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September 10, 2015

By e-mail: cpp-consultations-rpc@fin.gc.ca

Government of Canada
Department of Finance
Federal-Provincial Relations and Social Policy Branch

Subject: Consultations on a Voluntary Supplement to the Canada Pension Plan

Dear Sir/Madam:

On behalf of PBI Actuarial Consultants Ltd., we wish to thank you for providing us with the opportunity to comment on the proposed Voluntary Supplement to the Canada Pension Plan (CPP).

PBI has been publicly supporting a Canadian pension reform including CPP enhancements since 2010, when then-Finance Minister Jim Flaherty proposed a modest expansion with support of the provincial governments. PBI believes the CPP as currently designed has a limited scope and offers a very low percentage of pre-retirement earnings to middle-income citizens. The number of citizens covered by defined benefit pension plans is continually shrinking. Canadians already do not make full use of the voluntary retirement saving vehicles available to them for various reasons, including the lack of additional saving room. We now express reservations towards the newly presented *voluntary* CPP “expansion” for the very same reasons.

Though not ideal in comparison to a mandatory CPP expansion with increased CPP payouts for all, opening the CPP to voluntary contributions would still provide better retirement security to workers without a Defined Benefit pension plan than PRPPs or individual savings. It would provide plan members making optional additional contributions with a bigger inflation-indexed pension. There are also small modifications that could be made to the proposed voluntary “expansion” that could make it more efficient.

PBI believes that, at the very least, employers should be required to match 50% of employee contributions. Ideally, legislation around voluntary CPP contributions should require matching contributions from employers. Since this discussion is around voluntary CPP expansion, this proposed change is unlikely.



Additionally, if not mandatory for all, CPP contribution increases should at least be mandatory for members and employers without an established workplace pension plan. Of the Canadian working population, 6 in 10 do not currently have a workplace pension plan. New legislation should include both a minimum and maximum premium increase. Recent criticism of the CPP and Old Age Security in Canada holds that the current system will be insufficient to keep up standards of living for middle-class families once their earning years are done. The maximum payment in 2015 based on retirement at age 65 was \$1,065 per month.

PBI proposes the above changes to the voluntary CPP expansion proposal as we believe that, without these changes, the option for additional contributions will become another inefficient layer of Canada's retirement program.

Thank you for the opportunity to provide our input on this very important initiative. We would be pleased to provide any clarification to our comments as required.

Yours truly,

PBI Actuarial Consultants Ltd.

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A handwritten signature in blue ink, appearing to read 'D. Taylor'.

Dean L. Taylor, BA, LLB, BCL
Legal Consultant

Yours truly,

PBI Conseillers en actuariat ltée

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Sonia Massicotte, LLB
Consultant

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