLAC pension plan, for example, contributions are subject to provincial locking-in rules. This means that pension funds are, by law, inaccessible until retirement. These lock-in rules help ensure employees that their contributions last into their retirement years.

In addition, once members retire, they can choose to move their money into a LIF, life income fund, or a LRIF, life retirement income fund, or purchase an annuity from an insurance company, which provides a predictable stream of retirement income that is paid for life. When combined with the locking-in rules, such options help ensure that our members have a consistent income source throughout their retirement.

By treating all DC plans the same, some observers have noted that government could actually weaken retirement income security for workers if some employers chose to abandon their existing retirement savings pension plans.

Another factor to consider is the reality that there are a number of defined benefit plans that are currently underfunded. As such, not all DB plans may actually prove to be a reliable and predictable source of retirement income themselves. Under the government's current plan, these DB plans would be exempt from the ORPP, although they may not in fact end up providing retirees with the income they expect.

The Chair (Mr. Peter Tabuns): You have one minute left.

Ms. Karen Renkema: Finally, if defined benefit pension plans are excluded from the ORPP, while other comparable defined contribution pension plans are not, we believe the government would create unnecessary inequities within industries, including our industry, the construction industry.

PCA believes ensuring fairness should be an important consideration as the design and implementation of the ORPP is finalized, and we would encourage the government to avoid any decision that puts some companies at an unnecessary competitive disadvantage.

We hope that our considerations we have brought forward today will help ensure that the province moves forward in a way that truly enhances retirement security for Ontarians.

Thank you.

The Chair (Mr. Peter Tabuns): Thank you. Questions go first to the government: Ms. Vernile.

Ms. Daiene Vernile: Thank you, Mr. Chair. Can I say—does it seem like it's getting colder and darker in here?

The Chair (Mr. Peter Tabuns): Yes.

Ms. Daiene Vernile: Can we close the windows and maybe turn up the lights? The lights are okay, I suppose, but can we close the windows?

The Chair (Mr. Peter Tabuns): I think it's a question of the drapes, generally.

Mr. Granville Anderson: Are you cold?

Ms. Daiene Vernile: I'm very cold.

The Chair (Mr. Peter Tabuns): If you're cold, we'll close the windows.

Ms. Daiene Vernile: I should be having a hot flash right now, but I'm not.

Thank you both very much for coming and sharing your views with us. We do share your point of view that we want fairness and balance moving forward with this plan. I want you to know that I have a very deep appreciation for your industry. I grew up in a construction family. My father had a small construction company, and when I say "small," it was just him. He had a bulldozer with a front-end loader and a backhoe, and this is how he supported our family. But I know that he worried very much about retirement and how we were going to survive afterward. He's now in his eighties, so this obviously is not going to apply to him.

I want to ask you about having a large population of seniors retiring in Ontario who do not have adequate retirement savings. What impact does that have on your industry?

Mr. Sean Reid: I guess I'll try and address that with sort of an overriding thought that we've had in this whole process: We can either pay for this now, or we can pay for it later. Basically, if we do not deal with this up front, then the social burden that these retirees will experience down the road will be something that we will ultimately have to pay for anyway, and probably more expensively.

So to the extent that we can invest—and as employers, we're ready to invest in ensuring that that doesn't occur—that's our commitment. That's our focus.

The Chair (Mr. Peter Tabuns): You have one minute left.

Ms. Daiene Vernile: You touched on the CLAC. Can you tell us a little bit more about how that works?

Ms. Karen Renkema: On the CLAC pension plan: Our employers are signatory to CLAC, so we represent the contractors, but CLAC is our signatory union. They have a pension plan, and 91% of our employers participate in that pension plan.

On average right now, our employers' contributions by themselves are contributing approximately 7.5% of their income to their employees' retirement, well beyond the suggested 1.9%-plus-1.9% contribution under the ORPP.

Those contributions are locked in. It's a pension plan, so they're locked in. Employees cannot take those contributions out until they retire. When they retire—because it's a pension fund—they only have certain vehicles they can move those funds to. It's not like a group RRSP, where you could probably take out—I don't know; I'm guessing—95% of your funds.

The Chair (Mr. Peter Tabuns): I'm afraid your time is up.

Ms. Daiene Vernile: Thank you very much.

The Chair (Mr. Peter Tabuns): We have to go to the official opposition. Ms. Munro?

Mrs. Julia Munro: Yes. Thank you very much for being here today to give us your insights. Am I correct in understanding that, fundamentally, you're in favour of this piece of legislation?

Mr. Sean Reid: Fundamentally, we are in favour of what the legislation is trying to accomplish, but we do have concerns, as we raised, about not treating all defined contribution pension plans—or all defined benefit plans, for that matter—with the same brush. In fact, focusing on the underlying principles that the government is trying to accomplish is actually where the focus should be.

Mrs. Julia Munro: I ask the question simply because, as many observers have mentioned, this is framework legislation, so what happens with that is that when it is passed, then it is regulatory, and that's where some of these details would be dealt with. Of course, that's an invite-only private process. It's not like this process, where you have public opinion as part of it.

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The question about "comparable" is perhaps one of the most troubling parts of this whole exercise that we're looking at, because we have no idea exactly what "comparable" means. For you in your situation, where you have a defined contribution plan, are you going to be look at going down in terms of down to 1.9% or are you going to looking at adding 1.9%? Where would you see this process, for you as an industry, taking you, when we have no idea what "comparable" means?

The Chair (Mr. Peter Tabuns): One minute left.

Mr. Sean Reid: Our sense, as we put it in our submission, is that our plan is actually fairly close to comparable. The concern was that the government has, I think, too finely said only DB plans really qualify.

One of the proposals we put in our submission that we didn't talk to you about in much detail here is an application process whereby plans have the ability to apply to be comparable. For example, our plan, maybe with a couple of minor tweaks, could fit that pretty easily. We're hoping that the government would consider a few reasonable amendments to their plan that would allow for a bigger pool of private, union and other plans to participate. Ultimately, I think that's good for all of us.

Mrs. Gila Martow: Well, the question—

The Chair (Mr. Peter Tabuns): Thank you.

Mrs. Gila Martow: Oh, we're done?

The Chair (Mr. Peter Tabuns): Your time is up, I'm afraid.

Ms. French, third party.

Ms. Jennifer K. French: Thank you very much for joining us today at Queen's Park. Actually, we had the opportunity last week, on Monday or Tuesday, to hear from representatives from CLAC, so we appreciated their voice as well.

One of the things that has come up in some of the conversations and also with CLAC is that CPP is the first choice—or CPP expansion would be the best-case scenario, but since we can't really make those decisions here, here we sit.

As you said, not all plans should be painted with the same brush. You had also mentioned that the ORPP would put some companies at a disadvantage. Could you see a way if any plans were not to be exempt or could be—what am I trying to say? If there were no exemptions, would that make a difference in terms of that disadvantage?

Mr. Sean Reid: Well, I think that opens up a different set of issues. Our point is that there are excellent pension plans that are actually defined contribution pension plans which meet the criteria that the government has laid out as its fundamental guiding principles in this.

We think if you provide a variety of options, that's the best. We're pro-competition. We're pro-variety of things. We think that's the best method to do that, rather than looking at one particular option as the only vehicle in any of these situations.

Ms. Jennifer K. French: Okay. But to my question, if there were no exemptions and all plans were—if it was universal, for example, would that make a difference to that competitive disadvantage?

The Chair (Mr. Peter Tabuns): You have one minute left.

Mr. Sean Reid: Well, I think you would open up the problem of a whole bunch of employers and employees abandoning what are very good plans. We happen to think the CLAC pension plan is excellent and, frankly, better than a lot of defined benefit plans and maybe has things that will be better than the ORPP. Why not allow for innovation within the system by allowing for varieties of good plans, including the ORPP but also other plans, to be in the marketplace?

Ms. Jennifer K. French: You had said that with perhaps a few minor tweaks, yours could be considered comparable. Do you think that perhaps other DC plans, rather than disappearing, might also make some minor tweaks?

Ms. Karen Renkema: I think we have to recognize there is a very large difference between DC plans and DC pension plans. The regulation around defined contribution pension plans—they're more highly regulated around locked-in funds, about how you transfer those funds after retirement, both federally and provincially. There are regulations around that—

The Chair (Mr. Peter Tabuns): I'm sorry to say you've run out of time. Thank you very much for your presentation today.

Members of the committee, we have heard all our presenters for today. The committee stands adjourned until 4 p.m. tomorrow, March 31, 2015.

The committee adjourned at 1645.

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