National Pensioners Federation · Fédération Nationale des Retraités · NPF

Ottawa   December 8, 2016

Mr. Chair, Members of the Committee

My name is Herb John and I am President of the National Pensioners Federation.
The National Pensioners Federation is a national, not for profit, non partisan, non sectarian organization of 350 seniors chapters, clubs, groups, organizations and individual supporters across Canada with a collective membership of 1 million seniors.

While seniors need help with their health and financial concerns today, they are also concerned about the financial security of tomorrow's seniors.

Without reservation, National Pensioners commends the federal and provincial governments on reaching a historic agreement to increase the Canada Pension Plan. We welcome the proposal in Bill C-26 to implement the increase and to amend the Income Tax Act to facilitate deductions for the increased CPP/QPP contributions but especially for the increase to the Working Income Tax benefit to allow low-income Canadians to participate.

National Pensioners held our annual convention this year in Vancouver where the delegates applauded this rare example of federal-provincial cooperation. It is important to note that all of the delegates at that convention understand that none of them will benefit from the increase to the CPP. Rather, they are concerned that their children and grandchildren do not have workplace pensions – two-thirds of working Canadians do not – and see the increased CPP as vital to helping them save for retirement. They know how hard it is to make ends meet in retirement, even though some of them have workplace pensions.

This CPP increase is coming just in time. No new defined benefit pension plans have been established in years. In fact, many workplaces that have defined benefit plans are switching to defined contribution plans – in which the investment risk is entirely borne by the employees. This is happening even in the unionized environment. GM, Ford, and FCA autoworkers made an unprecedented concession to allow the companies to close the doors on their defined benefit plans and require new employees to participate in a defined contribution plan.

Many of our members have also been affected by business bankruptcies, like Nortel's, which left the pensioners with heavily reduced pensions, if they had any left at all after the dust settled. This is an ongoing result of not having legislated protection of pension plan assets during bankruptcy. Weakening this important employment pillar of retirement income puts more necessity on the other pillars.The sustainability of the CPP clarified by the fact that the Chief Actuary has declared that the CPP will be able to pay CPP benefits for at least the next 75 years is very important to seniors; again, for their children and grandchildren.

The changes announced which are the first increase in half a century will take years to phase in . Even so, the increase is modest and while very welcome, does not ensure Canadians an adequate retirement. What it does do is bring the maximum CPP benefit to $20,000 in 2016 dollars which is approximately equivalent to the poverty line.

National Pensioners would recommend that a review of future increases, including a voluntary layer to the CPP, be initiated as soon as possible especially given the length of time it took to get this increase.

National Pensioners would also recommend that the child rearing and disability drop out provisions be applied to the CPP expansion as well. Equity for these individuals has been addressed in the CPP calculations since day one for disabilities and 1977 for childrearing. Single women are currently the seniors with the lowest incomes and the next generation of women seniors would face a larger income gap if these provisions are not included.

We believe that a number of positions taken in the debates in the House at second reading need to be addressed:

1. "Voluntary savings vehicles such as RRSPs and TFSAs are adequate to enable people to save for their retirement." While this is true for the well-off with sufficient funds to invest, it is not true for middle income families and certainly not lower income people. The net result cited by various researchers is that nearly a quarter of middle income workers will sustain a substantial drop in their standard of living upon retirement because they have not, or could not save enough.
2. "The CPP contribution is a payroll tax that will cause job losses." This same argument was made when the contribution rates were doubled in 1986 with no attendant increase in benefits and there were no job losses. There is no evidence that job losses will happen this time.
3. "Employers will be paying $1000s more" – the absolute maximum additional contribution payable by an employer is $1,100 in today's dollars and is not payable until the increases are fully phased in, in 2025 and only in relation to an employee earning $82,700. So to raise the fear that small businesses will be burdened with thousands of such payments is unwarranted. Average incomes are closer to $55,000 or the YMPE in 2016. In 2025, the annual employer contribution is $515 – or $43 a month – or less than $20 a pay cheque. So as for the job loss

argument, why would the employer terminate an employee over $20 a pay cheque?

4. “Low income workers will lose their GIS benefits due to an increased CPP” –Low wage earners should absolutely participate in the increased CPP even if their income supplements are replaced by CPP benefits – not least because of the dignity of having paid for one’s own retirement. The increased WITB is a much welcome measure to ensure that low wage earners can participate. And if legislators are concerned about the low income, they can exempt the increased CPP benefits from the GIS calculation.
5. “Our children should not have to pay for our retirement” This concern is actually prevented by CPP legislation – all future benefit increases must be fully funded. Each generation is funding its own retirement in relation to these increases. Furthermore, as with all large well managed defined benefit pensions, contributions pay for around 20% of the benefits, the rest is funded from investment returns.

THOSE ARE OUR RECOMMENDATIONS. I WOULD BE PLEASED TO TAKE YOUR QUESTIONS.