



## Legislative Assembly of Ontario

First Session, 41<sup>st</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 41<sup>e</sup> législature

# Official Report of Debates (Hansard)

Monday 16 May 2016

# Journal des débats (Hansard)

Lundi 16 mai 2016

## Standing Committee on Social Policy

Ontario Retirement Pension  
Plan Act (Strengthening  
Retirement Security  
for Ontarians), 2016

## Comité permanent de la politique sociale

Loi de 2016 sur le Régime  
de retraite de la province  
de l'Ontario (sécuriser la retraite  
en Ontario)

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 416-325-3708.

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 416-325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario

## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
SOCIAL POLICYCOMITÉ PERMANENT DE  
LA POLITIQUE SOCIALE

Monday 16 May 2016

Lundi 16 mai 2016

*The committee met at 1401 in committee room 1.*ONTARIO RETIREMENT PENSION  
PLAN ACT (STRENGTHENING  
RETIREMENT SECURITY  
FOR ONTARIANS), 2016  
LOI DE 2016 SUR LE RÉGIME  
DE RETRAITE DE LA PROVINCE  
DE L'ONTARIO (SÉCURISER LA RETRAITE  
EN ONTARIO)

Consideration of the following bill:

Bill 186, An Act to establish the Ontario Retirement Pension Plan / Projet de loi 186, Loi établissant le Régime de retraite de la province de l'Ontario.

**The Clerk of the Committee (Mr. Katch Koch):** Good afternoon, honourable members. In the absence of the Chair and the Vice-Chair, it is my duty to call upon you to elect an Acting Chair. Are there any nominations? Ms. French?

**Ms. Jennifer K. French:** I nominate Catherine Fife, the member from Kitchener–Waterloo.

**The Clerk of the Committee (Mr. Katch Koch):** Ms. Fife, do you accept the nomination?

**Ms. Jennifer K. French:** You don't have to.

**Ms. Catherine Fife:** Yes, I do.

**The Clerk of the Committee (Mr. Katch Koch):** Are there further nominations? There being no further nominations, I declare Ms. Fife duly elected as Acting Chair of the committee.

**The Acting Chair (Ms. Catherine Fife):** Good afternoon. I'm calling this meeting to order to consider Bill 186, An Act to establish the Ontario Retirement Pension Plan. Pursuant to the order of the House dated Thursday, May 5, 2016, each witness will receive up to five minutes for their presentation, followed by nine minutes of questioning from the committee, three minutes from each caucus. I ask committee members to ensure that the questions are relevant to Bill 186 and to keep them brief in order to allow maximum time for the witnesses to respond.

Any questions before we begin?

## UNITED STEELWORKERS

**The Acting Chair (Ms. Catherine Fife):** I call the first witness, from the United Steelworkers, Alex Mc-

Kinnon. Please approach the table and enter your name and affiliation into the record.

**Mr. Alex McKinnon:** Alex McKinnon. I'm the director of research from the United Steelworkers.

**The Acting Chair (Ms. Catherine Fife):** Mr. McKinnon, you can start.

**Mr. Alex McKinnon:** Thanks.

I'm here today to present on behalf of our district 6 director, Marty Warren. As the Ontario government moves forward with the design and implementation of the Ontario pension plan, we certainly, as steelworkers, welcome the opportunity to comment on it.

Just as an idea of the Steelworkers, you may remember us from places like US Steel, but we're also an extremely diverse union, in all kinds of different sectors—manufacturing, security and, in fact, our biggest local is the University of Toronto administration staff. So we've changed a lot.

There is a real retirement crisis in pensions in this country. That's probably the biggest understatement that's ever been said. I'm going to go quickly through here. If we take a look at the new generation of workers and the labour markets, employees are less likely to work for any one single employer. Today, only 40% of Ontarians have workplace pensions. In the private sector, it's less than 25%—in fact, I'd say it's a whole heck of a lot less than that, because probably most of those are defined contribution plans, and I akin those more to savings plans than I do to pension plans. The reliance on the savings is falling far short, and that's why, as we understand it, the Ontario government has sponsored the Ontario registered retirement pension plan.

We'd also agree with Minister Hunter when she said that improving the Canada Pension Plan is in fact the best approach. If there is no national consensus on doing that, and there doesn't appear to be one, we feel that retirement security can be strengthened through the Ontario pension plan.

We are disappointed, however and “disappointed” is probably an understatement—that the Ontario pension plan does not incorporate universal coverage. We fear that Ontario's actions will undermine universal expansion of the CPP going forward.

This is actually the second time we've appeared before this committee. Our remarks are actually going to be similar in many ways to what we said the first time.

We think that, in fact, one of the most serious design flaws in the Ontario pension plan as it sits now is the fact of the exemption for comparable plans. We understand that the government's position has been that it's to protect existing quality pension plans, but we think that's a relatively weak argument. There's a number of different options that could happen. Defined benefit plans could incorporate the Ontario pension plan—like I say, a number of different things.

We are going to strongly suggest that Ontario should amend Bill 186 to expand coverage of the Ontario pension plan to all workers, regardless of their membership, and for several reasons.

First, universal coverage enhances retirement benefits through increased portability of benefits. Increased seamless portability is one of the most efficient and equitable aspects of the Canada Pension Plan. Universal coverage also reduces administrative complexity for both employers and the plan itself. Universality would spread the investment and the longevity risk amongst a greater number of people.

From our perspective, the only reason for exempting the comparable plans is the pressure from the financial services industry. The government should reconsider those exemptions and, at the very least, further resist any pressure from the financial sector to include such inferior products as the pooled registered pension plan.

We understand the constraints of the Income Tax Act, but we certainly welcome that the Ontario government continues to work with the federal government to allow the self-employed and federally regulated employees to participate in the Ontario pension plan.

The exemptions under Bill 186 for comparable plans have also created considerable complexity for government officials, employers, unions and workers. The—

**The Acting Chair (Ms. Catherine Fife):** Mr. McKinnon, your five minutes is up.

Questions will now go to the PC Party: MPP Martow?

**Mrs. Gila Martow:** Thank you very much for joining us today.

My first question is, why do you think that the government is pushing ahead with this plan? I'll just mention that Marty Warren, the director from USW Ontario, who I assume you know very well—

**Mr. Alex McKinnon:** I do.

**Mrs. Gila Martow:** —said that he felt that it was a politically motivated announcement to sway people to support the Liberals in the federal election, that somehow the suggestion was that there would be a deal made so that we would just expand the CPP. So why do you think that they're pushing ahead with this now?

**Mr. Alex McKinnon:** I can't speak for the government, but I would think that they hopefully recognize that there is in fact a retirement crisis coming down the pipes. In fact, not only is there a retirement crisis now, but it's going to be far worse in 25 to 30 years when most people rely on the defined contribution plans or other mechanisms like that.

**Mrs. Gila Martow:** Well, we all know that if you don't have a job, you're not going to be able to have any kind of retirement savings. So there's a lot of concern about how this is going to affect the economy and job growth.

I would ask you maybe to comment on people moving from province to province. Do you feel that this would lock people into having to stay in Ontario for their entire working life?

**Mr. Alex McKinnon:** No, I don't think it locks people into staying in Ontario. If they want to move, they're going to move. My understanding is that the government has reached out to other provinces. Hopefully, other provinces would join if they don't expand the CPP.

Will this stop jobs? They've said that about every sort of positive initiative around the CPP, EI and other things, and it hasn't.

**Mrs. Gila Martow:** Thank you very much.

**Mr. Alex McKinnon:** You're welcome.

**The Acting Chair (Ms. Catherine Fife):** I think you have one minute.

**Mr. Lorne Coe:** Through you, Chair, to the delegation.

I'm on page 4 of your delegation, sir; it's the first paragraph, and it says, halfway through it, "Monitoring of comparable plans should be done on a consistent and transparent basis." What process do you think ought to be used?

**Mr. Alex McKinnon:** I'm not sure. There is certainly a problem in trying to watch what comparable plans are and who actually does the monitoring, because monitoring is not contemplated under the present legislation. We also have a problem in collective bargaining where employers are trying to get out of the Ontario pension plan every which way.

**Mr. Lorne Coe:** Thank you, Chair.

1410

**The Acting Chair (Ms. Catherine Fife):** Next questions go to the third party. MPP French.

**Ms. Jennifer K. French:** Thank you, Mr. McKinnon. We're glad to have you here. Your presentation was cut a little bit short. Was there anything else that you wanted to get on the record before I ask you some questions?

**Mr. Alex McKinnon:** No. We would support the general initiative of the Ontario pension plan with universal coverage. I think there's probably a whole pile more of things I'd like to say, but I know time is short.

**Ms. Jennifer K. French:** Okay. Maybe we'll give you some chance to do that.

One of the things that you had mentioned is in terms of the government going ahead with considering other products comparable—as you said, the inferior products, the PRPP. As the government is making decisions around that, that will be made in regulations and without fulsome debate. So if you'd like to weigh in on why you have that feeling that they shouldn't be considered comparable.

**Mr. Alex McKinnon:** We would prefer to have one as universal coverage, because then if you integrated it with

CPP expansion, that would be seamless, in order to do that.

Second of all is with respect to comparable plans. Even if you have a group that is contributing to what is a comparable plan right now, and they go through that process—let's say they're in a defined benefit and they happen to work at US Steel and they close down, or at Nortel and they're going to see their pensions cut—that would have been all the more reason to have those people in the Ontario pension plan.

**Ms. Jennifer K. French:** This is a government that had originally started with everybody in, maybe defined benefit, and then more people were excluded, and now we're at the point where they're suggesting that PRPPs will be considered comparable, and they don't even exist yet. That's why I wanted to have your opinion on PRPPs specifically.

Part of your submission, that you just mentioned, was about some of the issues around the bargaining table and what you're finding now. Perhaps you could speak to that and share.

**Mr. Alex McKinnon:** There is hardly a set of bargaining that we go through, where there is a defined contribution plan in place, that the employer doesn't say that their contributions will be offset not only for the ORPP, but they've also included, if the CPP were expanded, it would offset. In fact, as I was sitting here just before the meeting started, I got an email from staff, and they put in the proposal from the employer that said if the ORPP applies to them, they're doing away with their defined contribution plan. That's their proposal in bargaining.

We see that every which way, especially in the nursing home sector, but almost every place where there's a defined contribution plan.

**Ms. Jennifer K. French:** How helpful would it be to have more details from the government before this is a done deal?

**Mr. Alex McKinnon:** I think there's a lot of confusion out there by employers about what in fact is covered. If it's a multi-employer plan, is it the appropriate plan to go? I think it would be a whole lot easier if there was just universal coverage.

**Ms. Jennifer K. French:** Thank you.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Mr. McKinnon. Questions now will come from the government side. MPP McGarry?

**Mrs. Kathryn McGarry:** Thank you for coming to Queen's Park today and adding your comments. As you know, the ORPP is going to be enhancing retirement security for about four million Ontarians, to really help with our economy. And as you know, there's ongoing dialogue with the federal government and the other provinces. But two thirds of the provinces, representing two thirds of the people, need to agree to be able to carry on that discussion. We are continuing to move forward on two tracks. One is to continue that national dialogue on CPP with the other finance ministers across the

country, but we're also preparing to move forward with the ORPP in case that agreement is not reached.

I just wanted to reiterate that we've been clear that we're going to be integrating the ORPP with the CPP if indeed it goes forward with enhancements. So some of the plan designs right now are to ensure that we can integrate with the CPP in future, if that comes about.

In the meantime, can you comment on how public pension plans help to benefit the economy in the long term?

**Mr. Alex McKinnon:** Sure. People get pensions and they spend that money, so it's not as if they're sticking it somewhere in the Caymans or a Panama account somewhere. For most people, that's what they live on. Most people don't have a whole ton of private savings, so pension plan money and CPP are an extremely important element to be able to retire with dignity.

But when you talked about the four million Ontarians—I'll wait with bated breath to see whether that many people get covered, and I wish it was universal coverage.

**Mrs. Kathryn McGarry:** Your point is well taken. As I've said, we've done some work over comparable plans and moved forward with this bill, having listened and adjusted what we are doing going forward. As I said, our government is working very closely with the federal government and other provinces to try to get everybody on board.

What is the downside to Ontario without people saving enough for retirement?

**Mr. Alex McKinnon:** There are lots of downsides. I mean, if you don't have adequate retirement income, there's a downside to all levels of government. People fall back on, at the federal level, the Guaranteed Income Supplement. There's more access to the public purse if there is inadequate retirement income.

**Mrs. Kathryn McGarry:** Certainly we saw that—I was a nurse and had to look after seniors who didn't have enough retirement savings.

Any other comments?

**Mr. Alex McKinnon:** No.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Mr. McKinnon. The time is up. Thank you for appearing.

## CUPE ONTARIO

**The Acting Chair (Ms. Catherine Fife):** Next I'd like to call CUPE Ontario. Please introduce yourself. You don't need an introduction, but you need to do it for us.

**Mr. Fred Hahn:** My name is Fred Hahn and I'm the president of CUPE Ontario.

CUPE represents a large number of workers who have successfully negotiated workplace-based pension plans, including large multi-employer plans, like OMERS and HOOPP, and some workplace-specific plans, like in our universities. But we also represent many workers who have yet to be successful at negotiating workplace plans,

including many workers who experience a wide variety of precarious work arrangements. It's why we have some concerns about some of the design elements of the ORPP.

We do recognize that the government's decision to make the ORPP a defined benefit plan is a very good step. Defined benefit plans provide the greatest amount of security in retirement and they must be promoted and expanded. We also recognize that it's vitally important to provide pension expansion. CUPE has been promoting, with many others, CPP expansion, and we remain committed to improving retirement security for all workers in Canada through an expanded public pension system.

But there is a fundamental flaw in the current design of the ORPP, one that is not too late to fix. That problem is the fact that the ORPP is not universal in its design.

Universality of important social programs like public pensions is the best way to ensure their ongoing viability. Universality is a central feature of successful social programs. Universal programs garner the widest possible public support, while non-universal programs, in the long run, are susceptible to erosions of support from those who gain no immediate benefit from them, and thus are vulnerable to political movements to eliminate such plans. It would be politically advantageous to design the ORPP as a universal plan in order to help sustain the highest possible level of public support.

The lack of universality of the ORPP is not just a problem of politics; it's also an administrative problem for the plan. Compliance with the ORPP will be difficult and costly to enforce, a problem that's not found with the universal CPP. The complex rules for determining if a workplace plan is comparable will create confusion, real or feigned, within the business community. The education that will need to go into informing employees and employers of their rights and obligations will come at a cost and an investment of time. There is also a risk that these educational efforts will fail in some cases, leading to non-compliance. There is no such risk when employers follow the same rules that they follow for the CPP, with which they are already familiar.

It's our understanding that enforcement will include combinations of targeting employers at high risk of offending and self-reporting by employees who believe their employers to be in violation of the act. Targeting high-risk employers will require long-term data collection and analysis, assessment of risk and regular compliance audits. This seems to be an inefficient way of proceeding. Requiring employees to report violations by their employers, through snitch lines or other means, is premised on the fact that employees know enough about these complex rules to be able to suspect that their employers are in violation of the act in the first place. Moreover, it will require employees to not fear reprisals for reporting their employers. When employees fear that if their employer knows they filed a report, they will suffer adverse consequences, they are way less likely to report violations of any sort.

The government has already heard from the head of some public sector pension plans, OMERS being a key example. These pension heads claim that making the ORPP universal would put existing plans at risk and would make it more difficult for them to reach their goals of full funding. CUPE has engaged the services of Smith Pension and Actuarial Consultants to do an analysis of the OMERS figures. This analysis demonstrates conclusively that there is absolutely no risk to OMERS, nor would there be to any other existing pension plan, if the ORPP is made universal. What the head of OMERS is saying to government is quite simply false. We strongly urge the government to revise the ORPP's design to make it a universal plan that covers all workers, designed on the same basis as the CPP. It will be much more efficient and have a much more effective and successful longevity.

**1420**

Our written submission includes positions on a number of other issues, including how to deal with potential shortfalls in the ORPP and the importance of not using the ORPP as a tool for privatizing infrastructure and public assets. I'd ask respectfully for the committee to consider carefully all of our recommendations and I want to thank you for your time. I look forward to your questions.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Mr. Hahn. Questions this round will come from the NDP. MPP French?

**Ms. Jennifer K. French:** Thank you very much, Mr. Hahn, for joining us. You made reference to an analysis that CUPE has commissioned or arranged. Do you have a copy of that, or is that something that—

**Mr. Fred Hahn:** I did not bring a copy, but I can provide a copy to the Clerk of the Committee so that all the members of the committee could get a copy. I didn't bring one with me today.

**Ms. Jennifer K. French:** Is that something we can have?

**The Acting Chair (Ms. Catherine Fife):** Yes, we can make sure that—can you ensure that the legislative committee has it? Then we'll make sure that all members receive a copy.

**Mr. Fred Hahn:** I will do so, absolutely.

**The Acting Chair (Ms. Catherine Fife):** Do you have any additional questions?

**Ms. Jennifer K. French:** I do.

Certainly, on your point of universality, we agree that we want all Ontarians to benefit from a strong public pension plan. One of the things that I wanted to get your opinion on, because I see that going forward this is the third piece of legislation and there will be a fourth: Many of the important design details, not just when it comes to the government's proposed concept of comparability, but just design details in general, are going to be left to regulations, where those decisions, like the ORPP and other things, are going to be hidden away from public debate. If you could weigh in on perhaps encouraging the

government to maybe bring some details forward, and what those details would need to look like.

**Mr. Fred Hahn:** Certainly. Look, we would, as would many other stakeholders, be really interested in having a discussion about those details. But quite frankly, from our union's perspective, the very best way to spend our time and energy at this point is to be in federal negotiations on expanding the CPP. It is the very best pension system we have across the country. It is the jewel in the crown of public pensions, and not just in Canada; it's recognized internationally. It is the very best way to guarantee retirement security. That we're spending time and energy on this plan, which is non-universal and only impacts workers in Ontario, when we could be spending time and energy talking about how to make better the lives of all retirees across the country, just seems like not the best use of time, in our union's view.

**Ms. Jennifer K. French:** Further to that, you'd be familiar that in their most recent budget, it says, "The province's extensive consultations in developing the ORPP have helped to inform Ontario's view that a CPP enhancement must be timely and provide a level of adequacy and targeted coverage that is consistent with the ORPP."

So it would seem, based on that quote, that the government, in their quest for CPP expansion, also wants to weigh in on that and have it be targeted coverage, like the ORPP. Your thoughts?

**The Acting Chair (Ms. Catherine Fife):** Thank you. Sorry, you don't have a chance—maybe the next question.

**Ms. Jennifer K. French:** Yes, maybe the Liberals will let you.

**The Acting Chair (Ms. Catherine Fife):** The next set of questions comes from the government side. MPP McGarry?

**Mrs. Kathryn McGarry:** Thank you, Mr. Hahn, for coming in and speaking to us again. As you know, the ORPP is there to provide retirement security for life for over four million Ontarians. Certainly, we would agree that an enhanced CPP program would be best, and we are doing that work concurrently. I know you talked about making sure we're making the best use of time. You can darn well bet we're at the table with the other provinces and with the federal government to try and move that peg along.

In the meantime, as Ontarians, we really need to get on board. There's a severe deficit, as you know, of retirement savings across the province, and we need to look after those Ontarians who are not part of that plan.

I just really wanted to ask you about the survivor benefit. I'm sure you're aware of that plan, that under the ORPP, the survivor benefit that's similar to CPP will offer single individuals the option to designate a beneficiary, should they pass away before retirement. Can you comment about the benefit of ensuring that public plans like the ORPP include that survivor benefit?

**Mr. Fred Hahn:** Certainly. Thank you for the question. I just want to note that while the ORPP may include

four million Ontarian workers, it will exclude almost three million as a result of it not being universal.

The challenge we have in terms of the dual path that your government has taken is that in writing in the provincial budget, you've actually said that you will be advocating for CPP expansion modelled on the ORPP, which means that you would be advocating for a non-universal expansion of the CPP which, from our union's perspective, endangers the universal nature of that plan. In fact, it potentially two-tiers the CPP.

Plans like you spoke about, components of a plan like survivor benefits, are incredibly essential. Having those be part of an Ontario plan, should there ever need to be one, would be essential. But integrating with the CPP when the ORPP is non-universal will be challenging. A worker could, for example, work at a hospital and be part of the health care workers of Ontario pension plan. As a result of cuts to hospitals, they could be laid off and no longer a member of that plan. They may then be employed at a small business and have to be part of the ORPP. They may then lose that job and perhaps get a job at a municipality and be part of OMERS, and perhaps then be excluded from the ORPP again.

This in-and-out thing will not only be costly both in time and in money, but in terms of tracking that person, should there ever be an integration with CPP expansion, that person would be at a loss, we think. It's why we think it's really important, if the government's going to proceed on a model that is an Ontario model only, it should be absolutely modelled on the CPP, which means that it would be universally available.

**Mrs. Kathryn McGarry:** Actually, the ORPP is being modelled on the CPP—

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Mr. Hahn, Ms. McGarry.

Next, the PC Party. MPP Martow.

**Mrs. Gila Martow:** Hi. Thank you very much for coming. I liked your red glasses, but I like this colour even better. I was an optometrist before. You might not know that, Mr. Hahn.

*Laughter.*

**Mrs. Gila Martow:** I want to ask you to imagine if the health care plan in the province wasn't universal, how that would have turned out—and I really hear what you're saying. We all know that if people were allowed to pick and choose what type of health care plan, the problem is that people will choose that gold-plated platinum plan for themselves, or a very successful business will choose it for their employees, but that means there's less money for the other plan and it won't be as successful. I just want you to expand on that, why it has to be universal, because I understand, but I'm not sure everybody else does.

**Mr. Fred Hahn:** One of the key components, as we've mentioned, about universality is that it means that everybody sees the benefits of a universal system. Those who can have incomes that allow them to save for their retirement might argue that they don't need a public pension plan, but if they participate in it and they benefit

from it, they'll support it. The reality is that 80%, 90% of people who live in this province require public pensions in order to survive in retirement, or they'd literally have to keep working until they die.

We have members who are personal support workers who work providing home care. I know a member in the city of Toronto who just turned 88 years old. She continues to work. Why is that? Because she never had a workplace pension plan and she simply can't afford to live in the city of Toronto on CPP alone. So at 88, she continues to work and continues to provide care.

I don't think that's a future that any of us wants to see, not just for ourselves but for our children. It's why we need expanded pension coverage and it's why that coverage needs to be universal, so that everyone is involved, everyone is contributing and everyone is participating and supporting that plan.

**Mrs. Gila Martow:** Well, we already have a universal plan. We have the CPP. I think you're well aware that our party supports expanding the CPP. There is too much overlap and bureaucracy if we're going to have a separate plan. Too much of the money doesn't get invested and grow; instead, it gets spent on that enormous bureaucracy. I just want to read very quickly—I think I have another few seconds.

**The Acting Chair (Ms. Catherine Fife):** One minute.

**Mrs. Gila Martow:** In the most recent budget, it said by "encouraging more Ontarians to save through a proposed new" ORPP, "new pools of capital would be available for Ontario-based projects such as building roads, bridges and new transit." That's why I believe they want to push ahead with this ORPP that I think will cost people a lot. They would have been far better off to have that money put into RRSPs, tax-free savings accounts or any other kind of investment if there wasn't a pension plan for them than to have the money go towards a slush fund for transit.

**The Acting Chair (Ms. Catherine Fife):** You have five seconds.

1430

**Mr. Fred Hahn:** Well, actually, there are lots of studies by actuaries that say that RSPs and other "saving mechanisms" don't produce retirement security. They're subject to the market, right?

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Mr. Hahn, for attending.

**Mr. Fred Hahn:** Thanks.

#### CANADIAN INSTITUTE OF ACTUARIES

**The Acting Chair (Ms. Catherine Fife):** Next, I'd like to call the Canadian Institute of Actuaries up to the table. Welcome to the Standing Committee on Social Policy. Please introduce yourself for the Hansard.

**Mr. Ian Edelist:** Thank you. My name is Ian Edelist. I'm representing the Canadian Institute of Actuaries, as is my colleague, Michel St-Germain. Thank you to the committee for inviting us to speak today. I'm going to be delivering an about-five-minute presentation to you and

my colleague Michel St-Germain will be answering all of your tough questions, so don't be shy.

In my day-to-day role as an actuarial consultant to pension plan sponsors and administrators, my job is to ensure that Ontarians who participate in workplace pension plans receive the correct level of benefits that they've been promised and to calculate the amount of money that needs to be contributed into a pension plan to make sure that current and future retirees are paid for as long as they live.

The Canadian Institute of Actuaries, the national organization that through its 5,200-plus members serves the public through actuarial services and advice, is interested and appreciative to participate in formulating pension public policy in forums such as this.

There are three key points that we'd like to get across today in relation to Bill 186, the ORPP Act:

(1) There is a window of opportunity that exists to determine how much more retirement income for Ontarians and Canadians should come from public pension plans.

(2) The ORPP should be targeted to those who need it.

(3) We should be as uniform and efficient as possible when creating new pension structures.

On the first point, there is debate about whether there is currently a pension crisis. There is definitely a new environment that we have headed into: lower interest rates, increased lifespans and fewer employees covered by workplace pension plans. Canada has one of the best retirement systems in the world, and some of my fellow actuaries would note that Ontarians are likely to adapt to the new environment over time. But equally notable is that changes can be made to the current pension system to better handle the new environment.

We recognize Ontario's leadership in addressing the needs for pension reform and urge you to actively participate in the national debate on the expansion of public pension plans, with the recommendation that you take advantage of the window of opportunity and the current discussions among the provinces, work toward a national consensus and conclude these discussions as early as Christmas this year.

On the second point, the Canadian Institute of Actuaries released a public position paper in November 2015 and is about to release a second one—on Thursday, Michel tells me—on the expansion of public plans.

We note that the ORPP, through Bill 186 and the ORPP Administration Corporation Act, meets several of the conditions set out in our public position:

—no transfer of costs to future generations;

—the ability to adjust contributions and benefits in the future, including post-retirement inflation protection, as described in section 45 of the bill; and

—the ORPP has set up an independent governance structure through the administration corporation.

But other conditions are not met. In particular, the ORPP's design is not targeted toward middle-income earners, who have the greatest need.



Low-income earners are required to contribute with a minimum earnings threshold of \$3,500, as defined in section 15 of Bill 186. Studies have shown that the current public retirement system maintains or exceeds low earners' standards of living before retirement. Contributing to the ORPP for those low earners will merely result in a significant portion of their Guaranteed Income Supplement being clawed back. We would recommend a minimum threshold of 50% of the CPP earnings ceiling, which is about \$27,000 this year. There is no need to have the same minimum earnings threshold as the current CPP minimum earnings threshold since, even if there is agreement to take this plan nationally, the structure of this plan will be separate from the current CPP. As an example, the ORPP already has a different upper earnings threshold limit of \$90,000 in 2017.

On the third and last point, it's daunting for the average Ontarian to keep up with their RPP, ORPP, TFSA, RRSP and the rest of the pension alphabet soup, so the simpler and more efficient our retirement savings system is, the better. One way to do this is to have uniformity of public pension plans across Canada, including using existing structures as much as possible. However, this shouldn't disrupt the ability for workplace plans to continue to exist and to allow the private sector to continue to develop products for those individuals who want to save more.

Thank you for your time today, and Michel is eager to answer any questions that you have.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much for the presentation. You ended a little early. Questions go to the government side. MPP Baker?

**Mr. Yvan Baker:** I just wanted to take this opportunity to quickly address something that had come up in the discussion just prior to you arriving. I'll be brief.

I wanted to clarify for all members and stakeholders right here that the funds that are gathered for the ORPP are going to be held in trust for members. So it won't be part of the Consolidated Revenue Fund and spent at the—that's in the bill. I just wanted to clarify that because it came up in the prior discussion. There may be some confusion.

Thank you very much for coming today. I wonder if you could tell us—I come from a business background. One of the things that I spent a lot of time doing, as part of my role as a consultant, was recruiting talent for the firm. I was wondering if you could tell me a little bit about what trends you're seeing in the labour market, specifically when it comes to pension coverage and savings for retirement.

**Mr. Michel St-Germain:** Thanks. I'll try to answer briefly.

There's no doubt that Canadian employers are very concerned, getting into the business of the retirement of their employees. There's been a decreased interest in this. That's one of the reasons why we acknowledge the need to transfer some of the pension responsibility to the government, simply because employers are unwilling to take on that responsibility.

I don't think this is going to come back. I think we are going to see a conscious erosion of defined benefit plans in the private sector. Having said that, there are measures that the government can take to slow down that erosion.

**Mr. Yvan Baker:** How do you think the ORPP will help address that retirement savings challenge?

**Mr. Michel St-Germain:** It reduces the risk that some people will not have saved enough when they reach retirement. That's one of the reasons why we are arguing that to manage this risk you need to target those who are the most at risk. Those people are those who are not currently covered by a pension plan and those of the middle-income group.

Those who are covered by a pension plan have adequate retirement, in most cases. Those at the lower end of the earnings level are adequately covered by the current array of benefits from the government. Furthermore, if we ask them to contribute to an additional plan, it is really detrimental to them because of the clawback effect of the GIS.

**Mr. Yvan Baker:** Thank you very much.

**The Acting Chair (Ms. Catherine Fife):** Moving on to the official opposition. MPP Martow?

**Mrs. Gila Martow:** I have my little timer now. Bienvenue, Monsieur St-Germain.

I have to address what he addressed, opposite me, which is that the concern isn't that the capital will be somehow syphoned off by the government. The concern is that it won't be invested in as high-yield investments as the CPP is, because we all know the CPP is growing and doing fantastic. It's not investing in transit in Ontario, unless it thinks it can get the best return for its customers.

Monsieur St-Germain, my question to you is this: Why do you think that this government is gung-ho to push through an ORPP, when experts such as yourself—and even hearing from union representatives—are raising huge, huge concerns?

**Mr. Michel St-Germain:** I can't answer for the government, but what I can tell you from our end is that this pension debate really started some five years ago.

The financial situation of Canadians has been analyzed and over-analyzed. Our view is that it's about time that we end this debate. I think there's an opportunity here, in part led by the Ontario government, which has decided to propose something specific.

I think it's time to end this debate and to move on to something else. That's the reason why we're willing—and we will propose in our paper examples of how public plans at the national level could be expanded.

**Mrs. Gila Martow:** I don't know if it's part of your upcoming report, which I'm looking forward to reading, but there's a big concern in Ontario, not just about people not saving enough for their retirement but that they're retiring with huge debt. That's the concern in Ontario right now. People are retiring because of illness, because of job layoffs, because they feel they're just too old and they don't want to work anymore, and they still have mortgages and they still owe on their credit cards.

There's no pension plan—we'll have to have a third pension plan to address that, if people are really retiring with that kind of debt. Does that concern you, the level of personal debt?

1440

**Mr. Michel St-Germain:** Well, actually, if you look at it, this is not a pension issue. That's what I find a bit troubling, in a certain way, in our society. We are focusing on pensions and we have been doing it for five years. We have forgotten that there's a lot of other crises at the social level: those who become disabled before retirement, those who suffer a divorce—in particular, a single woman who has to raise children—and those who lose their jobs. One of the reasons why we are pushing you to solve this pension problem, this pension debate, is so that we can move on to those other areas.

**Mrs. Gila Martow:** Exactly—that it isn't, strictly speaking, the biggest problem in our society.

**Mr. Michel St-Germain:** Well, I—

**Mrs. Gila Martow:** Not the only one.

**Mr. Michel St-Germain:** I won't rank the problems of this society and I do understand that you've got to solve them one at a time.

**Mrs. Gila Martow:** Thank you. Merci.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much. This next set of questions will come from the third party. MPP French?

**Ms. Jennifer K. French:** Thank you very much for joining us today at Queen's Park.

You had had three main pillars in your presentation on behalf of, as you said, your 5,200-plus members. In your third point, you were talking about uniformity, but I'm afraid I wasn't clear on what your focus—if you could expand on that.

**Mr. Michel St-Germain:** Sure, of course. It is the point that, to find a solution to the retirement of Canadians, there are a lot of advantages in doing it nationally. The retirement needs are no different in Ontario than in other provinces. There are a lot of Canadians moving between provinces and there exists now a pretty efficient government structure that runs the CPP, that receives contributions, administers benefits and, frankly, invests the money. We would like to encourage you, recognizing the leadership that Ontario is taking, to use what is at the national level. That is an efficient structure.

**Ms. Jennifer K. French:** Thank you. Further to that—and we talked about it earlier, how in the budget the government had put forward that they are hoping, in their view, that CPP expansion would “provide a level of adequacy and targeted coverage that is consistent with the ORPP”—when you talk about uniformity and you talk about the established CPP and its benefit, what are your thoughts on the idea of a targeted approach to CPP expansion?

**Mr. Michel St-Germain:** As we've said, it should be targeted where the risk is the greatest—

**Ms. Jennifer K. French:** The CPP expansion, as opposed to ORPP.

**Mr. Michel St-Germain:** The CPP expansion, correct. It should be targeted to those who are the most in need of additional savings. This would be those around the average income. When we say CPP expansion, one of the things that we will put in our report is that it has to be distinct from the CPP. This is going to be a very different plan. We want it to be fully funded. We don't want to transfer any of the costs to the next generation. You may want to use the word “CPP,” but to Canadians or Ontarians it should be very clear that it is a different animal. Contributions will not be the same and contributions will vary a lot more than CPP contributions.

**Ms. Jennifer K. French:** Thank you. One of the things you had also mentioned is you said it's about time that we had this debate. I've brought this up before, but a number of the design details are going to be left to regulation. Even after the fourth piece of legislation that will be coming forward eventually, a lot of the fine details will be left to regulation. Do you have thoughts on that?

**Mr. Michel St-Germain:** Well, if I can make one comment, we're still waiting for the analysis that I'm sure has been done in terms of the cost of the plan. We understand that the cost is 3.8%. We would like to see the details of that.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much. Sorry; that was one comment. Thank you very much for coming to the Standing Committee on Social Policy.

## CANADIAN CENTRE FOR POLICY ALTERNATIVES

**The Acting Chair (Ms. Catherine Fife):** Next I'd like to call up the Canadian Centre for Policy Alternatives. Welcome. Can you please introduce yourself for Hansard. You have five minutes for your presentation, followed by three minutes each for each party for questions.

**Ms. Sheila Block:** Hi. My name is Sheila Block. I'm senior economist at the Canadian Centre for Policy Alternatives, Ontario office.

I am very happy to have the opportunity to speak with you today about Bill 186. The ORPP is the most significant improvement in retirement security since the introduction of the CPP in 1966. Given the changing nature of the labour market, an expansion in public pensions is really the only way to increase security for future retirees.

Over the past 50 years since that introduction of the CPP, much has changed in the labour market. Fewer private sector employers are willing to take on that multi-generational responsibility associated with workplace pension plans. As a result, fewer workers are members of such plans. Only 40% of Ontarians are members today, and in the private sector, less than 25% of workers have an employer-sponsored pension plan.

Given additional changes in the labour market, fewer workers will work for the same employer long enough to

collect an adequate pension, even if one is offered. As a result, workers can rely less on employers for retirement security. This requires action from governments. The Ontario government should be commended for recognizing the retirement income problem and posing this solution.

The ORPP will be impressive in its coverage: 450,000 employers, 4.5 million workers and annual revenues of \$6 billion. It will become one of the largest pension plans in Canada. What's important to understand is that the size and scope of the plan will increase retirement security for its members.

Saving for retirement is complex and it's risky. There are risks associated with investment returns. There are risks about how long you will live after retirement, and on the other hand, there are risks about whether you will live long enough to retire. There are risks associated with the impact of pre- and post-retirement inflation on the value of pensions. There is a very real risk that a private sector plan sponsor will go bankrupt and leave an underfunded plan. All of these and more risks are ones that we are much better off facing together in a public plan like the ORPP than we are on our own.

Retirement savings plans like this are also complex to administer. You need to keep track of plan members, you need to keep track of their retirement benefits and their family status, and this is over very long and sometimes multi-generational periods. Further funding needs to be secured over very long periods, and legislation must be complied with.

These risks and administrative costs are the reason why an expansion of public pensions is the most efficient way to increase retirement security in the 21st century.

There are a number of reasons why public pensions are more efficient and more effective at providing retirement security. They spread both longevity risk and retirement risk over a larger population. This reduces costs and increases potential investment returns. Public pensions also spread administrative costs over a larger population, further reducing the costs of any benefits.

Not all pension plans provide true retirement security. To do so, pension payments must be guaranteed to last throughout your retirement, they must be inflation-adjusted to maintain their value, and they must be large enough for adequacy. The ORPP will provide many of the benefits associated with public pension plans and has many plan features that are needed for retirement security.

However, there are two serious limitations to the plan: It's not universal and it's not national. Many Ontarians will seek employment in other provinces and possibly return, and they'll have a patchwork of ORPP coverage. Universality is even more key for retirement security. There is potential for even more of a patchwork of ORPP coverage, as people can move in and out of the plan through their working lives as they move into and out of employment with employer-sponsored plans.

As both the government and progressive pension advocates agree, a meaningful expansion of the CPP would be the best option to improve retirement security

for Ontarians and all Canadians. However, we cannot and we should not wait until there is agreement on an expansion of the CPP, to act in Ontario. The establishment of the ORPP in Canada's largest province will provide an example and an incentive for others to act, and it will provide increased pensions for Ontarians until that CPP expansion occurs.

The following amendments would strengthen the plan. We would ask that the government work with its federal counterparts to amend the Income Tax Act regulations to allow the plan to include the self-employed, and then enact regulations that will expand ORPP coverage to self-employed—

**The Chair (Ms. Catherine Fife):** Thank you, Ms. Block.

**Ms. Sheila Block:** Oh, dear. Okay, sorry.

**The Chair (Ms. Catherine Fife):** That's okay. You have three minutes of questioning. It comes from the official opposition. MPP Coe?

**Mr. Lorne Coe:** Thank you for your delegation. It was very extensive. I'm sure you're aware of this, but I just want to quote some information from the Canadian Federation of Independent Business in Ontario. They say that for seven out of 10 small businesses which were part of their survey, this particular plan would force them to freeze salaries, and more than half reported they would have to eliminate positions to deal with the added cost.

**1450**

How do you reconcile your perspective on this with that particular opinion and juxtapose the state of the economy here in Ontario?

**Ms. Sheila Block:** I think opinion research is absolutely that: opinion. It's not evidence.

I think it's important to understand that labour markets work in a complex fashion. You have current earnings and you have deferred earnings. What this is proposing—and we have to remember the government was elected on this promise. The people of this province have indicated that they want some help with their retirement savings, and they want to receive government help to do that through a mandatory plan.

**Mr. Lorne Coe:** To my colleague, please, Chair, through you. Thank you.

**Mrs. Gila Martow:** I think people want a free ride, to tell you the truth. I think that a lot of the people who did support it—and you're right that people did vote for this plan. But then, when they're being told, "No, you're going to have pay your fair share. Your employer is going to have to pay, but you're going to also have to pay," they say to me, "No, no, no. That's not what I voted for."

I think that what I'm hearing now from a lot of people in the public is that they want to have a safe, secure retirement, but also be able to move from province to province. Does that concern you, if we have an ORPP instead of focusing on an expanded CPP, that it will be more difficult for people to move in and out of Ontario?

**Ms. Sheila Block:** I guess I'm not sure that it's an either/or position here. My understanding from all the government's public positions is that if there actually is

an expansion of the CPP, the ORPP will be rolled into it. So I think, really, the question is, how do we increase retirement security for Ontarians?

The first choice is absolutely a CPP expansion, and I think you've probably heard a lot about why that would be a good idea. But if that doesn't occur, the retirement income crisis that we're facing in Ontario really needs some action.

**Mrs. Gila Martow:** I'll just end by saying, as the previous speaker said, that it's not so much a crisis because of pension, but a crisis because of either lack of good jobs, too much debt or other crises, as well.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much. The time has elapsed.

The next questions will come from the third party: MPP French?

**Ms. Jennifer K. French:** Thank you for joining us. You were just starting to list the amendments. You had gotten as far as the Income Tax Act regulations and the self-employed. So if you want to briefly get those on the record—

**Ms. Sheila Block:** Thanks so much. Sure.

So the other thing is to increase the comprehensiveness of the plan by introducing an amendment or regulation that will allow commuted values from private pension plans in Ontario to be used to purchase service in the ORPP.

The next one is to ensure coverage for Ontarians in federally regulated industries. That would allow a further 220,000 Ontarians to participate.

Then, we have to state that, really, the comparable plan exemption is really problematic in terms of policing issues and in terms of retirement security. At least eliminating the comparable plan provisions for the defined contribution plans would be really desirable.

**Ms. Jennifer K. French:** You had also listed three important things to consider on the delivery side: I'm misquoting you here, but the guaranteed nature of the delivery, adjusting for inflation and that the payments are large enough to sustain.

Their budget states that the administration of the ORPP may be delivered using third-party delivery partners. All of that remains to be decided in regulations. Your thoughts on the delivery model and concerns there?

**Ms. Sheila Block:** I think what's really important is scope and scale, because you're just kind of spreading those costs over a larger group of people, so the cost per person is reduced.

In terms of private sector delivery, I'd want there to be a lot of care taken, in terms of the costs associated with that, to see in what way it could be delivered that actually delivered those efficiencies from the economies of scale and to make sure that none of those were lost as a result of, perhaps, high consulting fees or high investment management fees.

**Ms. Jennifer K. French:** Yes. I'm looking forward to watching that unfold as well. I think it's important to get our thoughts on the record because all of that will be left to regulation and behind closed doors, potentially.

Anything else that you'd like to add?

**Ms. Sheila Block:** No, thank you.

**Ms. Jennifer K. French:** Okay. Thanks.

**The Acting Chair (Ms. Catherine Fife):** Thank you, Ms. Block.

Next set of questions: MPP Anderson.

**Mr. Granville Anderson:** Thank you very much, Ms. Block, for laying out the CPP presentation so well and so thoroughly. I see that you're a senior economist. Do you have a little bit that you wanted to finish up?

**Ms. Sheila Block:** I did have a few things around the suggested amendments to the plan. I think what I can just add is, although we really think that those amendments would improve the plan, those suggestions should not take away from the major advance in retirement security that this plan will provide. I just want to leave you with that thought.

**Mr. Granville Anderson:** Okay. Can you comment on what a strong public pension plan like the ORPP would do for jobs and economic growth? We have been hearing from the opposition that this is a job killer etc.

**Ms. Sheila Block:** I think we find there's an argument that anything that increases workers' wages, whether it's deferred wages in terms of pensions or whether it's current wages in terms of an increase in the minimum wage, is going to have a terrible impact on employment and on the economy. Really, the evidence that we've seen—and we have seen a lot of it from the minimum wage debate—shows us that, in fact, it doesn't have these terrible impacts on employment and that, in fact, those impacts can, in some ways, have a little bit of a positive impact on aggregate demand.

But the big things that have an impact on employment in Ontario are things like what is happening to the manufacturing sector, and where the Canadian dollar is at, and those macro factors really will drive economic activity and, therefore, the labour market.

**Mr. Granville Anderson:** Yes. During the election—it's quite clear that our position hasn't changed on what the voters voted on: that it would be a plan shared equally by employers and employees. So that hasn't changed. The opposition alluded to the fact that what the people voted for is not, indeed, what they're getting.

Would you like to elaborate on that, please, for the record—that, in fact, we haven't changed our position since the election?

**Ms. Sheila Block:** I'm not aware of any change. I don't think that I've committed your platform to memory, but as I recall, I think that it was a contributory plan.

**Mr. Granville Anderson:** Yes, that's right. I just wanted that for the record, that that hasn't changed and our plan has remained the same.

**Ms. Sheila Block:** Okay.

**The Acting Chair (Ms. Catherine Fife):** Okay, thank you very much, Ms. Block. I'm sorry, the time—

**Mrs. Kathryn McGarry:** Chair?

**The Acting Chair (Ms. Catherine Fife):** Yes, a question?

**Mrs. Kathryn McGarry:** Sorry, was there more time left?

**The Acting Chair (Ms. Catherine Fife):** Ten seconds.

**Mrs. Kathryn McGarry:** Okay. Thank you for coming.

**Ms. Sheila Block:** Thanks a lot.

#### CARP

**The Acting Chair (Ms. Catherine Fife):** Next, I'd like to call up CARP, please, the Canadian Association of Retired Persons. Please identify yourself for the record.

**Ms. Wanda Morris:** Thank you. My name is Wanda Morris. I'm the vice-president of advocacy and the COO for CARP, the Canadian Association of Retired Persons.

CARP believes that the government has a critical role to play in ensuring retirement security for all Canadians, but we have significant reservations about the ORPP. It is not universal and it is not national.

CARP would strongly urge this government, as a matter of great priority, to work with the federal government, first of all, on CPP enhancements. We would like to encourage the government to make sure that every effort is made to be a part of a CPP enhancement before proceeding with the ORPP, even to the extent of perhaps considering some trade-offs.

CARP believes that in Canada, we are at a unique place, where the federal government and the governments of the provinces are such that it is possible to obtain the two-thirds majority of provinces and two-thirds majority of population needed to amend the act and upgrade the current Canada Pension Plan. We would be extremely disheartened if this government didn't make every effort to work with the federal government and ensure that an enhanced government plan was available to all Canadians.

#### 1500

Also, we are opposed to the idea of a duplicate bureaucracy for the ORPP, if anything can be done instead to simply have a CPP enhancement. That said, if the government has truly and deeply and sincerely made every effort to work with the federal government and enhance the CPP and that has failed, then we are strongly supportive of the ORPP.

We have surveyed our members. CARP has 300,000 members and 60 chapters across the country. Our members are strongly in support of an enhanced government pension plan. I'd like to just share a few of the details from our survey. Right now, while CARP typically has a demographic that is above average in terms of both education and income, 39% of our poll respondents noted that their retirement savings were not what they had hoped they would be, either through unplanned early retirements or through investment issues or other problems.

Other key issues: Two thirds of our members felt that the current Canada Pension Plan contribution of 25% was simply too little and 89% of members polled wanted the federal government to enhance the CPP. In terms of the pooling of the plan, the great majority of our members do

not support the plan having residual assets going to the estate, but instead wanted the assets to remain in the plan to help ensure its sustainability. Ninety-one per cent of our members polled believe that the plan should be mandatory for both employers and employees, and they would eliminate any element of opt-out. When specifically asked about whether there should be an opt-out for employers with a complementary plan, only 3.5% supported the idea of an opt-out.

While many, in fact most, of our members would not be in a position to benefit from an increase to either a CPP or an ORPP plan, there was strong, strong support for such an enhancement, with less than 10% of our members feeling that the younger generation is saving enough, many of them being concerned about their children and their grandchildren and that nasty trifecta of precarious employment, high student loan debt and raging house prices. Fifty-eight per cent of our members said that they would not have saved enough for retirement without the CPP, and given the changing pension landscapes in Canada, which we've heard other presenters refer to, the situation is only going to get worse.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Ms. Morris, for your five minutes. This round of questioning will begin with the third party. MPP French?

**Ms. Jennifer K. French:** Thank you very much for joining us today and for your presentation on behalf of your very active membership.

One of the things that you were talking about—and we fully take your point on the CPP enhancement being the first and best option, but you had also mentioned because that's for all Canadians.

I hate to harp, but I am stuck on this point from their budget, where this government is recommending that the CPP enhancement be targeted coverage consistent with the ORPP. For that targeted piece, I worry that that isn't for all Canadians.

What are your thoughts on that, that CPP enhancement, in the view of this government, should be targeted?

**Ms. Wanda Morris:** Sorry. Just help me understand: Who would be missed out in the target?

**Ms. Jennifer K. French:** I'm not sure, because to this point, we've heard from the beginning of the ORPP discussion that the ORPP would be modelled after the CPP, as best it can be. However, in the budget we see that it's in the opinion of this government that any CPP expansion be targeted and consistent with the ORPP.

**Ms. Wanda Morris:** I would say that we would reject that, to the extent that there are differentiations in plan design between the ORPP and the CPP. The key one I'm thinking of is the availability in the current ORPP proposal of employee/employer opt-outs in the event that there is a "comparable plan." I think the history of Canada is littered with employers that at one time looked blue chip and gold-plated and later on ended up in the bankruptcy courts.

**Ms. Jennifer K. French:** Okay, thank you. A number of your members—was it 300,000?

**Ms. Wanda Morris:** Yes.

**Ms. Jennifer K. French:** Okay, so none of your members, to my way of thinking, would be covered by this plan, or very few. Do you have a percentage?

**Ms. Wanda Morris:** There are a number of our members who are still working. It's unlikely that they would be working long enough to substantially benefit from the plan, so in general they're looking out for future generations rather than for themselves.

**Ms. Jennifer K. French:** So those numbers of people who support this plan are supporting it on behalf of the rest of Ontarians.

**Ms. Wanda Morris:** Yes. CARP members have a long history of being supportive of pension enhancement for future generations, I think speaking to the reality of their own retirements and the recognition of perhaps not having saved enough or not having the wherewithal to do what they would like in retirement—

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Ms. Morris. Thank you, MPP French.

This next set of questions comes from the government side. MPP Vernile.

**Ms. Daiene Vernile:** Wanda, welcome to Queen's Park. Thank you very much for sharing your comments today and representing and advocating on behalf of CARP. I was just telling my colleagues how excited I am now that you've lowered the age at which you can join CARP; I'm now old enough to join your group, which I will be doing.

**Ms. Wanda Morris:** Great.

**Mr. Yvan Baker:** I'm a member too.

**Ms. Daiene Vernile:** What, really?

**Mr. Yvan Baker:** Yes.

**Ms. Daiene Vernile:** You're not old enough. Come on.

*Laughter.*

**Ms. Daiene Vernile:** Wanda, you stated quite emphatically that you would like to see a better national plan; you'd like to see enhancements to the CPP. I will agree with you that that is what we would like to see also. We're very encouraged to see that we have a new federal government that has committed to doing this.

In the meantime, while we wait for that to happen, we wanted to move forward. You know that we need two thirds of the provinces to agree on enhancing the CPP, so while we wait for that, the other option is to do nothing, and that was just not a choice; that's not a road that we wanted to go down. We are looking at, in the event that the CPP comes along, integrating our system with theirs. So I want you to know that we have agreement on that and we're working very hard toward that.

I want you to fast-forward into the future and tell me what you see for Canadians if we don't have enhanced, better retirement for seniors.

**Ms. Wanda Morris:** I think that right now we have a looming retirement crisis and, while I strongly and emphatically support an expanded CPP, an ORPP is certainly far preferable to nothing.

**Ms. Daiene Vernile:** Okay. So for seniors, when they do have extra money in their pockets, what do they typically do with this?

**Ms. Wanda Morris:** I'm such a supporter of an expanded government role in pensions, not only because of the lack of pension plans available and the increasing dearth of them, but also because we haven't really talked about what happens with investors self-investing and our rules around investor protection, which are patchwork, which are haphazard and which have left all too many seniors hanging in the wind, as they have advisers who have made investment recommendations that have not been in their best interest and, best case, have left them with a high investment cost, and in some cases have deprived them of their savings, their livelihood, their health and, in some cases, their lives.

**Ms. Daiene Vernile:** We've heard some critical voices say that when it comes to retirement, "That's your problem; you should have been saving all your life." When you hear comments like that, how do you respond?

**Ms. Wanda Morris:** As a chartered professional accountant myself: We don't ask people to solve their own medical problems. We don't ask people to provide their own dental care. We don't ask people to become their own lawyers. Yet we assume that people have the financial wherewithal and the numerical literacy to be able to deal with complex financial transactions and investments. I think government has a strong role to play.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Ms. Morris. MPP Coe.

**Mr. Lorne Coe:** Thank you, Chair, and through you, thank you, Ms. Morris, for your presentation. I have your April 14, 2016, news release in front of me and it says, "The Ontario government's ORPP announcement: Good but not great." Do you still agree with that?

**Ms. Wanda Morris:** I do.

**Mr. Lorne Coe:** All right. You go on further to say, "CARP believes retirement income security is a national issue urgently in need of a national solution." Do you still agree with that?

**Ms. Wanda Morris:** I do.

1510

**Mr. Lorne Coe:** Continuing, the Canadian Taxpayers Federation says of the plan that it "will do nothing to help older workers facing retirement." Do you agree with that?

**Ms. Wanda Morris:** I'm not sure of the details in terms of the trade-off. I know that many of our CARP members are 50, 60 and beyond and some of them are working well into their 80s. But as a general rule, I think the plan will benefit our younger citizens more than our older ones.

**Mr. Lorne Coe:** There are other seniors' organizations that don't necessarily share the opinion that CARP holds. But we'll leave that for another day. To my colleague.

**Mrs. Gila Martow:** My question is, have you asked your membership if they understand that lower-income earners are going to be losing the income supplement

from the CPP if they get the ORPP? They'll have to spend their money to get the ORPP, because it will be taken off their earnings when they retire, but now, because they're going to be getting the ORPP, they will be losing that income supplement.

**Ms. Wanda Morris:** What we have found is that most of the individuals who receive the Guaranteed Income Supplement—typically the situation is a woman who has spent much of her life out of the workforce, so this isn't, I think, a major issue for our members.

**Mrs. Gila Martow:** So you're not concerned about the fact that there is going to be a big cohort of people who are going to be paying into the ORPP who are not going to be able to gain anything back from it. That group will be paying into the ORPP and, as you said, not everybody is so investment-savvy. Do you feel that people will feel a little bit bitter, that they'll feel that they've paid in and are not getting?

**Ms. Wanda Morris:** I haven't polled our members on this subject so I'm not able to speak for them, but what I can say is that I can see the dilemma between the current threshold and the level that it is and asking people to participate at that level.

On the other hand, being aware of many individuals in the younger generation who are working several jobs, who are precariously employed, if we say that we should raise that minimum level, somebody who's working perhaps two or three jobs may find that they're never in a position to qualify. So I would say I see both sides of that argument.

**Mrs. Gila Martow:** You still prefer an expanded CPP?

**Ms. Wanda Morris:** I have a strong preference for an expanded CPP.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Ms. Morris. That concludes this round of questions.

#### SOCIETY OF ENERGY PROFESSIONALS

**The Acting Chair (Ms. Catherine Fife):** Next, I'd like to welcome the Society of Energy Professionals up to the front, please. Just as a reminder, you'll have five minutes to present and then three minutes of questions from each party, beginning with the government side.

**Ms. Laura Brownell:** Thank you. My name is Laura Brownell. I'm staff representative at the Society of Energy Professionals and responsible for the pension file. I'm speaking on behalf of our president, Scott Travers, today.

The Society of Energy Professionals appreciates this opportunity to speak to you about Bill 186. The society represents over 8,000 professional employees at almost every public and private company with a significant number of employees in Ontario's electricity industry, including Ontario Power Generation, Bruce Power, Hydro One, the Ontario Energy Board and several others.

The society believes that the ORPP has the potential to be an important step forward in improving the retirement

security of Ontarians. Two thirds of working Ontarians do not have a workplace pension plan. Existing government programs are not adequate, especially for middle-income earners. Working Ontarians are not saving enough to fill the gap.

A well-constructed ORPP can provide a significant improvement in retirement security for over four million Ontarians. This is important not only for their personal well-being but also for the good of society as a whole. Studies have shown that stable, secure, indexed, lifetime pension benefits give seniors the confidence they need to engage in the spending that is essential for a healthy economy.

A public pension plan is a much more efficient way to provide such benefits than the current significant reliance on individual savings. Few individuals have the expertise required to make good investment decisions. Individuals must assume a maximum lifespan in order to ensure that they do not outlive their money. A well-designed public plan can pool these investment and longevity risks, so that it takes fewer dollars of investment to provide a given level of benefits.

A public pension plan is also more secure and reliable than workplace pension plans. Employers are increasingly opting away from offering defined benefit plans because of the challenges of funding and administering them. Also, workers can experience significant reductions in pension benefits in the case of employer insolvency. A public pension plan is needed to fill the gap.

The ORPP, as outlined in Bill 186, has some excellent design features. It aims to provide an indexed, defined lifetime benefit and as such is a significant enhancement to the existing mandatory Canada Pension Plan benefit. The ORPP will be one of the largest plans in Canada and as such will benefit from economies of scale, risk pooling and enhanced investment opportunities.

There are, though, some features of the ORPP in its proposed form that are of serious concern. You've heard many people say today, and I will say it again, that the major shortcoming of the plan in its current design is that it is not universal. We do need a national plan. The requirement that employers not necessarily participate if they have a comparable workplace plan creates a multitude of problems. Workers who have multiple employers during their working lives will have to deal with a patchwork of retirement arrangements, and there are many costs and risks associated with enforcement and compliance. I would also note that self-employed and federally regulated workers are currently excluded from the ORPP, and we see that as a problem as well.

The first choice for the Society of Energy Professionals would be an expansion of the CPP. As a mandatory universal plan that provides a defined, indexed lifetime benefit, it addresses all of our concerns in a fully satisfactory manner. The society strongly encourages the province of Ontario to continue to work with the provinces and the federal government on the important goal of expanding the CPP.

But we cannot afford to wait for CPP expansion. The society believes that the government is doing the right

and necessary thing by moving forward with an ORPP while CPP expansion efforts continue, but asks that the government seriously consider improvements to the ORPP that would address our concerns about coverage and universality.

We ask that you seriously consider the costs and risks associated with the comparable workplace plan exemption and at least take steps to mitigate them. We ask that you work with the federal government so that self-employed and federally regulated workers can participate in the ORPP. We ask that you provide a portability mechanism so that workers can avoid the pension patchwork by transferring assets from comparable workplace plans into the ORPP.

Finally, the society has been pleased to be part of the labour movement's involvement with this very important issue. We look forward to the continued meaningful participation of labour in the form of appropriate representation on the ORPP Administration Corp.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Ms. Brownell. Questions will come from the Liberal side. MPP McGarry.

**Mrs. Kathryn McGarry:** Thank you very much for joining us this afternoon.

Ontarians voted for a secure retirement in the last election. The ORPP is designed to provide plan members with a 15% income replacement after 40 years of contributing to the plan. We've also got a provision there so that survivor benefits to surviving spouses will be included, including the opportunity to offer the option to single individuals to designate a beneficiary, which we think is a key part of the plan. I also want it noted too that the proposed Bill 186 clearly states how the funds will be managed. The funds will be managed and invested by an independent arm's-length administration corporation, and the government will not be determining where or how the funds are invested.

In saying that, we recognize that our preference as well was to have an enhanced CPP program, but the reality is we need two thirds of the provinces and territories, and that has yet to happen. In the meantime, we wanted to ensure that we do go forward with this.

Can you comment on how the retirement savings landscape has changed over the last number of years?

**Ms. Laura Brownell:** Certainly as the mother of two millennials—

**Mrs. Kathryn McGarry:** I get that.

**Ms. Laura Brownell:** —I'm very proud of my children's achievements, but also worried every day about the trend towards precarious employment, about the fact that there might be multiple employers or careers. I think it's going to be incredibly important to create a public pension plan that is efficient, that is properly funded and that will give them something that is portable and that they can take with them as they go from job to job and try to make their way in this changed world.

**Mrs. Kathryn McGarry:** How do you think enhancing retirement security through the ORPP will benefit Ontarians, especially those in their senior years?

**Ms. Laura Brownell:** For those moving into their senior years, the benefit is clear. You've outlined the design elements that will provide a greatly enhanced defined benefit lifetime pension as people age. But for current seniors today, clearly the plan in its current design is not meant for them. There will be other measures that might be required to help those that are in need in that group.

**Mrs. Kathryn McGarry:** Again, when it comes to the plan itself, those that contribute for these years can have a beneficiary named, so that will certainly benefit those.

What would the landscape look like if we did not move forward with enhanced retirement benefits for our seniors?

1520

**Ms. Laura Brownell:** Well, to the extent that we do not provide a public plan that provides a defined lifetime benefit, people are left to their own devices to invest. Study after study has shown that, as the phrase goes, the bang for the buck from a defined benefit plan is much greater than if people are left to invest on their own, for all the reasons that you've heard today: investment risk, longevity risk, people who don't have the expertise.

**The Acting Chair (Ms. Catherine Fife):** Thank you, Ms. Brownell. Next we'll go to the official opposition. MPP Martow?

**Mrs. Gila Martow:** Thank you so much for coming in. I think that it's quite clear. This is our second time around, actually, discussing this bill here. Some of the same experts come in, very experienced people, and they say that if it's not universal, it doesn't work. It's the same thing as with the health care plan: We all know that if people who can afford a better plan buy a better plan—which we know that a lot of employers have better plans than any plan that the province is going to come up with. If they're going to have to give up their better pension plans for this lower plan—so we're taking a huge cohort and we're giving them less money in retirement and then we're giving other people more money in retirement. How are we really further ahead if we go ahead with this Ontario plan if it's not universal?

**Ms. Laura Brownell:** I'm not sure I understand your question.

**Mrs. Gila Martow:** If it's not a universal plan, it's not a great investment. It doesn't really work. Do you feel it works if it's not a universal plan?

**Ms. Laura Brownell:** We certainly prefer a universal plan.

**Mrs. Gila Martow:** Well, maybe explain to us why.

**Ms. Laura Brownell:** It's more efficient.

**Mrs. Gila Martow:** We know that. Exactly. So it's more efficient and it's a better investment.

**Ms. Laura Brownell:** But we disagree with you in saying that it doesn't work if it's not universal. I truly believe that universality is a huge challenge and a huge requirement, because I think just the costs and risks of trying to enforce and monitor the comparable plan issue is a problem. Plus there's the huge concern about



whether defined contribution plans can even begin to provide the same level of security. Is that a design flaw? Yes, I believe it is. Do I believe it's a fatal flaw? I'm not sure we're there yet.

**Mrs. Gila Martow:** A lot of people raised a concern to me as well which we haven't heard today, which is that a pension plan isn't necessarily transferable. It's not an inheritance that you leave to your children. If, unfortunately, you retire and pass away soon after, it's not like your RRSPs or tax-free savings accounts, which you can leave to the next generation. So a lot of people say to me that they kind of like having the CPP and they'd like to see an expanded CPP, even, but they like that they still have some of their own money to invest and leave for future generations.

**Ms. Laura Brownell:** Well, again, I think you just have to look at adequacy. The CPP in its current form is not adequate and does need to be enhanced, if not through a national expansion of the CPP then through provincial add-ons, if that's what we have to do. There's nothing to stop people from saving money and leaving it to generations, but for the many, many people who can't afford to save large sums of money and for the economy as a whole, having secure, indexed, lifetime pensions is going to be incredibly important and we must increase that component.

**Mrs. Gila Martow:** If they can't afford to save for their retirement, how are they going to be able to afford to lose part of their income for this Ontario pension plan?

**Ms. Laura Brownell:** Again, it's the bang for the buck question. I mean, I've heard the argument that if people are forced to pay 1.9% into the ORPP, they won't save that 1.9% on their own. I think that's a good thing.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much. The next round of questions goes through the third party. MPP French?

**Ms. Jennifer K. French:** Don't leave. And welcome. Thank you for your presentation. Far be it from me to defend the government plan, but I think in terms of survivor benefits, with this particular pension vehicle being different from the CPP, that is one area that sort of speaks to the point that was made before me.

But anyway, you said that you were the parent of two millennials.

**Ms. Laura Brownell:** I am.

**Ms. Jennifer K. French:** I will assume a few things about their employment journeys, just based on what we see in the greater community. Could you weigh in on what you've commented on here in terms of how, after someone has worked for their entire working life, they would have to deal with the resulting patchwork of retirement arrangements? With what you're seeing now with the youth who are working who will benefit from this plan, why is that problematic? What would that look like?

**Ms. Laura Brownell:** I'm sorry; it's the patchwork that's created if we don't have one? Is that what you mean?

**Ms. Jennifer K. French:** Sorry. You have said in here that part of the problem is that it isn't universal and

therefore we're going to see that patchwork arrangement. What might that look like?

**Ms. Laura Brownell:** Well, there's also a proposal in here for addressing that—

**Ms. Jennifer K. French:** Okay.

**Ms. Laura Brownell:** —that many of us have been discussing and enhancing, and I think it's going to be very important. I hope the government takes seriously the concept of people being able to take the commuted value if they're in a comparable plan and they move into a place where there's ORPP coverage or not, but just to be able to take the CPP, put it into the ORPP so that they've got one cheque at the end of their working lives.

**Ms. Jennifer K. French:** Also, you have mentioned here as one of your suggestions to provide a portability mechanism.

**Ms. Laura Brownell:** That's what I was referring to.

**Ms. Jennifer K. French:** Okay. I'm curious to find out the specifics of what you recommend or what that would look like. Is that in a further submission?

**Ms. Laura Brownell:** There is a group that is working on that concept, and we're very much hoping to engage the government on that.

**Ms. Jennifer K. French:** I'm very much looking forward to seeing that. It would be great.

The last part, your comment on the ORPP Administration Corp. and what you consider would be appropriate representation on that administration corporation—what might be appropriate?

**Ms. Laura Brownell:** Labour has had a huge role in talking about developing this policy. We're very excited about seeing it going forward. We currently have a representative on the small administration corporation. We think it's going to be critically important for the purpose of transparency and ongoing input to make sure that labour is involved and present on the expanded administration corporation.

**Ms. Jennifer K. French:** I certainly think that's a good idea as they go forward to make sure that you're clear on what that appropriate would be, not just leave it up to their interpretation—

**Ms. Laura Brownell:** We like the ratio as it is right now.

**Ms. Jennifer K. French:** Okay. If there's anything else you'd like to further expand on?

**Ms. Laura Brownell:** That's all, thank you.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Ms. Brownell, for attending.

#### HUGH MACKENZIE AND ASSOCIATES

**The Acting Chair (Ms. Catherine Fife):** Next, I'd like to call Hugh Mackenzie and Associates. If you'd please enter your name into the Hansard.

**Mr. Hugh Mackenzie:** Hugh Mackenzie, principal with Hugh Mackenzie and Associates. Faced with the dilemma of reading really quickly or leaving some things out, I'm going to opt to leave some things out and hope I have a bit of time at the end.

I've been involved with the pension system in Canada for more than 30 years, more than 20 years of it as a pension negotiator and adviser to the Steelworkers union and for the past 14 years as a board or advisory board member with three major pension plans: the Ontario Public Service Pension plan, the Ontario Teachers' Pension Plan and the Canada Post pension plan.

In those roles, I've had a front row seat as Canada's retirement income security system, as it relates to employees in the private sector in particular, has evolved from disappointment to failure. A registered pension plan system that never covered more than 50% of Canadian employees now offers a defined benefit pension plan to fewer than one in eight employees in the private sector. When you take into account the fact that a significant proportion of those—that one in eight—is either in multi-employer pension plans or single-employer plans that have already been closed to new entrants, the proportion of employees now covered by active, single-employer-sponsored pension plans is vanishingly small and shrinking.

Canadian workers need an expanded public pension system to support their retirement income needs because the record over the past 50 years has shown that for all sorts of reasons the privately based system is just not up to the job.

Ideally, that would take the form of a meaningfully expanded Canada Pension Plan. But as we head towards the latest attempt to find consensus among the C/QPP partners, meaningful expansion of the CPP faces very long odds.

The ORPP is a second best, but before I get into the areas in which I think it could be improved, I want to stress that it is a very good second best. Even as it currently stands, as an imperfect model applicable only to Ontario, the ORPP is the most significant, positive development in Canada's retirement income system since the C/QPP took effect in 1966 and represents a great start in the evolution of our retirement system towards one consistent with the needs of today's employees.

Having said that, I want to address two issues which, if dealt with, would not only make the ORPP better, but would give us a plan that could more easily be integrated into a future CPP expansion, and those have to do with universal coverage and portability, themes that you've heard many times today, I'm sure. I've certainly heard people mention them a couple of times.

The two key problems with the current workplace-based pension system in the private sector are low and declining coverage and the lack of continuity in the system in a rapidly changing labour market. That observation leads directly to universal coverage as a fundamental principle for the design of the ORPP. Despite this principle, apparently persuaded by current pension plans concerned about the complexity of integrating their plans with the ORPP, the government decided to exempt what would be deemed to be equivalent plans.

1530

While I don't agree with the government's decision, I at least understand the logic behind enabling DB plan

sponsors to avoid the complexity of integration. But in a bizarre and frankly illogical move, the government decided to extend its equivalent plan exemption to DC plans with a total contribution of 8% of earnings or more. The exemption for those equivalent plans makes no sense.

For a DC plan, accommodation of the ORPP is breathtakingly simple. A DC plan sponsor who wishes to avoid an increase in costs can do so simply by reducing employee and employer contributions to the DC plan by 1.9% of pay. Not only that, but this would be one of those rare instances in employment relations in which the employees are significantly better off, because they get a much more valuable benefit, and employers are no worse off. Their costs remain exactly the same.

In my view, it is difficult to justify not eliminating the equivalent plan exemption for DC plans. It is even harder to justify a system which, as it currently stands, allows DC sponsors to keep their employees out of the ORPP without their consent. On this issue, my specific recommendation to the committee is that it amend Bill 186 to remove any reference to the granting of equivalent plan status to DC plans and to mandate a regulatory regime for target benefit and multi-employer plans.

Even without universal coverage, the critical problem of portability can be fixed. Eliminating the equivalent plan exemption for DC plans, a change that could be accomplished with no inconvenience to employers whatsoever, would broaden the coverage under the ORPP. For DB plans, the issue of portability arises specifically from circumstances in which a pension plan member's employment relationship with the plan sponsor ends prior to retirement. In rare circumstances, it can be in the interests of such plan members to elect to remain plan members and receive a deferred benefit—

**The Acting Chair (Ms. Catherine Fife):** Thank you, Mr. Mackenzie. Your five minutes are up.

**Mr. Hugh Mackenzie:** Sorry about that.

**The Acting Chair (Ms. Catherine Fife):** Questions will now come from the official opposition.

**Mrs. Gila Martow:** Thank you for coming in. Do you want to just continue? You were sort of mid-sentence there.

**Mr. Hugh Mackenzie:** Sure. With respect to portability, there's a very easy fix to this. When people leave a pension plan prior to retirement, right now the Pension Benefits Act provides for the payment of the commuted value of that benefit. If you amended the Pension Benefits Act to require that a portion of the commuted value that represents the value of the ORPP that you would have earned if you had not been in an exempt plan gets transferred into the ORPP along with that credit, then you end up knitting that service back together again. In effect, you eliminate the discontinuity problem with defined benefit plans.

**Mrs. Gila Martow:** My concern—I just want to know if you share that concern—is that whenever you have an investment, you lose in the growth of that investment by any management fees. There are some management fees for the CPP, but it performs fantastically.

There are concerns about what the ORPP will be invested in and how much growth there will be, but there will be costs and there will be a huge bureaucracy. Then, if they are still holding on to part of their other pension plan, because the government is allowed to take from their defined plan, they'll take off the 1.9% for the ORPP, which is what you were suggesting, hold on to their present—

**Mr. Hugh Mackenzie:** No, no, actually—

**Mrs. Gila Martow:** —and then they'll have three bureaucracies they're paying for.

**Mr. Hugh Mackenzie:** I think you may have misheard me because I think I said that I reluctantly accepted the government's decision to exempt defined benefit plans. My objection is with respect to the granting of exemptions to DC plans. Actually, right at the heart of my objection to the exemption of DC plans is precisely the question of very high fees.

Canada has the highest mutual fund fees in the world. The calculations that I've done indicate that over a working lifetime, someone who invests in mutual funds through an RRSP ends up with between 40% and 60% of their retirement savings ending up in the pockets of the mutual fund managers.

The major public sector pension plans, whether it's the Canada Pension Plan, the Ontario Teachers' Pension Plan or any of the major jointly sponsored plans in Ontario, have management expense ratios that are a fraction of the ratios that are charged retail. That difference goes straight to the bottom line for retirees.

**Mrs. Gila Martow:** But your first choice is still an expanded CPP?

**Mr. Hugh Mackenzie:** Yes, it is. I can't resist an observation that if some of the people who today express themselves as so enthusiastic about the expansion of the Canada Pension Plan had expressed those views two or three years ago when Jim Flaherty was cut off at the knees when he tried to expand the Canada Pension Plan, that might not have been an issue in the last provincial election. We might not be having that conversation.

**The Acting Chair (Ms. Catherine Fife):** Thank you for that observation. The next line of questioning comes from MPP French.

**Ms. Jennifer K. French:** Thank you very much for joining us, Mr. Mackenzie. I noticed that the last page of your submission—you haven't had a chance to address some of your recommendations. Would you like the opportunity to expand on those?

**Mr. Hugh Mackenzie:** I did get to a high-level outline of that. I think that the issue of discontinuity and portability is actually relatively easily solved within the context of the Ontario Pension Benefits Act. The Pension Benefits Act already requires employers to pay out, at an employee's request, the commuted value of a benefit that they've earned, that they would have earned in an exempt plan. It would be a relatively simple amendment to the Pension Benefits Act, ideally to make it mandatory that the commuted value of the ORPP-equivalent portion of that be transferred to the ORPP so that they can get

continuous service within the ORPP. But it would certainly be no skin off anybody's neck at all if the ORPP Act were amended so that employees who had been members of exempt plans had the right to transfer the commuted value of their exempt benefit into the ORPP to buy service in the ORPP.

**Ms. Jennifer K. French:** I'd just like to say, as I was skimming ahead with some of it, I think it's an interesting idea, an interesting suggestion, to maintain shadow accounts showing how they would benefit. I haven't seen that before.

My question for you: You said you'd begrudgingly accept the concept of comparability for defined benefit plans but certainly not the exemption of DC plans. Do you consider PRPPs to be pensions?

**Mr. Hugh Mackenzie:** No.

**Ms. Jennifer K. French:** I didn't think so.

**Mr. Hugh Mackenzie:** I've actually been quoted as describing the PRPP as a jumped-up RRSP and I stand by that comment.

**Ms. Jennifer K. French:** So the fact that this government is planning to introduce in regulations that certain PRPPs would be considered comparable and therefore exempt—your thoughts on that?

**Mr. Hugh Mackenzie:** I think that would be extremely counterproductive. I think the whole PRPP phenomenon is pointless and a red herring.

**Ms. Jennifer K. French:** I concur.

To the question of third-party delivery, do you have concerns about what that might look like if this government is inclined to privatize the delivery of this pension?

**Mr. Hugh Mackenzie:** I would say that somebody trying to demonstrate that third-party management of what is essentially a public monopoly would save it money has a very, very high hill to climb. The record—

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Mr. Mackenzie. The next line of questioning comes from the government side: MPP Vernile.

**Ms. Daiene Vernile:** Good afternoon, Mr. Mackenzie. It's really interesting listening to you this afternoon. You bring a very impressive record of experience here to this committee.

We have heard this afternoon from some opposition members that the CPP, the OAS and the GIS offer sufficient retirement security to low-income Ontarians and, for that reason, they don't need to participate in the ORPP. When you hear that comment, how do you respond?

**Mr. Hugh Mackenzie:** In two ways. One is that I would agree with those who say that there's a problem with the design of the Guaranteed Income Supplement, and that it is unfair that the Guaranteed Income Supplement effectively claws back the benefits that people earn through contributions to other public plans.

But I do not think it's a solution to the problem with the design of the Guaranteed Income Supplement to deny low-income people access to a further public benefit. The answer to that problem, it seems to me, is to fix the GIS. Frankly, I have a bit of a problem listening to people who

were involved with the federal government using that kind of line. The GIS is a federal government program. If they were so concerned about the clawback—because, after all, the clawback works on the existing CPP as well. If they were so worried about that clawback, they could fix it themselves. They don't need to stomp all over the ORPP in order to do that.

**1540**

But there's another problem with that logic, and that is that when you graduate from high school, you don't sign a contract with society guaranteeing that you're going to be low-income forever. In other words, people move in and out of low income. You might be a low-income individual for five years while you're going through the millennial job walk, trying to find a job that will turn itself into a career. You're going to be defined as low-income. You're not going to accumulate any credit in a plan if it's exempt on that basis, and then suddenly, you are. As I said, people don't sign contracts after they leave high school guaranteeing that they're going to be low-income for the rest of their working lives.

The other issue that I feel really strongly about—and it came up in the course of the earlier conversation—which I think is really, extremely important, is that my casual observation of millennials in particular struggling to find meaningful long-term employment is that it is the norm for people to have multiple part-time jobs. It is not difficult at all to come up with scenarios in which somebody might generate an income equivalent to the year's maximum pensionable earnings under the CPP, and yet not qualify for a significant benefit because of the \$3,500 carve-out from any of their employers.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Mr. Mackenzie, with that.

#### MR. FILMON GEBREMESKEL

**The Acting Chair (Ms. Catherine Fife):** Our next delegation is through teleconference. We have Filmon Gebremeskel from Ottawa.

Welcome, Filmon. Can you hear me?

**Mr. Filmon Gebremeskel:** Yes, I can hear you.

**The Acting Chair (Ms. Catherine Fife):** My name is Catherine Fife. I'm the Chair. I'm just going to introduce the committee members so that you understand who is around the table.

For the official opposition, we have MPP Lorne Coe and MPP Julia Munro from the PC Party.

From the NDP, we have MPP Jennifer French.

From the government side, we have MPP Kathryn McGarry, MPP Yvan Baker, MPP Daiene Vernile, MPP Vic Dhillon and MPP Granville Anderson.

So Mr. Gremesk—

**Mr. Filmon Gebremeskel:** Gebremeskel.

**The Acting Chair (Ms. Catherine Fife):** —Gebremeskel—thank you—you have five minutes, and then there will be three minutes of questioning from each party. Please start.

**Mr. Filmon Gebremeskel:** All right. Thank you. I just have two questions. One is, prior to August of last year, the ORPP was on the table and it was all about enhancing retirement security for Ontarians. My question: I work with a few business owners who do have a pension plan in place that meets the requirement of at least 4% to be able to be exempted from the Ontario pension plan. The only issue I have is that when they were told about when to make the changes, it was too late within the requirements, where RSPs were not eligible or neither was the DPSP plan. So what's going to happen, going forward, if they have to contribute into the ORPP until 2020? What's going to happen to all those contributions that the employee and the employers have made?

**The Acting Chair (Ms. Catherine Fife):** So you're asking us a question?

**Mr. Filmon Gebremeskel:** Yes. That's my question.

**The Acting Chair (Ms. Catherine Fife):** Do you have the remainder of your presentation?

**Mr. Filmon Gebremeskel:** My second question was with regards to—I have a business owner who is 60 years old who is planning to retire about five years from now. He's going to be contributing to this plan, and even if he works until the age of 70, he's concerned that the amount of contributions he has put in, as well as his business—he's not going to be receiving anywhere close to what he's contributed to the plan.

So those are my two questions. It's not the full five minutes, but I just want an explanation so I can explain it to the business owners that I'm dealing with.

**The Acting Chair (Ms. Catherine Fife):** Okay. Usually the way that this works is that you do a presentation and we ask questions of you. If you have no further comments with your five minutes, I'm still going to give each party an opportunity to engage with you.

If you do not get answers to your questions, I've been advised by the Clerk that we can endeavour to have the ministry answer your questions in a formal way. Okay?

**Mr. Filmon Gebremeskel:** Okay. All right.

**The Acting Chair (Ms. Catherine Fife):** The first round of questioning goes to the NDP. MPP French.

**Ms. Jennifer K. French:** Thank you very much for calling in. As the third party, I'm going to leave it to the government to answer the specifics. I'm also looking forward to hearing the specific answers.

I have an understanding that you are calling on behalf of different business owners.

**Mr. Filmon Gebremeskel:** Yes.

**Ms. Jennifer K. French:** Can you perhaps share with us if they have broader concerns? Do they represent a number of employees who are feeling secure about their retirement? Could you perhaps expand a little bit on that?

**Mr. Filmon Gebremeskel:** One business owner already had a pension plan in place. They have two. They have a DPSP plan. They have about 700 employees, and they've had a pension plan in place for their employees for quite some time, but it didn't meet the requirement of a DC or DB plan.

By the time they were aware of what changes needed to have been made to be exempted from the first three waves, it was too late. Now the scenario for them is that they have to contribute starting in 2017 until 2020 into ORPP, even though they've made the changes after August of 2015.

Now they're concerned that, with all these contributions that their company, as well as the employees, have to make, once 2020 or wave 4 comes around, they won't be able to get anything that they've put into the plan back.

**Ms. Jennifer K. French:** Okay. For those specifics, I'm handing it over to the Liberal government, but I think that they would appreciate what you just gave us having more details. Thank you.

**The Acting Chair (Ms. Catherine Fife):** Okay, thank you very much.

From the government side, MPP McGarry.

**Mrs. Kathryn McGarry:** Hi. Thank you very much for joining us this afternoon. I just wanted to start off with a comment that we as the government have taken note of your questions, and the Associate Minister of Finance will be addressing your question, so we'll get back to you with the information that I know that you've left for the Clerk.

I just wanted to address a couple of issues that you're talking about. The Ontario Retirement Pension Plan will enhance retirement security for over four million Ontario workers who don't have a workplace pension plan by providing a predictable stream of income, paid for life. The benefits will be indexed to inflation.

The basic premise of the ORPP: It's designed to provide plan members with a 15% income replacement rate after 40 years of contributing to the plan. But here's the key part of this plan, and it really does go a long way to addressing your concerns: In the proposed Bill 186, it has a provision there to provide survivor benefits to the surviving spouse. But it also includes an opportunity to offer the option to single individuals to designate a beneficiary.

In that sense, those defined contributions that have been contributed into the plan will have a place to go, because I think that's what you're asking: Does it go and you lose it—am I correct in that?—or whether you're going to be able to get some benefit or your beneficiary? Is that the essence of your question?

**Mr. Filmon Gebremeskel:** No, the essence of my question is that, for the next four years, this employer is going to contribute into the ORPP because they didn't have a defined contribution plan. They have a plan in place and they're happy with it, and, from the greater sense of things, so are the employees. They're a little angry that they have to pay into ORPP going forward for the next four years. After four years of contributions, whether they decide to retire in five years or in 30 years or 40 years from now, they are going to be receiving nothing for four years of contribution into the ORPP. They're just wondering what's going to happen to their contributions for the next four years or three years that

they're going to be contributing into the ORPP. Eventually, they're going to get exempted because they'll meet the requirement.

**Mrs. Kathryn McGarry:** Okay, thank you. We've taken note of the question. We'll have the ministry address you. Thank you.

**The Acting Chair (Ms. Catherine Fife):** Thank you.

The final three minutes come from the PC Party: MPP Munro.

**Mrs. Julia Munro:** Thank you very much for calling in with very specific questions. Obviously, we look to the ministry to be able to help you.

I would just offer a couple of other concerns that have been identified. This piece of legislation allows for the government to receive contributions from people who are age 18 to 70. We have argued that age 18 is a pretty early time in people's lives to be in a mandatory pension plan. They might better want to be saving for a house, a car or paying off their student loan. So these are questions, like yours, that require very specific answers.

**1550**

We're also concerned about what happens if you are an employee in Ontario but the company you work for is outside the province. How do they create fairness amongst employees who are engaged and required to make mandatory contributions with those who are not?

So there are many questions such as yours that certainly deserve the attention of the government in being able to explain how individuals in this province would be impacted by the initiative.

**The Acting Chair (Ms. Catherine Fife):** That was a statement.

Do you have anything to add, Mr. Gebremeskel?

**Mr. Filmon Gebremeskel:** That's everything. Thank you very much.

**The Acting Chair (Ms. Catherine Fife):** It would be helpful for the committee to have your official questions in writing so that we could ensure that you do receive a response. Could you please forward that, in writing, to the Clerk?

**Mr. Filmon Gebremeskel:** Yes, I'll take care of that. Thank you very much.

**The Acting Chair (Ms. Catherine Fife):** Thank you for taking the time to call in.

## HEALTHCARE OF ONTARIO PENSION PLAN

**The Acting Chair (Ms. Catherine Fife):** I'd like to call up the Healthcare of Ontario Pension Plan delegation, please. Just as a reminder, you have five minutes to present and then three minutes from each party. Please identify yourself for Hansard.

**Mr. Darryl Mabini:** Thank you, Madam Chair, and members of the committee. I appreciate the opportunity to speak with you today. My name is Darryl Mabini, senior director of growth and stakeholder relations at the Healthcare of Ontario Pension Plan. I'm here to speak

about Bill 186, the Ontario Retirement Pension Plan Act (Strengthening Retirement Security for Ontarians).

HOOPP is a defined benefit plan that represents 300,000 working and retired health care professionals across Ontario. We are the third-largest pension fund in Ontario, with \$64 billion in assets. We are proud to say that we are fully funded at 122%. We have proven that we are able to achieve excellent returns while balancing risk, such that 80 cents of every pension dollar paid to our retired members come from our investment returns, not taxpayers. In other words, we deliver on our pension promise.

Public polling shows that 86% of Ontarians believe there is an emerging retirement crisis. There are many factors contributing to this crisis: First and foremost, we are living longer. Today, the majority of people are living into their mid-eighties, and some even longer. Ontario's aging population, which will grow more dependent on government services like health care, requires the government to do something for the more than two thirds of the population that has no pension coverage.

Polling research found that individuals with inadequate retirement income will cut down on food and pharmaceutical expenses, two things that can keep us healthy. We can only imagine the negative impact of seniors cutting down food expenses, not taking needed prescriptions and not being able to meet other basic health care needs. We can expect more visits to our emergency rooms, resulting in increased health care costs and further strain on our health care system. Simply put, living longer means more retirement income is required.

Another critical issue is a lack of adequate pension coverage. A recent study released by the Broadbent Institute suggests that roughly half of those aged 55 to 64 have no accrued employer pension benefits, and that the majority of these Canadians retiring without an employer pension plan have totally inadequate retirement savings.

The same study also says that only a small minority of middle-income Canadians retiring without an employer pension plan has saved anywhere near enough for retirement. The vast majority of these families with annual incomes of \$50,000 or more will be hard pressed to save enough in the remaining period to retirement to avoid a significant drop in income.

What is the solution, then, for Ontarians who have not saved enough for retirement or who have no access to a workplace pension? The polling shows that 68% of Ontarians agree that it would be better to address the private sector pension crisis than to reduce the benefits of public sector employees. The argument is not about taking pensions away from some because others don't have one; it's about fixing the problem for those people without coverage, an increasingly urgent issue given our aging society.

HOOPP is encouraged by the province's pursuit of a new pension solution for Ontarians—the ORPP—for both the private and public sectors. This solution has many characteristics of a defined benefit pension plan and is a step in the right direction.

The defined benefit pension plan model is good for the individual and good for the economy. DB plan members will, in fact, never outlive their money. Thanks to risk-sharing, members can count on their retirement benefits and trust that the money will be there for the rest of their lives.

We know mandatory savings are the best way to prevent poverty amongst seniors. Our retired members have told us this. Had HOOPP been a voluntary plan, they would not have joined. As retired members, they are grateful that they did not have the choice to opt out.

According to the research conducted by the Boston Consulting Group, DB plans are good for our economy. Pensions are important to our cities and our towns throughout the province. For example, in Elliot Lake, 37% of its income is from retirement funds, with DB pensions contributing to most of that. The smaller the town, the greater the impact on local economies.

Why is this also good for the taxpayer? The study shows that only 10% to 15% of DB pensioners require the Guaranteed Income Supplement, GIS, compared to 45% to 50% of the non-DB population needing this financial assistance.

Generally speaking, benefits paid to retired workers generate significant consumer spending that creates and sustains jobs throughout our province. They also ensure that senior citizens who have worked hard and contributed to building this province can age with dignity.

HOOPP is pleased to see that retirement security for Ontarians is being addressed in the form of the ORPP. We are looking forward to receiving more information about how the ORPP will integrate with existing workplace pension plans and additional clarification on the plan's details.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Mr. Mabini. The first line of questioning will come from the government side. MPP McGarry.

**Mrs. Kathryn McGarry:** Thank you very much for coming this afternoon. I'm certainly very familiar with HOOPP. It's held up as a great plan to be involved with, so thank you for coming today. I know that HOOPP recently conducted research on the value that defined benefit pension plans offer their members and the economy more broadly. Can you discuss what those benefits look like?

**Mr. Darryl Mabini:** Sorry, could you just repeat the question again?

**Mrs. Kathryn McGarry:** You've recently conducted research on the value that defined benefit pension plans offer their members and the economy more broadly. Could you discuss what those benefits look like from the research?

**Mr. Darryl Mabini:** If you're referring to the Boston Consulting Group—

**Mrs. Kathryn McGarry:** Yes.

**Mr. Darryl Mabini:** That research: What it said was that \$30 billion is paid to the Ontario pensioners, DB pensioners. Of that \$30 billion, \$27 billion gets paid back into the economy. So 90% of what seniors are receiving

in retirement actually gets spent back into the economy. So by way of spending, because the seniors can count on that money coming into their bank account every month on a monthly basis, not worrying about drawdowns, not worrying about running out of money, they're confident spenders. In that case, they are helping to support the economy by spending on various services.

**Mrs. Kathryn McGarry:** Thank you. As you know, in designing the ORPP, our government looked to some of the bigger plans to see how to design our program. We've leveraged your expertise in terms of moving forward with the ORPP. Could you talk about some of the advantages that large, public plans can offer their members in terms of management and returns?

**Mr. Darryl Mabini:** In terms of the management and returns, in terms of scale, as an individual, if I were to go out into the retail market and invest into, say, a mutual fund, and you can expect certain returns from a mutual fund, or into an RRSP, with these large, public—take into example these public sector plans, these large public sector plans. I would have, as an individual, access to markets that I wouldn't have if I was an individual contributing or looking for, seeking returns in the open market.

The other thing is cost. You hear a lot about cost. I'll take HOOPP for example. The management costs are quite low compared to, again, if I went out into the retail market to purchase, say, a mutual fund where it can be as high as 3%. That erodes from my investment returns and again impacts on my retirement future.

**Mrs. Kathryn McGarry:** Good. Just quickly, if Ontario doesn't do anything—and as you know, there is a significant retirement savings gap—what is the downside for Ontarians and taxpayers?

**Mr. Darryl Mabini:** Well, again, if you refer back to the Boston Consulting Group and you look at the research that showed that for DB—

**The Acting Chair (Ms. Catherine Fife):** I'm sorry, Mr. Mabini, that's three minutes.

Next, questions go to the official opposition. MPP Martow.

**Mrs. Gila Martow:** I'm just wondering what your opinion is on shelving the ORPP and instead focusing efforts on getting all of the other provinces on board to expand the CPP—or as many as needed.

1600

**Mr. Darryl Mabini:** Certainly. Thank you for the question. I think many people would agree that a national solution would be preferred. I think a lot of the reason for the support for CPP expansion is obviously that the infrastructure is in place. There's familiarity with CPP. People won't necessarily see it as a tax because they're familiar with it, and of course employers are accustomed to the administration of the CPP—again, a preferred option. However, in the absence of a national solution, it's good to see that the government is moving forward on a solution to address retirement income security by way of ORPP.

**Mrs. Gila Martow:** Do you think that some of the problem is that interest rates have been low for so long

that we forget what it was like? I remember in the 1980s being in university, and people were selling their homes when their mortgages came up for renewal because they just couldn't afford to renew their mortgage at such high interest rates. Do you think that part of the problem is low interest rates right now in terms of people getting income from their investments?

**Mr. Darryl Mabini:** Low interest rates is one; of course, that plays a factor. The global markets—since 2008 there's been some recovery, but you're seeing everywhere all around that markets are being affected.

The one good thing about having pooled contributions, though, whether it's ORPP, CPP or even HOOPP, for example: Large-scale pension plans can weather the storm. So as an individual, if I were to go out on the retail market and invest personally, I would be subject to those ups and downs and I may not have the wherewithal or the expertise to manage my investments in that economic climate. With these large funds who have professional investors, they would be doing that for the beneficiary, so it's peace of mind for the member.

**Mrs. Gila Martow:** The problem is that we're hearing from previous speakers that there are huge costs built in with mutual funds, so that's a bit of a negative. In terms of stock markets, they say that playing the stock market—you have to know what you're doing. People do feel safer with mutual funds, but then that's the trade-off. We're not living the way people did 30 years ago, where they just put that money in the bank and watched it grow.

Thank you very much for coming in.

**Mr. Darryl Mabini:** Thank you.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much. The last questions will come from the NDP. MPP French.

**Ms. Jennifer K. French:** Thank you very much for joining us today. Of course, we're familiar with HOOPP, and I'm glad to hear that the government is listening to your input and taking your advice. I hope they'll continue to do that.

To your point about people being confident spenders, those who are fortunate enough to have a defined benefit plan, that they can count on the money being there, partly because of the economies of scale, but they trust that it will be there and they are able to participate in their community and their economy—I have a question for you. I lost my train of thought. I'm completely derailed. Okay, confident spenders. Those who are not part of a pension plan and are not participating in their communities because they might have saved a little bit or they have money coming in: What is it like for them?

**Mr. Darryl Mabini:** Again going back to, yes, they're confident spenders because they know that their pension fund is depositing that cheque every month. You can go about your day-to-day business, whatever it is, whether it's buying groceries or anything that you need, and know that the money is going to be there the next month.

For those who don't have access to a DB plan—say they have personal savings, whether it's an RRSP or

mutual funds—it's a drawdown. It's like a savings account. When you retire, you're taking a certain amount from that account. At some point, you may run out of money. Again, we're living longer, and there's the cost of health care that's increasing as you get older because some things may not be covered. For them, they won't be spending as much. Some of our other polling suggests that they might be scaling back on—not necessarily cutting back on buying food but the quality of food, and that may impact their health as well.

**Ms. Jennifer K. French:** I remembered where I was going. You have a predictable delivery model where your plan members can count on how that money is coming in. In terms of the third-party delivery partner model that we have yet to know the details of, what are your thoughts on that? That delivery could look like anything at this point, and will be decided in regulation. Will you continue to have opinions and share those with the government when it comes to their design of the delivery model?

**Mr. Darryl Mabini:** We don't really have an opinion on a delivery model at this time, so I would actually not comment on that.

**Ms. Jennifer K. French:** When and if you do, I look forward to hearing it.

**Mr. Darryl Mabini:** Again, what we're looking at now, as more information about the ORPP is being rolled out: We are just curious to know and want to understand how it will impact current members and current employers. One example would be—

**The Acting Chair (Ms. Catherine Fife):** Thank you, Mr. Mabini. Your time was up, but you did leave us with that question. Thank you for being here.

## UNIFOR

**The Acting Chair (Ms. Catherine Fife):** I'd like to welcome Unifor up to the front, please.

Once you get settled, if you would please introduce yourselves for Hansard. Thank you. You will have five minutes, followed by three minutes of questioning from each party.

**Ms. Katha Fortier:** Thank you. My name is Katha Fortier. I'm the Ontario director for Unifor. With me today are Jo-Ann Hannah, director of our pension and benefits department, and David Leacock, who is a staff representative in our pension and benefits department.

Unifor is pleased to speak to the Standing Committee on Social Policy regarding Bill 186. Unifor represents 310,000 members across Canada, with almost 160,000 members in Ontario. Our members are employed in every sector of the economy.

The ORPP is the first expansion of a social security system that we have seen in Ontario or Canada for many years. It is a major step in addressing the retirement income crisis facing workers today.

The crisis lies in the decline in workplace pension plans. Today, only 40% of Ontarians have workplace

pensions. In the private sector, less than 25% of workers have a workplace pension plan.

The Ontario government has recognized the retirement income problem and is proposing a sensible solution. The ORPP calls on employers to meet their responsibility to provide a workplace pension plan and share the funding with their employees.

Unifor commends the government for the significant contribution that ORPP will make to the retirement income security of Ontarians.

A secure retirement income system must address many potential risks and the complexity of a changing workplace. The Ontario government is in the best position to address the challenges.

Some of the risks in retirement income include:

- the longevity risk: Women, with a longer life expectancy than men, are particularly at risk;

- inflation, even at low rates, erodes pension values;

- investment returns are stronger through a large, professionally managed fund;

- the administration of pension plans is much more cost-effective and accurate when shared over a large pool of participants such as the ORPP; and

- financial viability of the pension plan sponsor: Too often, Unifor members and pensioners, particularly in the manufacturing sector, have been stripped of retirement income when their employer went into bankruptcy.

The workplace is changing. Fewer Ontarians today can expect to stay with one employer and collect a pension plan from that employer at the end of their work career. Instead, employees will have numerous employers and retire with a piecemeal of retirement savings accounts. Their savings accounts will be transferred to their bank and subject to expensive retail banking fees.

The ORPP is a solution to the retirement income crisis. The Ontario government should act now to avert a retirement income crisis, and the ORPP is well suited to address the risks in retirement income and the changing workplace conditions that have created the current crisis in retirement income.

The Ontario regional council of Unifor endorses the Canadian Labour Congress proposal for doubling CPP benefits. We call on Ontario to continue to lobby the federal government for a significant CPP enhancement. At the same time, the council holds the ORPP as a necessary plan should the CPP enhancement be delayed or fail.

We have some recommendations to strengthen the ORPP. Universality is essential to a cost-effective, smoothly administered plan. Already, we are seeing the complexities that arise when employers with comparable plans are exempt from the ORPP. There will be a cost to review and to enforce the comparable plan exemption.

There are some changes to the ORPP that could improve universality:

- introduce portability by requiring terminated employees in a comparable plan to transfer their employer accounts to the ORPP;

- allow the self-employed to participate in the ORPP; and



—encourage coverage for an estimated 220,000 Ontario workers working in the federally regulated industries without workplace pensions.

**1610**

As we point out, the comparable plan exemption raises administration and policing issues. At the very least, monitoring of comparable plans should be done on a regular basis and the results made public.

The Ontario government should pay close attention to employers who reduce employee compensation in order to cover the employer's share of the ORPP. Unions can resist such employer practices; however, in non-unionized workplaces, employees could find themselves funding both their share and the employer's share of the ORPP contributions.

Finally, the labour movement has been instrumental in calling for a public pension system and will play a key role in the implementation of the ORPP in workplaces across Ontario. Labour must have a formal role in the governance of the ORPP.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much, Katha. The first line of questioning will come from the PC Party. MPP Coe.

**Mr. Lorne Coe:** Thank you very much. I'm on the last page of your presentation. In the last sentences, it says, "Labour must have a formal role in the governance of the ORPP." Can you speak a little bit more about what you think that role ought to be and what sort of shape that could take?

**Ms. Jo-Ann Hannah:** We just saw the announcement that the Ontario administration board is being set up and that they're looking for candidates to sit on that board. We think there should be labour representatives on that board. Certainly, going through the Ontario Federation of Labour to put forward candidates for that board would be appropriate.

As we say, what's going to happen in workplaces when the ORPP is up and running? It's really important to have labour representatives on that board, because there will be resistance happening in the workplace, with employers trying not to implement the ORPP. So we would like to see labour representatives—and we've been working on this. We should be there.

**Mr. Lorne Coe:** Great. Thank you, Chair. To my colleague, through you.

**The Acting Chair (Ms. Catherine Fife):** MPP Martow.

**Mrs. Gila Martow:** How do you feel about focusing our attention on expanding the CPP instead of spending all this time discussing an ORPP?

**Ms. Katha Fortier:** I think it's very clear that our first priority would be an expanded CPP. But at this point, while we're hopeful, there's no guarantee that that can happen. We've had some discussions that, possibly, the ORPP will actually have an effect to put some pressure on the federal government and the other provinces to consider implementation. If I lived in BC or Nova Scotia and was a worker without a pension plan, and I knew Ontario was getting one, I think I'd certainly put some

pressure on my elected representatives to make sure I got that same benefit as well.

**Mrs. Gila Martow:** Do you think that we should give it a certain amount of time to put that pressure on?

**Ms. Katha Fortier:** Well, understandably, I think it's got to be fairly reasonable. We know that the first ministers are meeting; there are meetings scheduled that will happen throughout the year. I think that decisions need to be made. Our union has taken part in a lobby on the Hill and talked to MPs very specifically. They've said that this is an election commitment from the Liberals and that they're prepared to make good on that promise, so I think we'll see some movement soon, if we're going to see that.

**Mrs. Gila Martow:** Thank you so much.

**The Acting Chair (Ms. Catherine Fife):** Seeing no other questions from the PC Party, next is—

*Interjection.*

**The Acting Chair (Ms. Catherine Fife):** You have 30 seconds, MPP Munro.

**Mrs. Julia Munro:** I want to comment on—

**The Acting Chair (Ms. Catherine Fife):** Can you please move closer to your microphone?

**Mrs. Julia Munro:** Oh, yes. Sorry—the middle of the last page, when you have the paragraph that begins, "Workers today can no longer rely on employers for retirement security." At the end, you talk about, "The financial institutions have not come up with an effective...." Who would you include in financial institutions?

**The Acting Chair (Ms. Catherine Fife):** You have 10 seconds to answer.

*Interjections.*

**The Acting Chair (Ms. Catherine Fife):** Perhaps you can touch base after. How about that, okay?

MPP French.

**Ms. Jennifer K. French:** Thank you for joining us today at Queen's Park. I appreciate not only the submission, but this is the third bill in a series of four, and we have appreciated your input all along the way. To your earlier point about being involved in the administration board, we look forward to having that as a strong group of people.

You had mentioned in your submission one of your suggestions for changes: "Introduce portability by requiring terminated employees in comparable plans to transfer their employer account to the ORPP." Could you expand on that briefly?

**Ms. Katha Fortier:** Well, I think there are a number of plans—if there is a plan in the workplace, there is often a situation where employees are just simply bought out of that pension plan. What if they had the ability to transfer that into the Ontario pension plan, particularly if they had a workplace pension plan that could have been exempt from the ORPP?

**Ms. Jennifer K. French:** Also, you represent, as you said, 310,000 workers. Is that right?

**Ms. Katha Fortier:** In Canada. It's about 160,000 in Ontario.

**Ms. Jennifer K. French:** Okay, so I would imagine that they would have different workplace realities. One of the pieces that you mentioned was that in non-unionized workplaces, employees could find themselves funding both their share and the employer's share—there's that kind of challenge. But what are some of the challenges that even within your membership those who are in precarious employment are finding themselves sort of on uneven footing, even with a strong—

**Ms. Katha Fortier:** I mean, it's not a secret that employers have already come to the table with the cost of the ORPP and how they're going to get the union to fund that. We've been very clear that that's not going to be the case for workers in Ontario. This is a plan that is an enhancement, particularly if they're eligible. Their pension plan is probably not defined benefit, more likely defined contribution, and at a lower level, so they would qualify.

The precarity of the workforce is not unusual in many of the sectors where we represent workers: in retail where we represent them and in health care, like nursing homes and such, where they work in more than one workplace. At the end of the day, sometimes, if you look at the NHRIPP, Nursing Homes and Related Industries Pension Plan, they may work in three workplaces and not really get eligible to get into those pension plans, even though there is a pension in existence. So this is going to be critical for workers to be able to contribute and get a pension.

**The Acting Chair (Ms. Catherine Fife):** Thank you very much for your feedback on that. Finally, to the government side. MPP Baker.

**Mr. Yvan Baker:** Thanks very much for coming in today. We talked about engagement earlier. MPP French was referring to your engagement. I was wondering if you could speak about your engagement with the government on the design of the ORPP.

**Ms. Jo-Ann Hannah:** Our engagement with the government on the design of the ORPP? Well, the last time we were here, we said we wanted a universal plan, and we were quite disappointed when we saw that defined contribution plans would be exempt. That was likely the Ontario government tipping their hat to the insurance carriers, who want to be able to continue to provide those plans. So, yes, our contribution has been for near the CPP, to the best you can.

I was kind of pleased to hear today when Ms. Vearnile said—

**Ms. Daiene Vernile:** Vernile.

**Ms. Jo-Ann Hannah:** Vernile. Sorry to mangle your name.

**Ms. Daiene Vernile:** Have you been sitting here the whole time?

**Ms. Jo-Ann Hannah:** Pardon?

**Ms. Daiene Vernile:** Have you been sitting here the whole time?

**Ms. Jo-Ann Hannah:** I've been here for a bit, yes.

**Ms. Daiene Vernile:** Good for you.

**Ms. Jo-Ann Hannah:** —where you said we're looking towards an integration of the ORPP with the CPP down the road. That's encouraging to hear because that universality is very important. And the other point we make in our paper is that the complexity of having these exemptions is very problematic. It's going to be costly to police these, to make sure that the employer is truly exempt.

So there are a lot of complications with having those exemptions and not being a universal plan.

**Mr. Yvan Baker:** How much time do I have, Chair?

**The Acting Chair (Ms. Catherine Fife):** You have a minute and a half.

**Mr. Yvan Baker:** A minute and a half. Great. Can you talk about how you think the ORPP will fit in with or complement the existing pension landscape in Ontario?

**Ms. Jo-Ann Hannah:** Do you mean the private sector plans?

**Mr. Yvan Baker:** Yes, both private and non.

**Ms. Jo-Ann Hannah:** It's essential. We're seeing employers getting out of providing pension plans. Unifor is a very strong union. Pensions have been extremely important to us always, and yet we're having trouble bargaining pensions with the employers. So the ORPP is going to be extremely important to help our members have a pension plan that they can contribute to.

That decline in employer contributions—the ORPP and the CPP is an excellent way to keep the employer in that bargain to provide retirement income for their employees, because we're seeing employers getting out of that promise, and they shouldn't be getting out of it.

**Mr. Yvan Baker:** Thank you very much.

**The Acting Chair (Ms. Catherine Fife):** Thank you for coming here today.

I'd like to let the committee know that this committee is adjourned until Monday, May 30, at 2 p.m., when we will go through clause-by-clause of Bill 186, An Act to establish the Ontario Retirement Pension Plan.

Also, for the committee members filing amendments, the deadline is noon on Tuesday, May 19. Written submissions are due Tuesday, May 17, at 6 p.m.

Have a good day.

*The committee adjourned at 1620.*

## **STANDING COMMITTEE ON SOCIAL POLICY**

### **Chair / Président**

Mr. Peter Tabuns (Toronto–Danforth ND)

### **Vice-Chair / Vice-Président**

Mr. Jagmeet Singh (Bramalea–Gore–Malton ND)

Mr. Granville Anderson (Durham L)

Mr. Lorne Coe (Whitby–Oshawa PC)

Mr. Vic Dhillon (Brampton West / Brampton-Ouest L)

Mr. John Fraser (Ottawa South L)

Mrs. Marie-France Lalonde (Ottawa–Orléans L)

Mrs. Gila Martow (Thornhill PC)

Mrs. Kathryn McGarry (Cambridge L)

Mr. Jagmeet Singh (Bramalea–Gore–Malton ND)

Mr. Peter Tabuns (Toronto–Danforth ND)

### **Substitutions / Membres remplaçants**

Mr. Yvan Baker (Etobicoke Centre / Etobicoke-Centre L)

Ms. Catherine Fife (Kitchener–Waterloo ND)

Ms. Jennifer K. French (Oshawa ND)

Ms. Daiene Vernile (Kitchener Centre / Kitchener-Centre L)

### **Also taking part / Autres participants et participantes**

Mrs. Julia Munro (York–Simcoe PC)

### **Clerk / Greffier**

Mr. Katch Koch

### **Staff / Personnel**

Ms. Susan Viets, research officer,  
Research Services

## CONTENTS

Monday 16 May 2016

|  |         |
|--|---------|
| Ontario Retirement Pension Plan Act (Strengthening Retirement Security for Ontarians), 2016, Bill 186, Ms. Hunter / Loi de 2016 sur le Régime de retraite de la province de l'Ontario (sécuriser la retraite en Ontario), projet de loi 186, |         |
| Mme Hunter .....   | SP-1041 |
| United Steelworkers .....  | SP-1041 |
| Mr. Alex McKinnon .....  |         |
| CUPE Ontario .....   | SP-1043 |
| Mr. Fred Hahn .....  |         |
| Canadian Institute of Actuaries .....  | SP-1046 |
| Mr. Ian Edelist .....  |         |
| Mr. Michel St-Germain .....  |         |
| Canadian Centre for Policy Alternatives .....  | SP-1048 |
| Ms. Sheila Block .....   |         |
| CARP .....   | SP-1051 |
| Ms. Wanda Morris .....   |         |
| Society of Energy Professionals .....  | SP-1053 |
| Ms. Laura Brownell .....   |         |
| Hugh Mackenzie and Associates .....  | SP-1055 |
| Mr. Hugh Mackenzie .....   |         |
| Mr. Filmon Gebremeskel .....   | SP-1058 |
| Healthcare of Ontario Pension Plan .....   | SP-1059 |
| Mr. Darryl Mabini .....  |         |
| Unifor .....   | SP-1062 |
| Ms. Katha Fortier .....  |         |
| Ms. Jo-Ann Hannah .....  |         |