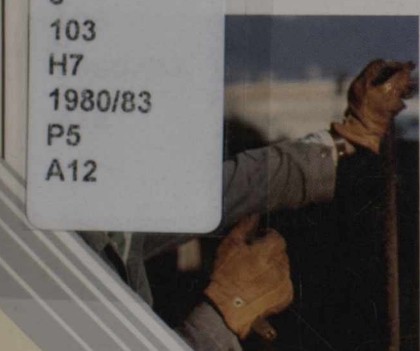
HOUSE OF COMMONS
CANADA

REPORT
OF THE PARLIAMENTARY TASK FORCE ON
PENSION REFORM



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HOUSE OF COMMONS

Issue No. 38

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Chairman: Douglas C. Frith, M.P.

CHAMBRE DES COMMUNES

Fascicule nº 38

Le mardi 25 octobre 1983
Le mercredi 26 octobre 1983
Le jeudi 27 octobre 1983
Le lundi 31 octobre 1983
Le mardi 1er novembre 1983
Le mercredi 2 novembre 1983
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Le mercredi 16 novembre 1983
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Le mardi 22 novembre 1983
Le mercredi 23 novembre 1983

Président: Douglas C. Frith, député

Minutes of Proceedings and Evidence of the Special Committee on

Pension Reform

Procès-verbaux et témoignages du Comité spécial sur la

Réforme des pensions

RESPECTING:

Order of Reference pertaining to the study of the proposals for reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians"

INCLUDING:

The Second and Third Reports to the House

CONCERNANT:

Ordre de renvoi relatif à l'étude des propositions de réforme du système canadien de revenu de retraite contenues dans le document du gouvernement du Canada intitulé «De meilleures pensions pour les Canadiens»

Y COMPRIS:

Les deuxième et troisième rapports à la Chambre

First Session of the
Thirty-second Parliament, 1980-81-82-83

Première session de la
trente-deuxième législature, 1980-1981-1982-1983

SPECIAL COMMITTEE ON PENSION REFORM

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(Quorum 5)

Le greffier du Comité
Audrey O'Brien
Clerk of the Committee

Additional copies of this report are available from the Clerk of the Special Committee at the following address:

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Committees and Private Legislation Branch
House of Commons
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SPECIAL COMMITTEE ON PENSION REFORM

ORDER OF REFERENCE

HOUSE OF COMMONS
March 1, 1983

ORDERED, — That a Special Committee consisting of nine Members to be named later to act as a Parliamentary Task Force on Pension Reform, be appointed to examine and report upon the proposals for reform of the Canadian retirement income system contained in the Government of Canada's paper *Better Pensions for Canadians* with particular reference to the following:

1. the method of inflation protection proposed for employer-sponsored pension plans;

2. the changes proposed in survivor benefits under the Canada and Quebec Pension Plans;

3. the issue of expanding mandatory pension arrangements, including:

   a. the size of any expansion of mandatory pension arrangements required to enable Canadians to avoid serious disruption of their living standards upon retirement;

   b. the nature of any expansion, be it through the Canada and Quebec Pension Plans, through compulsory employer-sponsored plans or through some other means; and

   c. when any recommended expansion of benefits and contributions should come into effect.

4. the financing of the Canada Pension Plan;

5. the proposals to overcome the special problems facing women, including homemakers, under the current pension system.

That changes in membership of the committee be made only pursuant to Standing Order 69(4)(b);

That the provisions of section (9) of the Standing Order 69 be suspended in application to the Special Committee;

That the Special Committee have the power to retain the services of expert, professional, technical and clerical staff as may be deemed necessary;

That the Special Committee hold hearings and receive views and representations from interested groups and individuals across Canada and that, for this purpose, the Special Committee and its members have the power, when the Special Committee deems it necessary, to adjourn from place to place or travel inside Canada provided the estimated expenses for such travel and the locations to be visited are defined in advance and that, when deemed necessary, the required staff accompany the Special Committee or its members;

That notwithstanding the usual practices of the House, if the House is not sitting when an interim or final report of the Special Committee is completed, the Special Committee may make the said report public before it is laid before the House; and

That the Special Committee shall report no later than December 31, 1983.

The Special Committee on Pension Reform
has the honour to present its

SECOND REPORT

In accordance with its Order of Reference of Tuesday, March 1, 1983, your Committee has examined the proposals for reform of the Canadian retirement income system contained in the Government of Canada's paper, *Better Pensions for Canadians,* has held public hearings on the subject and is completing its report to the House.

Since it appears that the report will not be ready for tabling before the end of the First Session of this Parliament, your Committee has decided to report back the evidence it has gathered to date and to request that it be reconstituted as soon as possible in the next Session. So that we can take up our work from the same stage in our inquiry, we would ask that, when the Parliamentary Task Force on Pension Reform is reconstituted, it be with the same membership, the same Order of Reference and that the evidence adduced be referred back to the Committee for its continued consideration.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues 1 through 37 inclusive*) is tabled.

Respectfully submitted,

Douglas C. Frith
Chairman

The Special Committee on Pension Reform
has the honour to present its

THIRD REPORT

In accordance with its order of reference of March 1, 1983, your Committee has considered the issues before it and submits the following report. Your Committee urges the Government to consider the advisability of implementing the recommendations contained herein and, pursuant to provisional Standing Order 69(13), requests that the Government table a comprehensive response to this report.

ACKNOWLEDGEMENTS

Since March 17, 1983, the Parliamentary Task Force on Pension Reform has heard testimony from a wide cross-section of interest groups and regional representatives on the many complex issues related to pension reform in Canada. We wish to extend special thanks to the witnesses who appeared before us in Ottawa and in the twelve other Canadian cities we visited (see Appendix A). We are grateful for the many briefs and submissions we received from groups and for the many letters and personal statements sent by individuals (see Appendix B). We were gratified by the widespread response to our work. This process of consultation has been invaluable in helping the Task Force recommend a course of action that we believe Canadians will support.

The Task Force acknowledges with thanks the excellent work of its dedicated central staff and the long hours they devoted to the work of the Task Force.

We wish to thank the Clerk of the Task Force, Audrey O'Brien, who managed the administrative, financial and logistical underpinnings of the inquiry and Jennifer Parr, Special Assistant to the Task Force, who acted as liaison in the Chairman's office, handled Task Force correspondence and oversaw media relations.

The Task Force expresses its special thanks to the research team, on whom we relied to analyze the evidence and draft our report to the House: Study Director A.R. Dobell from the Parliamentary Centre and Research Associates Michael C. Wolfson from the Centre and Mildred J. Morton from the Research Branch, Library of Parliament.

The Task Force also wishes to express particular appreciation to Michael Hatfield from the P.C. Research Bureau, Timothy I. Page from the Liberal Research Bureau and Karen Stotsky from the N.D.P. Research Bureau, who made important contributions to our work, often in the face of severe pressures from other duties.

When the Task Force began its work last spring, we called on senior federal officials for background briefings. We acknowledge with thanks the assistance provided by the Privy Council Office Task Force on Pensions, the Departments of National Health and Welfare, Finance, and Insurance, by the Status of Women and by the Economic Council of Canada. We wish also to thank the individuals who participated in these briefings: Robert Baldwin, Ian H.D. Bovey, James L. Clare, Harvey Lazar, James E. Pesando, J.C. Weldon, Anthony Wohlfarth, Monica Townson and Louise Dulude.

The Task Force wishes to express its special appreciation to federal government officials, particularly from the Ministry of State for Social Development and the Departments of Finance, Insurance and National Health and Welfare who, on an ongoing basis, provided us with valuable information and analytical assistance.

Finally, the Task Force would like to thank the staff of the Committees and Private Legislation Directorate, the Translation Bureau of the Secretary of State Department and the other services of the House of Commons that have provided administrative and technical support.

Report of the Parliamentary Task Force on Pension Reform

Contents

This document is dedicated to
our parents — to whom we owe more than we can give
and to
our children — in the hope that they may grow old in a more secure world.

CHAPTER 1

Introduction

Background

Debate over old age security and the retirement income system in Canada has been extensive, and the pace of that debate is increasing. Sixty years ago a special committee of the House of Commons recommended introducing an old age pension system for indigent persons aged 70 and over. The resulting 1927 legislation provided for 50% cost-sharing by the federal government for means-tested pensions administered by the provinces.

Thirty years ago a joint committee of the House and Senate recommended "a universal pay-as-you-go program applicable to all persons 70 years and over, based on the contributory principle and administered by the federal government".

Twenty years ago the federal and provincial governments began negotiations leading to introduction of the earnings-related Canada and Quebec Pension Plans (C/QPP).

Over the past decade, controversy and public debate over pension reform has been almost continuous. Business, labour and welfare organizations have studied the problem, as have the federal Task Force on Retirement Income Policy, the Economic Council of Canada, and government-appointed commissions in Ontario and Quebec. The 1981 National Pensions Conference failed to achieve consensus on directions for reform. Subsequently the federal government issued its own proposals for reform in a paper entitled *Better Pensions for Canadians* (hereafter referred to as the Green Paper).

The most recent debate over pension reform results from a range of serious problems that have emerged during the past decade. These problems were well captured in the main themes of the National Pensions Conference:

- **Coverage:** Not enough workers are covered by occupational pension plans or RRSPs, so that too many end up dependent on the Guaranteed Income Supplement after retirement.

- **Inflation protection:** Even those who are covered by an occupational pension plan have seen the value of their pensions eroded by inflation.

- **Vesting and portability:** Many of those who thought they were covered by an occupational pension plan found, when they changed jobs, that they lost their accumulated pension entitlements or were left with a deferred pension that would be almost entirely eroded by inflation.

- **Women and pensions:** With the rapid increase in participation by women in the paid labour force, increasing recognition of the value of work done in the home, and changing attitudes toward the financial aspects of the family reflected in new family law, it became clear that women had pervasive problems with the pension system.

These are the problems this Task Force was set up to address. Our task was to review the government's proposals with concerned groups and individuals and to arrive at an acceptable and workable compromise that can be recommended as the basis for legislative change and early implementation.

The Task Force Mandate

More specifically, the order of reference from the House of Commons (see page iv) directed the Task Force to "examine and report upon the proposals for reform of the Canadian retirement income system contained in the Government of Canada's paper *Better Pensions for Canadians*", with particular reference to protecting benefits under occupational pension plans against inflation; modifying survivor benefits under the Canada and Quebec Pension Plans; expanding mandatory pension arrangements; financing the Canada Pension Plan; and overcoming the special problems facing women, including homemakers, under the current pension system.

Our job is to draw conclusions, resolve present uncertainties, and enable pension plan sponsors, plan participants and governments to get on with the task of essential change in pension arrangements. For that reason, we felt it particularly important to report within the deadline stipulated. For the same reason we hope that federal-provincial consultations and legislative action will quickly follow this report.

In carrying out our task we ranged somewhat outside the proposals of the Green Paper. To arrive at a coherent set of reform proposals we had to examine broader issues and problems mentioned by witnesses appearing before us. We also wanted to respond to other pressures that are building in Canadian society and that bear on retirement income policy.

Nevertheless, we were not charged with developing new evidence or analysis or with staking out an independent analytical position. We have made no attempt to write a self-contained study of the retirement income system in Canada. Explanation and documentation describing existing programs, the statistical background, and analysis can be found in the earlier studies leading up to the Green Paper. Readers unfamiliar with the issues, their background and the terminology used to discuss them may wish to consult those studies and the Glossary of terms used in this report, which begins on page 105.

As individual members of the Task Force, we have our own views and attach different priorities to these issues. We have tried to reconcile these views with those of witnesses and other members in a manner that reflects long-term interests, not short-term politics. That attempt has been easier because we share a common underlying concern. That concern is with the continuing assurance of adequate incomes for the elderly within a fair and equitable retirement income system.

Much of the responsibility for that system rests with provincial governments, because legislation governing private pension plans, family law and other aspects of property rights falls within provincial jurisdiction. Regulating private plans and securities industries is also a provincial responsibility, and amending the *Canada Pension Plan Act* requires provincial consent.

We recognize that implementation of our suggestions for reform will depend in part on the actions of provincial governments and regulatory authorities. As federal parliamentarians, we can only recommend new legislation, or amendments to legislation, falling within the federal domain. Our report is addressed to the House of Commons, and we propose action by the government of Canada to bring legislative measures before that body. We also recommend that the federal government initiate consultations with provincial governments to achieve a variety of goals in areas where jurisdiction overlaps. We have not, however, hesitated to recommend action on any aspect of the retirement income system where we believe change is necessary or improvement is possible, regardless of where formal legislative responsibility lies.

We have discussed these matters with ministers and officials of provincial and territorial governments. On April 21, 1983, the chairman of the Task Force wrote to all premiers seeking the advice of provincial governments. Members of the Task Force met with the Premier of New Brunswick and with responsible ministers from the governments of the Northwest Territories, Yukon, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Newfoundland. Since we could not travel to Prince Edward Island, the government presented a written submission. Our research staff met separately with officials of the governments of British Columbia and Quebec. From the discussions, we are persuaded that these governments recognize the importance of uniformity across Canada in regulating private pension matters and the importance of harmonized action on some matters relating to public pensions.

Orientation of the Report

We started from the premise that the present retirement income system in Canada provides a sound basis on which to build and that its strength derives in large part from its diversity. It does, however, need refinement to meet specific pressing problems.

More important, it requires modification to improve its capacity to adjust to new problems in the future. This is necessary to

- accommodate a greater variety of family structures, work patterns and life styles;
- improve information so that people can make informed choices in full knowledge of the claims and the risks involved in pension contracts;
- reduce the risk that built-up claims, particularly in defined benefit plans, will be eroded by inflation or lost when people change jobs; and
- bring pension plans closer to the goal of full portability without necessarily imposing a single universal scheme.

Most important, the system needs adaptation to ensure an appropriate continuing balance, in the economy and in the activities of governments, between the claims of the elderly and those of other members of society, and proper balance among the public, group and individual components of the retirement income system.

Pension payments to those who have retired from the labour force are transfers from the working age population. These payments may reflect claims arising from individual property ownership, or they may simply reflect claims arising from participation in society. The willingness to honour these claims must be based on the productive capacity of the economy and on the perceived fairness of the claim or the equity of the system giving rise to the claim.

The orientation of this report is thus toward ensuring the capacity and the willingness to honour a reasonable intergenerational agreement even in changing times and in the face of uncertainty. Such an agreement cannot be too rigid or too doctrinaire; it must have the capacity to adjust to changing circumstances.

Reform must also reflect a realistic assessment of the capacity of the Canadian economy. Perceptions of what the Canadian economy can afford are changing; earlier expectations of unlimited opportunity have given way to a more sober concern for fiscal responsibility. This outlook emphasizes achieving the best use of scarce resources and restricting the application of government assistance where it is not necessary. It centres on informing members of pension plans so that they can make responsible decisions.

If there is a unifying theme in this report, it is the challenge of tempering compassion with realism in making pension commitments. It is how best to meet the real and felt needs of the elderly within a transfer system that preserves incentives for the exercise of individual responsibility. It is the requirement to balance reliance on individual resources with collective obligations to treat older citizens generously.

The Task Force Approach

A decade of debate has brought the subject of pension reform to a stage where most of the issues have been clarified, the problems posed, and the available evidence assembled. Agreement has not been reached. More discussion will not help views to converge. It is our job, in the light of the testimony and advice we have received, to suggest how to adapt present institutions to significant social, cultural and economic changes. To do this we have to make judgements — not judgements for all time, but judgements that will help to settle the issues for some time to come. We have concluded that while some issues must remain open, there are areas where sufficient consensus exists to permit immediate legislative action.

We are not pensions experts. We have not second-guessed pension fund managers and their investment decisions, told unions or management how to bargain over pensions, or advised actuaries on how to cost alternative plans. We do not pretend to provide superior technical expertise on the basis of which the government can tell the industry how to run the pension business. Our role is a different one — that of striking a balance between contending views, a balance that is coherent, responsive to real needs, and sensitive to the economic climate.

We have not ignored the problems of implementation and feasibility foreseen by some groups, but neither could we ignore the problems of widows and divorcees, of mobile workers and part-time employees, of benefits eroded by inflation. It is on the basis of the widest possible consultation — far wider than what has gone into the expert analyses to date — that we have made our recommendations.

Reform is necessary to meet new circumstances and correct old deficiencies. In a system as massive and widespread as the pension system, such reform cannot fail to be disruptive. That is why a central thread in our recommendations is the need for consultation, adequate notice and time to adapt. Failure to recommend significant reform at this time would reveal an indefensible absence of will. But to recommend immediate implementation of dramatic change in a delicately balanced pension structure would be equally irresponsible.

We have made proposals designed to adapt an existing system to a world of volatile inflation rates, a more mobile, less static labour market, and changing family structures. We have also identified steps that are feasible and acceptable to the public at this time. We believe that our recommendations for significant reform can be sensibly worked into existing public and private pension arrangements.*

We have been particularly concerned that our judgements and recommendations reflect the real world. This includes the realities of collective bargaining; the risks facing established securities portfolios, including fixed interest holdings in times of fluctuating returns and varying inflation rates; the difficulty of forecasting events in an uncertain world; the danger that large numbers of employees cashing out pension credits might jeopardize basically sound pension plans; and the sheer cost of moving from one policy or regulatory regime to another. These realities and constraints are why the Task Force relied on a process of consultation rather than on an exercise in pure analysis.

We listened to the testimony of many speaking on behalf of labour, women, retirees, current and prospective pensioners and independent elderly Canadians. Most spoke about what is needed in personal and individual terms. We also listened to actuaries, financial executives and other professionals who spoke mostly of what is technically feasible. Employ-

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* When we refer to public pension plans, we mean Old Age Security (OAS), the Guaranteed Income Supplement (GIS), the Spouse's Allowance (SA) and the Canada and Quebec Pension Plans (C/QPP). We do not include occupational pension plans covering workers in governments or public enterprises. The expression 'public pension plans' refers only to the statutory plans provided by governments. See the Glossary (page 105) for further details.

ers testified about what they can afford, and representatives of business and labour organizations described what they felt the economy could afford. We have taken all this advice into account.

We have also been told that individual Canadians must recognize the importance of providing for their own retirement. There must always be room for individual initiative, room for individuals to make a variety of decisions about the way and the extent to which they want to provide retirement income for themselves. Individuals must take responsibility for balancing the pressures of immediate financial needs against the need for the long-term savings required for adequate retirement income. We hope that the protracted debate on pension policy has served to sensitize Canadians to these issues and that public discussion of our proposals will continue that essential process of education.

More than anything else, we want this report to persuade people that providing reasonable living standards for the elderly represents a fundamental commitment by any community; that the continuing capacity to meet that commitment rests on the growth and effective utilization of all the resources of the community, human and natural, and all its assets, whether publicly or privately owned; and that the continued willingness to meet that commitment rests on acceptance that the burden is fairly distributed and fairly adjusted from time to time to reflect changing circumstances and the well-being of the community. Our recommendations attempt to move the system toward a structure that meets present needs without jeopardizing either that capacity or that willingness.

The Context for the Inquiry

Before introducing our recommendations about the future shape of a retirement income system for Canada, we want to consider the factors that formed a backdrop for our inquiry: the changing international economic situation, which limits what might be feasible; the evolving social and cultural context for the social programs we are examining; and public perceptions, attitudes and expectations.

Economic Change

The observation that the world economy is increasingly interdependent is no less valid for being a cliché. Despite protectionist measures and efforts to construct more self-sufficient national economies, the network of international financial transactions, international specialization in production and trade, and competitive pressures will grow. Greater stability may emerge from these trends, but we must anticipate at least occasional episodes of renewed and possibly wide fluctuations in inflation rates and in nominal and real rates of return. Continuing pressures for structural adjustment will demand substantial flexibility and mobility in national economies. Potentially lower levels of economic performance are also likely to limit the scope of social programs.

Social Change

In response partly to persistent volatility in the economic environment and partly to a variety of other social and demographic trends, a palpably different social structure is emerging in Canada. Rising participation by women is only the most dominant feature of a changing labour force. Coupled with it are disappearing expectations of a stable, career-long association with one employer in a single occupation. People increasingly expect to change jobs, or even careers, several times; they may drop out at various points for more schooling, to raise children or to provide community services; they may participate in job-sharing or other alternative working arrangements; they may retire earlier or later than the norm or in stages.

Similarly, marriage patterns, household structures and family formation are increasingly less rigid. While still the goal for many Canadians, the nuclear family is no longer the universal model. Family breakdown is a more common pattern, leaving major questions about sharing and distributing family assets as well as the need for social safety nets. Patterns of child-rearing and child care are evolving to accommodate changes in family structure and labour force participation. The situation of women in this evolving context demands particular attention.

Women are not alone in moving from unpaid work into the paid labour force. Witnesses referred to the serious problems of native people moving from traditional occupations into the wage economy. We also heard about a growing reverse flow out of the labour force into the underground economy based on cash, barter and similar off-the-book transactions. The accounting mechanisms of earnings-related pensions are ill-suited to providing proper recognition and credit as these patterns of work continue to evolve.

The treatment of women in the pension system cannot, however, be passed off simply by referring to the general problems attached to earnings-related schemes or to the inherent difficulties of imputing income flows to non-marketed, unpriced services. Similarly, there are difficulties in providing adequate pensions for women who move from the home, where work is unpaid, to other occupations where work, while paid, is vastly underpriced. The numbers are too great, the transitions too wrenching, and the consequences of inaction too tragic for us to sidestep this issue. We have recognized that pension principles may have to be reformulated in the face of the changing role of women. Our conclusions on this matter are drawn together in Chapter 10.

Moreover, technological change is leading toward dispersed, diversified production activities. New service industries based on 'telecommuting' may see increasing numbers of workers back in the home as participants in computer-based work paid on a piecework basis.

Public Expectations

The third element shaping the context for our inquiry is the insistence on individual rights to more information, greater disclosure, more openness in decisions, greater participation and more consultation. This general change in public attitudes and expectations, itself a response to greater mobility and change, places increased emphasis on even-handedness and fair dealing. The right to know, the right to participate and, in the extreme, the right to opt out are more firmly rooted as expectations in the minds of an increasingly educated and articulate population and labour force. The emergence of interest and issue-oriented groups pursuing economic interests through political channels is one consequence. Greater participation by individuals in consultative processes of various kinds is another.

This is not the place to discuss this wide range of questions in detail. But when we assess the design and performance of the present retirement income system and recommend its reform, we must do so against this backdrop of social change and altered expectations. Our proposals must be flexible enough to accommodate the scale of change anticipated in the future. They must be robust enough to withstand the shocks that an uncertain world may hold. They must be able to adapt to a volatile and diverse world with a much richer variety of individual and collective forms and behaviours. They must do so in a way that meets public expectations of openness, disclosure, equity and fairness.

Two requirements — adaptive capacity and fairness — underlie many of the structural reforms outlined in subsequent pages. Indeed, they take precedence over more direct calculations of adequacy, because they are the prerequisites of a sustainable, acceptable system.

Scope and Depth

With these basic structural requirements in place, we turn to the question of scale — the scope and depth of pension coverage. We approach this task from a perspective that assumes a two-fold role for government in the retirement income system: first, to provide a basic safety net to ensure an adequate level of income for all elderly Canadians through the OAS and GIS, and second, to ensure, on a uniform, equitable basis, adequate individual opportunities to provide, through personal effort and individual decisions and through public plans like the C/QPP, for the maintenance or continuity of personal living standards into retirement. We therefore emphasize both the general social responsibility to ensure that the basic needs of the elderly are met and the appeal to self-reliance — dependence on individual initiative — to provide for the maintenance of living standards beyond agreed minimum levels.

The present system is not achieving these goals. Many elderly people endure incomes far below adequate levels. Many people not yet elderly are not able to build up adequate claims to future retirement income. Pension incomes are being seriously eroded by inflation, while accrued pension credits are being sacrificed to inflation and mobility. Significant progress has been made to date in creating a solid system of public pensions and private institutions to provide retirement income. That system is still maturing, but it is perceived to be inadequate. Reform is urgent.

It is difficult to overstate the importance of flexibility and resilience in a retirement income system. The pace of change and the range of individual experience to be accommodated will overwhelm any system that is rigid. A major strength of the system that has evolved in Canada is that it rests on a diversified foundation; it includes a universal program, an income-tested supplement, earnings-related public pension plans, private and public sector occupational pension plans, and a variety of tax measures to encourage individual and group savings for retirement.

Nevertheless, the system has revealed rigidities and inadequacies. They must be addressed in the context of a problematic and constrained economic climate and an uncertain economic and social future. This uncertainty has shaped our views in a variety of ways.

Most directly, it has meant that we have not set out detailed rules and individual prescriptions. We have made judgements about appropriate goals and targets, but have left the selection of appropriate means and machinery to individual employers, professionals and governments — and to the people who must, individually or as members of a group, be the judges of their own interests and take responsibility for their choices.

We have therefore made difficult judgements and hard choices in order to set targets and suggest guidelines. Indeed, we pose several specific challenges to employers. If they cannot meet them, we see no alternative to substantial expansion in the scale of public plans for providing retirement income. But decisions about how these social goals can best be met should not be unnecessarily constrained by legislation or administrative fiat.

The job of politicians is to interpret the public will, to look ahead to goals appropriate for the future, and — in the face of conflicting advice and contending interests — to make judgements as to what is now acceptable and feasible to move toward those goals. That was our approach to examining Canada's retirement income system and to this report.

CHAPTER 2

Pensions as Transfers Between Generations

Introduction

Canada's retirement income system comprises three tiers or layers: public government-run programs, occupational pension plans, and private individual savings.* The basic government-run programs are the universal Old Age Security (OAS), the income-tested Guaranteed Income Supplement (GIS) and the earnings-related Canada and Quebec Pension Plans (C/QPP). Occupational pension plans, the second tier, take several forms: they may cover either public or private sector employees and may be either money purchase or defined benefit, contributory or non-contributory, and so on. Private savings for retirement also take several forms, including Registered Retirement Savings Plans (RRSPs) and owning a home or other property.

In this chapter, our objective is to set out our approach to pensions, which are a central part of Canada's retirement income system, though not the whole of that system. The discussion deals mainly with the first of the three tiers, public pension arrangements.

Most Canadians understand the idea of saving for retirement — putting aside some money in the bank or in an RRSP or building up equity in a business or a residence to provide resources to live on after withdrawing from the labour force. Occupational pension plans are more complex because they involve a substantial element of insurance and apply to groups of employees rather than to individuals; they are a kind of group savings arrangement. To some extent they also involve transfers between generations; to the extent that they do, they will be discussed in this chapter, but they are discussed at greater length in Chapters 5 and 6.

* See note on page 5 and Glossary (page 105) for explanations of the difference between public and private pensions as well as other terms used in the report.

In this chapter, we focus on pensions in a more fundamental sense — pensions as transfers between generations. This is quite different from pensions as savings or insurance arrangements.

Promises and Funding

Pensions are promises to make a series of payments extending into the future. They may be accompanied by schemes to generate savings that permit a pre-funding of pension commitments. However, pension plans can exist without any formal savings, just as savings arrangements exist that have nothing to do with pensions.

Private sector occupational pension plans must generally be fully pre-funded through the accumulation of assets sufficient to meet anticipated pension promises; this means they combine both pension and savings elements. This in turn has led to considerable confusion in discussions of public pensions. Public pension plans (the Canada and Quebec Pension Plans, for example) and some public sector occupational pension plans — those for which pension promises are established in government legislation — often are not fully pre-funded. It is important to recognize these distinctions between pensions in the purest sense, which can simply be commitments to pay certain benefits, and savings, which are accumulations of assets.

The role of savings or assets in a pension fund is to provide prospective beneficiaries with a measure of security that the promised payments will in fact be made. Because private sector plan sponsors can go bankrupt or cease operation, there is a real need for this security. As well, prudent financial management requires that pension promises, like all outstanding liabilities, be properly recognized as they accrue. Practice and government regulations have resulted in extensive arrangements for accumulating funds to ensure that private pensions are fully pre-funded by generally secure assets.

The basis for the security of public pensions is entirely different; it is the power of governments to levy taxes. The source of the insecurity of public pensions is also fundamentally different; it is the power of future generations to elect governments that may amend pension promises already made.

In looking at the soundness of the C/QPP — and indeed the Old Age Security/Guaranteed Income Supplement system — the issue is therefore the capacity and willingness of future working generations to make contributions or pay taxes adequate to cover promised benefits. Full funding — or any funding — is relevant to the security of public pensions only to the degree that it affects this capacity and willingness to honour pension promises in the future.

Intergenerational Transfers

In the absence of any savings or pre-funding, pensions necessarily involve intergenerational transfers. An intergenerational transfer is simply a transfer from a younger (working) generation living at a particular moment to an older (retired) generation living at the same moment. It occurs by a transfer of purchasing power from the younger group to the older group. Usually this is by means of taxes levied on the younger individuals to generate revenues from which transfer payments to the older individuals are financed.

The 'burden' of this transfer, or the cost it imposes on the younger group, is the consumption they must forgo in order to make the tax payments that finance consumption by the older group. These payments are called transfers because nothing specific is received in exchange for them. Intergenerational transfers usually arise in connection with government programs or collective agreements that provide for a continuing series of such transfers.

The rules determining the size of tax payments or contributions made and transfer payments received under such arrangements may vary. General taxes may be paid into a consolidated revenue fund, with entitlement to transfers being either universal or based on an income test and paid as part of general government expenditures. This is the case with OAS and GIS. Taxes may also be based on earnings, with contributions being earmarked for pension purposes as they are made. Benefits will then usually be based on the same earnings history that served as the basis for the payroll contributions, with benefits being paid from the earmarked tax revenues. This is the case with the C/QPP. This public pension plan is based on the concept that entitlement to benefits hinges on participation in the contribution scheme; benefits will then be earnings-related. It is important to note that this earnings-related feature relates to eligibility — to the rules by which contributions and benefits are determined; it does not alter the basic mechanism whereby a transfer occurs between those working in a given year and those already retired and not working in that year. Contributions made today finance someone else's benefits today, not the contributor's benefits tomorrow.

In what way does this intergenerational transfer involve transferring a burden to a future generation? The answer lies not so much in the funding rules as in the notion of entitlement just mentioned. For working people, participation in current production results in a claim on current output in the form of wages; participation in past production may also be taken to generate an entitlement to a share of current output in the form of pension benefits. Similarly, participation in current production may be taken to establish a claim on future output. The existence and extent of this entitlement may be signalled by a record of earmarked tax contributions from current earnings, but more generally it results from a set of laws that establish public pension programs, and from the fact that these laws remain in force over time.

Such laws may impose a future burden in two ways. First, the rules may result in an increasing share of society's output accruing to the elderly — for example because of an increase in the portion of the population aged 65 or over. The future working-age generation would then be worse off; their consumption possibilities would have to represent a smaller share of GNP. Second, the institutional arrangements to effect the intergenerational transfers could act to depress rates of economic growth. Then, even if the elderly's share of GNP had not increased, the future working-age generation would bear the burden (along with the elderly) of the same share of a smaller GNP. This link between public pension programs and economic growth is, however, highly tenuous. This issue is considered more fully in Chapter 4.

Certainly in the case of the C/QPP, the rules linking contributions to benefits do not mean that young contributors necessarily pay for future pensions; they do, however, give substance to a presumption that the tax/transfer mechanism will continue to operate and will honour the claims of future pension recipients. In this way the government of the day can hope to entrench more firmly the obligations to be met by governments and society in the future.

But no rules or legislation made today can formally bind future governments or future generations of workers. The matter rests on a sense of commitment and reciprocity. The central issue of pension policy is thus to establish a secure base for agreements about intergenerational transfers in such a way as to ensure that they are both clearly understood and likely to be honoured.

Sustainability

What, then, renders a public pension system sound, stable and sustainable? What criteria should be used to assess whether the terms of a proposed pension plan are reasonable and workable in the context of a volatile and uncertain future?

For public pensions, it is not strictly a question of funding, as is implied by a comparison with private sector pensions. Instead, it is a clear understanding of a social commitment that past participation in production entitles retirees to a reasonable share of current consumption opportunities. A public pension system that embodies a sustainable intergenerational agreement flows from a view of the community as an extended family. Those who are old share, at least in part, the risks of an uncertain economic environment along with current contributors. If slowing population growth and stagnant productivity lead to lower rates of growth in income per worker, pension benefits per retiree should fall; if a growing dynamic economy generates buoyant incomes, pensioners should share in the general prosperity. The state now assumes responsibility for the retirement income security previously provided by the extended family, but it may still appeal to the principles of sharing that guided the extended family. To do otherwise is to invite the repudiation of pension promises by future governments representing working generations who fail to see any further interest in honouring past commitments.

The prospect is not merely academic. History reveals episodes where asset values have been eroded and creditors have lost any claims to future purchasing power. Many observers see evidence, in the current debate over social security in the United States, of a desire, if not to renege, certainly to cut back on over-extended promises of future benefits. Similarly, in Europe there are attempts to pare back transfers to the elderly in the face of the current economic recession. Concern is thus not unfounded.

Much of our work on public pension plans is therefore directed toward establishing a structure leading to a sustainable intergenerational agreement. The objective is to model that agreement as closely as possible on the implicit understanding that all segments of society should share proportionately in the growth or decline in the community's available resources. Translating this general concept into a workable pension scheme requires few but significant modifications to the C/QPP and the OAS/GIS system. These are discussed below and in Chapters 3 and 4.

Intergenerational Equity

The basis for a sustainable intergenerational agreement is established if the resulting series of transfers is seen as equitable across generations. This would exist if public pensions did not impose unreasonable burdens on future generations. Two main provisions can be made to ensure that future pension commitments are not burdensome. First, those now working could build up a moral claim on future pension entitlements by making transfers to the current elderly of at least the same magnitude as they would expect to receive when their time came. This would set in motion a kind of intergenerational golden rule. Future working generations should be willing to make pension transfers if they know that the beneficiaries of those transfers had, in their time, made similar transfers.

Second, pension commitments could be tied more carefully to the capacity of the economy at the time they come due. There are two sides to this approach. On one hand, public pensions should not be allowed to depress economic growth. This is where there may be a link between public pensions and funding; growth in economic capacity could be eroded if public pensions hindered capital formation. This might arise if people saw anticipated pension benefits as assets that reduced the need for private retirement savings, with the result that the rate of capital formation declined. However, this line of argument is tenuous and controversial. The main point is that public pension policy should be linked to continuing policies to encourage robust economic growth, but that this link must by no means be made rigid through funding arrangements. This point is discussed in Chapter 4 with respect to the C/QPP.

The other aspect of the connection between pension commitments and economic capacity is the size of the commitments. Commitments could hardly be thought excessively burdensome if they were explicitly tied to a reasonable measure of economic capacity or to society's ability to pay. Of course, this might result in public pensions that turned out to be smaller than anticipated. Still, a move toward linking commitments with society's ability to pay might substantially alleviate concerns that public pensions will prove too much of a burden on future generations.

Uncertainty

Predicting events over the intervals relevant to pension policy — periods of decades at least — is highly uncertain. Experience suggests that predictions will almost certainly be wrong. Thus, making our current pension arrangements sustainable and reasonable over long periods involves making them more flexible and adaptable. But it is still desirable to continue efforts to make long-term projections, bearing in mind that they must be regularly reviewed and updated.

Fertility rates are one example of the unpredictability of events. The likelihood is that the proportion of elderly people in the population will grow; but how soon and by how much is open to debate. Table 2.1 (page 16) illustrates this uncertainty with three alternative population projections based on a range of fertility rate assumptions. For example, the ratio of the elderly to the working age population in the year 2041 could range from 23.6% to 45.6%. About all that can safely be said is that the share of GNP going to the elderly in the form of transfers, yields on investments, medical and housing services and the like will

Table 2.1
Population Projections for Canada Under Three Fertility Rate Assumptions

	Total Population (millions)			Ratio of Age 65+ to Age 18-64 Populations (%)		
Year	**Low**	**Medium**	**High**	**Low**	**Medium**	**High**
1981	24.2	24.2	24.2	16.4	16.4	16.4
1991	26.3	26.9	27.9	18.6	18.6	18.8
2001	27.4	29.2	32.0	20.4	20.3	20.3
2011	27.9	31.1	35.9	22.5	21.7	20.5
2021	27.8	32.8	41.4	31.2	28.4	24.9
2031	26.9	33.9	46.8	43.3	35.9	28.5
2041	25.3	34.6	53.1	45.6	33.9	23.6
2051	23.3	35.1	60.8	47.9	32.5	20.5

Source: F.T. Denton and B.G. Spencer, "Population Aging and Future Health Costs in Canada", *Canadian Public Policy* IX:2 (June 1983).

Note: Low, medium and high fertility assumptions correspond respectively to fertility rates of 1.5, 2.1 and 3 births per thousand women from 1991 on, phased in from 1981 to 1991 from a rate of 1.8. Canada's fertility rate was in the 3.7 to 3.9 range from 1953 to 1962, while at present it is about 1.7 births per thousand women.

increase. As a result, there are strong grounds, at this juncture in the evolution of Canada's pension system, to move in the direction of making the intergenerational agreement more explicit and more robust.

Recommendations

The preceding discussion indicates some concrete measures that could be taken to strengthen the acceptability and sustainability of the intergenerational agreement that governs retirement incomes in Canada. These measures are based mainly on the notion that public pensions are intergenerational transfers and that the burden of these transfers should be well understood and widely recognized as both fair and fairly adjusted to changing circumstances.

Accomplishing this purpose requires an adjustment or indexing factor that can be used to scale benefits for the elderly according to the changing circumstances of the working age population, in particular the strength of the economy's ability to pay.

At present, public pension benefits (OAS, GIS, C/QPP) are generally indexed to the Consumer Price Index (CPI), though earnings histories in the C/QPP are updated using the Statistics Canada industrial composite wage index or the average industrial wage (AIW). Most of the discussion to date on an alternative indexing basis for public pensions that would reflect a measure of the economy's ability to pay has referred to wage indexing. The AIW would provide such an index.

We have concluded that something along the lines of wage indexing is necessary for public pensions. However, we are not sure that the AIW is the best indexing factor. An appropriate adjustment factor should be simple and easy to understand. It should also have characteristics such that benefits would be higher when

- real average wage growth is higher,
- labour force participation is higher,
- unemployment is lower, or
- the old-age dependency ratio is lower.

and would be lower when the opposite circumstances prevailed.

A factor that would have most of these characteristics is the movement in aggregate wages and salaries divided by the size of the 18 to 64 age group in the population; in other words, a measure of the rate of growth in average wages and salaries. (This factor will be referred to as AWS.) It could apply to OAS and the GIS and to the various indexed elements of the CPP and QPP.

This factor would provide a form of wage indexing. It provides a basis different from the average industrial composite wage. The AIW does not appear as well suited to be the basic adjustment factor for public pensions. For example, in periods of rising unemployment, and hence weakened ability to support intergenerational transfers, the rate of increase in the AIW may not decline. On the other hand, if future increases in labour force participation take the form of job-sharing — more people working but for fewer hours — then the AIW would decline, even though there was no real drop in the ability of the working age population to support intergenerational transfers. The AWS index would not have these characteristics.

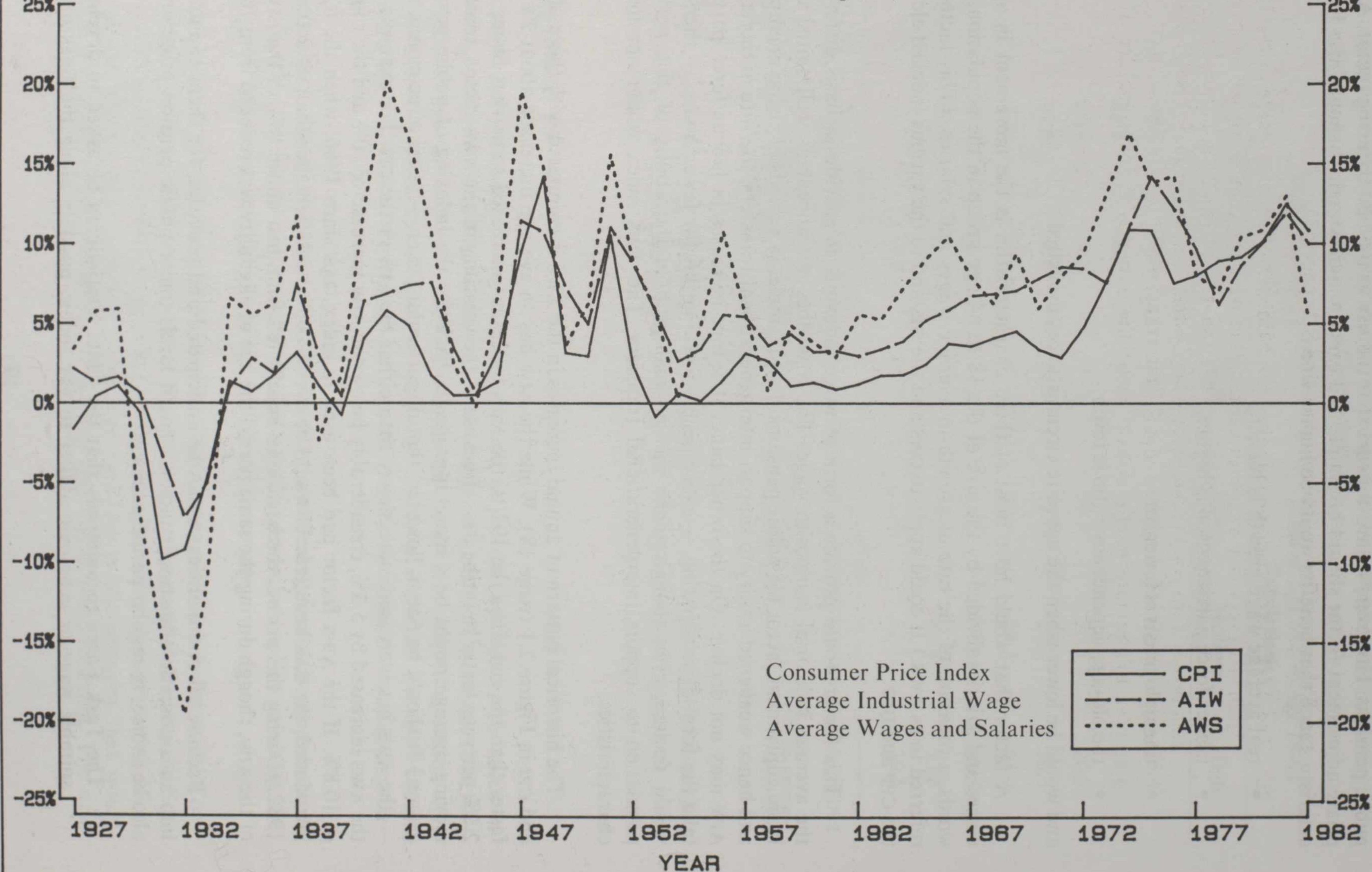
The historical pattern of annual increases in the AWS is compared with those of the AIW and CPI in Figure 2.1 (page 18). While the AIW has on average increased about 2% per year faster than the CPI since the 1920s, the AWS index has increased somewhat faster — about 2.9% per year faster than the CPI. (Because of the volatility of the AWS factor, some form of moving average might be a more appropriate basis for the indexing of public pension programs.) It should be noted, however, that in particular years — years of economic weakness — the AWS has increased more slowly than either the AIW or the CPI. For example, in 1982, the AWS increased by 5.3%, considerably below the AIW increase of 10% and the CPI increase of 10.8%. If the AWS factor had been used to index OAS since 1966, when the C/QPP was introduced, the OAS benefit level would be over $4,000, or 43% higher than its actual level in 1982. (During this period, the basic OAS benefit fell from just under 18% of the AIW to 14% of the AIW, though during the same period the age of eligibility was reduced from 70 to 65.)

Because all eventualities cannot be anticipated and provision for them cannot be built into an automatic adjustment factor, benefit levels under public pension programs should also be subject to regular periodic review.

2.1 The Task Force recommends that the Chief Statistician be asked to develop a suitable wage or economic ability to pay index, possibly along the lines of the

Figure 2.1
CPI and Two Wage Indices

(annual nominal rates of change, %)



Average Wages and Salaries index, to be published regularly by Statistics Canada without revisions, and to be used to adjust benefit levels and program elements under OAS, the GIS and the C/QPP, as well as to index the comprehensive income tax limits specified in Recommendation 8.2 (page 65).

2.2 The Task Force recommends that the Minister of Finance table in the House of Commons every five years, in conjunction with the regular review of CPP contribution rates proposed in Recommendation 4.1 (page 41), a comprehensive set of cost projections for the public pension system (and other major programs such as health care that represent significant transfers of resources to the elderly) in order to promote public debate about the extent and sustainability of current commitments.

CHAPTER 3

Public Pensions

Old Age Security and the Guaranteed Income Supplement

The area commanding perhaps the greatest degree of consensus among witnesses appearing before the Task Force was the urgent need to eradicate poverty among today's elderly. The group in greatest need is the single elderly, most of whom are women. Virtually all witnesses agreed it was the government's responsibility to address this concern, most singled out the GIS as the appropriate vehicle, and most relied on the Statistics Canada 'low income cut-offs' as their measure of the poverty line.

The question of how best to raise the basic minimum income guarantee for the elderly is not as simple as it first appears. The cost to the federal government of raising GIS benefits for single individuals and couples to the highest of the Statistics Canada lines — that is, the low income cut-off for large urban areas — would be in excess of $3 billion annually, assuming no other changes in the structure of the GIS. These costs would be about 60% higher if the increase were made instead to the universal OAS. In either case, substantial benefit increases would accrue to those who are not poor.

Another consideration is that most provinces, Yukon and the Northwest Territories provide additional benefits to the elderly. Some of these are direct payments, often referred to as 'top-ups' of the GIS, while others take the form of rent supplements or subsidies. Because of the way these programs are 'stacked' or integrated with the GIS, federal government decisions to increase the GIS may not result in the full intended benefit to the elderly; increases in federal payments may be offset by relative declines in the value of some provincial benefits. A GIS increase large enough to bring all elderly people above some agreed poverty line should certainly be expected to give rise to such adjustments; the importance of achieving appropriate harmonization of federal and provincial programs in the area is therefore evident.

Some witnesses stated that there is no stigma attached to receiving the GIS. Nor should there be, given the nature of the administrative arrangements. However, many others referred to the GIS as welfare. Some witnesses indicated that even if their actual dollar income was the same, they would rather receive that income as a pension than from the GIS. Others, particularly women's groups, while agreeing with the immediate need for improvements in basic income guarantees, were concerned that the pension system should evolve so that there would be less need to rely on this safety net over the longer term.

At present, about half the elderly receive at least some GIS. Many witnesses viewed this fact as an indication of the failure of the pension system: if pensions are adequate, why are so many people receiving GIS? This view is only partly correct. Canada's pension system is still maturing, so that the proportion of elderly people receiving GIS could be expected to decline. On the other hand, a series of increases in the GIS, to bring basic income guarantees up to an agreed poverty line, would have the opposite effect. Hence the paradox: the more adequate the basic GIS income, the greater the proportion of elderly people who will be entitled to at least some GIS benefits, and the more prominent the appearance of failure in the pension system.

This paradox results from the basic structure of the GIS program, where each dollar of pension or other income (except OAS benefits) reduces GIS benefits by 50 cents. This 50% reduction effectively means that for every $100 increase in the basic GIS, the range of incomes covered by the GIS safety net becomes $200 wider. If a 100% rather than a 50% reduction or tax-back rate were applied to *increases* in the basic GIS, then that guarantee could be brought closer to an agreed poverty line at much less cost and without expanding the proportion of the elderly who would be entitled to the GIS. There are thus significant advantages to structuring GIS increases in a more targeted manner. These advantages would be enhanced by targeting increases toward the single elderly, most of whom are women; this is the group that witnesses identified as being in greatest need.

A variety of figures has been advanced regarding the relative income needs of single people and couples. After considering these figures, a majority of the Task Force* concluded that a basic income guarantee for single individuals equal to 67% of that for couples is an appropriate target, although some members felt that a higher figure would be more appropriate. The 67% figure requires an increase of $102 per month, which would bring the basic income guarantee for single people from 26.2% to 31.1% of the AIW.

Because this kind of benefit increase is directed to single people with very low incomes, about three-quarters of the current elderly will receive no benefit increase; about one-tenth will receive the full amount or close to it. The remainder will receive partial increases. Table 3.1 illustrates how the new benefit would be calculated, where the new top-up is set at $102 per month.

A move toward better targeting raises even stronger concerns about harmonization with provincial programs. A targeted GIS increase would be similar in structure to existing provincial top-ups. Consultations with provincial governments would therefore be essential. The

* The term 'majority' has been used where at least one member other than Mr. Miller (whose statement of dissent is appended) disagreed.

Table 3.1
Examples of Proposed GIS Increase
for Single Elderly People
($ per month, 1984)

Income Other Than OAS and GIS	OAS Benefits	Total Income Before GIS	Current GIS Benefits	Total Income under Current GIS and OAS	New GIS Increase	Total Income after GIS Increase
0	270	270	272	542	102	644
50	270	320	247	567	77	644
100	270	370	222	592	52	644
150	270	420	197	617	27	644
200	270	470	172	642	2	644
250	270	520	147	667	0	667
300	270	570	122	692	0	692
400	270	670	72	742	0	742
500	270	770	22	792	0	792
600	270	870	0	870	0	870

federal government must expect that provincial governments will keep faith with their own elderly citizens and will maintain the levels of support embodied in their existing programs. But consultation might lead to a more effective allocation of resources for this purpose.

Other changes to the GIS could direct benefits even more precisely toward those in greatest need. However, any attempt to achieve more precise targeting could be seen as moving the GIS beyond being income-tested and toward being means-tested, a retrograde step in the view of many.

An important trade-off is involved here. Better targeting by means of higher reduction or tax-back rates reduces incentives in the same way as higher personal income tax rates do.

The present 50% tax-back rate was a source of concern to some witnesses, including the Ontario Economic Council. The problem is that lower income workers who participate in a pension plan or contribute to an RRSP can expect to see the tax deduction for these contributions more than offset by reduced GIS benefits once the pension starts. We therefore considered proposals to introduce a further element to the GIS, one that incorporated lower tax-back rates for those now receiving partial GIS benefits. We also considered whether the basic level of the OAS might be increased, with a partially offsetting reduction in the GIS. Either of these proposals would reduce the disincentives inherent in the current GIS. Under present circumstances, however, we have concluded that the costs involved would not be warranted.

If GIS increases were targeted by means of a 100% tax-back rate, disincentives should not be a serious problem; the range of incomes where serious disincentives might arise is quite limited, extending only to the first $2,500 of income from other sources (such as C/QPP and occupational pensions, interest, wages).

We were also concerned about the difficult circumstances of many people between the ages of 60 and 64 — particularly unattached women. We believe it is essential that the Spouse's Allowance be made available to all widows and widowers in this age group. We have, however, reluctantly concluded that it would be too costly to extend the GIS to all those between the ages of 60 and 64.

After weighing the various concerns and factors discussed above — costs, adequacy of benefits, targeting and incentives — the Task Force reached the following recommendations:

3.1 A majority of the Task Force recommends a special GIS top-up of up to $102 per month for single elderly individuals. This top-up combined with the existing GIS would be reduced by one dollar for every dollar of income other than income from OAS and GIS (see Table 3.1 for examples). This would cost about $350 million per year in 1984 dollars and would bring the income guarantee for single elderly people up to two-thirds of the present guarantee level for couples over the age of 65.

3.2 The changes to the GIS proposed in Recommendation 3.1 should be introduced immediately by the federal government. Discussions with the provinces should be initiated to ensure harmonization of their programs with a revised GIS structure, and to ensure that provincial resources now being devoted to the elderly are not diverted outside the retirement income system when the GIS increase comes into effect.

3.3 The Task Force recommends that the Spouse's Allowances Program be extended to include all eligible widows and widowers between the ages of 60 and 64. This would cost about $150 million per year in 1984 dollars.

3.4 The Task Force notes that the ratio of OAS benefits to average wages has fallen relative to the relationship that existed in 1967. The Task Force agrees that an appropriate objective for future action would be to raise OAS benefits to restore this relationship.

The Canada and Quebec Pension Plans

Women

In Chapter 10 we set out our approach to securing better pensions for women and indicate how we expect women to benefit from all the proposals we have made. Here we simply describe our recommendations concerning women and the C/QPP in detail.

We have decided that the Green Paper approach to extending pension entitlements for spouses who are not in the paid labour force — that is, through credit-splitting and an enhanced survivor benefit — is not good enough. Instead we support a variation of the Green Paper proposal for credit-splitting, a different and smaller enhancement of survivor benefits, and a modest expansion of the C/QPP to provide for a homemaker pension.

Most witnesses supported the Green Paper proposal for credit-splitting of C/QPP benefits. However, women's groups and labour groups asked that splitting be automatic on marriage breakdown and not merely available on application as suggested in the Green Paper. We assume that the government's concern was to allow a couple to make other arrangements. The problem with this way of providing for individual choices is that it likely will result in few applications for splitting, to the detriment of the non-earning or low income spouse, who is usually the wife. This has certainly been the case so far in respect of credit-splitting on divorce.

3.5 The Task Force recommends that C/QPP pension credits be split automatically when the younger spouse reaches 65, at marriage breakdown, or when one of the spouses dies; on disability, credit-splitting should be optional so that couples can choose the option most favourable to them.

3.6 In the case of marriage breakdown, credit-splitting may be waived within one year of the end of the marriage, by consent of both spouses, if each has had independent legal advice.

Since the C/QPP was established, women have asked that homemakers be included in the plan. The C/QPP is intended to provide pensions for Canadian workers, they argue, and women who run a household — care for children, husbands and other relatives — do work that has real economic value. The work of homemakers has been ignored for too long; they deserve pensions in their own right. A homemaker pension also provides increased protection for women in the case of marriage breakdown, an event that is unfortunately becoming all too common. Those who oppose a homemaker pension in the C/QPP do so for a number of reasons; the most prominent has been that the C/QPP is an earnings-related plan that cannot accommodate those who have no cash earnings.

The debate is an old one, but the issue remains fresh and important to women. Almost all the women's groups that appeared before us asked for a homemaker pension in the C/QPP. After much thought, we were persuaded by their arguments.

We believe that our proposal is entirely consistent with the current structure of the C/QPP. It is true that it introduces non-earnings-related benefits, but such benefits have always existed in the C/QPP. The survivor benefit itself is an example; the flat rate component of the disability benefit is another. One could argue that the survivor benefit is based on the earnings of the deceased spouse. But what is relevant is that it is not based on the earnings of the survivor. The earnings of the family are a convenient sum on which to base the benefit, just as half the YMPE is a convenient and a widely discussed base for the homemaker benefit.

The Task Force makes the following recommendations with respect to a homemaker pension:

3.7 The Task Force recommends that a homemaker pension be available to those who, in any year, work only or mainly in the home to care for a spouse, a child under 18, or a dependent and infirm adult relative living in the home.

3.8 The pension accrued for a homemaker with no labour force earnings should be based on half the year's maximum pensionable earnings (YMPE). (This will be half the average wage.) If the homemaker works in the paid labour force but earns less than half the YMPE, the pension income base should be topped up to bring it to

half the YMPE. A homemaker who earns more than half the YMPE would accrue pension credits on actual earnings, up to the YMPE, and would receive no net homemaker benefit.

3.9 Financing of the homemaker pension should be through the C/QPP contribution structure. However, this should be amended so that families who benefit from the homemaker pension pay the costs where it is reasonable to expect them to do so. Contributions by low income and single parent families should be fully subsidized. Subsidies should be reduced gradually in relation to family income.

The calculation of the homemaker pension benefits arising from Recommendation 3.8 is illustrated in Table 3.2. The combined benefits from homemaker pensions, credit-splitting and survivor benefits are shown in Table 3.3.

The objectives set out in Recommendation 3.9 for financing the homemaker pension could be met by establishing the following contribution rate structure:

- where the spouse who is not a homemaker has earnings greater than the YMPE, a couple would pay contributions on the homemaker pension accrual at a set contribution rate; this rate would be determined in accordance with our recommendations on C/QPP financing in Chapter 4; we have taken it to be 3.9% — in other words, an increase of 0.3%;
- in the case of single parents, adults caring for other adults and couples where neither the homemaker nor the other spouse has earnings above half the YMPE, no additional contributions for a homemaker pension would be required; and

Table 3.2
Examples of Homemaker Pension Benefits

Homemaker's Actual Earnings	Homemaker's Deemed Earnings for C/QPP	Total Earnings for C/QPP Purposes
0	10,000	10,000
2,000	8,000	10,000
4,000	6,000	10,000
6,000	4,000	10,000
8,000	2,000	10,000
10,000	0	10,000
12,000	0	12,000
14,000	0	14,000
16,000	0	16,000
18,000	0	18,000
20,000 and over*	0	20,000

* This is based on the assumption that the year's maximum pensionable earnings (YMPE) equals $20,000; the homemaker pension brings earings up to one-half the YMPE for C/QPP purposes.

Table 3.3
Illustrations of the Benefits Resulting from the Proposed C/QPP Changes for Homemakers

Family Situation	Policy Scenario	Source of Pension	Homemaker's C/QPP Benefit: At Age 65	Homemaker's C/QPP Benefit: After Spouse's Death
			$ per year	
Intact Marriage	Status Quo	Retirement	0[1]	0
		Survivor	0	3,000[1]
		Total	0	3,000
	Proposed	Retirement	3,750[2]	3,750[2]
		Survivor	0	1,125[3]
		Total	3,750	4,875
Divorced With Young Children	Status Quo	Retirement	625[4]	625[4]
		Survivor	0	0
		Total	625	625
	Proposed	Retirement	1,563[5]	1,563[5]
		Survivor	0	281[6]
		Total	1,563	1,844

Notes: The non-homemaker spouse is assumed to have earnings at or above the year's maximum pensionable earnings, which is in turn assumed to be $20,000. The homemaker spouse has no earnings. The divorced family situation is assumed to have one-quarter of the contributory years spent married. The divorced homemaker then cares for children for another quarter of the contributory period. The specific proposals taken into account in the examples are credit-splitting, the homemaker pension, the 30% survivor pension, and the pro-rated survivor pension on divorce.

1 This is 60% of the non-homemaker's retirement pension of $5,000, which is in turn 25% of the YMPE ($20,000).

2 This is 25% of the homemaker's earnings after credit-splitting. These earnings are in turn the average of half the YMPE (the earnings imputed according to the homemaker pension proposal) and the YMPE (the assumed earnings of the non-homemaker spouse), or $15,000.

3 This is 30% of the non-homemaker's retirement pension which, because of splitting, is the same as the homemaker's retirement pension, that is, $3,750.

4 Because of the existing provision for credit-splitting on divorce, this is based on the portion of the non-homemaker's pension accrued during the period of the marriage. Since the marriage has been assumed to have lasted one-quarter of the contributory period, the homemaker is credited with half the divorced spouse's earnings or $10,000 during this period. The homemaker's earnings are zero in all other years, so that (ignoring the dropped out years) the career average earnings are $2,500, which generates a retirement pension of 25% or $625.

5 Due to the homemaker pension proposal, the homemaker in this case has half the contributory period with imputed earnings equal to half the YMPE. During half these same years, the homemaker is married and thus shares his or her earnings with a spouse because of credit-splitting upon divorce. The result is an earnings history as follows: one-quarter (the years of marriage) at $15,000, one-quarter (the divorced years caring for children) at $10,000, and one-half at zero. The overall average earnings are thus $5,250, and 25% of this amount is $1,563.

6 The pro-rated survivor pension on divorce in this case is 30% of the part of the non-homemaker spouse's retirement pension accrued during the marriage, after taking account of credit-splitting. This is thus 30% of one-quarter (since the marriage is assumed to have lasted one-quarter of the contributory period) of $3,750 (that is, 25% of $15,000 earnings after credit-splitting), or $281.

- in the case of couples where the spouse earning the higher income has earnings between one-half the YMPE and the YMPE, the couple would pay a fraction of the set contribution rate on the homemaker pension accrual.

Table 3.4 gives examples of how this financing proposal would work. We estimate that these changes to the C/QPP contribution structure would increase payroll tax revenues by about $900 million annually. In this regard, we note that most of those facing increased contributions on behalf of their homemaker spouses are already benefiting from the marital exemption, a tax provision worth over $1.3 billion per year.

It is important to phase in the homemaker benefit quickly. A homemaker now aged 55 should be able to retire with a full homemaker pension 10 years from now. However, we expect that serious practical problems will arise in the attempt to identify the years in the past when a person would have qualified as a homemaker under the proposed definition. Choosing only those circumstances that are readily identifiable — for example, the period when a homemaker received a family allowance, would obviously be unfair to other groups of homemakers. Some broader and less precise administration of the retroactive portion of the homemaker pension will be necessary.

Table 3.4
Illustration of the Contribution Schedule
for the C/QPP
Including the Homemaker Pension
(assuming the wife is the homemaker)

Husband's Required Contributions ($ per year)

		Proposed Structure		
			Wife is a Homemaker	
Husband's Earnings ($)	**Current Structure**	**Wife is not a Homemaker**	**Contribution**	**Extra for Homemaker**
0	0	0	0	0
2,000	0	0	0	0
4,000	72	78	78	0
6,000	144	156	156	0
8,000	216	234	234	0
10,000	288	312	312	0
12,000	360	390	452	62
14,000	432	468	593	125
16,000	504	546	733	187
18,000	576	624	874	250
20,000	648	702	1,014	312
25,000	648	702	1,014	312
30,000	648	702	1,014	312

Note: The current contribution rate is 3.6%. The year's maximum pensionable earnings (YMPE) is assumed to be exactly $20,000 to simplify the illustration, so that the year's basic exemption is 10% of the YMPE, or $2,000. The basic contribution rate assumed under the proposed schedule is 3.9%, or 0.3% higher than at present. This contribution rate is about half the full-cost contribution rate. The husband is assumed to be self-employed; otherwise his contributions would be halved, although those in respect of the homemaker would be unchanged.

One option would be to go back and treat years between 1966 and the present as years in which everyone had deemed earnings for purposes of C/QPP benefit calculations of one-third the YMPE. This deemed figure would rise gradually with each subsequent year the person qualified as a homemaker, so that after ten years, anyone who had been a full-time homemaker would have accrued an entitlement for the full homemaker pension. This would mean that all Canadians who have reached age 65 since 1976 would receive at least $129 per month from the C/QPP, even if they had not been receiving anything from the C/QPP before. Those who reached age 65 between 1967 and 1976 would receive a proportionately reduced minimum C/QPP pension, in line with the original phase-in of the C/QPP. For those reaching age 65 in future, the $129 minimum would gradually be phased in to the full homemaker pension of about $194 per month to the extent that they qualified as homemakers in coming years, and phased down to zero to the extent they did not. (The dollar figures just mentioned do not take account of our credit-splitting, drop-out, or survivor proposals.) Table 3.5 (page 30) presents a range of examples to illustrate how this phase-in and retroactive benefit improvement would work. The immediate effect of this measure would be to raise C/QPP payouts by about $900 million annually, an amount equal to the increase in contributions.

Contributions in respect of the retroactive benefits would, however, be waived. C/QPP contributors in the past have already made contributions in excess of the current pay-as-you-go contribution rate that we believe should be the basis for financing the C/QPP (see Chapter 4).

These retroactive plan improvements have several important advantages. They provide more pension income to the poorest of the elderly. To some extent, this additional C/QPP income will be offset by lower GIS benefits, but most witnesses indicated that they would prefer to receive income from the C/QPP rather than from the GIS. And there would still be a considerable net increase in benefits to those who are now elderly.

By undertaking this commitment, those now of working age would bolster their claim to future pension transfers. More specifically, this proposal would offset the concern that enriching the C/QPP transfers an unfair burden to future generations. The more rapid transition to a fully mature structure achieved by this proposal requires those now working to increase their contributions to ensure that the current elderly, who worked in much more difficult circumstances, receive a share of the prosperity they helped create. Rather than transferring a burden to future generations, it transfers current resources to a generation that worked in the past.

Finally, in conjunction with our financing proposals (discussed in the next chapter) this retroactive benefit improvement would allow the C/QPP to continue to be funded on close to a pay-as-you-go basis. At the same time, higher contribution rates would enable people to feel that they are paying now for their homemaker pensions.

3.10 The Task Force recommends that the homemaker pension be introduced with a substantial degree of retroactivity; for example, benefits could be phased in for those who have retired since 1966 by treating each year between 1966 and the present as one in which everyone had deemed earnings for C/QPP purposes of at least one-third of the YMPE. This would provide all those who have reached the

age of 65 since 1976 a minimum C/QPP pension of about $129 per month, declining gradually to zero for those who reached age 65 in 1966 or earlier, and phasing out in the future as the homemaker pension system matures. This would result in an immediate increase C/QPP benefit payments of about $900 million.

Because we have recommended a homemaker pension, we do not believe that the post-retirement survivor benefit should be increased as suggested in the Green Paper. Similar to our proposal for the treatment of survivors under private plans, and of single people in relation to couples under the GIS, we propose that the survivor receive no more than 65% of the C/QPP income coming to the family before the death of one of the spouses. We also propose

Table 3.5
Examples of New Minimum C/QPP Benefits for Homemakers and Other Retired Canadians

Minimum C/QPP Benefit ($/month)

Year in which Individual Reached Age 65	Individual Reaches Age 65 Before 1986	Individual Reaches age 65 After 1985 and Every Year Between 1986 and Reaching Age 65: Is a Homemaker	Individual Reaches age 65 After 1985 and Every Year Between 1986 and Reaching Age 65: Is not a Homemaker
1966 or earlier	0	—	—
1967	12.90	—	—
1968	25.80	—	—
1969	38.70	—	—
1970	51.60	—	—
1971	64.50	—	—
1972	77.40	—	—
1973	90.30	—	—
1974	103.20	—	—
1975	116.10	—	—
1976	129.00	—	—
1985	129.00	—	—
1986	—	129.00	129.00
1991	—	161.50	103.20
1996	—	194.00	86.00

Note: It is assumed that the homemaker pension comes into force on January 1, 1986. No account is taken in these calculations of the drop-out provisions. The amounts are based on the maximum C/QPP pension for 1984 of $387.50. More precisely, the calculations assume first, in the case of individuals reaching age 65 before 1986, that if their earnings for C/QPP purposes in any year were below one-third of the YMPE, their earnings would be deemed to be one-third of the YMPE. This would include cases where there were zero earnings for C/QPP purposes. Second, for every year after 1985 that an individual qualifies as a homemaker, the amount of minimum deemed earnings, both between 1966 and 1985 and subsequent to 1985, would be set equal to one-third of the YMPE plus one-sixtieth of the YMPE for each year after 1985 that the individual qualified as a homemaker, up to a maximum of one-half of the YMPE. The one-sixtieth figure ensures that the homemaker pension will be fully phased in after ten years.

that survivor benefits be extended to cases of divorce or marriage breakdown on a pro-rated basis. For example, if a woman is married for 20 years and is then divorced, she would be entitled to a survivor pension based on those 20 years (as compared to the full 47 years if the marriage had remained intact until the husband reached age 65). Table 3.3 (page 27) provides examples.

Although we agree generally with the Green Paper proposal to remove the present limit on the combined retirement and survivor benefit, we conclude that some limit is necessary as a result of our recommendation to extend survivor benefits in the case of marriage breakdown. If there were no limit, two women who were married for the same length of time to men with the same earnings histories could end up receiving different survivor benefits. For example, consider the case of Mrs. Martin, who remained married throughout her life. When she reached age 65, she would start receiving a C/QPP pension in her own right because of our credit-splitting proposal (leaving aside our homemaker pension proposal). When her husband died she would continue to receive half the couple's C/QPP pension that resulted from credit-splitting, plus 30% of what her husband had been receiving, in the form of a survivor benefit. This would generally result in a combined survivor and retirement pension equal to 65% of what the couple had been receiving just before the husband's death.

A second woman, Mrs. Roy, is in the same circumstances up to age 60; she is then divorced and subsequently remarries. At age 65, as a result of credit-splitting on divorce, she would receive almost the same retirement pension as Mrs. Martin. Then, on the death of her first husband, a pro-rated survivor pension based on the period of the first marriage would start, and it would be almost the same as the survivor pension received by Mrs. Martin. Finally, a second survivor pension would start to be paid to Mrs. Roy on the death of her second husband. The combined effect in this case would mean that as a widow Mrs. Roy would be entitled to C/QPP benefits significantly higher than Mrs. Martin's.

We have therefore proposed a cap on combined retirement and survivor pensions. This will have no effect on pensions received by people in Mrs. Martin's situation, but will ensure that a person in the same circumstances as Mrs. Roy would receive benefits no higher than those going to Mrs. Martin. Our proposed cap thus takes nothing away from the current survivor provisions, and accords with the Green Paper proposal to remove the cap on combined retirement and survivor pensions. The limit we propose would take effect only in situations where there has been divorce and remarriage.

3.11 The Task Force recommends that the current C/QPP survivor benefit for spouses over the age of 65 be replaced by a pension continuing for the lifetime of the survivor equal to 30% of the deceased spouse's retirement pension after credit-splitting. This would generally result in 65% of the family's C/QPP retirement benefits continuing for a surviving spouse.

3.12 The Task Force recommends that a pro-rated survivor benefit be paid to a divorced spouse. The benefit should be 30% of the retirement pension (after credit-splitting) that the deceased contributor would have received if this pension were based only on earnings during the years of marriage. The pension would start when the contributor died or when the surviving spouse reached age 65, whichever happened later.

3.13 The maximum combined retirement pension and survivor pension(s) should not exceed either 130% of the survivor's own retirement pension, or 65% of the combined retirement pensions of the survivor and his or her most recently deceased spouse, whichever is greater.

3.14 Survivor pensions should no longer be terminated when the survivor remarries.

The Green Paper put forward several specific proposals for changes to the structure of pre-retirement survivor benefits. These changes were aimed at creating a somewhat smaller continuing pension and a new bridging benefit payable for only a limited time. The Green Paper proposals are apparently based on the assumption that the long-run costs of pre-retirement C/QPP survivor benefits should not be increased. As a result, they make some widows worse off than under the current structure and others better off. We did not receive enough evidence to form a detailed view of the problems posed by the current structure of pre-retirement benefits or of how the Green Paper proposals would solve these problems. We believe that before any changes can be recommended, further study is required to identify precisely who would gain or lose from any changes to the present structure and why this is needed.

Our proposals for credit-splitting and homemaker pensions have significant implications for the C/QPP child-rearing drop-out provision. This provision allows calculation of average earnings and C/QPP benefits without including those years where a worker had no earnings because he or she dropped out to care for children under the age of 7. With credit-splitting and the homemaker pension, these years would be treated as if the homemaker had earnings of at least one-half the YMPE. In fact, the homemaker's deemed earnings (assuming the actual earnings, if any, were less than half the YMPE) would be the average of half the YMPE and the contributing spouse's earnings in the year.

There is also a 15% general drop-out provision in the C/QPP. It is more flexible than the child-rearing drop-out provision because it can be applied to any years with low or no earnings (including deemed earnings). Given the increasing extent to which people are moving in and out of the paid labour force, it seems more appropriate to extend the general drop-out provision and partly fold in the child-rearing drop-out provision. In this way, a woman caring for children at home could have those years retained when computing average earnings, since they would contain deemed earnings based on her husband's earnings and her homemaker pension. She could then exclude other years — when she is widowed or divorced and preparing to enter the labour force, for example.

An extension of the general drop-out provision would benefit all C/QPP participants, both men and women, not just homemakers.

3.15 The Task Force recommends that the general drop-out provision in the C/QPP be increased from 15% to 25% of the lowest earning years, so that the pension benefit would be based generally on the best 35 years out of the 47-year period between the ages 18 and 64.

3.16 The Task Force recommends that the C/QPP child-rearing drop-out provision be altered so that it can be used by either parent to the extent that more than 12 years (that is, 25% of the contributory period) are spent caring for children under the age of 7.

Native People

Witnesses raised two questions relating to the participation of native people in the C/QPP. The first concerned the predicament of elders who were the support of their communities in the traditional economy but who had no formal labour force attachment and no record of cash earnings. An earnings-related pension plan is evidently a poor vehicle for providing retirement income for people increasingly forced into the cash economy for support.

The second concerned Indian people living on reserves and therefore exempt from taxation on incomes earned on the reserve. Again, formal records of earnings paid by employers may be unavailable, and the administrative basis for paying earnings-related pensions is absent.

We have not dealt with these questions within the strict limits of modifications to the C/QPP, but rather look to the comprehensive settlement of aboriginal and treaty claims as the vehicle for resolving these problems.

Disability Benefits

Eligibility criteria present one of several intractable problems associated with provisions for disability benefits within the C/QPP. Many witnesses questioned whether an insurance feature of this type belongs in a pension plan. From one point of view it is natural to make some provision for people whose ability to participate in the labour force is seriously impaired before they reach 65 years of age. The opposing view is that retirement benefits should be confined to the period beyond a fixed age of entitlement to pension benefits.

The possible effects elsewhere in Canada of recent changes to disability provisions in the QPP has also been the subject of some discussion. Similarly, there is concern that the degree of administrative discretion exercised in interpreting eligibility criteria may result in inconsistent standards being applied or in standards being relaxed as unemployment increases. More important, current benefit levels do not reflect relevant living standards. As MPs we believe that a significant and early increase in disability benefits is essential.

These and other issues were considered by the Special Committee on the Disabled and the Handicapped, which recommended several measures. The recommendations in its report and other recommendations have been studied extensively by a federal-provincial committee of officials. The report of that committee was, at the time of writing, awaiting consideration by federal and provincial ministers.

This federal-provincial consultation is intended to result in proposals for dealing with disability provisions within pension plans or as separate programs. We have therefore concluded that no purpose would be served by further discussion or recommendations on this subject. We look forward to action on this critical matter in the near future; early action is essential if longstanding inequities are to be rectified.

YMPE *Catch-up*

A number of witnesses observed that the value assigned to the year's maximum pensionable earnings has fallen behind the average industrial wage and recommended that its value be increased to restore it to that level.

3.17 The Task Force endorses the recommendation in the Green Paper that the current catch-up provision in the Canada and Quebec Pension Plans be amended to ensure that the year's maximum pensionable earnings are raised to the level of the average industrial wage over a period of three years and subsequently indexed to the measure proposed in Recommendation 2.1 (page 17).

Immigrants and the Public Pension System

People who immigrated to Canada after 1977 and who have no retirement benefits of any kind from their country of origin (immigrants in this situation are in the majority) will not receive full OAS benefits unless they live in Canada for 40 years (even if they have become Canadian citizens). Instead, they will receive partial OAS benefits if they have lived in Canada for 10 years continuously prior to retirement. The benefit is calculated at one-fortieth the OAS benefit for each year of residence in Canada.

This situation is a source of serious and growing concern. It reflects basic features of immigration policy and gaps arising from the absence of suitable reciprocal agreements with many countries. It threatens to set the interests of immigrants already here against those seeking to enter the country. Attempts to resolve the problem may also work against policies of family reunification. We have full sympathy with the people caught by this problem, but we believe that a comprehensive solution should be linked to immigration policy and policy for the retirement income system.

3.18 The Task Force recommends that the appropriate ministers review the question of pensions for people who immigrated to Canada after 1977 and that it be formally referred to a committee of the House of Commons.

Immigrants to Canada after 1966 who have no retirement benefits from their country of origin may not receive a full pension from the C/QPP if they come after the age of 18, because they may not have worked in Canada for the full contributory period of age 18 to age 64. This problem would be alleviated by increasing the general drop-out provision, which we have already recommended for other reasons. In our view, no more action than this is warranted.

Immigrants to Canada with some pension benefits from their country of origin who also work in Canada are likely to receive a combined OAS, C/QPP, and foreign benefit that is less than the benefit they would have received had they worked all their lives in Canada. This is so because of the first problem discussed and because the foreign benefit is likely to be small compared to the Canadian benefit. If they are eligible for the GIS, it will be reduced by the amount of foreign pension they receive, even in cases where the foreign pension is smaller than the OAS benefit. But for a person born in Canada, the GIS is not reduced by OAS income.

For some witnesses, this situation poses an important problem because adult immigrants should be entitled to public pension benefits (including C/QPP) that are adequate by Canadian standards. A possible means of achieving this goal would be to amend present arrangements such that immigrants were entitled to a GIS payment equal to the difference between full OAS and C/QPP benefits, calculated as if contributions had begun when the immigrant citizen became eligible to work, and the amount of OAS, C/QPP and foreign pension benefits actually received. This was suggested by the Canadian Labour Congress.

The Task Force has not been able to identify the full cost implications and administrative consequences of this proposal. Accordingly, we wish to refer this matter to the Minister of National Health and Welfare for consideration.

Flexibility in the Age of Entitlement

Canada's retirement income system must become more flexible and adaptable. One area is the age of retirement. Increasingly, Canadians want a measure of flexibility in choosing the age at which they withdraw from the labour force, and indeed, growing numbers are choosing to withdraw gradually from full-time work. For this reason, the Task Force concludes that it is appropriate that Canadians be able to choose to start receiving their CPP benefits, with appropriate actuarial adjustments, earlier or later than the fixed age of 65. (The QPP already includes such a provision.)

3.19 The Task Force recommends that provision be made in the CPP for greater flexibility in the retirement age by permitting earlier commencement of an actuarially reduced pension or later commencement of an actuarially augmented pension. The Task Force proposes that people be able to choose to begin receiving a pension anywhere between the ages of 60 and 70, subject to the amount of the pension being determined by appropriate actuarial adjustments.

3.20 A majority of the Task Force recommends that consideration also be given to introducing similar flexibility in the age when people can begin to receive OAS benefits. The Task Force recognizes that such a step would have substantial implications that should be carefully considered.

For some witnesses, this situation poses an important problem because of their view that immigrants should be entitled to public pension benefits (including C/QPP) that are adequate by Canadian standards. A possible means of achieving this goal would be to provide special arrangements such that immigrants were entitled to a GIS payment equal to the difference between full OAS and C/QPP benefits, calculated as if contributions had begun when the immigrant citizen became eligible to work, and the amount of OAS, C/QPP and foreign pension benefits actually received. This was suggested by the Canadian Labour Congress.

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CHAPTER 4

Financing of the Canada and Quebec Pension Plans

Introduction

The Canada and Quebec Pension Plans are not bankrupt. They are not in serious financial difficulty. Fears that they will be unable to meet pension commitments in the year 2001 or 2031 are unfounded. The claim of young Canadians on future C/QPP benefit payments is not in jeopardy.

Too many Canadians are losing confidence in a sound structure because they fail to appreciate the true nature of the C/QPP. These concerns are by no means universal. All the representatives of labour groups and most representatives of women's groups — the two segments of society most likely to depend on public pensions — expressed confidence in the C/QPP by insisting that it be expanded, not constrained. The continued strength of the C/QPP rests on the continued strength of the Canadian economy and the continued commitment of the Canadian people to supporting programs serving the elderly.

We have already recommended measures that will help to ensure the continued willingness of future working Canadians to meet the pension promises inherent in the C/QPP. In this chapter, we discuss the contribution rates governing payments into the plans. These rates, and their relationship to the perceived level of benefits, may affect this willingness, as they will affect perceptions about the general solvency of the plans.

Contribution rates will also determine the growth of any surplus of funds accumulating in the C/QPP. The investment of this surplus will in turn influence the pace and direction of capital formation and hence the future capacity of the economy to generate incomes high enough to support pension payments. But it is important to emphasize that the 'funding' of the C/QPP is not what determines either its solvency or the security of its pension commitments.

C/QPP contributions are in the form of taxes levied on pensionable earnings, intended to be those earnings between 10% of the average industrial wage (the year's basic exemption or YBE) and the AIW (the year's maximum pensionable earnings or YMPE). The tax rate on these earnings is 3.6%; it was set at this level as part of the compromise that launched the C/QPP. This rate is somewhat higher than the rate that would have been required simply to finance current benefit payments. As a result, a fund has been accumulated. Nevertheless, the dollars paid out in C/QPP benefits today come from current revenues from C/QPP payroll taxes. The dollars paid out in future benefits will come primarily from payroll tax revenues in future years (plus the interest on any surplus funds built up in the meantime). It has always been understood that this contribution rate would eventually have to increase to between 8 and 10%, whether or not a fund is built up.

Since benefits can always be expected to be financed largely from the flow of current contributions, claims for benefits are therefore secured by the stock of assets that make Canada a productive nation capable of meeting a payroll and paying payroll taxes. So long as that productive base is strong and growing, the capacity to meet claims for pension payments will be too.

This is the same security that backs the dividend and interest obligations of the major Canadian corporations whose shares and bonds are held by most pension funds and RRSP accounts: namely, all the productive assets of the nation — privately or publicly owned, physical or human, natural or produced. From these assets is produced a flow of income corresponding to a flow of real goods and services.

Some of that income is claimed by individuals as wages and salaries — a return on labour power and human capital. Some is claimed as property income — interest, dividends, rentals — by those who hold title to privately-owned assets. And some is claimed by government in taxes as payment for services, as returns on public capital, as royalties to offset the depletion of natural resources, and as a general fee for membership in the Canadian polity. That tax flow is returned again as government expenditures on a variety of programs, including programs to aid the elderly; public pensions are one such program.

Thus, the security behind C/QPP promises is different from the security behind private pension promises only in the nature of the claim held on future income flows. Private pension promises are usually backed entirely — or almost so — by title to assets already in existence and capable of generating a stream of interest earnings or property income. Canada and Quebec Pension Plan promises are backed by the recognized authority of the state to levy taxes to generate a flow of payroll tax revenues.

The Funding Debate

The absence of formal title to assets (often referred to in the debate on pension reform as the absence of 'full funding') obviously does not affect the security of government pension promises. Indeed, it might be argued that in a world where industries become obsolete, privately-held assets may lose their value if they are unable to produce goods or services at a profit. They may also be rendered worthless by periods of rapid inflation, as has happened before in the twentieth century. The absence of a full C/QPP pension fund owning assets has nothing to do with the security of C/QPP pension benefits now or in the future. The notion of 'unfunded liability' is meaningless in the context of a public pension plan.

What does matter is the effect that funding decisions may have on the extent and direction of capital formation — the process of investment to build up the assets on which all pension promises, public or private, rest.

There are two concerns. If plan participants treat the C/QPP as personal assets, they may reduce their other savings as a result. Those who are concerned about the state of the C/QPP argue that the absence of full funding leads people to overestimate their own wealth, causing them to save less than they should. This in turn means less capital formation than desirable if the present generation is to pass on to future generations an adequate endowment of productive capital.

The evidence on this debate is thoroughly confused; there is no clear consensus on whether we already have too much saving in Canada, whether people have been led to save less by the growth in public pensions, or whether more saving could be productively absorbed. What can be said, however, is that if there are such effects, and if they are adverse, the government can introduce countervailing policies to offset them. This was the view of the Chairman of the Economic Council of Canada. According to this view, decisions on the size and funding of the C/QPP should be taken on grounds of pension policy, in the knowledge that the economic side-effects can be contained if that proves necessary.

A second concern relates to the portion of the C/QPP commitment that is backed by assets in the form of provincial obligations. If the funds obtained by provinces from the CPP Investment Fund are simply absorbed in provincial operating deficits, as some critics allege, then we are back to the contention that pension promises are backed by no real assets, again raising the argument of inadequate capital formation.

If the funds borrowed by provincial governments are directed toward high-priority public investment, as provincial governments and some observers maintain, then a slightly different objection is raised. The argument is that the capital formation into which provincial governments direct their investments is inherently less productive than the use that would be made of the funds by borrowers on private capital markets. Because it is hard to know exactly how much an investment in reforestation or hydro facilities contributes to future productive capacity, it is hard to assess the validity of this argument. Similarly, investments in engineering schools or health care facilities have obvious economic value, but their services are hard to price, and it is difficult to assign a market rate of return to these investments and let them compete in capital markets for funding.

In short, the argument about the desirability of external funding of public pensions (to the extent they are funded at all) comes down to the ancient controversy about the productivity of public investment. The Task Force will not resolve that debate.

We do, however, note growing concerns that private pension fund managers respond to indicators that do not always lead toward the most productive long-term investments. There is concern, for example, that pension fund managers are judged by performance criteria that emphasize paper gains at the expense of fundamentals; that promote the manipulation of financial portfolios rather than real asset formation; and that may be too conservative at a time when the need for venture capital — or at least adventurous equity — is great.

We also note a growing body of opinion suggesting that future investment should focus on renewing aging social and economic infrastructure and on preventing the exhaustion of forestry, fisheries, water and soil resources. By their nature, these are investments that will not be undertaken except by governments.

Rather than adopt a position on the relative desirability of private and public investment or on the extent of funding of the C/QPP, we opt for a plainer rule of thumb: massive concentrations of power — financial or political — are probably less desirable than a more diversified and less concentrated structure. We therefore favour proposals that do not necessitate the accumulation of large pools of capital in a few hands.

But in so doing, we are not in any way detracting from or calling into question the security that backs C/QPP pension promises. That said, we turn to the question of contribution rates and the speed with which they should increase.

Contribution Rates

The Canada and Quebec Pension Plans are essentially transfer mechanisms. What comes out reflects what has gone in. Benefits cannot rise unless contributions also increase.

Because contributions in any one year are used to pay benefits to retired people that same year, the link between the benefits a person receives when retired and the contributions made in earlier years is broken; contributions are not accumulated in individual accounts as with RRSPs or other forms of personal retirement savings. People do not necessarily get what they pay for — they may get much more or they may fear they will get less. Particularly when incomes and populations are growing, there is a risk that governments will be led to promise greater benefits than contribution levels could ultimately support.

Nevertheless, because benefits can be paid only from past or current contributions (and investment earnings on past contributions), it is desirable to ensure that the cost of promised future benefits is properly reflected in current contribution rates. Thus there is an argument for setting contribution rates near the level required to pay for promised benefits when the system is fully mature.

The desire to set contribution rates at close to full-cost levels — to make explicit the link between benefits and costs — conflicts with another objective: the desire to keep initial contribution rates as low as possible to avoid accumulating a massive capital fund in the period before benefits begin to exceed contributions. Some observers fear that governments and government agencies will allocate this capital unwisely and, indeed, are likely to use it to pursue political goals rather than maximum returns. If contribution rates are too high, it is argued, the mechanisms for controlling the resulting pools of capital will be inadequate, and the community's resources will be misallocated.

This thinking is reflected in the initial C/QPP contribution rate of 3.6%. Funds not needed to pay benefits are automatically invested in loans to each province. (The annual amount of each loan is equal to a pro-rated share — based on the average of contributions collected in the province over the previous 10 years — of the excess of contributions over benefit payments, less a small reserve.) Thus, funds temporarily surplus to current C/QPP needs are invested in 20-year provincial obligations, and interest is payable at the rate prevailing on comparable federal borrowings at the time the investment takes place.

To date, all provinces have made semi-annual cash payments of all interest owing. In fact, however, this process of 'repayment' has been something of a fiction, because the amount of contributions has been sufficiently large that provinces have been able to reborrow amounts exceeding any repayments of interest or principal. This situation (which some witnesses criticized strongly) is expected to come to an end almost immediately, as the surplus of contributions over benefits declines. While the timing varies from province to province, within 10 years the gross flows (surplus of contributions plus interest over benefits) will turn negative, and provinces would be expected to begin making repayments of principal as well as interest. If no changes in contribution rates were made in the next two decades, the CPP fund would be expected to decline to zero as provincial governments completed repayment of all prior borrowing, and these funds were used to meet commitments for benefits. All the provinces we spoke with indicated they were more than willing to pay back the loans received from the CPP fund.

But it was always envisaged that contribution rates would begin to increase from their initial level of 3.6% on a regular basis after the phase-in period. Those responsible for negotiating the details of the plan anticipated that rates would begin to increase around 1976.

How fast contribution rates should increase is a judgement call, and a difficult one at that. For obvious reasons, provincial governments would like to see the rates increase faster; maintaining a healthy surplus of contributions over payouts reduces the need to borrow on capital markets. For the same reason, witnesses from the business community generally argued that contribution rates should be kept as low as possible. Labour representatives also argued for low contribution rates because they see no need to build up a fund. In fact, our first two proposals on CPP financing are almost identical to those put forward by the Canadian Labour Congress.

Recommendations

The level of contribution rates can be determined only through federal-provincial negotiation. The consent of the provinces was required for passage of the *Canada Pension Plan Act*, and they have a legitimate claim to seeing that rates are revised through negotiation.

4.1 The Task Force recommends that the Canada and Quebec Pension Plans be funded on a pay-as-you-go basis. Calculation of the contribution rate should provide for a contingency reserve equal to 2 or 3 years' anticipated payout. It should also accommodate potential economic fluctuations and demographic situations. There should also be no sharp jumps in contribution rates from one year to the next.

It must be made absolutely clear to Canadians that financing currently promised C/QPP benefits on the pay-as-you-go basis we recommend will require increases in contributions over a long period. We propose that this be done by adopting a formal schedule of contribution rates. However, we recognize the uncertainties inherent in the projections that must serve as the basis for such a schedule. This is why we emphasize the need to make our pension system more flexible and resilient. It is therefore reasonable to require contribution rates to be set for a shorter period than that covered by many projections and to provide for a regular review and extension of the schedule.

4.2 The Task Force recommends that a schedule of CPP contribution rates over a 25-year period be established by March 31, 1985, and that it be reviewed and extended every five years thereafter. This 'rolling schedule' should be tied to the comprehensive report by the Minister of Finance specified in Recommendation 2.2 (page 19).

We accept the proposition that government decisions about C/QPP benefits should be explicitly linked to the effects they will have on contribution rates. With the time lags and uncertainties involved, it is easy to imagine the temptation to promise richer benefits without facing the problem of who is to pay for them and how.

Some witnesses, representatives of some provincial governments, and federal officials have suggested that any proposal to increase benefits should be retroactive in effect, and should be accompanied by an immediate increase in the contribution rate equal to the estimated full cost of the increase in benefits. We agree that benefit enrichments should be retroactive: this is fair to the current elderly and reflects the requirement that current working generations treat the elderly at least as well as they expect to be treated themselves. It was partly for this reason that we recommended a substantial degree of retroactivity in the homemaker pension. But we question whether contribution rates must increase immediately by an amount equal to the eventual increase in benefits. While we see the need for a clear link between new benefits and contribution rate increases, we see no reason why this link should be rigid and pre-defined for all potential benefit enrichments. Even with retroactivity, the cost effects of benefit enrichments (for example, those proposed in this report) will be felt gradually. Adjusting contribution rates immediately to reflect the full cost of new benefits would represent an unnecessarily large burden on current contributors and would have the result of building up a fund larger than necessary to finance the CPP on the pay-as-you-go basis we recommend.

4.3 The Task Force recommends that any benefit enrichment, such as the homemaker pension proposed in Recommendation 3.7 (page 25), be accompanied by an immediate increase in contribution rates, phased in at a rate that maintains the CPP fund on a pay-as-you-go basis, but ensures that the total cost increase associated with the benefit enrichment is fully incorporated into contribution rates by the end of the 25-year schedule.

Existing legislative provisions require that an actuarial report by the Chief Actuary accompany any proposal for enriching CPP benefits. Recommendation 4.3 would ensure in addition that benefit levels are linked realistically but flexibly to contribution rates. In effect, it would introduce a five-year sunset clause into any proposal for additional benefits not matched by an explicit increase in contributions.

The question of provincial access to accumulated CPP funds requires attention. We accept that market discipline is as good for governments as it is for other organizations.

Unrestricted access to cheap money may well mean that resources flow into projects that cannot be justified in a market where competition for funds is active.

The funds borrowed by provinces from the CPP do bear interest, however. The rate is marginally lower than provinces would otherwise pay because it reflects the federal credit rating rather than the provincial rating. We find it hard to accept the argument that this margin of one percentage point or less would by itself tempt provincial governments into extravagant projects that they would not otherwise undertake. Indeed, most provincial treasurers indicated that the projects they are funding are not discretionary: without access to CPP funds they would simply have to borrow on the market. Thus, the only effect of closing off access to CPP funds would be to drive up the cost of borrowing — and to drive it up most for those provinces least able to bear the additional cost.

We therefore reject the argument that the terms on which provincial governments have access to CPP funds lead to a wasteful use of capital. However, if provincial governments become too confident of being able to borrow indefinitely from surplus CPP funds, an inefficient allocation of capital would be the eventual result.

This is why we agreed on Recommendation 4.3. Adopting what is essentially pay-as-you-go funding of the CPP will hold to a minimum the CPP funds available to provincial governments. At this level, the reality of the obligation to repay both interest and principal will be clear to all provincial treasurers and cabinets. The need to invest these resources wisely, in ways that enable provincial governments to meet repayment obligations, will be evident.

Something more seems desirable, however. We do not accept a blanket condemnation of public investment, but we believe that the Canada Pension Plan is likely to be suspect until the value of government investments in economic and social infrastructure is persuasively documented. Public confidence in the soundness of the CPP will be significantly enhanced by demonstrating the extent to which public investment — in human and natural resources as well as economic infrastructure — contributes to our capacity to meet future pension commitments.

Moreover, simply as a matter of disclosure and accountability, provincial governments should be required to account for their use of funds advanced from the CPP fund.

4.4 The Task Force recommends the introduction of a requirement for a regular comprehensive accounting by the provincial and federal governments of the purposes for which CPP funds are allocated and of the benefits, financial and economic, anticipated from these investments.

This recommendation is designed to look behind the nominal rate of return earned by the CPP fund on its investments in provincial obligations. The critical issue is the social return on provincial investments in projects that either add to productive capacity and reduce costs of production (hydro facilities or reforestation) or reduce budgetary outlays — and hence tax burdens — in the future (schools and hospitals). In this way, the contribution made by CPP investments to increasing our capacity to meet future pension commitments will be better recognized.

Before closing this discussion, we wish to make a recommendation of importance to the governments of Yukon and the Northwest Territories. This relates to provisions of the

Canada Pension Plan Act governing access by provincial governments to funds in the Canada Pension Plan Investment Fund. The recommendation is simply to ensure that the governments of Yukon and the Northwest Territories have access to these funds on a basis comparable to that now established for provincial governments.

4.5 The Task Force recommends that when the *Canada Pension Plan Act* is opened up for amendment, section 112 be amended to provide for access by the governments of Yukon and the Northwest Territories to capital advances from the CPP Investment Fund on the same basis as now exists for provincial governments.

Summary

The recommendations in this chapter are designed to respond to the concerns of provincial governments, the business community, and of Canadians generally, arising out of the mechanisms for financing the C/QPP and for managing the resulting investment process. The goal is to ensure, so far as possible, that the funding of the C/QPP has minimal and predictable effects on costs of production and that any accumulated surplus is directed toward productive public investment.

We have already discussed the difference between productive and non-productive investment in the private sector. In the public sector, productive investment includes investments in the broadest sense — developing the knowledge and enterprise of our people, renewing and developing the infrastructure that supports our industrial system, and maintaining our renewable resources and the quality of the environment. While some of this basic investment is undertaken by private institutions, it has traditionally been undertaken primarily by the public sector. This kind of investment is of the same fundamental importance to our future economic growth as more conventional investments in plant and equipment.

We therefore reject the suggestion that the Canada Pension Plan is bankrupt or suspect merely because the assets securing its promises are not carried on the books of private corporations. The capacity of the Canadian economy to meet pension commitments decades from now depends more on our ability to move grain along rail lines and goods through seaways and data via satellites than it does on the paper gains that make pension fund managers look good in the short run. To conjure false fears about the soundness of the CPP because it is "backed only by government paper or meaningless book entries" is to be misled by accounting conventions and to do a disservice to the public.

This is not to deny legitimate fears about the consequences of excessive resources flowing to government agencies and public enterprises unconstrained by market discipline or any requirement for substantive accountability. Capital is scarce, and it must be deployed wisely. Government's power to tax and to borrow must not be permitted to crowd out business needs for the resources to fund the capital formation essential to renewed economic growth.

We believe that the recommendations in this chapter represent an appropriate balancing of the advice we heard and the concerns that were expressed to us. We trust that these guidelines will be reflected in the federal-provincial negotiations that must now follow.

CHAPTER 5

Occupational Pension Plans: Employee Rights and Inflation Protection

The nature of the benefit promise in defined benefit pension plans is not altogether clear. This lack of clarity lies behind some of the most heated controversy relating to occupational pension plans.

In particular, the question of mandatory inflation protection turns on the nature of the agreement between employers and employees under these plans. Views have evolved; most witnesses agreed, for example, that defined benefit pensions are no longer simply rewards for long service. However, there is much less agreement about whether defined benefit pensions are deferred wages, or something like 'indirect compensation', with a much weaker connotation that the pension promise constitutes an asset belonging to employees and their families.

We take this disagreement as an indication that existing defined benefit plans encompass a wide range of understandings. In some cases, pensions are still seen by both employers and employees as a benefit available mainly to long-service employees that takes the form of insurance against a long life. In this case, it is hard to argue that the assets in the plan belong to the employees or that surpluses created by higher than anticipated investment returns belong to plan members, particularly retirees whose pensions are being eroded by inflation. On the other hand, there are plans where employer contributions on behalf of employees were made in exchange for smaller wage increases or other forms of compensation, and where employees contributed in the expectation of benefits whose real value would not decline much over time. While these employees have no legal claim, they may well have a strong moral claim on the surpluses that arose in many pension plans in the mid- to late 1970s.

The proposal to institute a degree of retroactive inflation protection, as put forward in the Green Paper, would seem to presume that the assets in pension funds, and hence the returns on those assets, belong to plan members. There is, however, no legal basis for this presumption. Moreover, the moral basis for such a view depends on the particular circumstances under which the pension arrangements were made.

We see a major problem in this area. It appears that the substantial enrichment of benefits over the last decade in many plans, at the initiative of the sponsor or in response to the demands of active participants, represented an inappropriate response to inflation, at the expense of retirees and vested deferred pension plan members. Directing the high earnings of pension funds during that period toward reduced employer contributions, or toward commitments for higher benefits or earlier retirement for active employees, created extraordinary hardship for some retirees, particularly for some of those retired longest. Many observers have found the grievances of railway pensioners, for example, to be warranted, even though no legal obligations have been violated by the companies concerned.

Where returns to pension plans have been significantly higher than anticipated (although these higher returns were frequently offset by higher than anticipated rates of growth in wages and salaries), the pension plan costs used by employers to bargain with employees — and presumably to argue for lower rates of wage increase — would have been substantially overestimated. If we accept that these overestimated costs are merely part of a pension fund surplus that belongs to the employer and on which the employees have no claim, then we must conclude that employees have been led to surrender current wages in excess of what they should have to secure the benefits promised them.

However, any attempt to right these past wrongs is bound to be unfair. In some cases there was no surplus; in others it was allocated for the benefit of retirees or current employees; and in yet other cases (insured pension arrangements) any surplus that may have existed is effectively untraceable because some may have been earned by the insurer, while some may have been absorbed by the employer.

For these reasons, we cannot accept the recommendations in the Green Paper for mandatory inflation adjustments designed to transfer existing pension fund surpluses — or portions of pension fund assets more generally — to terminated workers, retirees or active workers.

5.1 The Task Force rejects the notion of mandatory inflation adjustment in respect of already accrued pension benefits.

Nevertheless, we see a discernible change in employee attitudes toward the obligations and responsibilities of employers in contracting for pension benefits. The stake of individual employees in decisions affecting pension plans is too great; no longer will they tolerate legal interpretations of defined benefit plans that require them to stand by as mere observers interested to see whether the promised benefits emerge and whether they retain their original real value when they do.

We are anxious to ensure that future participants in defined benefit plans do not feel as hard done by by their former employers, pension plan managers or unions as some current retirees have felt in the last decade. We are therefore led to conclude that full disclosure of plan status and actuarial assumptions, and full participation of plan members and beneficiaries in the management of pension plans, are warranted.

Second, we conclude that even having a seat at the table may not give adequate weight to the interests of retired or terminated employees. Representatives of business groups and employers appearing before the Task Force were generally receptive to suggestions that adjustments to benefits for active workers should be matched by equivalent adjustments for other plan beneficiaries. For example, in a flat benefit plan, every time a retroactive benefit increase is negotiated for active plan members, it seems reasonable to expect that a comparable retroactive benefit increase should be granted to current retirees and vested deferred pensioners. Many collective agreements are based on the concept of intergenerational agreement described earlier and already do this, at least for current retirees. However, it is more difficult to see how such a rule would work in the case of final or best average pay plans, whose retroactive benefit improvements are already implicitly built into the benefit formula. The rule would certainly be simpler if it were confined to the allocation of any surpluses that arose from time to time. Also, we have some concerns that such a rule would act as a disincentive for pension plan improvements. We recognize the need to balance these considerations.

Finally, even though we have rejected any mandatory inflation protection for already accrued pensions, we believe it is important for plan sponsors to offer their members the choice of an indexed pension. We would also hope that once plan sponsors have set up the machinery to provide such pensions, they will be more likely to offer them on a contractual basis. In fact, this would provide the opportunity for those employers granting ad hoc increases to regularize this practice.

5.2 The Task Force recommends that occupational pension plans be required to make provision for representation of active workers, retirees and, where practical, vested deferred members in the management of the plans.

5.3 The Task Force recommends that occupational pension plans be required to make available

(a) to bargaining agents or employee and retiree representatives, on request, full actuarial reports and other materials relating to the status of plans, including a statement of the sources and uses of funds (gain and loss analysis) that traces any actuarial surpluses and their disposition; and

(b) to each employee and his or her spouse, an annual statement setting out detailed information on the benefits they can expect to receive.

5.4 A majority of the Task Force recommends that serious consideration be given to regulating occupational pension plans such that any retroactive increase in benefits for active employees participating in a pension plan is matched by a comparable enrichment of benefits for retirees and for vested deferred pensioners.

5.5 The Task Force recommends that all plan sponsors be required to offer employees the option of taking pensions that are indexed as proposed in Recommendation 5.8 (page 49). Such a pension might have a lower starting level determined on an actuarially equivalent basis.

These recommendations will not only be of continuing benefit, but will also encourage a greater degree of inflation protection for benefits already accrued in a way that is sensitive to the situation of each pension plan. We believe that this is a more reasonable approach than the retrospective mandating proposed in the Green Paper.

These measures will not redress the inequities felt by current retirees who have seen their private pension benefits virtually disappear over the last 15 years. For this purpose, there may have to be steps to reduce an existing disincentive to voluntary action by employers to increase benefits when the circumstances of their pension plans permit, and to encourage plan sponsors to offer contractually indexed pensions.

5.6 **The Task Force recommends that a temporary provision (subject to a suitable sunset clause) be introduced in the Guaranteed Income Supplement to exclude from its income-testing and tax-back requirements the entire amount of any ad hoc or contractual adjustments made to current pensions to offset inflation.**

Even with respect to future pension benefits, we heard a wide range of opinion on the need for indexing to maintain their purchasing power. This testimony included those who argued that the excess interest proposal put forward by the Canadian Association of Pension Supervisory Authorities (CAPSA) falls short of what is necessary. Others insisted that some adjustment process is essential to prevent benefits eroding too rapidly as a result of inflation, but that pensioners might be expected to bear some portion of the erosion. Still others maintained that no indexing of private pension benefits is necessary because the public plans (OAS, GIS, C/QPP) are fully indexed in any case.

We also heard a wide range of views on the capacity of the employer and the economy to meet the costs of indexing. Some witnesses believed that the economy can sustain full CPI indexing — that is, can support pension contracting in real terms. Others suggested that some significant inflation adjustment is manageable, provided it is not retroactive. And some insisted that the cost of any mandatory inflation protection is prohibitive.

On the question whether a method of protecting pensions against inflation can be found, the evidence seems much clearer: the Canadian Institute of Actuaries, individual experts and actuarial firms all agreed that mechanisms to provide a measure of inflation protection are feasible and could readily be built into existing defined benefit plans as a feature governing future pension accruals.

This mechanism might take an excess interest or performance indexing approach, or a CPI co-insurance/deductibility approach. Several witnesses expressed reservations about the excess interest approach. While some of us still find the arguments for that general approach convincing, we have to accept the evidence of extensive opposition to it. The judgement of those who will have to work with the mechanism obviously must prevail; we were impressed by the strength of industry opposition to the adjustment mechanism proposed by CAPSA and in the Green Paper.

5.7 **The Task Force concludes that, for practical purposes, the excess interest proposal must be rejected as a vehicle for any kind of mandatory contractual updating.**

Notwithstanding the representations of retirees' groups and public sector unions, as well as the advice of the Economic Council and independent academic advisers, the Task Force also concludes that full automatic indexing to the CPI is neither practical nor warranted.

On the other hand, a failure to identify and recommend some mechanism for contractual updating of pension benefits would be inexcusable.

A defined benefit pension plan is a contract stretching over decades; its benefits are subject to unforeseeable but possibly substantial erosion from inflation. In such circumstances, contracting based on reasonably certain terms and conditions is difficult. Nothing can be done about the unpredictability of inflation. Given the length of the pension contract — and the asymmetry in resources, knowledge and opportunities to offset the effects of inflation between pension plans and individual participants — individual plan members simply cannot determine with any certainty the value of a major element of the compensation package — even though they (and employers on their behalf) are paying for it.

As a result, we see strong arguments for a measure of legislated contractual updating in pension arrangements. The first objective is to narrow the range of uncertainty faced by plan members in making rational decisions about the value to be placed on a defined benefit promise — or the price to be paid for it in forgone wages. The second, of particular importance in a workplace characterized by more mobility, is to prevent virtual confiscation of the pension claims of terminating employees with vested deferred claims.

The Task Force has concluded that the indexing should in the first place be related to increases in the CPI. Witnesses mentioned a variety of formulae. Some suggested that it is quite reasonable to expect pensioners to bear the effects of the first 2 or 3 percentage points of inflation in any year. The precise amount is a matter of judgement. On balance, we have concluded that 2.5% would be reasonable.

In response to serious concerns about open-ended contractual updating, the Task Force has also concluded that limits must be imposed on the amount of indexing that could be required in any year. Such limits should be based on measures that reflect ability to pay. We propose two such measures: a cap representing the financial performance of securities representative of pension fund holdings and another cap representing a comprehensive measure of the current productivity of the economy. For the cap determining financial ability to pay, we suggest a weighted, possibly moving average of indicators such as the TSE 300 for equities and other indicators representing yields on bonds (constructed to afford plan sponsors partial opportunities for immunization). For the cap determining economic ability to pay, a measure similar to the movement in Average Wages and Salaries (AWS), the new indicator proposed in Recommendation 2.1 (page 17), would be appropriate.

Members of the Task Force were also concerned that the costs of these proposals should not be borne as heavily by already generous pension plans. Since these plans tend to provide for retirement earlier than at age 65, one means of achieving this objective is to require that contractual updating apply only when the pensioner reaches age 65. Some members felt, however, that this was unfair, particularly as retirement before age 65 is becoming increasingly common, and therefore believed that no such restriction should apply.

More generally, other members felt that no mandatory contractual updating at all was warranted.

5.8 A majority of the Task Force recommends:

(a) that all future pension accruals be subject to a minimum degree of mandatory contractual updating after a plan member terminates or retires;

(b) that this updating be based on a factor equal to the annual increase in the Consumer Price Index minus 2.5% per year;

(c) that this updating be subject to the lesser of two caps based on ability to pay:

(i) a financial indicator based on the annual return to a portfolio of financial investments, or

(ii) the economic indicator specified in Recommendation 2.1 (page 17);

(d) that pensions that start to be paid before age 65 not have to be indexed until the pensioner reaches age 65;

(e) that annuities purchased by money purchase plans or with the proceeds from Registered Pension Accounts (RPAs, see Recommendation 6.2, page 53) be subject to this updating; and

(f) that this requirement come into effect three years after enabling legislation has been adopted.

Contractual updating would apply to future service only; it is in no sense a retroactive adjustment. It would apply only to deferred pensions or pensions being paid. Credits accumulated during the working period would not be affected.

While we have been unable to recommend mandatory updating for current retirees, and although our proposal of this minimum standard for future pension accruals falls short of requiring full inflation protection, it will mean that individuals entering into defined benefit pension contracts will be able to do so with fuller knowledge of the balance between the current income they forgo and the real value of the benefits they expect to receive. This seems a desirable goal. It does not deal fully with the effects of the last round of inflation, but it will contribute significantly to ensuring that the effects of any future inflation are not so serious for pensioners.

CHAPTER 6

Occupational Pension Plans: Other Issues

Several other issues relating to occupational pension plans were raised in Chapter 4 of the Green Paper.

Mobility, Vesting and Portability

In a more mobile labour force, the ability to retain accumulated pension credits will become increasingly important. Earlier vesting and portability of pension benefits are essential if pension coverage is to be extended and benefits made more adequate. We recognize the interest of employers in designing pension plans that create the greatest incentive for valued employees to stay rather than move on. Earlier vesting and full portability are not altogether compatible with benefits packages designed for this purpose.

Nevertheless, for individual employees — and to develop a more adaptable labour force and industrial structure — earlier vesting and portability are important. Indeed, almost all witnesses agreed that they are two of the most important goals of pension reform. We heard many witnesses on the issue of the appropriate age and service requirements for earlier vesting.

6.1 The Task Force recommends that pension plans be required to vest benefits after 2 years of employment.

With respect to portability, the Green Paper proposed a new locked-in vehicle, the Registered Pension Account (RPA), for tax-assisted retirement savings and suggested that terminating employees could

- transfer the entire value of the pension to their RPAS;

- take deferred pensions at the normal retirement age by leaving contributions in the plan; or
- transfer the accumulated value of their own contributions, with interest, to RPAs while taking a partial deferred pension by leaving the remainder of the value in the plan if the employer agrees.

With the mandatory updating of pension benefits proposed in Chapter 5, the option of leaving vested credits in the plan becomes reasonable. (Without updating, an employee's retirement income prospects are badly eroded by retaining rights to a deferred pension. This is particularly so in cases where the employee has left the plan after just a few years.) The question that therefore arises is whether employees should have the right to insist on transferring the value of their pensions to RPAs, or whether transfers should be at the discretion of the employer.

Maintaining records of the deferred pensions of terminated employees and their whereabouts may pose a considerable burden for employers. On the other hand, if substantial numbers of plan members terminated at the same time and transferred the value of their pension claims, the viability of the plan would be jeopardized, and the interests of remaining members might be adversely affected.

From the employee's point of view, the right to insist on a cash-out and transfer of his or her claim to a locked-in vehicle imposes a desirable discipline on the employer in deciding how much updating of benefits to offer. We would also urge that every effort be made to develop plans on a sufficiently uniform basis so that reciprocal transfers between employers might provide full portability by voluntary agreement.

In balancing these concerns, we concluded that in most cases, the choice of cashing out vested deferred benefits and transferring the money to an RPA should be the employee's.

The Green Paper further proposed that employers always pay for at least half the vested benefit. We recognize that legislation to this effect already exists in Saskatchewan and Manitoba. However, the requirement is far more relevant where there is no mandatory inflation protection as at present. In fact, with mandatory updating of vested deferred pensions, the possibility exists that an employee who terminates could be better off under this rule than an employee who stays. In defined benefit plans, unlike money purchase plans, the value of the pension accrued each year increases with the age of the employee. The rule on 50% minimum employer contributions ignores this fact. Furthermore, it considerably complicates the administration of pension plans in respect of terminating employees. We also note that the Business Committee on Pension Policy (BCPP) endorsed this proposal only if there were no mandatory inflation protection. For these reasons, we have concluded that this rule should apply only at retirement.

Almost all witnesses welcomed the proposal to create a tax-assisted locked-in retirement savings vehicle, such as the RPA, to which employers could contribute, and from which funds could be withdrawn only for retirement income or pension-related purposes. Its contribution to ensuring greater portability of accrued pension credits is evident.

What then should happen to Registered Retirement Savings Plans (RRSPs), from which funds can be withdrawn prior to retirement? Some owners of small businesses would find their use of accumulated assets restricted by locking in. On the other hand, the provision of tax assistance was designed to encourage savings for retirement income, not savings for other purposes, and defined benefit pension plans are clearly locked in until retirement.

On balance, a majority of the Task Force concludes that the RRSP was an instrument designed to provide an incentive for retirement saving and that the funds in such a vehicle should be locked in until retirement. In any event, other tax-assisted or tax-sheltered savings vehicles for more general purposes exist.

6.2 The Task Force recommends the creation of the Registered Pension Account (RPA) as proposed in the Green Paper.

6.3 A majority of the Task Force recommends phasing out existing Registered Retirement Savings Plans (RRSPs) by disallowing any further tax-assisted contributions but continuing to allow withdrawal of current RRSP funds prior to retirement.

6.4 A majority of the Task Force recommends that, upon termination, an employee should have the following options:

(a) transferring the entire value of the vested pension to an RPA, subject to an adjustment based on the plan's funded ratio;

(b) leaving the vested pension credits with the former employer, thereby retaining an entitlement to a deferred pension;

(c) transferring the value of the employee contributions, with interest, to an RPA, leaving the remaining value as a vested deferred pension, provided the employer agrees; or

(d) transferring the employee's deferred pension credits direct to the new employer's plan, provided the new employer agrees;

These options would be offered to the employee in all but the following cases:

(a) If the commuted value of accrued benefits is below some threshold (for example, the year's basic exemption, about $2,000), the employer would have the choice of requiring that this amount be cashed out and transferred into an RPA rather than remaining as a vested fragment.

(b) Where a reciprocal agreement exists, or where the new employer is willing to accept a transfer of accrued benefits into the pension plan, the former employer should have the right to insist that such a transfer be made to the new plan rather than to an RPA.

6.5 The Task Force recommends that the Canadian Institute of Actuaries be mandated to develop, subject to a veto by the federal Superintendent of Insurance or provincial counterparts, the actuarial methods and assumptions for valuing deferred pensions and for establishing the funded ratio for adjustment of transferred values.

6.6 The Task Force concludes that the rule requiring employers to contribute a minimum of 50% of vested benefits should apply only at retirement.

6.7 The Task Force recommends that the federal government create a central register within the Canada Pension Plan administration to alleviate the administrative burden of tracing people who hold vested deferred pension claims.

Access to Tax Assistance

The Task Force endorses the Green Paper comments. A detailed discussion of our views on this subject can be found in Chapter 8.

Better Protection of Spouses

The Green Paper proposals on this topic met with approval from most witnesses. The Task Force endorses them. These proposals are of special importance to women, although they do not benefit women only. They will be discussed in a more general way in Chapter 10.

Witnesses agreed with the Green Paper proposal that pensions be considered family assets — that is, on marriage breakdown they should be shared in some way by both spouses. Witnesses differed, however, on how the shares should be determined. Some argued that pension credits and benefits are just one element of an overall settlement of property rights, that it may sometimes be beneficial to trade off the value of the accumulated pension for some other property, and that the whole matter should be left to the discretion of the courts.

Most women's groups disagreed. They argued that a pension benefit, like the matrimonial home, is not simply one asset among others: once it has been given up it is not easily replaced, and the protection it affords is lost. They asked that pensions be given special status as family assets and that pension credits be split automatically, with no discretion for the courts to order otherwise.

The Task Force is sympathetic to this position. After all, pension plan accumulations cannot generally be cashed out. However, we also recognize that matrimonial law in all jurisdictions gives a husband and wife the right to choose not to be bound by statutory property obligations. We must respect this position as well.

For these reasons, we reached the following recommendations with respect to the splitting of pensions.

6.8 The Task Force recommends that a spouse be entitled to a one-half share of the pension credits and retirement savings of the other spouse accumulated during the marriage, subject to the following conditions:

(a) however ownership of the one-half share is transferred, that share must retain its character as a pension and be locked in; and

(b) the spouse who is not the plan member may waive this provision within one year of marriage breakdown, provided he or she has had independent legal advice as to value of the rights being given up.

In the past, too few plan members have chosen to provide survivor benefits for their spouses, even though they are an available option in many occupational pension plans. We understand that a survivor benefit can be paid for by an actuarial reduction of the initial benefit. We also understand that in some cases it would be more sensible for a couple to choose an unreduced straight life annuity rather than to provide for a survivor. We have concluded that, as proposed in the Green Paper, it would be beneficial for prospective survivors to be protected by legislation even though they might choose to reject the benefit by means of written waivers. Finally, we agree with the Green Paper proposal regarding pre-retirement survivor benefits. Under this proposal, a widow receives exactly the same pension benefit, whether her spouse died immediately before or after termination.

6.9 With regard to post-retirement survivor benefits, the Task Force recommends that all occupational pension plans and private retirement savings plans be required to provide a joint life/last survivor benefit, declining to 60% on first death, on an actuarially reduced basis, with provision to choose an alternative form of annuity, on consent of both spouses.

6.10 With regard to pre-retirement survivor benefits, the Task Force recommends that the full value of the accrued pension of a plan member who dies prior to retirement be transferred to the RPA of the surviving spouse or to the plan member's estate if there is no surviving spouse. If the plan sponsor offers, and the surviving spouse agrees, a survivor pension can be chosen instead. A plan should be exempt from this provision if the survivor is provided with a benefit at least equal in value through group insurance or a similar arrangement. Provinces accepting this recommendation should implement it in such a way that the interests of common-law spouses are given consideration.

6.11 For all survivor pensions, the Task Force recommends that they no longer be allowed to be terminated when the survivor remarries.

A number of federal statutes provide for the payment of retirement or related benefits to special groups of people who serve the Crown, among them members of the armed forces. For greater certainty, we think it important that provisions for survivor benefits in these cases be consistent with our recommendations; we single them out for attention because these arrangements are not always pension plans.

6.12 The Task Force recommends that all federal legislation providing retirement or related payments to employees of the Crown be reviewed to ensure that it is consistent with Task Force recommendations for the treatment of survivors in occupational pension plans.

Compulsory Membership and Non-Discrimination

6.13 The Task Force endorses the Green Paper proposal that where an employer-sponsored pension plan exists, coverage must be made available for all full-time empoyees with at least one year of service, and required for those over the age of 25 with at least one year of service.

This provision should be subject to suitable exemptions in cases where an employee is a member of a religious group that prohibits membership in private associations such as occupational pension plans.

6.14 The Task Force recommends that coverage be made available for regular part-time employees. Introduction of compulsory coverage for part-time workers should be phased in generally as proposed in the report of the Commission of Inquiry into Part-time Work, *Part-Time Work in Canada*:

(a) part-time workers with more than 10 calendar years of service with an employer should be included in the first year;

(b) part-time workers with more than five calendar years of service with an employer should be included in the second year; and

(c) part-time workers with more than one but fewer than five calendar years of service with an employer should be included in the third year.

6.15 To implement Recommendation 6.14, the Task Force recommends that Labour Canada develop a definition of 'regular part-time employee' in consultation with concerned employer and employee groups.

The Removal of Sex Discrimination

We heard a great deal of evidence on this issue. We are persuaded by those who argue that the present use of gender — specifically, the use of separate tables to group men and women into risk classes for purposes of computing pension annuities — discriminates unfairly against individual female members of pension plans. We are aware of the legal arguments — in particular those stemming from section 15 of the Charter of Rights and Freedoms — that can be made to this effect.

On the other hand, we recognize the cost involved in redressing this kind of discrimination retroactively. We also understand that the introduction of undifferentiated mortality tables would create initial uncertainty in the market for annuities. We use the word 'uncertainty' advisedly: we are not convinced that there would be chaos. The pension industry should not be forced to respond immediately to the introduction of legislation; it must be given time to consult and prepare for the necessary changes. Once this is done, however, we are confident that the market is sufficiently innovative and robust to respond to the challenge of competition in a world where unfair discrimination on the basis of gender is unacceptable. With these considerations in mind, the Task Force reached the following recommendation.

6.16 A majority of the Task Force recommends that, with three years' notice, and following full consultation with the pension industry on the precise universe of contracts to be covered, the relevant statutes be amended to provide that pension benefits be equal for males and females retiring under identical circumstances, with respect to pension credits that accrue from the date the legislation is proclaimed.

We recognize that this recommendation flies in the face of long-established practice in the actuarial profession, practice that appeals to measures of expected present value to assess the equality of treatment. We understand why gender was considered a useful basis for grouping individuals into risk classes. We are not proposing that the use of any particular mortality table be made mandatory. But unfair discrimination on the basis of gender is no longer acceptable in Canadian society. Insurance companies can conduct their annuities business as they choose, but if an individual walks through the door with a lump sum to purchase on annuity, the rates quoted must be the same whether that individual is a man or a woman. This is not a technical proposition; it is a political judgement about acceptable practice in light of social values.

Similar propositions have been accepted in British Columbia, in the FAIR system for auto insurance; in Alberta, where a Board of Inquiry ruled in 1978 that insurance premiums based on the gender of the insured contravene the provincial *Individual Rights Protection Act*, and in the United States, where Supreme Court rulings have resulted in substantial changes in the practice of several large pension schemes. We recognize that adjustments in annuity markets and problems of adverse selection will arise. Men may benefit from the prohibition of statistical discrimination in the automobile or life insurance markets, but they may pay more in the annuity market. It is our impression that the Canadian community has come to the point where it is prepared to ignore the costs in favour of fundamental individual rights.

Employee Rights on Plan Termination and Bankruptcy

The Green Paper raised the issue of how better to secure members' claims on a pension plan that ends because a firm goes bankrupt or closes its doors for other reasons. We are aware that a number of issues in this area are being addressed by the House of Commons Standing Committee on Finance in its study of Bill C-12, an Act Respecting Bankruptcy and Insolvency.

A number of groups testified on the matter of plan termination insurance. Not one supported the proposal. It was argued that such a scheme puts the greatest burden on firms with financially sound plans — in other words, the majority of firms. It was further argued that an insurance scheme is generally no substitute for preventive measures to ensure that a plan is properly funded in the first place. Finally, witnesses argued that the cost of the scheme could better be spent on increased benefits for employees.

6.17 In the light of the testimony it has heard, the Task Force rejects the suggestion that pension benefits be secured by a termination insurance scheme.

According to most pension benefits legislation, employers are not obliged to pay amounts owing to pension plans on termination after the date of termination, including special yearly payments for unfunded liabilities. As a result, promised benefits may be reduced to the extent that special payments on account of the benefits have not been made. However, even when special payments have not been made, there may be more assets in the plan than those necessary to pay benefits if the plan were to terminate; this situation may arise when assets return more income to the plan than was originally assumed by plan actuaries.

At present, most pension legislation does not indicate clearly who this surplus belongs to and whether it can be removed from the plan by the employer or by creditors on termination. We feel strongly that pension promises should be honoured, at least to the extent of those assets already in the plan, and that no assets should be removed from the plan until all obligations, including the liquidation of unfunded liabilities, are met.

6.18 The Task Force recommends that the relevant legislation be amended to provide that on plan termination no assets be removed from the plan until unfunded liabilities are liquidated, and that particular consideration be given to the application of this recommendation to multi-employer plans.

6.19 The Task Force recommends that the disclosure provisions proposed in Recommendation 5.3 (page 47) ensure that all plan members and their spouses understand what benefits they will receive should the plan be terminated.

We also believe that employer contributions, both accrued and accruing to a pension plan, for either current service or special payments, are the property of the beneficiaries of the plan, not of the employers' creditors, secured or unsecured.

6.20 The Task Force urges that pension legislation and the *Bankruptcy Act* be clearly worded to prevent any creditor from asserting a prior claim on the value of contributions accrued and accruing to a pension plan at the date of termination or bankruptcy.

CHAPTER 7

Public Sector Occupational Plans

Any discussion of occupational pension plans should include consideration of plans offered by governments as employers. Many private sector employers feel that the existence of these plans creates problems for them by setting unrealistic standards or expectations. They propose that governments should be bound by the same rules that bind other employers.

The situation is not easy to interpret. Statistics Canada, in an advance release of highlights from its report, *Pension Plans in Canada 1982*, compares private and public sector plans as follows:

> Nearly two million of the 4.7 million workers covered by pension plans in 1982 were in the public sector. A close examination of plans in the two sectors revealed that generally the provisions of the plans in the public sector are better than those of plans for private sector workers. Nearly 95% of the members of public sector plans are in plans where pension credits are based on earnings close to retirement, a period of the employee's highest earnings (final earnings). In the private sector, however, just 26% of the members accrue pensions based on such high earnings, and for almost 60% the pension is based on the participant's average earnings over the entire period of membership in the plan (career average), or the pension is a fixed benefit disregarding the level of earnings (flat benefit). Furthermore, in the public sector, two-thirds of the members are in plans that provide for the automatic indexing of benefits for retired employees and, on the reference date for this study, the indexing was usually based on full increases in the Consumer Price Index. In sharp contrast, in the private sector little more than 5% of the members are in plans that provide for the automatic indexing of pensions for retired employees, and most frequently the indexing is limited in any one year to 2 or 3%, or a fixed dollar amount.
>
> It must be kept in mind, however, that in the public sector the costs of providing pension benefits are nearly always shared by the employees, whereas in the private sector 54% of the members are not required to contribute and, even if they are required, the contribution rate is generally lower than that for public sector workers.

There are contending views as to the cost of public sector occupational plans. For example, in his most recent report on the federal public service pension plan, the Chief Actuary estimated the long-run cost at 15.9% of payroll. Employees contribute at a rate of 7.5% of their pay, except on contributory earnings for C/QPP purposes, where they contribute at a somewhat lower rate, so that on average federal public servants contribute 6.4% of pay. Thus, the long-run cost to the employer is 9.5%. In addition, the Chief Actuary has estimated that there is an unfunded liability of $8.4 billion (as projected to March 31, 1983). If this liability were amortized as a level percentage of payroll over 30 years, it would add another 3.7% of payroll to the employer's cost, for a total of 13.2%.

The Business Committee on Pension Policy (BCPP) commissioned William M. Mercer Ltd. to do a detailed study of various pension reform proposals. As part of that study, the BCPP also considered the costs of the federal public service pension plan. Assuming the unfunded liability was amortized over a 15-year period on a level dollar basis, the BCPP Cost Study concluded that the employer cost of the plan would be 20.8% in the first year of the 15-year period. (This figure would decline as payroll increased over the 15-year period of the amortization.)

This 20.8% figure is clearly much higher than the 13.2% figure provided by the Chief Actuary to illustrate the effect of alternative assumptions. The BCPP considered that employer costs of the magnitude they have estimated are higher than taxpayers or, by example, other employers should bear. In this regard, the BCPP made the following proposals:

- that government be required to recognize and disclose the cost of public sector employer pension plans;
- that public sector employer pension plans should generally meet the same funding, legislative and administrative requirements as apply to private sector employer pension plans; and that
- the public sector plans be required to follow a fiduciary-oriented investment program.

While representatives of public sector employees would argue that their members are paying fully for their pensions, we believe they would support these three proposals.

We recognize that to some extent popular impressions of public sector pensions are based on incomplete and possibly faulty understandings of a complex situation. Most of these plans are contributory plans, for example, calling for larger than usual employee contributions. For many funds, it is difficult to establish appropriate assumptions about investment earnings. Frequently, costs arising from non-pension features of personnel policy are integrated into the plans. Most important, public sector occupational pension plans are only one component of total compensation packages, which, in aggregate, may be comparable to those of other employers, even if the pension component by itself appears richer. Employees and unions argue that they are paying fully, within their compensation packages, for the pension benefits they receive.

This is not the place to seek a full and definitive resolution of these complex matters. Moreover, work has been in progress for a number of years, at least at the federal level, to deal with outstanding issues relating to the *Public Service Superannuation Act* and related plans. It has been delayed, in part, pending the outcome of the national debate on pension reform.

Nevertheless, it appears that several principles should serve as guidelines for future amendments to legislation and should be considered by governments, as employers, with all their plan members.

7.1 The Task Force concludes that the following principles should guide legislation governing public sector occupational pension plans:

- **Public sector occupational plans should be governed by the same general rules as other occupational pension plans. They should reflect a full and true costing of all promised benefits, and these costs should be fully disclosed to employees and to the public (as proposed in Recommendation 5.3, page 47).**

- **Pension plan costs should be assessed in the context of the total compensation package, and the principle of comparability should apply to the overall package, not to the pension plan by itself. The public sector should not lead the private sector in overall levels of total compensation.**

- **Taking into account their size and risk characteristics, public sector plans should meet funding standards consistent with those required of other large organizations.**

- **Public sector occupational pension plans should stand on their own feet — there should be no subsidy from general revenues to support the defined benefit package or individual features of it, such as automatic indexing.**

- **Without necessarily moving to external funding, the investment policy of public sector employer pension funds should be designed to achieve returns comparable to those of private plans. By eliminating any subsidy to government arising out of use of pension funds as sources of ready financing, lower employer pension costs than at present can be achieved.**

We emphasize that public sector pension plans are only a part of overall compensation packages, other parts of which are determined through collective bargaining. Nevertheless, we are concerned that public sector pension plans appear too rich or out of balance with the rest of the economy. We also recognize that cutting back indexing, for example — as often proposed by outside observers — is only one of several strategies for restoring balance if necessary. Indeed, if employees are fully aware of the contributory costs of a pension, and are willing to bargain for it and to pay contribution rates that meet those costs — without the need for employer contributions that are out of line as part of a total compensation package — then there is really nothing more to say. If, on the other hand, employees are unwilling to accept these full-cost contribution rates, then an appropriate method of offsetting these costs must be pursued. This could include reducing unit benefit levels, reducing the extent of subsidies for early retirement, limiting the degree of indexing, or otherwise scaling back the plan.

We have concluded that further work, governed by the five guidelines we proposed, is necessary. We commend the problem to the President of the Treasury Board for immediate action so far as occupational pension plans at the federal level are concerned.

Moreover, we would hope that provincial governments would follow this lead with respect to plans involving public servants in their employ or in provincial Crown corporations.

We also suggest that a similar review appears warranted for the pensions of MPs, Senators and judges.

One direct avenue is available to settle some of the concerns expressed about public sector occupational plans. That is simply to ensure that the comprehensive income tax limits that we recommend in Chapter 8 apply equally in future to all occupational pension plans, whether in the private or the public sector. With the exception of the question of external funding, it would then be easy for public sector occupational plans to meet all the requirements for registration under the *Income Tax Act* and to comply with all relevant provincial and federal pension benefits standards legislation. Our view is that it would be desirable for them to do so.

We do not, however, believe that any purpose is served by requiring that governments issue bonds merely so that their employer pension plans can hold them as assets; nor do we recommend that external funding be required. Indeed, given the size of some contributory public sector employer plans, there would be concerns about the influence or control that could be exercised over the affairs of some companies if the funds were required to be invested in shares of Canadian corporations.

7.2 The Task Force recommends that public sector occupational pension plans be required to amend their structures if necessary to comply with the relevant pension benefits standards legislation, with the exception of provisions requiring external funding.

7.3 The Task Force recommends that the terms and conditions of pensions for MPs, Senators and judges be reviewed.

CHAPTER 8

The Tax Treatment of Retirement Savings

A major factor that has influenced the evolution of Canada's pension system is the preferential treatment accorded retirement savings under the *Income Tax Act*. Retirement savings through contributions to registered employment-related pension plans and RRSPs are tax-deductible, and the interest earned on the savings or pension fund is tax-exempt. Pensions paid out of these plans are then fully taxable. This treatment results in substantial tax benefits when compared to other forms of private saving. The Green Paper estimated the value of this preferential tax treatment to be about $5 billion in 1982. This tax benefit accrues disproportionately to upper-middle and upper income taxpayers.

The Green Paper raised several issues regarding this preferential tax treatment. One was the disparity in access among people in otherwise similar situations. Two workers could be earning the same amount but, because of the circumstances of their employment, they could face very different contribution limits. The limits depend, for example, on whether they are self-employed, whether their employer is offering a money purchase or a defined benefit plan, whether the plan is contributory, and, if they are owner-managers of small businesses, the limits depend on the number of employees covered by a pension plan and whether the business is incorporated . The Green Paper indicated that annual contribution limits now range from $5,500 to as much as $30,000.

Another disparity relates to past service. Members of defined benefit pension plans can have tax-deductible contributions made by their employers on their behalf for retroactive improvements in pension benefits. However, the self-employed and those whose employers do not provide pension plans have to rely on RRSPs, and these offer no possibilities to pick up past service credits through extra tax-deductible contributions. More generally, there are many Canadians who have fluctuating incomes — the self-employed, proprietors of small businesses, and women who withdraw temporarily from the labour force to care for children. These people may not be able to save in some years but, in later years, may wish to catch up in making provisions for retirement. The expected trends in work patterns over the coming decades will make these cases more common. As a result, there is a clear need for more flexible and responsive limits on access to tax-assisted retirement savings.

Many witnesses reinforced these concerns about disparities in the current contribution limits and the absence of flexibility, particularly for money purchase arrangements.

We understand that the Department of Finance is preparing a discussion paper setting out options to deal with these concerns. We also realize that this area involves highly technical tax policy and actuarial considerations. Developing practical, carefully-considered options to serve as the basis for public consultations on this subject is thus complex and time-consuming. It is certainly beyond the scope of this Task Force. Nevertheless, we have put forward a number of general recommendations that should guide the development of specific policy options.

8.1 The Task Force recommends that the limits on contributions to tax-assisted retirement savings plans be amended so that

(a) the same comprehensive limit applies regardless of the retirement savings vehicle or combination of vehicles used; and

(b) for workers with the same total earnings during their working years, the same comprehensive limit applies irrespective of differences in year-by-year earnings patterns.

In practice, the comprehensive limit might apply to contributions, to funds accumulated, to maximum pensions payable, or to some combination of these. Thus, no recommendation is made regarding the precise way in which the limit is to be implemented.

Just as there is a limit on the amount of the mandatory earnings-related public pension provided by governments through the C/QPP — 25% of earnings up to the average wage — we feel that there should be a reasonable limit on the maximum private pension that can be accrued with preferential tax treatment through other vehicles, particularly occupational pension plans, RRSPs, and RPAs. In our view, a maximum tax-assisted pension of one and one-half times the average wage (currently $33,000 per year) would be reasonable; this amount is over six times the maximum pension now payable under the C/QPP and would be in addition to OAS and C/QPP benefits. This maximum would apply to a pension starting at any age between 60 and 70.

We observe that an occupational pension providing 60% replacement of gross pre-retirement earnings yields essentially full net replacement. This 60% figure appears lower than the 70% found in many occupational pension plans. However, 60% is appropriate when account is taken of the fact that the pension is in addition to, rather than integrated with, C/QPP and OAS benefits; that special tax provisions like the age exemption are considered in computing net disposable income after retirement; and that pension contributions, work-related expenses, and income taxes are similarly considered before retirement.

The 60% gross replacement rate, when combined with a $33,000 maximum tax-assisted pension in current dollars, provides full income replacement, on a net basis, for pre-retirement earnings of up to about $55,000 per year. Fewer than 10% of men and 2% of women have pre-retirement earnings higher than this at any point in their careers. This proposed comprehensive limit would represent no constraint on the remaining population. Thus, for all men but the top 10% of income earners and for all women except the top 2%, the opportunity to accumulate enough tax-assisted savings to maintain their pre-retirement living standards is not affected by the limits we propose. For the top income earners, the opportunity to accumulate further retirement savings remains, but no tax assistance would support the accumulation of assets yielding a retirement income in excess of $33,000 per year. This limit would correspond to a capital value in excess of $500,000; pension assets over that limit could only be accumulated by contributing unassisted or after-tax dollars. This limit seems adequate to provide reasonable coverage and reasonable incentives within the tax-assisted part of our retirement income system.

We recognize that this comprehensive limit is considerably more stringent than the current $60,000 annual maximum for defined benefit plans. On the other hand, it is about twice as high as the largest joint life/last survivor pension that could be purchased if maximum annual RRSP contributions of $5,500 were made for 35 years (assuming both the pension and the contribution limits were indexed).

We also recognize that a substantial number of existing registered pension plans may be paying or expect to pay pensions in excess of $33,000 per year, although these pensions will be paid to a relatively small number of individuals, mainly those with high incomes and long service. We do not believe it is wrong for individuals to earn or accumulate higher pensions, or that such pensions should be capped. Rather, the amount of tax assistance should be subject to more moderate limits. Still, significant adjustments would be required to bring existing pension plans into conformity with a more stringent maximum pension limit. Individuals would still be free to arrange separate supplementary coverage on a non-tax-assisted basis. This or similar proposals should thus be subject to thorough public consultation and should provide for a reasonable period for adjustment and phase-in.

Finally, any system of limits must be indexed so that it remains in balance over the long run. In this case, as with most other parts of the pension system, the appropriate index is some measure of average wages and salaries such as that proposed in Recommendation 2.1.

8.2 A majority of the Task Force recommends that

(a) the comprehensive maximum pension limit (applicable to pensions starting when the individual is anywhere between the ages of 60 and 70) be set at one and one-half times the average wage, or at a level where at most 90% of the paid labour force can save, on a tax-assisted basis, enough to achieve full maintenance of net living standards on retirement without running into the limit;

(b) if the value of pension accruals or accumulations of retirement savings in tax-assisted vehicles exceeds the maximum pension limit, the excess amount be subject to a tax equal to the amount of tax assistance already received;

(c) the comprehensive maximum pension limit be automatically indexed each year in line with the average wage and salary index proposed in Recommendation 2.1 (page 17) or a similar indicator; and

(d) implementation of any proposal for a comprehensive maximum pension limit be subject to a full process of consultation and allow substantial lead time for necessary adjustments to existing plans.

Current tax provisions allow contributions to be made to the RRSP of a spouse, but there is no particular incentive to do so. In our view, it would be beneficial to provide an additional incentive to make contributions to the new RPA vehicle on behalf of a spouse.

8.3 The Task Force recommends that contributions to a spousal RPA be eligible for the tax incentive even if these contributions, when combined with contributions to his or her own RPA, exceed the taxpayer's own comprehensive limit, provided they do so by no more than 15%. This percentage should be more than sufficient to cover the additional cost of a joint life/last survivor annuity over the cost of a straight life annuity.

This recommendation provides a direct incentive for taxpayers to make provisions for retirement income for a surviving spouse.

Defined benefit pension plans for owner-managers of small businesses ('significant shareholders') are now effectively prohibited. We see no reason why owner-managers should not be able to participate in the same range of retirement savings vehicles as other workers. We are also aware, however, that there was a serious problem of tax abuse during a brief period in 1980 when defined benefit plans of this type were allowed.

8.4 The Task Force recommends that small business owner-managers be allowed to set up significant shareholder plans, provided reasonable and effective comprehensive limits on tax-assisted retirement savings along the lines proposed in Recommendations 8.1 and 8.2 are in place.

Another issue raised by witnesses was the form of the tax assistance. For the same dollar of contribution to a registered pension plan or RRSP, the current tax system provides a larger benefit to individuals in higher tax brackets. Some witnesses found this inequitable. More important, the fact that the tax benefit is worth more to those with higher incomes means that its effectiveness in encouraging people to save for retirement is strongest in the upper income groups and much weaker in lower and middle income groups.

The data presented in the Green Paper show that if there is a concern about coverage, it is in the lower-middle income range. Existing public pension and safety net programs already provide close to full replacement incomes for lower income families. (This does not mean that the basic minimum income guarantees are adequate.) As well, we do not believe that governments need concern themselves with the adequacy of replacement incomes for those in upper income groups.

In this context, we are concerned that the current form of tax assistance does not target the incentives as well as it might. The alternative suggested by witnesses representing a variety of interests was to convert the tax deduction to a tax credit.

Table 8.1 illustrates the effect of moving to a 40% tax credit for a married taxpayer with two children at various levels of earnings.

Table 8.1

Level of Gross Earnings	Value of Incentive per Hundred Dollars of Contribution[1] Current Tax deduction (1984)	A 40% Tax Credit
($)	($)	($)
10,000[2]	0	0
15,000	26.64	40.00
20,000	28.12	40.00
30,000	34.04	40.00
40,000	37.00	40.00
50,000	44.40	40.00
60,000	44.40	40.00
70,000	50.32	40.00

[1] This assumes a non-refundable tax credit, provincially cost-shared, where the taxpayer takes only the standard deductions and lives in Ontario.

[2] There would be no tax payable at this income level.

The value of the tax credit would be the same for all taxpayers — $40 per $100 of contribution. The value of the current tax deduction, on the other hand, increases as income increases. Taxpayers in the lower-middle income range would get more incentive from the tax credit than under the current system, for example, an extra $11.88 per $100 of contribution at the $20,000 earnings level. Higher income taxpayers — those earning above $45,000 — would have less incentive.

We recognize that this proposal would not fully adjust the system to one where each dollar of contribution receives the same tax benefit, irrespective of the individual's tax bracket. This is because the yield earned on the contributions would still be tax-exempt until withdrawn from the plan, and all monies taken out would be fully taxable. Nevertheless, redirecting the tax benefit in this way will have a positive effect on coverage in the lower-middle income ranges.

We are also aware that this change could have disruptive effects. Accruals of pension benefits that might otherwise be implicit in the proposed comprehensive limits, depending on the precise form they take, would have to be made explicit and treated as taxable benefits under the tax credit proposal.

For example, where benefit accruals are part of a non-contributory defined benefit plan, the employee never sees the employer's contributions and has never been taxed on them. For the tax credit to work, the portion of the pension benefit that is financed by employer contributions would have to be entered on the tax return as a source of income. However, the amount would be eligible for a 40% tax credit and would be subtracted from any tax owing by the employee. As shown in Table 8.1, this would leave most taxpayers better off as a result. Under our proposals for fuller disclosure of information to plan members, the amount of pension benefit accrual would have to be communicated to plan members annually. This could be done on a form that could then be attached to the tax return.

High-income taxpayers will be adversely affected. Depending where the tax credit is set, a substantial number of high-income taxpayers would experience an increase in tax liability.

To minimize the degree of disruption likely to follow introduction of the tax credit, and taking account of the fact that the matter did not arise in our hearings, our recommendation on this subject emphasizes consultation to establish the feasibility and acceptability of the measure and an adequate notice period. We believe that substituting a tax credit for the current tax deduction would serve to re-target tax incentives toward those in the lower-middle income range, thereby providing the means to meet one of our major concerns regarding coverage.

8.5 The Task Force recommends that

(a) the current tax deduction for contributions to tax-assisted retirement savings be replaced by a tax credit of about 40%; and

(b) introduction of the tax credit be preceded by full public consultation on the proposal and that it provide for an adequate notice period prior to implementation.

For many Canadians engaged in farming, the money received from the sale of the farm at retirement is, in effect, their pension plan. Consequently, the tax treatment of this sale is a matter of legitimate concern to farmers when they consider retirement planning. Agricultural groups that appeared before us requested changes in the tax laws governing the sale of farm assets. We did not have sufficient time or information to judge the merit of these requests but, given its importance to retirement income planning for so many Canadians, we recommend that the Minister of Finance take up this matter with representatives of farmers at an early date.

Several of our recommendations would substantially improve access to tax incentives for retirement savings by small businesses. We see no need to go beyond the proposals already made and burden the tax system with further incentives, such as greater than 100% deductibility of pension plan contributions by small businesses. Instead of adding a new incentive to counteract the other beneficial effects of an existing tax incentive (the small business deduction), it would be more cost effective to encourage employees of small businesses to participate in pension plans by granting them a tax credit for their contributions and those made on their behalf by employers, as we have proposed.

The recommendations in this chapter embody our conviction that the tax system should provide a fair structure within which reasonable individual decisions can be made. Incentives within the tax system should encourage savings for retirement income. But there is no need for tax assistance to encourage additions by high-income Canadians to retirement income substantially in excess of the average wage, whether they arise from defined benefit plans or contributions to RRSPs or RPAs.

CHAPTER 9

Coverage

Coverage was a central issue raised in the Green Paper. While most public sector employees are covered by pension plans or RRSPs, there are serious gaps in the coverage of private sector workers. The 1979 data, even excluding those in the paid labour force under age 25, show that there was no pension plan or RRSP coverage for

- 720,000 self-employed men and women,
- 920,000 men employed in the private sector earning between half and one and a half times the average wage (between about $11,000 and $33,000),
- 570,000 women working in the private sector earning less than $11,000, and 450,000 women earning between $11,000 and $22,000.

We received no evidence to contradict the findings of the Green Paper, though considerable differences of opinion emerged in interpreting the statistical evidence. Despite these conflicting interpretations, we judge — on the basis of our experience and our review of the background studies for the Green Paper — that coverage problems exist and must be addressed.

Representatives of the business community assured us that it is feasible to deal with these problems, and to achieve substantial extensions in coverage, through voluntary measures. Moreover, they emphasized that there are forces at work leading naturally to increasing coverage as the present system matures; evidence of this expansion will emerge as soon as present uncertainties relating to pension reform are resolved. The industry is ready with new ideas to promote broader and deeper pension coverage among employees in small and medium-sized enterprises, as well as in the market for individual retirement savings.

Our proposals offer a mix of recommendations that will create an environment hospitable to these efforts and incentives that will encourage a favourable reception of them. These should set the pension system firmly on the road to more adequate coverage.

We have proposed that the OAS be wage-indexed, securing for it a central role in the retirement system for the future.

We have proposed that participants in occupational pension plans be given a measure of protection against inflation.

We have recommended earlier vesting and mechanisms for effective portability. We have also recommended that part-time workers be given the option to join an occupational pension plan where one exists. All these measures should extend and broaden coverage for mobile workers, for those who move in and out of the labour force, and for those part-time workers who are now prevented from joining plans by existing arrangements.

We have been especially concerned about homemakers with little attachment to the paid labour force. They receive no C/QPP coverage and no occupational pension plan coverage other than a survivor benefit. (Moreover, in the case of occupational plans, the decision as to whether a surviving homemaker will receive a benefit lies with the contributing spouse alone.) For these reasons we have recommended a modest and targeted expansion of the C/QPP to provide homemaker pensions. We have also recommended that pension credits be split, that C/QPP survivor benefits be extended on a pro-rated basis in the event of marriage breakdown, and that survivor benefits be mandatory for employer-sponsored plans, unless both spouses choose otherwise.

We have also been concerned about private sector coverage for workers aged 25 to 64 who earn between half and one and a half times the average wage. We have proposed means to encourage broadening and deepening coverage for this group by redirecting existing tax incentives for private retirement savings. We have proposed a system of more flexible comprehensive lifetime limits to accommodate those with fluctuating earnings and to provide greater access to tax-assisted retirement savings for the self-employed and for those who work in small businesses. And we have proposed that those in the lower-middle income range be given greater incentives to participate in private retirement savings arrangements by means of a tax credit in place of the existing tax deduction.

All these measures will help to ensure greater fairness in the operations of the existing pension system. They also extend coverage directly to women outside the labour force and indirectly to lower-income workers within. They should go some way to achieving greater general coverage and higher income replacement rates.

We have considered whether it is necessary to go further, to establish through legislative means a mandatory expansion of coverage or an increase in replacement rates in either private or public pensions.

Some members believe strongly that an immediate move toward mandatory private pension coverage is necessary. They argue that, while the Task Force recommends many measures for improving coverage in existing plans, not to mandate would still leave employers without their own pension plans free not to provide coverage for their employees. They believe that the incentives to the private sector that the Task Force has proposed will not provide the major impetus needed to overcome inertia among these employers. At the same time, these members acknowledge that it would be unreasonable to mandate immediately, and they do not want to impose an unfair burden on small employers whose size and financial situation make it impossible for them to institute plans. They therefore proposed the following: "That, subject to a three-year lead time, private sector employers of a certain size, or with a smaller number of employees but whose employees have an average income higher than the average industrial wage, be required to provide pension coverage for their employees and to pay at least 50% of that coverage."

These arguments were considered at length, but the majority of the Task Force was not willing to prejudge the response of the private sector in this way. In light of the assurances they were given and in recognition of the practical difficulties involved, a majority of the Task Force does not recommend mandatory expansion through occupational pension plans or other private means at this time.

Further, after extended consideration and debate, a majority of the Task Force believes that a general expansion of C/QPP replacement rates in present circumstances is not the solution to the specific problems of coverage cited earlier. In part, this represents a decision to give the private sector a further opportunity to demonstrate that coverage of adequate scope and depth can be achieved without recourse to a universal public plan. In part, it reflects a reluctance to make commitments now that would add significantly to the burden of non-wage labour costs carried by the Canadian economy. In part, it also reflects a feeling that, contrary to our parents' expectations, our children might not be significantly wealthier than we are, so that it is unfair to expand a program that will oblige them to carry a substantially heavier tax burden than we do now for the same benefits. Finally, this decision reflects the impression of a majority that overall expansion of the C/QPP at this time would not command general support.

Some members could not accept this decision. They are persuaded by the arguments of labour and most women's groups that an overall expansion of the C/QPP is the simplest way to solve coverage problems. All workers, part-time as well as full-time, and homemakers would benefit from such an increase. The pension would be fully and automatically indexed, fully portable and would be vested immediately. It could be introduced very quickly. They too were concerned about the cost of expanding the C/QPP and could not accept a doubling of benefits. However, they argued that a more modest increase in C/QPP benefits, from the current 25% to 35% of pre-retirement earnings, is both affordable and needed. They understand that such an increase would cost between 3 and 4% of payroll.

A majority of the Task Force expects that, in any case, the decision not to recommend increased coverage would be reconsidered in the normal flow of events. More concretely, the majority is of the view that if our recommendations do not lead to early evidence of dramatic improvement in the coverage problems we have identified, then either significant expansion of the C/QPP or mandatory expansion of private plans is likely to be irresistible. Moreover, we believe that these alternatives should be reconsidered in light of progress within a fixed period.

9.1 A majority of the Task Force recommends that, if the implementation of our recommendations directed toward improving the breadth and depth of pension

coverage has not brought sufficient improvement to the private sector within three years, the question of mandatory expansion of pension arrangements, either public or private, be formally referred to a parliamentary committee.

Our proposals relating to coverage place a good deal of responsibility on the individual to plan for his or her retirement. Such decisions cannot be made without more information than is now available. We therefore made specific recommendations regarding disclosure in Chapters 5 and 6. We also recommended that this type of information be available to spouses of plan members because they have an interest in plan benefits as well. Our recommendations that would allow spouses to waive their claims to pension benefits try to ensure that they would have adequate information and advice on which to base such a decision. It is important in these cases that those who provide the information do so as fully and as clearly possible.

This information is essential, but it is not all that is required. Witnesses told us repeatedly that Canadians have not been taught to plan for retirement, that they do not think about retirement until it is almost too late. Here we see a role for both government and employers. Together they must take on responsibility for making all Canadians aware of the need for retirement planning and for informing them of the benefits and incentives available to them — in short, for enabling them to make informed and responsible choices.

CHAPTER 10

Women and Pensions

Introduction

Women now over the age of 65, and who are alone because they are widowed, divorced or single, are likely to be poor. The only pensions for them are public pensions — OAS, the GIS, and perhaps a C/QPP pension if they were working when it was established, or a C/QPP survivor benefit if they are widows. The women's groups that testified before the Task Force emphasized that these facts are not accidental, that they are not the consequences of work histories that could just as easily have been the work histories of men.

To explain these facts, witnesses pointed to the psychological, social and institutional biases that still govern women's choices about how they lead their lives. They point to women's low earnings, to the continued existence of job ghettos — low-paying jobs at which mostly women work — and to the high proportion of women among part-time workers. They point to what they see as biases in the pension system: the earnings-related nature of the C/QPP, which ignores the work women do outside the paid labour force and offers low benefits to low income earners; the absence of private plans for lower income or part-time workers, a great number of whom are women; and the absence of private plan benefits for those who move from job to job and for the survivors of contributors, a great number of whom are also women. For all these reasons, women's groups have insisted that the problem of pensions is largely a women's problem, and that it must be treated from this point of view.

The Task Force accepts this claim. In coming to our conclusions we have tried to overcome the tendency to think in terms of a man's work history or career pattern. We have also tried to develop a context in which to approach the issues that are of special importance to women: coverage for women who have little attachment to the paid labour force and for lower income paid workers. We use this chapter to elaborate and explain our approach to the issues and to draw together the recommendations that are of particular benefit to women.

Patterns of work are changing. The most striking change in recent years has been the increased participation of women in the paid labour force. However, it is important not to seize on this change as providing an easy solution to the problem of women's pensions.

Society is just beginning to recognize the implications of the observation that women's work and the patterns of their working lives are not the same as those of men. Whatever else women might do, they are the caretakers of the family — managers of the home, those most involved in raising children, those most concerned with other family members. This will affect their participation in the paid labour force: they may leave for some years to raise children or to make a home for their husbands; they may work part of the time in the home and part outside; or a woman may decide that it is more beneficial to the family if she works only in the home. When women assume this role and make other choices influenced by our institutions and attitudes, it affects the paid work they do and, indeed, their ability to find work. Again, it is no accident that many women are in job ghettos or that most part-time workers are women.

We do not think that the role of women as homemakers will soon disappear. It may change, but it will remain, and it will continue to impose constraints on the ability of women to enter the paid labour force and to earn the wage of someone who is not also a homemaker. This is why the problem of pensions for women is not simply a problem of ensuring better pensions for low income earners in the labour force. It is a problem of acknowledging and adequately providing for the work women do, both inside and outside the labour force, and of identifying the institutions and arrangements, including pension arrangements, that must be changed in order to make this possible.

Women in the Paid Labour Force

Women in the paid labour force have few opportunities to acquire adequate pensions. They earn low wages. For a variety of reasons, employers do not provide them with private pension plans: they claim they cannot afford them; they believe that women are not interested in pensions because they work part time, or that they work only to provide the family with 'non-essential' income; or they simply do not bother.

Similarly, and again for a variety of reasons, many women tend to move in and out of the labour force and from job to job. As a result, even when they do belong to a pension plan, they may leave the plan before they become entitled to benefits. Women who participate in defined contribution plans also suffer the consequences of their longevity, because they receive benefits that are lower than those received by men with similar earnings histories.

Our recommendations for improving private plans address a number of these problems. We proposed, for example, that all plan benefits be indexed to some extent. We recommended that all regular part-time workers, the great majority of whom are women, be given pension plan coverage wherever there is a plan in place. We recommended the use of undifferentiated mortality tables to determine benefits in defined contribution plans. Our proposal for earlier vesting of contributions will ultimately resolve the difficulties arising from mobility.

Recommendations 3.20 and 3.21 — that the general drop-out provision in the C/QPP be extended and that the child-rearing provision be retained — are of great importance to women who work outside the home. They recognize the effect that child-rearing may have on the ability of women to re-enter the labour force, and will benefit women whose work history is interrupted for other reasons.

The objection that many women may raise is that we have not ensured that coverage is extended far enough to benefit women significantly. The majority of the Task Force has not recommended that C/QPP benefits be increased, as most women's groups have asked, nor has the majority proposed that occupational pension plan coverage be extended to all workers by legislation. We have already explained why we adopted this position. However, we would point out again that although we have not recommended the use of legislation to guarantee greater protection for lower-middle income workers, we have not ignored them. Our proposals for restructured tax incentives will provide significant encouragement for them to provide themselves with pension coverage.

As necessary and as beneficial as these recommendations are, we acknowledge the obvious: that those with low pay will be those with small pensions. We are aware that pension reform by itself is not going to change this fact. The obvious reply is that we as a society must make a serious attempt to remove the biases that determine women's choices of work, and we must find ways of ensuring that women receive equal pay for work of equal value. Otherwise, pension reform cannot be expected to do more for women in the paid labour force than to relieve their poverty.

Homemakers

Pension reform cannot ignore the issue of how to provide for homemakers — and it must be understood that homemakers include not only those with little attachment to the paid labour force but also those with some or full attachment.

In listening to the groups that testified on this issue, we singled out three assumptions underlying most of the arguments of those who support the concept of homemaker pensions. We accept these assumptions as the basis for our own recommendations. They are as follows:

- Those who care for others do work that entitles them to a pension in their own right.
- From the point of view of pension reform, those homemakers in greatest need are those with little attachment to the labour force, because they have no opportunity to receive any pension of their own apart from OAS and the GIS.
- Marriage is a partnership of equals. It creates obligations on each spouse to provide for the needs of the other to the extent of his or her ability to do so. It also creates claims; each spouse has claims on the resources, both financial and otherwise, of the family unit. In particular, marriage creates obligations to provide for both partners during their retirement years.

These principles underlie our recommendations for credit-splitting in public and private plans. Our proposals would strengthen the homemaker's claim to a share of the family's pension interest on marriage breakdown (without destroying her ability to choose to make other arrangements for her future). It would also give a homemaker whose marriage continues a pension in her own name when she reaches age 65.

The principles also explain our proposals concerning survivor benefits in public and private plans and retirement savings plans. We have strengthened the claim to a survivor benefit in private plans. We have proposed tax incentives to encourage contributors to Registered Pension Accounts to provide for their spouses.

We do not believe that preserving survivor benefits necessarily reinforces outmoded attitudes about dependence. The benefit simply acknowledges the family's responsibility to the surviving spouse, whether homemaker, wage-earner or both, and the concomitant claim of the homemaker to such a benefit.

We recognize the argument that survivor benefits retain traces of earlier attitudes toward marriage. For this reason we proposed that in the C/QPP they be extended, on a prorated basis, to those who are divorced, and that in both the C/QPP and private plans they not terminate on remarriage. It should also be noted that as result of automatic credit-splitting when the youngest spouse reaches 65, C/QPP benefits decline at first death for both the wage-earning and the homemaking spouse. Under current C/QPP provisions, they decline when the wage-earner dies, but not when the homemaker dies.

The three principles also underlie our recommendation for a C/QPP homemaker pension. We heard a great deal of testimony on this issue. We understand the arguments of the Canadian Labour Congress, some women's groups, and in the Green Paper, that some or perhaps most homemakers would receive a C/QPP pension in their own name by virtue of being survivors or as a consequence of credit-splitting, particularly if combined with an expansion of the C/QPP as some have also proposed. In our view, however, credit-splitting without significant C/QPP expansion would not provide an adequate pension. Single parents would not benefit from survivor pensions or credit-splitting. Moreover, as our first principle indicates, we would like to see benefits directly linked to homemaking as work that is acknowledged as valuable by those who benefit from it.

We are aware of other objections to a C/QPP homemaker pension. It is argued that its introduction creates inequities between women who do not work outside the home and single workers or two-income couples. It does so, it is claimed, because the income replacement ratio of a single-income couple after retirement would be further increased in relation to that of a single wage earner or a two-income couple, and because the single earner and at least one member of the two-income couple may well be homemakers themselves, although they receive no benefit because of it.

While recognizing the merits of this view, we do not believe that women would find the comparisons inequitable or unacceptable. A similar inequity exists in the plan now: single women with low incomes and two-income couples subsidize the survivors of high income earners.

Moreover, by targeting the homemaker pension as we propose, we do not ignore the contribution of homemakers who are also in the paid labour force. The fact that these homemakers have two jobs is already publicly acknowledged through the tax deduction for child care expenses. We recommend a C/QPP benefit top-up for all homemakers who earn less than half the yearly maximum pensionable earnings. We recognize the claim of all homemakers, as partners in the family endeavour, to pension assets.

Perhaps the most important objection to answer is the challenge of financing the homemaker pension. The argument is that it is not possible to introduce a homemaker benefit, which has no relation to earnings, into a scheme where contributions are related to earnings, and to ensure that the pension is 'paid for', wherever possible, by those who benefit from the homemaker's services, without imposing impossibly high costs on lower income earners, on the system or on both.

By proposing a restructuring of C/QPP contribution rates to create a family rate, we have overcome this objection. The bulk of the cost is borne by those who benefit — the families themselves. Low income earners are subsidized, but the burden on the system is not heavy.

Furthermore, most of those who will be paying additional contributions in respect of their homemaker spouses already benefit from the income tax exemption for spouses, an exemption worth over $1.3 billion per year.

Before ending this discussion, it is important to note that we have given careful consideration to the possibility of recommending a 'mandatory' fully-funded homemaker pension outside the C/QPP. The proposal we considered was as follows:

- For a family to claim the married exemption for the spouse working in the home or for a single parent to claim the equivalent to married exemption, evidence would have to be attached to the tax form of a contribution of at least $300 to a locked-in retirement income plan in the name of the spouse or single parent, provided that spouse or single parent was between the ages of 20 and 64.

- An income-tested retirement savings tax credit would be available to all husband/wife families and all single parents. The credit would be $300 for households with gross family incomes of less than $15,000 and would be reduced by $30 for each $1,000 of income above $15,000 until it declined to zero at gross family incomes of $25,000. The credit would be available only for deposits to a locked-in retirement income plan in the name of the lower-earning spouse or single parent. Gross income would be defined as the total income line on the tax form.

- The tax credit and income levels would be wage-indexed each year on the same basis as the OAS/GIS system the Task Force recommended in Chapter 2.

- Only contributions in excess of the minimum $300 would be eligible for additional tax assistance on the higher income-earning spouse's tax form.

- The tax credit could be claimed only by those on whose behalf contributions, not exceeding $300 in total, to retirement income plans (RPPS, RPAS) had been made in the taxation year. Where such contributions were less than $300, and the person was otherwise eligible, the retirement income tax credit would make up the difference.

For example, in a typical province, the 1982 tax saving for the married exemption was $874.60 for a childless couple with a gross income of $15,000. It was $920.50 for those with incomes of $20,000 and to $1,066.90 for those with incomes of $25,000. With the tax credit, the mandatory coverage for the homemaker would cost nothing for those with incomes up to $15,000. It would cost 16.3% of the existing tax saving at $20,000 and 28.1% of the tax saving at $25,000.

We rejected this proposal, despite our inclination not to expand the C/QPP. We did so for a number of reasons. The benefit would have been small, roughly $900 per year in 1983 dollars. Women entering the plan now after age 55 would receive a fraction of that sum, because it would be a fully-funded money purchase plan. Only those entering the plan at age 30 or below would receive the full benefit. Because we could think of no satisfactory alternative for women entering the plan in mid-stream, and we did not believe that homemakers should wait another 35 years for the pension system to recognize the value of their labour, we recommended a homemaker pension under the CPP.

Conclusion

A major portion of our recommendations is directed toward the particular concerns of women. These concerns pervade the Canadian pension system. Some of our recommendations, like the homemaker pension, confront directly the particular problems of one major group of women. Other proposals, such as two-year vesting, while not directed at women explicitly, will be of greater importance to them.

More specifically, the recommendations that are of particular importance to women are as follows:

- the special GIS increase of up to $102 per month;
- securing the role of OAS in the future;
- extending the Spouse's Allowance program;
- introduction of a C/QPP homemaker pension with an immediate benefit of $129 per month;
- mandatory C/QPP credit-splitting on retirement and marriage breakdown;
- improved C/QPP post-retirement survivor benefits, including a pro-rated survivor pension in cases of marriage breakdown;
- removal of termination of survivor pensions on remarriage, both in the C/QPP and in occupational pension plans;
- extension of the general drop-out provision from 15% to 25% of the years with lowest earnings;
- full disclosure of occupational pension plan entitlements to spouses of plan members;

- requiring a minimum degree of inflation protection in occupational pension plans;
- vesting after two years of service, regardless of age;
- full portability of vested pension benefits by means of the new RPA vehicle;
- all occupational pensions to be paid as joint life and last survivor annuities declining to no less than 60% on first death, unless both spouses agree otherwise;
- at least minimum survivor benefits in all occupational pension plans in case of death prior to retirement;
- mandatory extension of coverage under existing occupational pension plans to regular part-time workers;
- prohibition of sex-differentiated mortality tables for computing pension benefits;
- more flexible limits on tax assistance for retirement savings;
- special incentives for spousal RPAs; and
- a tax credit to replace the current tax deduction for retirement savings.

Implementation of this package of proposals will be a major step toward meeting the pension needs of Canadian women and toward fashioning a retirement income system that conforms with the realities of women's working lives.

CHAPTER 11

The Cost of the Proposals

All proposals for pension reform should be recommended only in full knowledge of their costs. In this chapter, to the extent possible, we have drawn together the costs of our major proposals.

Public Pensions

Wage Indexing

In Chapter 2, the main recommendation with cost implications is the proposal to shift the basis for indexing OAS and GIS benefits, elements of the C/QPP, and pension-related limits in the income tax system to a new index reflecting growth in per capita labour income. This proposal has no immediate costs. Over time, however, it can be expected to result in higher costs for these programs and for pension-related tax expenditures. In some years, though, costs may be lower than they would be under existing indexing arrangements. These will be years of economic weakness — periods of high unemployment, for example. Thus, while the cost of the measures covered by this proposal will likely go up in the long term, higher costs will emerge only in periods when the economy is relatively buoyant.

Guaranteed Income Supplement

In Chapter 3, a majority of the Task Force proposed that the GIS level for single elderly individuals be increased in a targeted manner by up to $102 per month immediately. The cost to the federal government of this proposal would be about $350 million per year if the increase applied as of January 1, 1984, and if no account is taken of the increase in C/QPP benefits proposed. It has not been possible to analyze the interaction of these two proposals.

The GIS increase might reasonably be expected to lead some provinces to reassess their own income-tested transfers to the elderly. Provincial top-up programs currently involve budgetary outlays in excess of $200 million annually, while more general provincial programs directed to the elderly involve outlays of over $500 million. We urge that these monies, if redeployed by provincial governments, continue to be directed toward the needy elderly or toward those between the ages of 55 and 64. It is appropriate to extend the reach of the pension system partly in this direction, because those under the age of 55 have a better chance of obtaining paid employment.

Spouse's Allowance

We proposed that eligibility under the Spouse's Allowance program be extended to all widows and widowers between the ages of 60 and 64. The cost to the federal government of this proposal is about $150 million.

C/QPP Homemaker Pension

We estimate that the homemaker pension proposal will increase long-term benefit payments by the equivalent of about 1.2 to 1.5% of covered earnings. However, from two-thirds to three-quarters of these additional costs will be borne directly by the spouses of homemakers. Thus, the long-term cost of this proposal for C/QPP contributors generally is estimated at about 0.3 to 0.5 percentage points of payroll.

We have also proposed that the homemaker pension benefit be phased in quickly and granted retroactively on a partial basis to all Canadians who have reached the age of 65 since 1966. It is estimated that the immediate effect on the C/QPP of treating all those who reached the age of 65 since 1966 as if they had earnings equal to one-third of the YMPE would be to raise payouts by roughly $900 million.

At the same time, our proposal for financing the homemaker pension is an immediate increase in the contribution rate of 0.3% of pensionable earnings (from 3.6% to 3.9%) plus contributions by the homemaker's spouse on the amount of imputed earnings at the new 3.9% contribution rate, except where the homemaker's spouse has low earnings. These financing proposals are intended to ensure that the current working age generation is faced almost immediately with the full cost of the benefit improvement. This would result in an immediate increase in payroll tax revenues of about $900 million.

The fact that the cash outflow from the retroactive benefit increase is equal to the cash inflow from our proposed financing mechanism is intentional. This is to maintain C/QPP financing on an essentially pay-as-you-go basis. Indeed, if our estimates are incorrect, the size of the retroactive benefit enrichment and/or the immediate payroll tax increase should be adjusted to maintain pay-as-you-go financing.

This transfer through the C/QPP will benefit many people now receiving full or partial GIS benefits, including those who would benefit from our proposal for a targeted increase in the GIS of up to $102 per month. Thus, GIS costs, as well as the costs of provincial top-ups, will be lowered. At the same time, the tax deductibility of C/QPP contributions will lower federal and provincial income tax revenues by more than the revenue gain from taxing the new C/QPP benefits going to the elderly, because the elderly tend to be in lower tax brackets than those of working age.

Other C/QPP Proposals

We also recommended that the C/QPP be amended to provide credit-splitting, a reduced basic survivor benefit, a new pro-rated survivor benefit in the event of marriage breakdown, the continuation of survivor benefits on remarriage, a relaxed cap on combined retirement and survivor pensions, and an increased general drop-out provision combined with a restructured child-rearing drop-out provision. We estimate that these proposals have a long-run cost of about 0.5% of contributory earnings. The effect of these proposals on benefit payouts will likely be fairly rapid, assuming they are applied to existing as well as future C/QPP credits. The corresponding effect on payroll tax rates will depend on the precise details of the contribution rate schedule agreed to by the federal and provincial governments.

The proposed three-year catch-up of the YMPE and flexibility in the age at which C/QPP (and possibly OAS) benefits can start (on an actuarially equivalent basis) have no effect on long-run costs.

C/QPP Financing

The Task Force made two main proposals regarding C/QPP financing, one for the current C/QPP structure and the other for possible benefit enrichments. Neither of these proposals affects the ultimate costs of C/QPP benefits. Rather, they affect the form and timing of payments. Within the range of partially funded approaches we propose, all of which are close to pay-as-you-go funding, somewhat lower contribution rates imply more drawing on the interest earnings and possibly on the capital of the fund, thus increasing provincial cash requirements. (The situation of the QPP is somewhat different because not all of the fund is invested in Quebec government bonds.) In turn, the provinces can either raise taxes, lower expenditures or increase their external borrowing. These alternative financing proposals will affect consumers and taxpayers differently, and in ways that are difficult to analyze.

Occupational Pension Plans

The proposals for occupational pension plans in Chapters 5 and 6 (contractual updating, earlier vesting, and so on) are largely similar to those put forward in the Green Paper, and hence similar to those analyzed in the Cost Study prepared by William M. Mercer Ltd. on behalf of the Business Committee on Pension Policy. The main area of difference is in the minimum degree of indexing.

The Green Paper proposal was for contractual updating based on the 'guide rate' minus 3.5%. Using the 8% average long-term guide rate assumed in the BCPP Cost Study, the effective degree of indexing proposed in the Green Paper would be 4.5% per year. We have proposed a different method of contractual updating; this is the amount by which the increase in the CPI exceeds 2.5% per year, subject to two caps intended to reflect the economy's ability to pay and the plan sponsor's financial ability to pay. Using the BCPP Cost Study assumption that the long-run rate of annual increase in the CPI will be 6%, the degree of updating resulting from our proposal would be 3.5% per year.

This ignores the caps based on financial and economic ability to pay. Depending on the definition of the caps, they might be expected, on average, to reduce the required amount of updating by 0.5% per year. This figure depends on future volatility in inflation and unemployment rates, factors that are essentially unpredictable.

Most of the costs of the Green Paper proposals for occupational pension plans relate to indexing. Thus, a rough but reasonable method for estimating the cost of our package of reforms is to take a fraction of the costs derived in the BCPP Cost Study, with that fraction being the portion of the Green Paper indexing proposal represented by our proposal.

The Green Paper and the BCPP Cost Study both used the same two groups of representative pension plans as the basis for cost analyses. In one group, no ad hoc updating was assumed while in the other, ad hoc updating equivalent on average to indexing of 40% of CPI increases was assumed. These two indexing assumptions represent poles between which most private sector plans lie in practice. Given that these cases represent the status quo, the proposal to require a minimum degree of contractual updating equal to the CPI increase minus 2.5% per year would result in cost increases of 52% and 78% of those estimated in the BCPP Cost Study for the Green Paper proposals for plans granting ad hoc increases averaging 40% of CPI increases and for those granting no ad hoc increases respectively (still ignoring the effects of the financial and economic ability to pay caps).

Thus, using the Business Committee on Pension Policy costing methodology, the long-run cost increases implied by our reform proposals for private sector occupational pension plans are as set out in Table 11.1. Overall, these proposals might result in aggregate cost increases of $1 to 1.5 billion. If these costs were borne by plan sponsors or consumers rather than by employees, there would be corresponding federal and provincial income tax revenue losses of about $200 to $300 million.

Income Tax Changes

RPAs and RRSPs

By themselves, the proposals to introduce RPAs and to phase out existing RRSPs may reduce somewhat the revenue costs of these tax incentives. While RPAs should prove attractive because of their convenience and administrative simplicity, the fact that contributions will be locked in may well act as a modest discouragement.

When combined with the portability and earlier vesting proposals, the likelihood is that RPAs will grow to represent substantial amounts of retirement savings. However, these savings will largely represent outflows from registered pension plans; estimates of the potential increased flow of contributions into these plans were presented above.

Table 11.1
Pre- and Post-Reform Costs for Private Sector Pension Plans
(% of payroll)

	Money Purchase	Flat Benefit	Career Average	Final or Best Average: Contributory	Final or Best Average: Non-Contributory
1. Pre-Reform Costs					
(a) **No Ad Hoc Increases**[1]	7.6	2.0	5.5	6.1	3.9
(b) **Ad Hoc Increases Averaging 40% of CPI Increases**[2]	7.6	2.4	6.2	6.9	4.6
2. Post-Reform Costs[3]	8.0	3.3	7.7	8.6	6.1
3. Cost Increases					
(a) **No Ad Hoc Increases Pre-Reform** (line 2 minus line 1.a)	0.4	1.3	2.2	2.5	2.2
(b) **Ad Hoc Increases Averaging 40% of CPI Increases Pre-Reform** (line 2 minus 1.b)	0.4	0.9	1.5	1.7	1.5

Notes: [1] First line of Table II, BCPP Cost Study.
[2] First line of Table I, BCPP Cost Study.
[3] Derived from average of 52% of cost increases attributable to mandated inflation adjustments in Table I and 78% of corresponding cost increases in Table II, BCPP Cost Study.

Comprehensive Limits

The comprehensive limit we proposed (1.5 times the average wage) for the maximum pension eligible for tax assistance will be more generous for some, more stringent for others. It has not been possible for us to estimate whether this proposal would, on balance, result in any net revenue costs.

Tax Credit

It is difficult to estimate the net revenue effect of our proposal to shift the form of the incentive for retirement savings from a tax deduction to a tax credit at a rate of 40%. This will depend in part on the method to be used to determine the amount of pension accrued each year by an employee in a defined benefit plan. Costs will also depend significantly on the extent to which the credit is effective in encouraging additional coverage of people in the lower-middle income ranges, which is our objective. They will also depend on the amounts by which upper income taxpayers might cut back on their tax-assisted retirement savings at the same time.

A preliminary analysis suggests that a 40% tax credit might result in 75 to 80% of those affected by the change being better off, with little or no net effects on federal or provincial revenues, if the incentive effects of the proposals are ignored. Many pension plan members and RRSP contributors (those whose marginal tax rate is close to 40%) would be relatively unaffected. In aggregate, those who would gain from the switch might gain by at least $300 to 400 million.

Summary

In the short run, the overall effect of our proposals would likely be a net increase in costs to the federal government on the order of $500 million. This would result from the direct expenditure increases for the GIS and Spouse's Allowance, plus the amount of forgone income tax revenue from increased C/QPP contributions and additional contributions by plan sponsors to provide a degree of inflation protection in occupational pension plans, and any net revenue costs that might emerge from the move to comprehensive limits and tax credits. These revenue costs would be partially offset by reduced GIS costs and increased income tax revenues arising from the immediate increase in C/QPP benefits, and reduced revenue costs for RPAS to the extent that the locking-in feature acts as a disincentive.

Provincial governments would experience increased income tax revenue costs from increases in C/QPP and occupational pension plan contributions, possible net revenue costs from the combined effects of locking in, comprehensive limits, and the switch to a tax credit. They could realize savings to the extent that the special GIS top-up overlaps their own top-up programs and that the latter are reduced by the immediate increases in C/QPP benefits.

The current elderly will be better off by over $1 billion annually — the amount of the immediate C/QPP benefit increases, plus some of the initial cost of the proposed GIS top-up, plus the extension of the Spouse's Allowance less income taxes and reductions in current GIS and provincial top-up costs.

The current working age generation will be paying at least $900 million more in annual C/QPP contributions, and some share of the increased costs of occupational pension plans arising from our reform proposals, as well as increased contributions induced by the restructured tax incentives. This is partially offset by the lower income taxes resulting from the deductibility of C/QPP contributions, and any net revenue costs from the package of income tax changes.

The increase in public pension benefits that those now of working age can expect when they become elderly is not out of line with the additional public pension benefits (GIS top-up, improved Spouse's Allowance and retroactive homemaker pension) that will accrue to the current elderly. This is, of course, a difficult calculation to make, but it does mean that our reform proposals are consistent with the principle of intergenerational equity set out in Chapter 2.

As a final caveat, the figures in this summary are very rough estimates. A comprehensive analysis of the economic effects of our proposals is beyond the capacity of this Task Force. We expect and trust that as the next steps toward pension reform are taken, such an analysis will be forthcoming.

CHAPTER 12

Jurisdictional Issues

The Canadian Bar Association (Ontario) observed in its brief to the Task Force that there is considerable overlap in jurisdiction with respect to pensions:

> Employer-sponsored pension plans are matters of provincial jurisdiction as property and civil rights in the province. Employer-sponsored pension plans for federal civil servants and employees of federally regulated undertakings are governed by federal legislation.
>
> Aside from pension benefits legislation, considerable regulation is effected by the federal government through the Department of National Revenue (Revenue Canada). The *Income Tax Act* provides for registration of pension plans, and contributions to registered pension plans are tax deductible up to prescribed limits.

Throughout this report, we have attempted to keep in mind the fact of provincial responsibility for regulating registered pension plans, as well as the complexities of shared responsibilities for the C/QPP and for pension-related programs falling under the Canada Assistance Plan.

Where occupational pension plans are concerned, the Task Force can only recommend legislation to amend the federal *Pension Benefits Standards Act*. But we hope that provincial governments will follow suit.

More strongly, we would emphasize the importance of early action by the governments of British Columbia, New Brunswick, Prince Edward Island and Newfoundland to introduce uniform pension benefits standards legislation, and of concerted action through the Canadian Association of Pension Supervisory Authorities to maintain substantial uniformity of standards and regulatory practice. The problem of uniformity across the country was emphasized by a number of witnesses; it is also of importance to employers operating in several jurisdictions and to employees wishing to preserve mobility across provincial boundaries.

The goal of uniform rules regulating pensions across Canada first found legislative expression in a pension benefits law introduced by the government of Ontario in 1963; it later provided a model for legislation by five other provincial legislatures and the Parliament of Canada. In light of their experience, a number of provinces have recently rewritten or amended their pension benefits standards legislation. While there has been good reason for them to do so, the inevitable result has been a lack of uniformity that should be resolved as soon as practicable.

Although this Task Force will not be involved in the federal-provincial negotiations to follow, we emphasize the importance of avoiding balkanization or competition among provincial governments in amendments to pension benefits standards legislation. We urge the federal government to ensure that its actions promote uniformity wherever possible.

We are also at a crossroads with respect to C/QPP contribution rates. Provincial governments are urging increases in these rates. The amendments to the C/QPP proposed in this report entail further increases in contribution rates. The Task Force would urge the federal government to ensure that consultations with provincial governments on possible amendments to the *Canada Pension Plan Act* involve discussion on the amendments we recommend with respect to occupational pension plans and on how those of our recommendations that are acceptable to the provinces can be implemented.

Some non-uniformity exists between the CPP and the QPP, particularly with respect to disability pensions and early retirement. We understand that proposals to deal with the former are contained in the federal-provincial working draft referred to in Chapter 3; on the latter, we note that our recommendations relating to more flexible retirement pensions would move the CPP toward harmony with the QPP.

The Task Force wishes to make clear its perspective on those of its recommendations that have clear implications for matters falling under provincial jurisdiction. As far as occupational plans are concerned, we recommend amendments to the federal *Pension Benefits Standards Act* to incorporate our proposals so that the federal government might lead by example.

We also recommend changes to the *Income Tax Act* to use existing incentives in a more focused way to promote a discretionary expansion of voluntary coverage in plans providing retirement income. While such plans are regulated by the provinces, we believe that this is a legitimate use of the federal tax power. Nor do the specific measures seem to give rise to adverse practical consequences.

In concluding this brief discussion of jurisdictional matters, we would again emphasize the importance of achieving substantial uniformity in pension benefits legislation across all federal and provincial jurisdictions; of maintaining full consistency between CPP and QPP provisions; and of achieving full harmonization between integrated provincial and federal retirement income programs and other programs offering support to the elderly. A federal-provincial conference of senior officials with responsibility for pension policy may well be the best means of serving these purposes.

12.1 The Task Force urges provincial and territorial governments and the federal government to co-operate in the development and maintenance of a nationally uniform regulatory framework for occupational pension plans.

CHAPTER 13

Conclusion

Order of Reference

Our order of reference from the House of Commons directed us to examine and report on proposals for reforming the Canadian retirement income system, with particular reference to several specific issues. Our recommendations and conclusions pertaining to these issues are as follows:

- On the method of **inflation protection** proposed for occupational pension plans, the Task Force has concluded that the CAPSA proposal in the Green Paper is not generally acceptable as a mandatory uniform method for all registered pension plans. In its place the Task Force has recommended a limited procedure, without retroactive effect, to serve as a minimum standard. We believe this procedure will prove broadly acceptable and will not cause substantial disruptions in existing pension arrangements. We recommend that the federal government initiate consultations with the provinces so that provincial regulatory authorities can incorporate this feature uniformly.

- In the matter of **survivor benefits** under the C/QPP, the Task Force has recommended measures that would implement, in essential respects, the Green Paper proposals. The increases in post-retirement survivor benefits we propose are lower than those proposed in the Green Paper because the Task Force has also recommended a homemaker pension. In addition, the Task Force has recommended introducing a pro-rated survivor benefit.

- A majority of the Task Force has concluded that no substantial **expansion of mandatory pension arrangements** is warranted at this time. We have, however, proposed an immediate expansion in C/QPP coverage through a homemaker pension designed to help overcome the special problems facing women. Other Task Force proposals are designed to achieve earlier vesting, to improve coverage of part-time workers, and to provide for greater incentives to individual retirement savings. Finally, the Task Force has recommended a review, within three years, of the need for further mandatory measures in light of progress achieved by that time.

- The Task Force has recommended that the **financing of the C/QPP** continue to be on close to a pay-as-you-go basis, with a modest contingency fund.

- The Task Force has endorsed the measures recommended in the Green Paper to overcome the **special problems facing women** under the current private pension system. In addition, the Task Force has recommended introduction of a C/QPP **homemaker pension** funded largely through mandatory contributions by the family benefiting from the homemaker's services.

Fairness and Accessibility

Because debate on pension reform must be set in the broader context of social policy, our discussion has raised fundamental questions about social values. In writing a report that reflects the views we heard across Canada, we have found that Canadians have more fundamental values in common than party affiliations might suggest.

On fundamental issues, Canada is a community with an underlying harmony of values where solidarity outweighs selfish individualism.

Canadians do not turn on each other when times get tough. Rather, they are part of a community that pulls together in the face of economic adversity. In the present mood of uncertainty, and in an era of restraint, this is a message that must be spread more widely.

We acknowledge that restraint and fiscal responsibility are necessary. But we reject the claim that this leaves no scope for action to improve the retirement income system significantly. In short, we reject restraint as an end in itself; instead we see it as a means to an end. We propose to shape and structure fiscal responsibility to meet the constraints and the dictates of social justice and moral obligation. We believe that Canadians are prepared to make these adjustments.

If we have been able to develop a promising direction for pension reform, it is as a result of a process of consultation with the people of Canada. Our approach is not that of the Green Paper, nor is it the approach of any one witness we heard. We have tried to find common goals that Canadians will support and to arrive at a reasonable compromise on measures to achieve those goals. The measures we propose respond to recession and restraint by sharing growing burdens fairly, not by shifting them toward those least able to resist.

The Task Force faced two fundamental problems: the absence of coverage for low and middle income workers (most of whom are not represented by unions) and the absence of coverage for women not in the labour force. A majority of the Task Force has concluded that the best way to achieve extended coverage for these groups is through specific measures, not through general mandatory expansion.

Thus our report is based on a set of specific and limited concrete proposals that entail no abrupt or revolutionary effects and contain no hint of retroactive change. We are relying on reform in voluntary and private retirement income arrangements rather than on large expansions of public programs.

Our approach secures the role of OAS as a universal base, increases the GIS to bring all the elderly population closer to an acceptable level of basic income, relies on tax-assisted saving along with the present C/QPP to maintain basic living standards, removes tax assistance from those with private pension incomes more than one and one-half times the average wage, and enriches benefits for women and enhances their ability to provide for their retirement. This redistribution will result in a fairer, more accessible system that offers every Canadian the opportunity to plan for a decent and secure retirement.

The debate on pension reform has gone on long enough. There are no easy answers. But we believe that our proposals meet the needs of Canadians for a sound and secure retirement income system and provide the basis for immediate action.

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The debate on pension reform has gone on long enough. [illegible] but we believe that our proposals meet the needs of Canadians for a more [illegible] retirement income system and provide the basis for immediate action.

Summary of Recommendations

Chapter 1 Introduction

There are no recommendations in this chapter.

Chapter 2 Pensions as Transfers Between Generations

2.1 The Task Force recommends that the Chief Statistician be asked to develop a suitable wage or economic ability to pay index, possibly along the lines of the Average Wages and Salaries index, to be published regularly by Statistics Canada without revisions, and to be used to adjust benefit levels and program elements under OAS, the GIS and the C/QPP, as well as to index the comprehensive income tax limits specified in Recommendation 8.2 (page 65). (p. 17 in the text of the Report)

2.2 The Task Force recommends that the Minister of Finance table in the House of Commons every five years, in conjunction with the regular review of CPP contribution rates proposed in Recommendation 4.1 (page 41), a comprehensive set of cost projections for the public pension system (and other major programs such as health care that represent significant transfers of resources to the elderly) in order to promote public debate about the extent and sustainability of current commitments. (p. 19)

Chapter 3 Public Pensions

3.1 A majority of the Task Force* recommends a special GIS top-up of up to $102 per month for single elderly individuals. This top-up combined with the existing GIS

* The term 'majority' has been used where at least one member other than Mr. Miller (whose statement of dissent is appended) disagreed.

would be reduced by one dollar for every dollar of income other than income from OAS and GIS (see Table 3.1, page 23, for examples). This would cost about $350 million per year in 1984 dollars and would bring the income guarantee for single elderly people up to two-thirds of the present guarantee level for couples over the age of 65. (p. 24)

3.2 The changes to the GIS proposed in Recommendation 3.1 should be introduced immediately by the federal government. Discussions with the provinces should be initiated to ensure harmonization of their programs with a revised GIS structure, and to ensure that provincial resources now being devoted to the elderly are not diverted outside the retirement income system when the GIS increase comes into effect. (p. 24)

3.3 The Task Force recommends that the Spouse's Allowances Program be extended to include all eligible widows and widowers between the ages of 60 and 64. This would cost about $150 million per year in 1984 dollars. (p. 24)

3.4 The Task Force notes that the ratio of OAS benefits to average wages has fallen relative to the relationship that existed in 1967. The Task Force agrees that an appropriate objective for future action would be to raise OAS benefits to restore this relationship. (p. 24)

3.5 The Task Force recommends that C/QPP pension credits be split automatically when the younger spouse reaches 65, at marriage breakdown, or when one of the spouses dies; on disability, credit-splitting should be optional so that couples can choose the option most favourable to them. (p. 25)

3.6 In the case of marriage breakdown, credit-splitting may be waived within one year of the end of the marriage, by consent of both spouses, if each has had independent legal advice. (p. 25)

3.7 The Task Force recommends that a homemaker pension be available to those who, in any year, work only or mainly in the home to care for a spouse, a child under 18, or a dependent and infirm adult relative living in the home. (p. 25)

3.8 The pension accrued for a homemaker with no labour force earnings should be based on half the year's maximum pensionable earnings (YMPE). (This will be half the average wage.) If the homemaker works in the paid labour force but earns less than half the YMPE, the pension income base should be topped up to bring it to half the YMPE. A homemaker who earns more than half the YMPE would accrue pension credits on actual earnings, up to the YMPE, and would receive no net homemaker benefit. (p. 25)

3.9 Financing of the homemaker pension should be through the C/QPP contribution structure. However, this should be amended so that families who benefit from the homemaker pension pay the costs where it is reasonable to expect them to do so. Contributions by low income and single parent families should be fully subsidized. Subsidies should be reduced gradually in relation to family income. (p. 26)

3.10 The Task Force recommends that the homemaker pension be introduced with a substantial degree of retroactivity; for example, benefits could be phased in for those who have retired since 1966 by treating each year between 1966 and the present as one in which everyone had deemed earnings for C/QPP purposes of at least one-third of the YMPE. This would provide all those who have reached the age of 65 since 1976 a minimum C/QPP pension of about $129 per month, declining gradually to zero for those who reached age 65 in 1966 or earlier, and phasing out in the future as the homemaker pension system matures. This would result in an immediate increase in C/QPP benefit payments of about $900 million. (p. 29)

3.11 The Task Force recommends that the current C/QPP survivor benefit for spouses over the age of 65 be replaced by a pension continuing for the lifetime of the survivor equal to 30% of the deceased spouse's retirement pension after credit-splitting. This would generally result in 65% of the family's C/QPP retirement benefits continuing for a surviving spouse. (p. 31)

3.12 The Task Force recommends that a pro-rated survivor benefit be paid to a divorced spouse. The benefit should be 30% of the retirement pension (after credit-splitting) that the deceased contributor would have received if this pension were based only on earnings during the years of marriage. The pension would start when the contributor died or when the surviving spouse reached age 65, whichever happened later. (p. 31)

3.13 The maximum combined retirement pension and survivor pension(s) should not exceed either 130% of the survivor's own retirement pension, or 65% of the combined retirement pensions of the survivor and his or her most recently deceased spouse, whichever is greater. (p. 32)

3.14 Survivor pensions should no longer be terminated when the survivor remarries. (p. 32)

3.15 The Task Force recommends that the general drop-out provision in the C/QPP be increased from 15% to 25% of the lowest earning years, so that the pension benefit would be based generally on the best 35 years out of the 47-year period between the ages 18 and 64. (p. 32)

3.16 The Task Force recommends that the C/QPP child-rearing drop-out provision be altered so that it can be used by either parent to the extent that more than 12 years (that is 25% of the contributory period) are spent caring for children under the age of 7. (p. 32)

3.17 The Task Force endorses the recommendation in the Green Paper that the current catch-up provision in the Canada and Quebec Pension Plans be amended to ensure that the year's maximum pensionable earnings are raised to the level of the average industrial wage over a period of three years and subsequently indexed to the measure proposed in Recommendation 2.1 (page 17). (p. 34)

3.18 The Task Force recommends that the appropriate ministers review the question of pensions for people who immigrated to Canada after 1977 and that it be formally referred to a committee of the House of Commons. (p. 34)

3.19 The Task Force recommends that provision be made in the CPP for greater flexibility in the retirement age by permitting earlier commencement of an actuarially reduced pension or later commencement of an actuarially augmented pension. The Task Force proposes that people be able to choose to begin receiving a pension anywhere between the ages of 60 and 70, subject to the amount of the pension being determined by appropriate actuarial adjustments. (p. 35)

3.20 A majority of the Task Force recommends that consideration also be given to introducing similar flexibility in the age when people can begin to receive OAS benefits. The Task Force recognizes that such a step would have substantial implications that should be carefully considered. (p. 35)

Chapter 4 Financing of the Canada and Quebec Pension Plans

4.1 The Task Force recommends that the Canada and Quebec Pension Plans be funded on a pay-as-you-go basis. Calculation of the contribution rate should provide for a contingency reserve equal to 2 or 3 years' anticipated payout. It should also accommodate potential economic fluctuations and demographic situations. There should also be no sharp jumps in contribution rates from one year to the next. (p. 41)

4.2 The Task Force recommends that a schedule of CPP contribution rates over a 25-year period be established by March 31, 1985, and that it be reviewed and extended every five years thereafter. This 'rolling schedule' should be tied to the comprehensive report by the Minister of Finance specified in Recommendation 2.2 (page 19). (p. 42)

4.3 The Task Force recommends that any benefit enrichment, such as the homemaker pension proposed in Recommendation 3.7 (page 25), be accompanied by an immediate increase in contribution rates, phased in at a rate that maintains the CPP fund on a pay-as-you-go basis, but ensures that the total cost increase associated with the benefit enrichment is fully incorporated into contribution rates by the end of the 25-year schedule. (p. 42)

4.4 The Task Force recommends the introduction of a requirement for a regular comprehensive accounting by the provincial and federal governments of the purposes for which CPP funds are allocated and of the benefits, financial and economic, anticipated from these investments. (p. 43)

4.5 The Task Force recommends that when the *Canada Pension Plan Act* is opened up for amendment, section 112 be amended to provide for access by the governments of Yukon and the Northwest Territories to capital advances from the CPP Investment Fund on the same basis as now exists for provincial governments. (p. 44)

Chapter 5 Occupational Pension Plans: Employee Rights and Inflation Protection

5.1 The Task Force rejects the notion of mandatory inflation adjustment in respect of already accrued pension benefits. (p. 46)

5.2 The Task Force recommends that occupational pension plans be required to make provision for representation of active workers, retirees and, where practical, vested deferred members in the management of the plans. (p. 47)

5.3 The Task Force recommends that occupational pension plans be required to make available

(a) to bargaining agents or employee and retiree representatives, on request, full actuarial reports and other materials relating to the status of plans, including a statement of the sources and uses of funds (gain and loss analysis) that traces any actuarial surpluses and their disposition; and

(b) to each employee and his or her spouse, an annual statement setting out detailed information on the benefits they can expect to receive. (p. 47)

5.4 A majority of the Task Force recommends that serious consideration be given to regulating occupational pension plans such that any retroactive increase in benefits for active employees participating in a pension plan is matched by a comparable enrichment of benefits for retirees and for vested deferred pensioners. (p. 47)

5.5 The Task Force recommends that all plan sponsors be required to offer employees the option of taking pensions that are indexed as proposed in Recommendation 5.8. Such a pension might have a lower starting level determined on an actuarially equivalent basis. (p. 47)

5.6 The Task Force recommends that a temporary provision (subject to a suitable sunset clause) be introduced in the Guaranteed Income Supplement to exclude from its income-testing and tax-back requirements the entire amount of any ad hoc or contractual adjustments made to current pensions to offset inflation. (p. 48)

5.7 The Task Force concludes that, for practical purposes, the excess interest proposal must be rejected as a vehicle for any kind of mandatory contractual updating. (p. 48)

5.8 A majority of the Task Force recommends:

(a) that all future pension accruals be subject to a minimum degree of mandatory contractual updating after a plan member terminates or retires;

(b) that this updating be based on a factor equal to the annual increase in the Consumer Price Index minus 2.5% per year;

(c) that this updating be subject to the lesser of two caps based on ability to pay:

(i) a financial indicator based on the annual return to a portfolio of financial investments, or

(ii) the economic indicator specified in Recommendation 2.1 (page 17);

(d) that pensions that start to be paid before age 65 not have to be indexed until the pensioner reaches age 65;

(e) that annuities purchased by money purchase plans or with the proceeds from RPAS (see Recommendation 6.2) be subject to this updating; and

(f) that this requirement come into effect three years after enabling legislation has been adopted. (pp. 49-50)

Chapter 6 Occupational Pension Plans: Other Issues

6.1 The Task Force recommends that pension plans be required to vest benefits after 2 years of employment. (p. 51)

6.2 The Task Force recommends the creation of the Registered Pension Account (RPA) as proposed in the Green Paper. (p. 53)

6.3 A majority of the Task Force recommends phasing out existing Registered Retirement Savings Plans (RRSPs) by disallowing any further tax-assisted contributions but continuing to allow withdrawal of current RRSP funds prior to retirement. (p. 53)

6.4 A majority of the Task Force recommends that, upon termination, an employee should have the following options:

(a) transferring the entire value of the vested pension to an RPA, subject to an adjustment based on the plan's funded ratio;

(b) leaving the vested pension credits with the former employer, thereby retaining an entitlement to a deferred pension;

(c) transferring the value of the employee contributions, with interest, to an RPA, leaving the remaining value as a vested deferred pension, provided the employer agrees; or

(d) transferring the employee's deferred pension credits direct to the new employer's plan, provided the new employer agrees;

These options would be offered to the employee in all but the following cases:

(a) If the commuted value of accrued benefits is below some threshold (for example, the year's basic exemption, about $2,000), the employer would have the choice of requiring that this amount be cashed out and transferred into an RPA rather than remaining as a vested fragment.

(b) Where a reciprocal agreement exists, or where the new employer is willing to accept a transfer of accrued benefits into the pension plan, the former employer should have the right to insist that such a transfer be made to the new plan rather than to an RPA. (p. 53)

6.5 The Task Force recommends that the Canadian Institute of Actuaries be mandated to develop, subject to a veto by the federal Superintendent of Insurance or provincial counterparts, the actuarial methods and assumptions for valuing deferred pensions and for establishing the funded ratio for adjustment of transferred values. (p. 53)

6.6 The Task Force concludes that the rule requiring employers to contribute a minimum of 50% of vested benefits should apply only at retirement. (p. 53)

6.7 The Task Force recommends that the federal government create a central register within the Canada Pension Plan administration to alleviate the administrative burden of tracing people who hold vested deferred pension claims. (p. 54)

6.8 The Task Force recommends that a spouse be entitled to a one-half share of the pension credits and retirement savings of the other spouse accumulated during the marriage, subject to the following conditions:

(a) however ownership of the one-half share is transferred, that share must retain its character as a pension and be locked in; and

(b) the spouse who is not the plan member may waive this provision within one year of marriage breakdown, provided he or she has had independent legal advice as to value of the rights being given up. (p. 54)

6.9 With regard to post-retirement survivor benefits, the Task Force recommends that all occupational pension plans and private retirement savings plans be required to provide a joint life/last survivor benefit, declining to 60% on first death, on an actuarially reduced basis, with provision to choose an alternative form of annuity, on consent of both spouses. (p. 55)

6.10 With regard to pre-retirement survivor benefits, the Task Force recommends that the full value of the accrued pension of a plan member who dies prior to retirement be transferred to the RPA of the surviving spouse or to the plan member's estate if there is no surviving spouse. If the plan sponsor offers, and the surviving spouse agrees, a survivor pension can be chosen instead. A plan should be exempt from this provision if the survivor is provided with a benefit at least equal in value through group insurance or a similar arrangement. Provinces accepting this recommendation should implement it in such a way that the interests of common-law spouses are given consideration. (p. 55)

6.11 For all survivor pensions, the Task Force recommends that they no longer be allowed to be terminated when the survivor remarries. (p. 55)

6.12 The Task Force recommends that all federal legislation providing retirement or related payments to employees of the Crown be reviewed to ensure that it is consistent with Task Force recommendations for the treatment of survivors in occupational pension plans. (p. 55)

6.13 The Task Force endorses the Green Paper proposal that where an employer-sponsored pension plan exists, coverage must be made available for all full-time empoyees with at least one year of service, and required for those over the age of 25 with at least one year of service. (p. 55)

6.14 The Task Force recommends that coverage be made available for regular part-time employees. Introduction of compulsory coverage for part-time workers should be phased in generally as proposed in the report of the Commission of Inquiry into Part-time Work, *Part-Time Work in Canada:*

(a) part-time workers with more than 10 calendar years of service with an employer should be included in the first year;

(b) part-time workers with more than five calendar years of service with an employer should be included in the second year; and

(c) part-time workers with more than one but fewer than five calendar years of service with an employer should be included in the third year. (p. 56)

6.15 To implement Recommendation 6.14, the Task Force recommends that Labour Canada develop a definition of 'regular part-time employee' in consultation with concerned employer and employee groups. (p. 56)

6.16 A majority of the Task Force recommends that, with three years' notice, and following full consultation with the pension industry on the precise universe of contracts to be covered, the relevant statutes be amended to provide that pension benefits be equal for males and females retiring under identical circumstances, with respect to pension credits that accrue from the date the legislation is proclaimed. (p. 56)

6.17 In the light of the testimony it has heard, the Task Force rejects the suggestion that pension benefits be secured by a termination insurance scheme. (p. 57)

6.18 The Task Force recommends that the relevant legislation be amended to provide that on plan termination no assets be removed from the plan until unfunded liabilities are liquidated, and that particular consideration be given to the application of this recommendation to multi-employer plans. (p. 58)

6.19 The Task Force recommends that the disclosure provisions proposed in Recommendation 5.3 ensure that all plan members and their spouses understand what benefits they will receive should the plan be terminated. (p. 58)

6.20 The Task Force urges that pension legislation and the *Bankruptcy Act* be clearly worded to prevent any creditor from asserting a prior claim on the value of contributions accrued and accruing to a pension plan at the date of termination or bankruptcy. (p. 58)

Chapter 7 Public Sector Occupational Plans

7.1 The Task Force concludes that the following principles should guide legislation governing public sector occupational pension plans:

- Public sector occupational plans should be governed by the same general rules as other occupational pension plans. They should reflect a full and true costing of all promised benefits, and these costs should be fully disclosed to employees and to the public (as proposed in Recommendation 5.3, page 47).

- Pension plan costs should be assessed in the context of the total compensation package, and the principle of comparability should apply to the overall package, not to the pension plan by itself. The public sector should not lead the private sector in overall levels of total compensation.

- Taking into account their size and risk characteristics, public sector plans should meet funding standards consistent with those required of other large organizations.

- Public sector occupational pension plans should stand on their own feet — there should be no subsidy from general revenues to support the defined benefit package or individual features of it, such as automatic indexing.

- Without necessarily moving to external funding, the investment policy of public sector employer pension funds should be designed to achieve returns comparable to those of private plans. By eliminating any subsidy to government arising out of use of pension funds as sources of ready financing, lower employer pension costs than at present can be achieved. (p. 61)

7.2 The Task Force recommends that public sector occupational pension plans be required to amend their structures if necessary to comply with the relevant pension benefits standards legislation, with the exception of provisions requiring external funding. (p. 62)

7.3 The Task Force recommends that the terms and conditions of pensions for MPs, Senators and judges be reviewed. (p. 62)

Chapter 8 The Tax Treatment of Retirement Savings

8.1 The Task Force recommends that the limits on contributions to tax-assisted retirement savings plans be amended so that

(a) the same comprehensive limit applies regardless of the retirement savings vehicle or combination of vehicles used; and

(b) for workers with the same total earnings during their working years, the same comprehensive limit applies irrespective of differences in year-by-year earnings patterns.

In practice, the comprehensive limit might apply to contributions, to funds accumulated, to maximum pensions payable, or to some combination of these. Thus, no recommendation is made regarding the precise way in which the limit is to be implemented. (p. 64)

8.2 A majority of the Task Force recommends that

(a) the comprehensive maximum pension limit (applicable to pensions starting when the individual is anywhere between the ages of 60 and 70) be set at one and one-half times the average wage, or at a level where at most 90% of the paid labour force can save, on a tax-assisted basis, enough to achieve full maintenance of net living standards on retirement without running into the limit;

(b) if the value of pension accruals or accumulations of retirement savings in tax-assisted vehicles exceeds the maximum pension limit, the excess amount be subject to a tax equal to the amount of tax assistance already received;

(c) the comprehensive maximum pension limit be automatically indexed each year in line with the average wage and salary index proposed in Recommendation 2.1 or a similar indicator; and

(d) implementation of any proposal for a comprehensive maximum pension limit be subject to a full process of consultation and allow substantial lead time for necessary adjustments to existing plans. (pp. 65-66)

8.3 The Task Force recommends that contributions to a spousal RPA be eligible for the tax incentive even if these contributions, when combined with contributions to his or her own RPA, exceed the taxpayer's own comprehensive limit, provided they do so by no more than 15%. This percentage should be more than sufficient to cover the additional cost of a joint life/last survivor annuity over the cost of a straight life annuity. (p. 66)

8.4 The Task Force recommends that small business owner-managers be allowed to set up significant shareholder plans, provided reasonable and effective comprehensive limits on tax-assisted retirement savings along the lines proposed in Recommendations 8.1 and 8.2 are in place. (p. 66)

8.5 The Task Force recommends that

(a) the current tax deduction for contributions to tax-assisted retirement savings be replaced by a tax credit of about 40%; and

(b) introduction of the tax credit be preceded by full public consultation on the proposal and that it provide for an adequate notice period prior to implementation. (p. 68)

Chapter 9 Coverage

9.1 A majority of the Task Force recommends that, if the implementation of our recommendations directed toward improving the breadth and depth of pension coverage has not brought sufficient improvement to the private sector within three years, the question of mandatory expansion of pension arrangements, either public or private, be formally referred to a parliamentary committee. (pp. 71-72)

Chapter 10 Women and Pensions

Recommendations on this subject can be found in Chapters 3, 5, 6 and 8.

Chapter 11 The Cost of the Proposals

There are no recommendations in this chapter.

Chapter 12 Jurisdictional Issues

12.1 The Task Force urges provincial and territorial governments and the federal government to co-operate in the development and maintenance of a nationally uniform regulatory framework for occupational pension plans. (p. 88)

Chapter 13 Conclusion

There are no recommendations in this chapter.

Glossary of Terms and Abbreviations

Accrued Pension Amount of pension entitlement built up by a plan member according to his or her length of service, earnings, and so on, up to a given time.

Actuarial Assumptions Factors that enter into the calculations of pension plan costs; for example, mortality rates, employee turnover, salary levels, investment earnings.

Actuarial Valuation Examination of a pension plan by an actuary to assess the solvency of the plan and determine the level of contributions required to maintain its solvency.

Ad Hoc Adjustments Adjustments of pensions being paid or of accrued benefits on an irregular, non-contractual basis.

Annuity A payment of money under a contract commencing at a predetermined time or event and made annually or at more frequent intervals, either during the continuance of a given life or a combination of lives, or for a specified number of years.

Average Industrial Wage (AIW) Average earnings for the Industrial Composite as measured by Statistics Canada and reported in *Employment Earnings and Hours*. This figure is used as a proxy for average wages and salaries, even though it excludes a large proportion of the workforce. However, it is probably fairly representative of the average earnings of pension plan members.

Average Wages and Salaries (AWS) A new measure of average wages proposed in this report as the basis for indexing public pensions. It is the ratio of aggregate wages and salaries and supplementary labour income, as reported in the National Accounts, to the size of the population aged 18 to 64.

Benefit A general term applied to any form of payment that may be made to a person under the terms of a pension plan, depending on the circumstances.

Benefit Formula A provision in a pension plan that establishes the method whereby the amount of an employee's pension is to be calculated, the amount being determined by multiplying either some fraction of the employee's earnings, or a fixed dollar amount, by the years of service under the employer's pension plan.

Best Average Benefit Formula A benefit formula where the earnings component is the average level of earnings during a certain number of the highest paid years.

Bridging Benefit A benefit paid to ease the recipient's difficulties during a relatively short transitional period; or, in the case of retirement before age 65 under an occupational pension plan, additional amounts paid until the person reaches age 65 when OAS and C/QPP benefits will commence.

Canada Pension Plan (CPP) A mandatory earnings-related pension plan that guarantees a pension at age 65 equal to 25% of a contributor's average previous earnings, up to a ceiling. This ceiling is based on the year's maximum pensionable earnings, which will be $20,800 in 1984. The CPP also provides a 60% survivor benefit. The CPP covers workers outside of Quebec. In Quebec, the Quebec Pension Plan provides parallel coverage.

Career Average Benefit Formula A benefit formula where the earnings component is an employee's average earnings during the whole period of coverage under the plan. Another way of viewing the benefit is to look upon the pension earned in each year as a percentage of that year's earnings.

Cash Withdrawal (Return of Contributions) The taking of a refund of his or her contributions by an employee whose membership in a contributory pension plan has terminated.

Co-insurance Insurance in which the insured is obligated to share in the risk at a stipulated percentage of its total value.

Comprehensive Income Tax Limits Contributions to Registered Pension Plans and Registered Retirement Savings Plans are tax deductible up to certain limits. Current tax laws contain a disparate set of limits depending upon the contributor's situation. This report proposes using one limit to cover all situations — a limit that would be comprehensive.

Compulsory Plan A pension plan that eligible employees must join as a condition of employment. This may be either a public or private plan.

Consumer Price Index (CPI) Statistics Canada's measure of the rate of inflation. It is the price of a fixed basket of goods and services relative to its price in an earlier base year.

Continuing Benefit A benefit paid for the recipient's lifetime; for example, the Green Paper proposed that CPP pre-65 survivor benefits should consist of both a short-term bridging benefit and a life-long continuing benefit.

Contractual Updating The term for adjusting benefits periodically to take account of inflation. If the formula for adjustment was part of the terms and conditions of the pension plan, the updating would be contractual in nature.

Contributory Pension Plan A pension plan under which both the employees and their employer make contributions. The employees' contributions are usually related to their earnings.

Contribution Rate In a contributory pension plan the contribution rate is the ratio of required contributions to the covered earnings. The term can apply to either the employee or the employer.

Coverage Usually refers to the proportion of some class of workers who participate in occupational pension plans; the term is also sometimes used to include those covered by individual money purchase plans.

Covered Earnings In defined benefit pension plans in which the benefit formula relates benefits to earnings, those earnings that affect the level of benefits are called covered earnings.

CPP Investment Fund Whenever CPP revenues exceed benefits paid out, the resulting surplus is ordinarily loaned to provincial governments. CPP revenues consist of contributions plus interest paid on previous loans. The investment fund consists of the provincial bonds held by the CPP.

Credit-Splitting The practice of dividing pension credits between spouses. The divided credits in an occupational pension plan may either be taken out of a plan in the form of cash or left in to remain as credits toward a future pension as defined under the rules of the plan.

Current Service The pension accrued in a year by an employee as a member of a pension plan.

Death Benefit A sum of money or series of payments paid, often to a survivor but also possibly to an estate, in the event that a member of the pension plan dies.

Deferred Annuity or Vested Deferred Pension A life annuity payable beginning at some future date, usually the normal retirement age, to an employee whose membership in a pension plan has terminated after becoming vested and before the normal retirement age of the plan.

Defined Benefit Plan A pension plan that provides a pension whose amount is determined by a defined benefit formula, a formula that relates the annual or monthly amount of the pension that will be paid to the number of years of service the employee has had and also possibly some measure of average or recent levels of pay. An example of such a plan is a final average plan where the annual pension is equal to the number of years of service, up to 35, multiplied by 2% of the employee's average salary over the last five years of service (that is, a maximum pension of 70% of average salary over the last five years of service).

Defined Contribution Plan A pension plan where the benefit at retirement is not fixed in terms of a member's salary and years of participation (see Defined Benefit Plan), but is determined by the amount of annuity that the accumulated contributions plus interest can purchase at retirement. Contributions are generally fixed as a percentage of the employee's salary and may be made by the employer and employee or by the employer alone. These are commonly called money purchase plans. RRSPs and RPAs are examples of individual as opposed to group defined contribution plans.

Excess Interest Approach A method of adjusting pension benefits or credits for inflation by an index that corresponds to the nominal rate of interest less a fixed rate, generally reflecting the rate of interest that would be obtainable in an inflation-free economy. This approach therefore indexes benefits and credits by the inflationary component of interest rates, rather than by a more direct measure of inflation, such as the increase in the Consumer Price Index, or by a measure of the general growth in average living standards such as the Industrial Composite Wage Index.

Final Average Plan A plan where the defined benefit formula is based on the average level of earnings in the final few years before retirement. The number of years used in calculating the average varies, usually in the range from three to ten years.

Flat Benefit Plan A plan where the defined benefit formula provides a fixed (or flat) amount of pension for each year's service, irrespective of the level of earnings of a plan member; for example, $15 per month pension per year of service.

Fully Funded When applied to a pension plan, this means a pension plan that at any particular time has sufficient assets to provide for the payment of all pension and other benefits required to be paid under the terms of the plan in respect of service rendered by employees and former employees prior to that time.

Funding The orderly accumulation of assets, during the working lifetime of a group of employees that, together with the earnings of the assets, are expected to provide all pension and other benefits in respect of that group as they become payable in the future.

Funded Ratio The ratio of the assets in a pension fund to the total liabilities of the pension plan. There are two main ways this ratio can be defined. The 'going concern' funded ratio looks at the assets and liabilities of the plan as if it were going to continue in existence indefinitely. The 'termination basis' funded ratio assumes the plan is to be wound up immediately.

Guaranteed Income Supplement (GIS) An income-tested supplemental benefit program for Old Age Security recipients. The basic income guarantee will average $272 per month for single people in 1984 and $418 for couples. Benefits are lowered by 50 cents for each dollar of income other than OAS benefits.

Income-Tested Benefits The higher the income of the recipient, the lower the benefit payments; for example, the Guaranteed Income Supplement payable under the *Old Age Security Act*. This should be distinguished from means-tested benefits.

Indexing The automatic adjusting of pensions in pay, or accrued pension benefits, in accordance with changes in an index such as the Consumer Price Index. This is to be distinguished from ad hoc adjustments.

Joint Life/Last Survivor Annuity An annuity payable until the death of the retired employee (principal annuitant) and continuing thereafter in full or (usually) in part, during the life of a surviving person (joint annuitant) such as a widow or widower. In some cases, this annuity is reduced on the death of either the employee or the joint annuitant.

Locking In A requirement under legislation that an employee's and the employer's contributions on his or her behalf made to the pension plan after a certain date cannot be forfeited or paid as a cash withdrawal if the employee, on termination of employment, has attained a certain age and/or has completed a certain period either of service or of plan membership. Instead, the locked-in funds can be used only to pay for an annuity at retirement. For example, under the federal *Pension Benefits Standards Act*, contributions made since September 30, 1967 are locked in after the employee has attained 45 years of age and has completed 10 years either of service or of plan membership.

Means-Tested Benefits Benefits are reduced as the current asset position as well as the income position of the recipient improves.

Money Purchase Plan Another name for a defined contribution plan.

Mortality Tables Tables showing the proportion of people expected to die or survive at each year of age. Different rates apply to different types of individual (the whole population, insured lives, pensioners, men and women). These tables are used by actuaries to estimate the cost of various benefits connected with pension plans.

Multi-Employer Plan A pension plan covering employees of more than one employer.

Non-Contributory Plan A pension plan in which all contributions are made by the employer.

Occupational Pension Plan All pension plans offered by employers, whether in the private sector or the public sector. In order that the plans may be registered for income tax purposes, employers must make contributions to them.

Old Age Security (OAS) Federal flat-rate pension payable to all Canadians age 65 or over. The average amount for 1984 will be $270 per month. OAS benefits are taxable but are not included in income for purposes of computing Guaranteed Income Supplement benefits.

Pay-As-You-Go When applied to a pension plan, a system of financing under which contribution rates are set to cover the payments being made under the plan. Thus, there are no assets set aside explicitly to pre-fund its obligations. Alternative financing methods involve building up a fund.

Pension An annuity, or in some cases a similar but non-contractual payment, paid to a retired employee. The term 'pension' is also applied rather than 'annuity' to the regular payments made under public pension plans where no contract has been entered into for the payment of a specific amount of annuity.

Pension Benefits Standards The requirements that a pension plan has to meet under the federal *Pension Benefits Standards Act* and similar provincial legislation.

Pension in pay Pension benefits that have started to be paid (in contrast to deferred pensions).

Pension Credits The value, or a measure of the value, of a pension that has been earned (but that may not come into pay for several years), or alternatively (for example in the C/QPP) the basis on which pension entitlements have been accrued.

Plan Termination Winding up or discontinuing an occupational pension plan; for example as a result of the bankruptcy of the employer.

Portability The word portability has been used in two quite different senses. Its original use in connection with the introduction of pension benefits legislation in the mid-1960s referred to the vesting provisions introduced at that time. Its current use refers to arrangements for the transfer of an employee's pension credits either to another pension plan or to his or her Registered Pension Account when changing jobs.

Public Pension Plan A pension plan such as OAS or C/QPP provided by a government in its role as a government rather than in its role as an employer.

Public Sector Plan An occupational pension plan offered by an employer in the public sector; for example, the plans for employees of federal, provincial and municipal governments, Crown corporations, school boards.

Registered Pension Account (RPA) A new tax-assisted retirement savings vehicle intended to supplant Registered Retirement Savings Plans and to accumulate monies transferred out of RPPs for various reasons. Funds in RPPs would be locked in.

Registered Pension Plan (RPP) An occupational pension plan that, on meeting the requirements of the federal and provincial governments, has been accepted for registration (thereby qualifying for favourable tax treatment) under the *Income Tax Act*.

Registered Retirement Savings Plan (RRSP) An individual savings vehicle for retirement provided under the *Income Tax Act*; taxes are deferred on the contributions and the income they earn until the savings are withdrawn, ordinarily as a retirement annuity.

Retroactive/Retrospective Initiatives that require remedial action would be *retroactive*. To illustrate, suppose full CPI indexing of benefits were to be required; a retroactive requirement would be for employers to pay a lump sum to pensioners equal to the total amount by which benefits already paid had not been fully adjusted. Initiatives based on past experience but that required no remedial action would be *retrospective*. In the illustration, a retrospective requirement would be for the future full indexing of benefits already earned.

Significant Shareholders Typically, owner-managers of small incorporated businesses. More precisely, a person who owns, controls or has a beneficial interest in shares that represent 10% of the voting power attached to all shares. Revenue Canada uses this definition to determine whether a pension plan can be established to benefit the person.

Spouse's Allowance (SA) A supplement to the GIS for people between the ages of 60 and 64 whose spouses are over 65 or have died after age 65. The program provides OAS and GIS benefits as if both spouses were over 65.

Survivor Benefits The benefits, if any, that are payable to the beneficiary, typically a spouse, of a plan member who dies. This benefit may be in the form of a pension, returned contributions, or a 'guaranteed' period over which the plan member's pension continues to be paid after his or her death.

Tax-Assisted Retirement Savings A general term used to describe the various retirement income plans registered under the *Income Tax Act*, including Registered Pension Plans and Registered Retirement Savings Plans, as well as the Registered Pension Accounts proposed in this report. These plans all benefit substantially from preferential tax treatment.

Termination A severance of the relation between employer and employee, whether by deliberate withdrawal (quitting); by involuntary withdrawal owing to illness, accident, disability; or by discharge or lay-off not followed by rehiring. A generic term that includes severance for many causes other than death or retirement.

Unfunded Liability The amount, if any, by which the total value of the pensions promised under a pension plan (that is, the actuarial value of the liabilities) exceeds the value of the assets (see also Funded Ratio).

Updating of Deferred Pension The periodic increase by an employer, possibly in accordance with either a price or wage index or an indexing factor prescribed by legislation, of the amount of a deferred pension to which a former employee is entitled.

Vesting The employee's right, on termination of employment before retirement under a pension plan, to the benefit that has accrued under the normal benefit formula of a defined benefit plan, or the accumulated contributions held on his behalf in a defined contribution plan, up to the date of termination of employment; the benefit is often payable as a deferred annuity commencing at normal retirement age.

Year's Maximum Pensionable Earnings (YMPE) The maximum earnings for which contributions can be made to the Canada or Quebec Pension Plans during the year.

ABBREVIATIONS

AIW	Average Industrial Wage
AWS	Average Wages and Salaries
BCPP	Business Committee on Pension Policy
CAPSA	Canadian Association of Pension Supervisory Authorities
CPI	Consumer Price Index
CPP	Canada Pension Plan
C/QPP	The Canada and Quebec Pension Plans
GIS	Guaranteed Income Supplement provided under the *Old Age Security Act*
GNP	Gross National Product
OAS	Old Age Security
PBSA	*Pension Benefits Standards Act* (which applies to pension plans in employment under federal jurisdiction)
PSSA	*Public Service Superannuation Act* (which provides unindexed or basic benefits to federal public service employees)
QPP	Quebec Pension Plan
RPA	Registered Pension Account
RPP	Registered Pension Plan (under the *Income Tax Act*)
RRSP	Registered Retirement Savings Plan (under the *Income Tax Act*)
SA	Spouse's Allowance provided under the *Old Age Security Act*

SRBA	*Supplementary Retirement Benefits Act* (which provides for increases to basic pensions under the various federal public service plans for judges, Members of Parliament, the military, public service employees, RCMP, etc.)
YBE	Year's Basic Exemption (of earnings for contribution purposes under the C/QPP)
YMPE	Year's Maximum Pensionable Earnings (for contributions and benefit calculation purposes under the C/QPP)

APPENDIX A

Witnesses

Note: The parenthesis shows the date of appearance and the issue of Minutes of Proceedings and Evidence in which the testimony is published.

Alberta Restaurant & Foodservices Association
(14-9-83, No. 25)

Association de bienfaisance et de retraite des policiers de la Communauté urbaine de Montréal
(20-10-83, No. 37)

Association des femmes collaboratrices
(20-10-83, No. 37)

Association féminine d'éducation et d'action sociale (AFEAS)
(19-10-83, No. 36)

Association of Canadian Pension Management
(26-5-83, No. 11)

Association of Universities and Colleges of Canada
(25-5-83, No. 10)

Association québécoise pour la défense des retraités et des préretraités (AQDR)
(19-10-83, No. 36)

B.C. Mainland Chartered Life Underwriters Chapter
(9-9-83, No. 23)

Bégin, Hon. Monique, Minister of National Health and Welfare
(21-4-83, No. 1)

Bell Canada
(20-10-83, No. 37)

British Columbia and Yukon Territory Building and Construction Trades Council
(9-9-83, No. 23)

British Columbia Federation of Labour
(9-9-83, No. 23)

Burns Foods Limited
(16-9-83, No. 25)

Business Committee on Pension Policy
(21-9-83, No. 28) (12-10-83, No. 33)

Business Council on National Issues
(11-10-83, No. 32)

Calgary Chamber of Commerce
(15-9-83, No. 25)

Calgary Personnel Association
(16-9-83, No. 25)

Calgary YWCA Social Issues Committee
(16-9-83, No. 25)

Canadian Advisory Council on the Status of Women
(26-5-83, No. 11)

Canadian Airline Employees Association
(28-9-83, No. 30)

Canadian Association of University Teachers
(25-5-83, No. 10)

Canadian Association on Gerontology
(6-10-83, No. 31)

Canadian Bankers' Association
(11-10-83, No. 32)

Canadian Chamber of Commerce
(19-5-83, No. 9)

Canadian Construction Association
(2-6-83, No. 14)

Canadian Coordinating Committee on Multi-Employer Pension Plans
(19-9-83, No. 26)

Canadian Council of Financial Analysts
(31-5-83, No. 12)

Canadian Council on Social Development
(20-9-83, No. 27)

Canadian Federation of Business and Professional Women's Clubs
(14-6-83, No. 16)

Canadian Federation of Independent Business
(31-5-83, No. 12)

Canadian Federation of Labour
(19-9-83, No. 26)

Canadian Federation of University Women
(9-9-83, No. 23)

Canadian Institute of Actuaries
(20-9-83, No. 27)

Canadian Labour Congress
(19-5-83, No. 9)

Canadian Labour Congress, Equality of Opportunity and Treatment of Women Committee
(22-9-83, No. 29)

Canadian Life and Health Insurance Association Inc.
(18-5-83, No. 8)

Canadian Manufacturers' Association
(26-5-83, No. 11)

Canadian National
(20-10-83, No. 37)

Canadian Nurses' Association
(20-10-83, No. 37)

Canadian Organization of Small Business
(26-4-83, No. 2)

Canadian Pacific
(15-6-83, No. 17)

Canadian Pacific Pioneers Association
(13-9-83, No. 24)

Canadian Paperworkers Union
(20-10-83, No. 37)

Canadian Pension Conference
(12-10-83, No. 33)

Canadian Pensioners Concerned
(28-9-83, No. 30)

Canadian Pensioners Concerned (Ontario Division)
(12-10-83, No. 33)

Canadian Police Association
(22-9-83, No. 29)

Canadian Railway Labour Association
(13-9-83, No. 24)

Canadian Railways Employees' Pension Association
(13-9-83, No. 24)

Canadian Securities Industry Pension Reform Committee
(11-10-83, No. 32)

Canadian Teachers' Federation
(2-6-83, No. 14)

Canadian Union of Public Employees (Alberta)
(15-9-83, No. 25)

Canadian Union of Public Employees (British Columbia)
(9-9-83, No. 23)

Canadian Union of Public Employees (Manitoba)
(6-10-83, No. 31)

Canadian Union of Public Employees (Ontario)
(1-6-83, No. 13)

Carpentry Workers' Pension Plan
(9-9-83, No. 23)

Centrale de l'enseignement du Québec (CEQ)
(19-10-83, No. 36)

Centre des dirigeants d'entreprise
(18-10-83, No. 35)

Chambre de commerce de la province de Québec
(19-10-83, No. 36)

Chambre de commerce de Montréal
(18-10-83, No. 35)

Coalition pour une retraite décente
(19-10-83, No. 36)

Confederation of National Trade Unions
(31-5-83, No. 12)

Congress of Black Women of Canada
(4-10-83, No. 31)

Conseil du patronat du Québec
(18-10-83, No. 35)

Consumers' Association of Canada
(27-6-83, No. 20)

Cooperative Superannuation Society
(4-10-83, No. 31)

Council of Senior Citizens Organizations of B.C.
(13-9-83, No. 24)

Council on Pension Reform for Singles
(5-5-83, No. 4)

Dene Nation
(7-9-83, No. 23)

Dofasco Inc.
(13-10-83, No. 34)

Economic Council of Canada
(28-4-83, No. 3)

Edmonton Chamber of Commerce
(14-9-83, No. 25)

Elders' Network
(12-9-83, No. 24)

Employers Council of B.C.
(9-9-83, No. 23)

Erola, Hon. Judy, Minister responsible for the Status of Women and Minister of State (Mines)
(13-6-83, No. 15)

Federal Superannuates National Association
(21-6-83, No. 19)

Federated Women's Institutes
(22-9-83, No. 29)

Fédération de l'Age d'or du Québec
(19-10-83, No. 36)

Fédération des associations des familles monoparentales du Québec
(19-10-83, No. 36)

Fédération des femmes du Québec
(19-5-83, No. 9)

Fédération des travailleurs du Québec (FTQ)
(19-10-83, No. 36)

Financial Executives Institute of Canada
(20-10-83, No. 37

General Motors of Canada
(12-10-83, No. 33)

Government of Manitoba
(5-10-83, No. 31)

Government of New Brunswick
(30-9-83, No. 30)

Government of Newfoundland
(29-9-83, No. 30)

Government of Saskatchewan
(4-10-83, No. 31)

Government of the Northwest Territories
(7-9-83, No. 23)

Greater Moncton Chamber of Commerce
(30-9-83, No. 30)

Groupe Sobeco Inc.
(20-10-83, No. 37)

Inco Limited
(21-6-83, No. 19)

Index Now Advocacy Group
(18-10-83, No. 35)

International Association of Machinists and Aerospace Workers
(12-5-83, No. 6)

International Woodworkers of America (IWA)
(9-9-83, No. 23)

Inter Pares
(13-10-83, No. 34)

IWA Senior Citizens Group
(12-9-83, No. 24)

Joint Committee of Graphic Arts Multi-Employer Pension Trustees
(16-6-83, No. 18)

Joint Professional Committee of the Canadian Dental Association, the Canadian Medical Association and the Canadian Institute of Chartered Accountants
(13-10-83, No. 34)

Liberal Party of New Brunswick
(30-9-83, No. 30)

Life Underwriters Association of Canada
(14-6-83, No. 16)

Manitoba Action Committee on the Status of Women
(6-10-83, No. 31)

Manitoba Federation of Labour
(6-10-83, No. 31)

Manitoba Health Organizations Inc.
(6-10-83, No. 31)

Manitoba Organization of Nurses' Associations
(6-10-83, No. 31)

Mercer, William M., Limited
(13-10-83, No. 34)

Moncton and District Labour Council
(30-9-83, No. 30)

Montreal Board of Trade
(18-10-83, No. 30)

Multicultural Association of Fredericton
(30-9-83, No. 30)

National Action Committee on the Status of Women
(10-5-83, No. 5)

National Advisory Council on Aging
(6-10-83, No. 31)

National Anti-Poverty Organization
(20-9-83, No. 27)

National Council of CN Pensioners Associations
(20-10-83, No. 37)

National Council of Women of Canada
(10-5-83, No. 5)

National Farmers Union
(4-10-83, No. 31)

National Pensioners and Senior Citizens Federation
(5-5-83, No. 4)

National Union of Provincial Government Employees
(29-6-83, No. 22)

National Women's Liberal Commission
(9-9-83, No. 23)

Native Women's Association of the Northwest Territories
(7-9-83, No. 23)

New Brunswick Advisory Council on the Status of Women
(30-9-83, No. 30)

New Brunswick Federation of Labour
(30-9-83, No. 30)

Newfoundland and Labrador Association for the Aging
(29-9-83, No. 30)

Newfoundland and Labrador Pensioners and Senior Citizens Federation
(29-9-83, No. 30)

North Eastern Ontario Senior Citizens Association
(12-10-83, No. 33)

Northern Retirees Association
(20-10-83, No. 37)

Northwest Territories Public Service Association
(7-9-83, No. 23)

Nova Scotia Advisory Council on the Status of Women
(28-9-83, No. 30)

Nova Scotia Federation of Labour
(28-9-83, No. 30)

Ontario Advisory Council on Senior Citizens
(12-10-83, No. 33)

Ontario Committee on the Status of Women
(13-10-83, No. 34)

Ontario Council of Agencies Serving Immigrants
(13-10-83, No. 34)

Ontario Economic Council
(13-10-83, No. 34)

Ontario Federation of Agriculture
(22-9-83, No. 29)

Ontario Federation of Labour
(12-10-83, No. 33)

Ontario Municipal Retirees' Organization
(12-10-83, No. 33)

Ontario Status of Women Council
(13-10-83, No. 34)

Ontario Teachers' Federation
(11-10-83, No. 32)

Pancanadian Petroleum Limited
(15-9-83, No. 25)

Peat, Marwick and Partners
(13-10-83, No. 34)

Pension Reform Study Group
(14-9-83, No. 25)

Professional Institute of the Public Service of Canada
(21-6-83, No. 19)

Provincial Advisory Council on the Status of Women
(29-9-83, No. 30)

Public Service Alliance of Canada
(17-5-83, No. 7)

Regina, City of
(4-10-83, No. 31

Retail Council of Canada
(28-6-83, No. 21)

Saskatchewan Coalition for Women's Pensions
(4-10-83, No. 31)

Saskatchewan Federation of Labour
(4-10-83, No. 31)

Saskatchewan Senior Citizens "Action Now" Association
(4-10-83, No. 31)

Saskatchewan Wheat Pool
(4-10-83, No. 31)

Senior Citizens' Central Council of Calgary
(15-9-83, No. 25)

Simpsons-Sears Limited
(13-10-83, No. 34)

Social Planning Council of Metropolitan Toronto
(12-10-83, No. 33)

Sudbury Women's Action Committee on Pension Reform
(13-10-83, No. 34)

Toronto Transit Commission Pension Fund Society
(13-10-83, No. 34)

Towers, Perrin, Forster and Crosby
(16-6-83, No. 18)

TransAlta Utilities Corporation
(15-9-83, No. 25)

Union of New Brunswick Indians
(30-9-83, No. 30)

United Auto Workers
(12-10-83, No. 33)

Vancouver Board of Trade
(9-9-83, No. 23)

Vancouver Status of Women
(12-9-83, No. 24)

Western Women's Committee for Pension Reform
(16-9-83, No. 25)

York University Insurance Project
(18-10-83, No. 35)

YWCA (Winnipeg)
(6-10-83, No. 31)

APPENDIX B

Submissions

The Task Force received written material (articles, briefs, reports or letters) from the following groups and individuals:

Abbott, Lloyd K. - Moncton, N.B.

Abitibi - Price Inc. - Toronto, Ont.

ACTRA Fraternal Benefit Society - Toronto, Ont.

Adam, G.A. - Montreal, Que.

Advisory Council on the Status of Women - Halifax, N.S.

Air Transport Association of Canada - Ottawa, Ont.

Alberta Association of Registered Nurses - Edmonton, Alta.

Alberta Energy Company Limited - Edmonton, Alta.

Alberta Federation of Labour - Edmonton, Alta.

Alberta Restaurant & Foodservices Association - Edmonton, Alta.

Alcan Aluminium Limited - Montreal, Que.

Anderson, Kenneth A. - Lachine, Que.

Anderson, Max - Canning, N.S.

Arneaud, John D., M.D. - Halifax, N.S.

Arvida School Commission - Jonquière, Que.

Association de bienfaisance et de retraite des policiers de la Communauté urbaine de Montréal - Montreal, Que.

Association des femmes collaboratrices - St. Lambert, Que.

Association des fonctionnaires à la retraite du Québec Inc. - Quebec, Que.

Association féminine d'Éducation et d'Action sociale (AFEAS) - Montreal, Que.

Association of Canadian Pension Management - Toronto, Ont.

Association of Universities and Colleges of Canada - Ottawa, Ont.

Association québécoise pour la défense des droits des retraités et préretraités (AQDR) - Montreal, Que.

Atkinson, E.A. - Sault Ste. Marie, Ont.

Atrubin, H.M. - Kitchener, Ont.

Automotive Parts Manufacturers' Association of Canada - Toronto, Ont.

B.C. and Yukon Territory Building Construction Trades Council - Burnaby, B.C.

B.C. Federation of Labour - Burnaby, B.C.

B.C. Federation of Peace Officers - Vancouver, B.C.

B.C. Health Association - Vancouver, B.C.

B.C. Mainland CLU Chapter - Vancouver, B.C.

B.C. Teachers' Federation - Vancouver, B.C.

Ball, Christine - Halifax, N.S.

Ban, Olga - Montreal, Que.

Barnes, Leslie W.C.S. - Ottawa, Ont.

Barnes, Roy N. - Calgary, Alta.

Battram, R.A. - Kanata, Ont.

Bégin, Hon. Monique, Minister of National Health and Welfare - Ottawa, Ont.

Bell Canada - Montreal, Que.

Bennett, Norma - Forester Falls, Ont.

Bennett, Wayne - St. Catharines, Ont.

Bishop, Barbara - Barrie, Ont.

Bleiler, Mr. & Mrs. William J. - Kelowna, B.C.

Blondeau & Compagnie - Montreal, Que.

Blyth, John - Mississauga, Ont.

Board of Trade of Metropolitan Toronto - Toronto, Ont.

Boram, John - Richmond, B.C.

Bozzer, Lou - Timmins, Ont.

Brotherhood of Locomotive Engineers, Local 469 - Ottawa, Ont.

Burness, James N. - Lethbridge, Alta.

Burns Foods Limited - Calgary, Alta.

Business & Professional Women's Clubs of B.C. and Yukon - Victoria, B.C.

Business & Professional Women's Clubs of Ontario - Welland, Ont.

Business Committee on Pension Policy - Toronto, Ont.

Business Council on National Issues - Ottawa, Ont.

C.I.L. Inc. - North York, Ont.

Calgary Chamber of Commerce - Calgary, Alta.

Calgary Personnel Association - Calgary, Alta.

Calgary YWCA Social Issues Committee - Calgary, Alta.

Calla, E. - North Vancouver, B.C.

Calvert, G.N. - Sydney, B.C.

Campbell, E.W. - Vancouver, B.C.

Canadian Advisory Council on the Status of Women - Ottawa, Ont.

Canadian Air Line Employees Association - Mississauga, Ont.

Canadian Association of University Teachers - Ottawa, Ont.

Canadian Association on Gerontology - Winnipeg, Man.

Canadian Bankers' Association - Toronto, Ont.

Canadian Bar Association - Ottawa, Ont.

Canadian Bar Association (Ontario) - Toronto, Ont.

Canadian Chamber of Commerce - Ottawa, Ont.

Canadian Construction Association - Ottawa, Ont.

Canadian Co-operative Credit Society Limited - Islington, Ont.

Canadian Co-ordinating Committee on Multi-Employer Pension Plans - Ottawa, Ont.

Canadian Council of Financial Analysts - Toronto, Ont.

Canadian Council on Social Development - Ottawa, Ont.

Canadian Daily Newspaper Publishers Association - Toronto, Ont.

Canadian Dental Association - Toronto, Ont.

Canadian Federation of Agriculture - Ottawa, Ont.

Canadian Federation of Business and Professional Women's Clubs - Winnipeg, Man.

Canadian Federation of Independent Business - Willowdale, Ont.

Canadian Federation of Labour - Ottawa, Ont.

Canadian Federation of University Women - Nanaimo, B.C.

Canadian Home Economics Association - Ottawa, Ont.

Canadian Human Rights Commission - Ottawa, Ont.

Canadian Institute of Actuaries - Ottawa, Ont.

Canadian Institute of Chartered Accountants - Toronto, Ont.

Canadian Labour Congress - Ottawa, Ont.

Canadian Life and Health Insurance Association Inc. - Toronto, Ont.

Canadian Manufacturers' Association - Toronto, Ont.

Canadian Medical Association - Toronto, Ont.

Canadian National - Montreal, Que.

Canadian Nurses Association - Ottawa, Ont.

Canadian Organization of Small Business - Toronto, Ont.

Canadian Pacific - Montreal, Que.

Canadian Pacific Pioneers Association - Vancouver, B.C.

Canadian Paperworkers Union (CLC) - Montreal, Que.

Canadian Pension Conference - Toronto, Ont.

Canadian Pensioners Concerned Incorporated - Halifax, N.S.

Canadian Pensioners Concerned (Ontario Division) - Toronto, Ont.

Canadian Police Association - Toronto, Ont.

Canadian Pulp & Paper Association - Montreal, Que.

Canadian Railway Labour Association - Ottawa, Ont.

Canadian Railways Employees' Pension Association - Vancouver, B.C.

Canadian Research Institute for the Advancement of Women - Halifax, N.S.

Canadian Securities Industry - Toronto, Ont.

Canadian Teachers' Federation - Ottawa, Ont.

Canadian Union of Public Employees - Ottawa, Ont.

Canadian Union of Public Employees, Alberta Division - Calgary, Alta.

Canadian Union of Public Employees, B.C. Division - Burnaby, B.C.

Canadian Union of Public Employees, Manitoba Division - Winnipeg, Man.

Canadian Union of Public Employees, Ontario Division - Don Mills, Ont.

Canadian Utilities Limited - Edmonton, Alta.

Carpentry Workers' Pension Plan - Vancouver, B.C.

Carette, Jacques - Sillery, Que.

Caron, Lorraine - Willowdale, Ont.

Carr, J. - Thornhill, Ont.

Catholic Women's League of Canada - Winnipeg, Man.

Centrale de l'enseignement du Québec - Montreal, Que.

Centre des dirigeants d'entreprise - Montreal, Que.

Chamberlain, David - Edmonton, Alta.

Chambre de commerce du district de Montréal - Montreal, Que.

Charpentier, Jacques - Ste-Foy, Que.

Chepesuik, M.W. - Kelowna, B.C.

Cholette, Rita - Cornwall, Ont.

Chouinard, G. Léo - St-Hubert, Que.

Clark, R.M. , Professor, University of British Columbia - Vancouver, B.C.

Class, Eva - Kitchener, Ont.

Claxton, Kenneth - Parsons Pond, Nfld.

Co-operative Superannuation Society - Saskatoon, Sask.

Coalition pour une retraite décente - Montreal, Que.

Cominco Ltd - Vancouver, B.C.

Commission of Inquiry into Part-time Work (Labour Canada) - Delta, B.C.

Communist Party of Canada - Toronto, Ont.

Computing Devices Co. Employees Assoc. - Ottawa, Ont.

Confédération des syndicats nationaux - Montreal, Que.

Confederation of Canadian Unions - Toronto, Ont.

Conference Board of Canada - Ottawa, Ont.

Congress of Black Women of Canada - Regina, Sask.

Congress of Canadian Women (B.C. Chapter) - Vancouver, B.C.

Conseil du Patronat du Québec - Montreal, Que.

Consumers' Association of Canada - Ottawa, Ont.

Copeland, I.A. - Lloydminster, Sask.

Corner Brook Status of Women Council - Corner Brook, Nfld.

Coughlin, W.T. - Hampstead, Que.

Coulter, M. - Kingston, Ont.

Council of Senior Citizens' Organizations of B.C. - Vancouver, B.C.

Council on Aging - Ottawa, Ont.

Council on Pension Reform for Singles - Thornhill, Ont.

Cowan, Mr. & Mrs. Don - Parry Sound, Ont.

Coward, Laurence E. - Toronto, Ont.

Cowie, David R. - Lachine, Que.

Craik, Ernest - Kenora, Ont.

Daig, Doreen - Calgary, Alta.

Davis, Ivan L. - Cambridge, Ont.

Dene Nation - Yellowknife, N.W.T.

Desormeau, Ernest - Cochrane, Ont.

Devco Railway 1966 3-Percent Plan, Contributors to the - Glace Bay, N.S.

Dewar, Marion, Mayor - Ottawa, Ont.

Dofasco Inc. - Hamilton, Ont.

Dolabjian, Vartkes S. - Dollard des Ormeaux, Que.

Dow Chemical Canada Inc. - Sarnia, Ont.

Duval, Thérèse - Lac-Étchemin, Que.

Eaton's - Toronto, Ont.

Economic Council of Canada - Ottawa, Ont.

Economists' Sociologists' and Statisticians' Association - Ottawa, Ont.

Edmonton Chamber of Commerce - Edmonton, Alta.

Elders' Network, The - Vancouver, B.C.

Eldridge, D.S. - Mississauga, Ont.

Employers' Council of B.C. - Vancouver, B.C.

Erola, Hon. Judy, Minister responsible for the Status of Women - Ottawa, Ont.

Fallon, Rita - Rawdon, Que.

Fallon, Vera - Montreal, Que.

Farley, Albert L. - Kingston, Ont.

Federal PC Women's Caucus of Winnipeg - Winnipeg, Man.

Federal Superannuates National Association - Ottawa, Ont.

Federated Women's Institutes of Canada - Ottawa, Ont.

Fédération des associations de familles monoparentales du Québec - Montreal, Que.

Fédération des femmes du Québec - Montreal, Que.

Fédération des travailleurs du Québec - Montreal, Que.

Fédération nationale des retraités et citoyens âgés - Montreal, Que.

Federation of Engineering and Scientific Associations - Toronto, Ont.

Federation of Women Teachers' Associations of Ontario - Toronto, Ont.

Financial Executives Institute of Canada - Toronto, Ont.

Ford, Catherine D. - Willowdale, Ont.

Ford, J.A. - Moncton, N.B.

Forest Industrial Relations Limited - Vancouver, B.C.

Forman, Steve - Sudbury, Ont.

Fossey, John R. - Ville St-Pierre, Que.

Gabon, Steve J. - Mississauga, Ont.

Gander, Gillian - Toronto, Ont.

General Motors of Canada Limited - Oshawa, Ont.

Giuliani, Maureen - Toronto, Ont.

Gohen, Ralph - Port Hope, Ont.

Goulet, Edward - Sudbury, Ont.

Government of Alberta - Edmonton, Alta.

Government of British Columbia - Victoria, B.C.

Government of Manitoba - Winnipeg, Man.

Government of New Brunswick - Fredericton, N.B.

Government of Newfoundland - St. John's, Nfld.

Government of Ontario - Toronto, Ont.

Government of Prince Edward Island - Charlottetown, P.E.I.

Government of Quebec - Quebec, Que.

Government of Saskatchewan - Regina, Sask.

Government of the Northwest Territories - Yellowknife, N.W.T.

Government of Yukon - Whitehorse, Yukon

Greater Moncton Chamber of Commerce - Moncton, N.B.

Gretton, W.T. - Copper Cliff, Ont.

Groupe Sobeco Inc. - Montreal, Que.

Haddrell, C.T. - Abbotsford, B.C.

Haehling von Lanzenauer, Christoph, Professor, University of Western Ontario - London, Ont.

Hanwood, J.B. - Bramalea, Ont.

Harrison, Marguerite - Regina, Sask.

Hatfield, Hon. Richard, Premier of New Brunswick - Fredericton, N.B.

Haydu, S. - Mississauga, Ont.

Health and Welfare Canada - Ottawa, Ont.

Hearne, Frances - Sault Ste-Marie, Que.

Heise, E. - Wellesley, Ont.

Herbert, H.T., M.P. - Hudson, Que.

Heritage Group Inc., The - Waterloo, Ont.

Hillsdon, Gerda - Regina, Sask.

Hobson, Ven. G.E. - Toronto, Ont.

Holmes, J.I. - Lloydminster, Sask.

Hudson's Bay Co. - Toronto, Ont.

Hudyma, Leonard J. - Willowdale, Ont.

Huel, Georges - Outremont, Que.

Hunter, T.H. - Willowdale, Ont.

Hymmen, Edmond B. - Kelowna, B.C.

Imperial Oil Limited - Toronto, Ont.

Inco Limited - Toronto, Ont.

Index Now Advocacy Group - Nepean, Ont.

Innes-Taylor, Elizabeth - Whitehorse, Yukon

Ingeborg Elgaard, Florence - Vancouver, B.C.

International Association of Fire Fighters - Ottawa, Ont.

International Association of Machinists and Aerospace Workers - Ottawa, Ont.

International Woodworkers of America (IWA), Regional Council No. 1 - Vancouver, B.C.

Inter Pares - Ottawa, Ont.

IWA Senior Citizens Group - Vancouver, B.C.

Jakes, Howard - Kingston, Ont.

Johnston & Higgins Willis Faber Ltd - Toronto, Ont.

Joint Committee of Graphic Arts Multi-Employer Pension Trustees - Toronto, Ont.

Joy, Richard - Ottawa, Ont.

Killen, Lorna - Bracebridge, Ont.

Kirkby, Peter - Islington, Ont.

Kitchener and Waterloo Chambers of Commerce - Kitchener and Waterloo, Ont.

Knowlton Realty Ltd. - Calgary, Alta.

Kodak Canada Inc. - Toronto, Ont.

Kroeker, John - Ottawa, Ont.

Kroeker, Katherine - Winnipeg, Man.

Kuehn Financial Planning & Insurance Agency Ltd. - Ottawa, Ont.

Lacombe, D.V. - Moncton, N.B.

Laing, Crawford E., Ltd. - West Vancouver, B.C.

Landry, Mrs. J.C. - Ottawa, Ont.

Laurentian University School of Social Work - Sudbury, Ont.

Lazar, Harvey - Ottawa, Ont.

Leslie, Irene - Toronto, Ont.

Liberal Party of New Brunswick - Fredericton, N.B.

Library of Parliament, Research Branch - Ottawa, Ont.

Life Underwriters Association of Canada - Don Mills, Ont.

Logan, Donald - Winnipeg, Man.

Maclean Hunter Limited - Toronto, Ont.

MacMillan Bloedel Limited - Vancouver, B.C.

MacMillan, Keith - Thunder Bay, Ont.

Management and Professional Employees Society of B.C. Hydro - Vancouver, B.C.

Manitoba Action Committee on the Status of Women - Winnipeg, Man.

Manitoba Advisory Council on the Status of Women - Winnipeg, Man.

Manitoba Association on Gerontology - Winnipeg, Man.

Manitoba Federation of Labour - Winnipeg, Man.

Manitoba Health Organizations Inc. - Winnipeg, Man.

Manitoba Organization of Nurses' Associations - Winnipeg, Man.

Manson, June - Squamish, B.C.

Martin, Roberta - Trail, B.C.

Martin, Winnifred - Montreal, Que.

McGuigan, Isabella - Hamilton, Ont.

McKee, Gordon - North Vancouver, B.C.

McLaren, Linda - Ottawa, Ont.

McConkey, W.D. - Kitchener, Ont.

McMichael, Mike - Rexdale, Ont.

McWilliams, David - Windsor, Ont.

Mercer, William M., Limited - Toronto, Ont.

Mollicone, Ben - Vancouver, B.C.

Moncton and District Labour Council - Dieppe, N.B.

Montreal Board of Trade - Montreal, Que.

Montreal Council of Women - Montreal, Que.

Moody, Margaret - Exeter, Ont.

Morgan, Margaret - Niagara-on-the-Lake, Ont.

Morrow, Frank - Ottawa, Ont.

Moruzi, G.A. - Sudbury, Ont.

Multicultural Association of Fredericton Inc. - Fredericton, N.B.

Munro, B.N. - Edmonton, Alta.

Myles, Délina Ada - Tlell, B.C.

Nanaimo Council of Women - Nanaimo, B.C.

National Action Committee on the Status of Women - Toronto, Ont.

National Advisory Council on Aging - Ottawa, Ont.

National Anti-Poverty Organization - Ottawa, Ont.

National Association of Broadcast Employees and Technicians - Willowdale, Ont.

National Association of Women and the Law - Ottawa, Ont.

National Council of CN Pensioners Associations Inc. - Verdun, Que.

National Council of Women of Canada - Saskatoon, Sask.

National Farmers Union - Regina, Sask.

National Pensioners and Senior Citizens Federation - Windsor, Ont.

National Union of Provincial Government Employees - Ottawa, Ont.

National Women's Liberal Commission - Richmond, B.C.

Native Women's Association of the N.W.T. - Yellowknife, N.W.T.

Nayda, Marie - Toronto, Ont.

New Brunswick Advisory Council on the Status of Women - Moncton, N.B.

New Brunswick Federation of Labour - Moncton, N.B.

New Brunswick Telephone Company Limited - St. John's, N.B.

Newfoundland and Labrador Association for the Aging - St. John's, Nfld.

Nicholson, Aideen, M.P. - Toronto, Ont.

Nickson, May - Ottawa, Ont.

Nix, Irene - Bracebridge, Ont.

Norman, Phyllis - Sudbury, Ont.

North Eastern Ontario Senior Citizens Association - Sault Ste-Marie, Ont.

North Waterloo Society for Crippled Children - Kitchener, Ont.

Northern Retirees Association - Lasalle, Que.

Northern Telecom Canada Ltd - Islington, Ont.

Nova Corporation - Calgary, Alb.

Nova Scotia Federation of Labour - Halifax, N.S.

N.W.T. Public Service Association - Yellowknife, N.W.T.

O'Donnell, J. - North Vancouver, B.C.

Okanagan Women's Coalition - Vernon, B.C.

Old Age Pensioners' Organization - Mansons Landing, B.C.

Ontario Advisory Council on Senior Citizens - Toronto, Ont.

Ontario Association of Education Administrative Officials - Toronto, Ont.

Ontario Association of Professional Social Workers - Toronto, Ont.

Ontario Committee on the Status of Women - Toronto, Ont.

Ontario Council of Agencies Serving Immigrants (OCASI) - Ottawa, Ont.

Ontario Economic Council - Toronto, Ont.

Ontario Federation of Agriculture - Toronto, Ont.

Ontario Federation of Labour - Don Mills, Ont.

Ontario Municipal Electric Association - Toronto, Ont.

Ontario Municipal Personnel Association - Waterloo, Ont.

Ontario Municipal Retirees' Organization - Don Mills, Ont.

Ontario Nurses' Association - Toronto, Ont.

Ontario Status of Women Council - Toronto, Ont.

Ontario Teachers' Federation - Toronto, Ont.

Orr, B.E. - Lloydminster, Saskatchewan

Ottawa Business & Professional Women's Club - Ottawa, Ont.

Ottawa Womens' Lobby - Ottawa, Ont.

PanCanadian Petroleum Limited - Calgary, Alta.

Part-time Teachers of the Toronto Board of Education - Toronto, Ont.

Peapell, Philip L. - Halifax, N.S.

Peat, Marwick and Partners - Toronto, Ont.

P.E.I. Advisory Council on the Status of Women - Charlottetown, P.E.I.

Peever, Margaret - North Vancouver, B.C.

Penner, Keith, M.P. - Kapuskasing, Ont.

Pension Commission of Manitoba - Winnipeg, Man.

Pension Finance Associates - Toronto, Ont.

Pension Investment Association of Canada - Toronto, Ont.

Pension Reform Study Group (University Women's Club of Edmonton) - Edmonton, Alta.

Pesando, James E., Professor, University of Toronto - Toronto, Ont.

Pepsi-Cola Canada Ltd. - Toronto, Ont.

Pettit, Cliff - Calgary, Alta.

Pharmaceutical Manufacturers Association of Canada - Ottawa, Ont.

Pidgeon, John T. - Nepean, Ont.

Pittman, George H. - Willowdale, Ont.

Polish Combatants' Association in Canada - Islington, Ont.

Pollen, Amy - Vancouver, B.C.

Pollock-Post, Debra - Halifax, N.S.

Porter, Isabelle M. - Ottawa, Ont.

Post, J.R. - Nepean, Ont.

Pothier, Malcolm G. - Greenfield Park, Que.

Pratt & Whitney Canada Inc. - Longueuil, Que.

Prior, John G. - Vernon, B.C.

Privy Council Office (Task Force on Pensions) - Ottawa, Ont.

Professional Institute of the Public Service of Canada - Ottawa, Ont.

Provincial Advisory Council on the Status of Women - Newfoundland and Labrador - St. John's, Nfld.

Public Service Alliance of Canada - Ottawa, Ont.

Quebec Chamber of Commerce - Montreal, Que.

Quebec Federation of Senior Citizens - Montreal, Que

Quinn, Claudette - Astorville, Ont.

Rail Canada Traffic Controllers - Winnipeg, Man.

Reed Stenhouse Associates Limited - Toronto, Ont.

Regina Business and Professional Women's Club - Regina, Sask.

Regina, City of - Regina, Sask.

Regina Women's Network - Regina, Sask.

Registered Nurses' Association of Ontario - Toronto, Ont.

Reid, James D. - Tsawassen, B.C.

Retail Council of Canada - Toronto, Ont.

Retail Merchants Association - Scarborough, Ont.

Rhodes, Kathleen - Etobicoke, Ont.

Rogers, G.R. - Westhill, Ont.

Royal Bank of Canada - Montreal, Que.

Royal Trustco Limited - Toronto, Ont.

Salonius, Peter O. - Fredericton, N.B.

Sampaguita Senior Citizens Club - Agincourt, Ont.

Saskatchewan Coalition for Women's Pensions - Prince Albert, Sask.

Saskatchewan Federation of Labour, CLC - Regina, Sask.

Saskatchewan Government Employees' Union - Regina, Sask.

Saskatchewan Seniors' Association Inc. - Punnichy, Sask.

Saskatchewan Senior Citizens' "Action Now" Association - North Battleford, Sask.

Saskatchewan Wheat Pool - Regina, Sask.

Savage, Olive - Calgary, Alta.

Scheer, Robert - Princeton, B.C.

Schiano, Laura - North Bay, Ont.

Scott, D. - Chelmsford, Ont.

Scott, Mary Patricia - Markham, Ont.

Seltzer, John - Toronto, Ont.

Senior Citizens' Central Council of Calgary - Calgary, Alta.

Sestito, Belfiore - Vancouver, B.C.

Shepherd, J.B. - Halifax, N.S.

Shortreed, Robert G. - Toronto, Ont.

Shouldice, William - Mississauga, Ont.

Simpsons-Sears Limited - Toronto, Ont.

Slater, Rupert - Vancouver, B.C.

Smith Gooden, Dorothy - Salmon Arm, B.C.

Smith, Helen E. - Gore's Landing, Ont.

Social Planning Council of Metropolitan Toronto - Toronto, Ont.

Social Planning Council of Peel - Mississauga, Ont.

Southland Canada Inc. - Toronto, Ont.

Squires, John - Ottawa, Ont.

Standard Industries Limited - Toronto, Ont.

St. Andrews West Parish Catholic Women's League - St. Andrews, Ontario

Statistics Canada - Ottawa, Ont.

Status of Women Action Group - Victoria, B.C.

Steacy, G.L. - Glenburnie, Ontario

Stones, Sheila - North Bay, Ont.

Storie, Mrs. Alfred - Chatham, Ont.

Strange, Emerald - Winnipeg, Man.

Sudbury Business and Professional Women's Club - Sudbury, Ontario

Sudbury Community Legal Clinic - Sudbury, Ontario

Sudbury Federal New Democratic Party - Sudbury, Ontario

Sudbury Finnish Senior Citizens - Sudbury, Ontario

Sudbury Mine, Mill and Smelter Workers Union, Local 598 - Sudbury, Ontario

Sudbury Regional Senior Citizens Inc. - Sudbury, Ontario

Sudbury Women's Action Committee - Sudbury, Ont.

Sudbury Women's Action Group - Sudbury, Ont.

Sudbury Women's Centre - Sudbury, Ont.

Tait, Morris - Castleton, Ont.

Taylor-Lee, Mary - Eastman, Que.

Thériault, G. - Gloucester, Ont.

Thibodeau, Denise - Montreal, Que.

Thompson, C. - Sault Ste-Marie, Ont.

Thorne Riddell Chartered Accountants - Ottawa, Ont.

Thunder Bay Chamber of Commerce - Thunder Bay, Ont.

Tillinghast, Nelson & Warren, Inc. - Toronto, Ont.

Toronto Area Caucus of Women and the Law - Toronto, Ont.

Toronto Transit Commission Pension Fund Society Inc. - Toronto, Ont.

Towers, Perrin, Forster & Crosby - Toronto, Ont.

TransAlta Utilities Corporation - Calgary, Alta.

Tranter, Edward H. - Regina, Sask.

Trimble, John E. - Hamilton, Ont.

Trumbly, Doreen Joan - Windsor, Ont.

Trust Companies Association of Canada - Toronto, Ont.

U. & R. Tax Services - Winnipeg, Man.

UAW (International Union, United Automobile, Aerospace & Agricultural Implement Workers of America) - Willowdale, Ont.

UNIFARM - Edmonton, Alta.

Union of New Brunswick Indians - Fredericton, N.B.

Unitarian Church of Vancouver - Vancouver, B.C.

United Fishermen and Allied Workers' Union - Vancouver, B.C.

United Steelworkers of America, Local 6500 - Sudbury, Ont.

University of British Columbia Faculty Association - Vancouver, B.C.

University of Calgary, Status of Women Committee - Calgary, Ont.

University Women's Club of Etobicoke -Islington, Ont.

University Women's Club of North York - Don Mills, Ont.

University Women's Club of South Delta - Delta, B.C.

University Women's Club of Vancouver - Vancouver, B.C.

University Women's Club of Winnipeg - Winnipeg, Man.

Usvaltes, Joseph - Toronto, Ont.

Vancouver Board of Trade - Vancouver, B.C.

Vancouver Status of Women - Vancouver, B.C.

Venance, R.B. - Lloydminster, Sask.

Vickers, William F. - Carleton Place, Ont.

Victoria Labour Council - Victoria, B.C.

Wallis, Kathleen - London, Ont.

Warner, M. - Burnaby, B.C.

Weldon, J.C., Professor, McGill University - Montreal, Que.

Western Women's Committee for Pension Reform - Calgary, Alta.

William Hastings & Associates Ltd. - Toronto, Ont.

Wishart, Catherine - Western Ont.

Women & Pensions Committee - Thunder Bay, Ont.

Wong, M.K., & Associates Ltd - Vancouver, B.C.

York University Insurance Project - Downsview, Ont.

Young, Patricia - Calgary, Alta.

YWCA of Canada - Toronto, Ont.

YWCA of Halifax - Halifax, N.S.

YWCA of Metropolitan Toronto - Toronto, Ont.

YWCA of Winnipeg - Winnipeg, Man.

Zonta Club of Halifax - Halifax, N.S.

Zonta International, District IV, Area I - Cambridge, Ont.

UNIFARM - Edmonton, Alta.

Union of New Brunswick Indians - Fredericton, N.B.

Unitarian Church of Vancouver - Vancouver, B.C.

United Fishermen and Allied Workers' Union - Vancouver, B.C.

United Steelworkers of America, Local 6500 - Sudbury, Ont.

University of British Columbia Faculty Association - Vancouver, B.C.

University of Calgary, Status of Women Committee - Calgary, Alta.

University Women's Club of Etobicoke - Islington, Ont.

University Women's Club of North York - Don Mills, Ont.

University Women's Club of South Delta - Delta, B.C.

University Women's Club of Vancouver - Vancouver, B.C.

University Women's Club of Winnipeg - Winnipeg, Man.

Lavallée, Joseph - Toronto, Ont.

Vancouver Board of Trade - Vancouver, B.C.

Vancouver Status of Women - Vancouver, B.C.

Verstraet, R.B. - Lloydminster, Sask.

Vickers, William F. - Carleton Place, Ont.

Victoria Labour Council - Victoria, B.C.

Watts, Kathleen - London, Ont.

Warner, M. - Burnaby, B.C.

Weldon, M.L., Professor, McGill University - Montreal, Que.

Western Women's Committee on Pension Reform - Calgary, Alta.

William Jennings & Associates Ltd. - Toronto, Ont.

Wishart, Catherine - Wakefield, Que.

Women & Pensions Committee - Thunder Bay, Ont.

Wyatt, N.R. & Associates Ltd. - Vancouver, B.C.

York University Insurance Project - Downsview, Ont.

Young, Patricia - Calgary, Alta.

YWCA of Canada - Toronto, Ont.

YWCA of Halifax - Halifax, N.S.

YWCA of Metropolitan Toronto - Toronto, Ont.

YWCA of Winnipeg - Winnipeg, Man.

Zonta Club of Halifax - Halifax, N.S.

Zonta International, District IV, Area 1 - Cambridge, Ont.

APPENDIX C

Committee Staff

CENTRAL TEAM

Administration

from the Committees and Private Legislation Directorate

Audrey O'Brien, Clerk of the Task Force
Mary MacDougall, Travel Co-ordinator
Camille B. Garrett, Administrative Assistant
Jeannine Dumoulin, Secretary

from the Chairman's Office

Jennifer Parr, Special Assistant to the Task Force
Louise Blais, Secretary

Research

from the Parliamentary Centre for Foreign Affairs and Foreign Trade

A. R. Dobell, Study Director
Michael C. Wolfson, Research Associate

from the Research Branch of the Library of Parliament

Mildred J. Morton, Research Associate

from the Party Research Bureaus

Michael Hatfield, P.C. Research
Timothy I. Page, Liberal Research
Karen Stotsky, N.D.P. Research

OTHERS

from the Parliamentary Centre for Foreign Affairs and Foreign Trade

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APPENDIX D

Dissenting Opinion

Dissenting Opinion
by
Ted Miller, M.P.
(Nanaimo-Alberni)

What I like most of all about the Canada pension plan — about the two stage plan which we are now developing for Canadians in their years of retirement — is that we are trying to reach a position where we are providing pensions that are adequate. I do not suggest that the levels which will be achieved by combining the Canada pension plan, at its best, with old age security, at its present level, are really the last words in adequacy, but at least we are talking about pensions of quite a different order from that which seemed to be accepted a few years or decades ago. I hope that, having accepted the principle that retirement security should be on the basis of adequacy, we will go on improving that basis, finding ways and means of raising the levels of our pensions so that all Canadians can look forward to a retirement in decency and dignity.

—Stanley Knowles, M.P.
(Winnipeg North Centre)
House of Commons *Debates*,
November 9, 1964.

Introduction

Many elderly Canadians live in poverty. Many others suffer a significant decline in their living standards upon retirement and upon the death of a spouse. Without indexed pensions, Canadians grow progressively poorer throughout their retirement years as inflation erodes their incomes. Our pension system is failing our elderly.

The challenge facing the Parliamentary Task Force on Pension Reform was to chart the course of pension reform and to recommend ways of eliminating these conditions among the current and future elderly. The three widely accepted objectives of our pension system are:

- to ensure that Canadians are able to avoid serious disruptions in their standards of living upon retirement or upon the death of a retired spouse;

- to provide elderly Canadians with a reasonable, guaranteed minimum income; and

- to provide Canadians with pension opportunities and arrangements that are fair.

The recommendations in the report of the majority of the Task Force will not meet these objectives. In fact, the report neglects to compare the cumulative effect of its proposals with our retirement income goals. The reason is obvious; the comparison would be unfavourable.

After considering all the evidence presented to the Task Force, I believe that the only way to ensure universal access to adequate and equitable pensions is to expand the protection now offered by the Old Age Security (OAS) program and the Canada and Québec Pension Plans (C/QPP). The majority of the Task Force rejects this approach, but fails to produce recommendations that would secure universal access or ensure adequate and equitable pensions. Further, by giving insufficient consideration to our poorest elderly, most of whom are women, the majority fails to provide essential protection against poverty. For these reasons I must dissociate myself from the thrust of the majority report and reject many of its central recommendations.

The proposals that follow have stimulated a great deal of discussion during the prolonged debate on pension reform. Though clouded by technical points and actuarial disagreements, the debate is essentially a political one and turns on a basic question: are the elderly going to participate fully in Canada's prosperity? My answer is that they must. If this is to be so, I see no alternative to the proposals I am presenting.

Maintenance of Living Standards

For many of the current and future elderly, Old Age Security and the Canada or Québec Pension Plans will be the only sources of pension income to which they will have an earned entitlement. For people with average wages and salaries prior to retirement, these programs provide between 39% and 53% of pre-retirement earnings. Such levels of income replacement are significantly below those required to allow people with moderate and low earnings to maintain their standards of living in retirement. Witnesses appearing before the Task Force offered differing views as to the percentage of pre-retirement earnings that retirees need. Most agreed that 70% to 75% of pre-retirement earnings would be required to maintain living standards.

The pension reform debate has focused on the various means of closing the gap between what is currently available through OAS and the C/QPP, and the 75% 'replacement income' target. The majority of the Task Force has implied that occupational and individual pension plans can fill this gap, if changes are made to the regulations governing such plans. A minority of members has proposed that the gap be closed through mandatory private pension arrangements. The alternative is to increase C/QPP benefits.

I shall discuss each of these means. Before doing so, I should note that if people are ever to earn pension entitlements that will close the gap, they will have to have access to pension arrangements that provide

- coverage throughout their working lives;
- benefits that are related to earnings at or near retirement; and
- benefits that are indexed to the cost of living.

Occupational Pension Plans and Tax-Assisted Savings Plans

As a vehicle for closing the gap between entitlements under OAS and the C/QPP and a reasonable level of retirement income, occupational pension plans have a number of serious shortcomings:

- only half of men and fewer than one-third of women in the paid workforce are covered by such plans;
- when people change jobs, it is difficult to maintain coverage because of long vesting periods and the general lack of portability of such plans;
- benefits are rarely protected against inflation; and
- survivor benefits are most commonly available only on the condition that the plan member accepts a reduced level of retirement benefits.

The majority has recognized many of these weaknesses and has proposed changes to the regulations governing occupational pension plans that include constructive reforms, among them the following:

- the two-year vesting rule;
- partial inflation protection;
- full disclosure of information to plan participants;
- mandatory credit-splitting between spouses;
- mandatory survivor benefits;
- elimination of discriminatory treatment of women with respect to benefits; and
- access to pension coverage for part-time workers.

I am in substantial agreement with these recommendations; however, there remain several points that must be noted.

Occupational pension plans operating under the proposed regulations would still not provide the same measure of replacement income protection as is available with the C/QPP. The two-year vesting rule will still not match the instant vesting and nation-wide portability of the C/QPP. The proposed degree of inflation protection will still not match the full protection offered by the C/QPP.

Further, the regulatory reforms proposed may give rise to a desire on the part of employers to change fundamentally the nature of the pension programs they currently sponsor. The Task Force was warned of the possibility that some employers might simply terminate their plans or convert existing defined benefit plans to money purchase plans to avoid the financial effect of the regulatory changes. In either case, their employees would be less able to ensure that their pension entitlement would be sufficient to close the gap between OAS and C/QPP benefits and the retirement income target noted earlier.

The most distressing consequence of the regulatory reform proposals is that they will do little or nothing to increase the number of Canadians covered by occupational pension plans. There was no evidence before the Task Force that the substitution of a tax credit for a tax deduction would amount to anything more than nibbling at the periphery of a massive problem. Indeed, the majority has not even attempted to assess the effect of this recommendation on the longstanding coverage problem. Expansion will come only if it is made mandatory. As stated by a witness representing the insurance industry, "if we want to increase [coverage] by some major step forward, we believe it will have to be mandated". (8:16)*

If we look at past performance, we see that on the question of coverage the private sector has made little progress in many, many years. One witness pointed out that:

> If you take into account the improvement that has been made in the coverage of the private pension system since 1943, 40 years ago, and also look at the change in enrolment of public sector employees, you very soon become aware that most of the improvement — and this is over a 40-year period — that has occurred in this country, in terms of the coverage of the private pension plan, has been due almost entirely to public employment. The people who work for private employers are covered little more than they were 40 years ago. We began to have little hope — aside from some mandatory provision, which would accomplish something not much different from what we are proposing — very little hope for that private pension system. (33:52-53)

Mandatory Private Pensions

To solve the enormous problem of coverage, some members of the Task Force have proposed mandatory private pensions. Both business and labour witnesses agreed that mandatory private plans would have to be of the money purchase variety. When compared with an increase in C/QPP, these plans have several disadvantages:

- they fail to provide a specific percentage of pre-retirement earnings;
- they provide significantly different benefits to people with similar histories of earnings and pension contributions;
- it will be decades before they generate a significant level of benefits;
- currently available plans do not protect benefits fully against inflation;
- survivor benefits are available only if the plan member accepts a reduced retirement benefit;

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* References are to the Minutes of Proceedings and Evidence of the Special Committee on Pension Reform. 8:16 means that the quoted material can be found on page 16 of Issue Number 8.

- women now receive benefits lower than those men receive, given identical patterns of contributions; and

- even brief periods spent outside the paid labour force cause reduced benefits.

In view of the disadvantages, I cannot endorse mandatory private plans when the readily available alternative is to expand the C/QPP. Our objective of providing retirement incomes that will allow people to maintain their living standards in retirement need not be compromised to overcome the coverage problem. In addition, the 30 to 40-year lead time required to establish this system ignores the needs of a whole generation of Canadians.

The Canada and Québec Pension Plans

Virtually every member of the paid workforce with earnings from employment or self-employment is covered by the C/QPP. Vesting is immediate and the plans are fully portable throughout Canada. Benefits are determined in relation to the Average Industrial Wage (AIW) near retirement and are fully indexed to the Consumer Price Index (CPI) once they begin to be paid. Survivor benefits are paid without reduction in retirement benefits, and periods outside the paid labour force can be accommodated with no reduction in benefits. This latter feature will be enhanced by the proposed increase in the general drop-out provision. The major drawback of the C/QPP is that it is designed to replace only 25% of pre-retirement earnings.

Many witnesses, including those representing workers and women, recommended a doubling of C/QPP benefits to 50% of pre-retirement earnings up to the AIW. The increase would be phased in over the next few years, with contribution rates rising accordingly. This, together with an increase in OAS benefits, would ensure that low and middle income earners would be able to maintain their pre-retirement living standards. Others suggested a replacement rate of 40%, believing that, where available, occupational pension plans could make up the shortfall. The province of Manitoba has endorsed expansion of the C/QPP to 37½%, while the Canadian Council on Social Development has recommended 35%. I think the 50% target is preferable, but a slightly lower figure would go a long way toward the objective of income maintenance. Moreover, the C/QPP has the advantage of allowing this goal to be met quickly.

A majority of Task Force members rejects an increase in C/QPP benefits, but shows a peculiar ambivalence in doing so. The report observes that if occupational plans do not dramatically improve coverage, mandating of private plans or expansion of the C/QPP will be "irresistible". It recommends that the question of coverage be reviewed by another parliamentary committee in three years. Yet the majority sets no coverage targets against which the performance of occupational pensions will be judged. Private arrangements must improve coverage by some undefined measure, on pain of suffering through still another parliamentary committee's deliberations. With the possibility of C/QPP expansion still in the offing, the majority proceeds with other specific proposals. This approach is backward. Given the central role of the C/QPP in an interdependent pension system, it is logical first to address present and future expansion of general C/QPP benefits, then to decide what other changes may be required.

If coverage is not improved, low and middle income people will not have pensions that permit them to maintain their living standards in retirement. They will be forced to rely on income-tested programs. On the other hand, the dignity and security of the elderly will be enhanced if retirement incomes flow from earned entitlements. When asked about the relative merits of the GIS and the C/QPP, the representative of the National Anti-Poverty Organization explained to the Task Force:

> I think most of the people I come in contact with feel it is better to go to the CPP, because in that way, if you are working, at least you have something when you retire. I am working poor, but I do not mind paying into that; and if I have to pay more, that will not matter. I think a lot of those we are in contact with feel the same way. If you pay into the CPP, you do not mind paying into that, because when you finish, you will have something. (27:53)

A Reasonable Guaranteed Minimum Income

Everyone recognizes the need for a guaranteed income at or above the poverty line. Yet the present income guarantee is far from sufficient to ensure that every elderly couple and every elderly single person has the means to avoid poverty. Given the inadequacies of our pension system and the pressing needs of the elderly, we have no choice but to bring the combined benefits under Old Age Security and the income-tested Guaranteed Income Supplement up beyond an agreed measure of poverty. Unfortunately, the Task Force failed to settle the question of a reasonable measure of poverty among the elderly.

Old Age Security

Old Age Security is an earned entitlement, bought and paid for by the elderly of this country who have amassed the public assets and developed the economy that now generate an unprecedented level of wealth for Canadians. In return, the elderly participate in our relative prosperity through OAS. In 1964, OAS benefits represented 20% of the average income of working Canadians as measured by the Average Industrial Wage (AIW). They have slipped to about 14% of AIW. The majority report recognizes the need to raise OAS benefits to "restore the relationship that existed in 1967" but is reluctant to recommend a date for the increase. I recommend that OAS benefits be increased immediately by 25%, to roughly 17 % of AIW. OAS benefits must be fully indexed to wages if they are to continue their dual role of assisting to maintain living standards and protecting those without resources of their own.

Guaranteed Income Supplement

Some witnesses argued that poverty among the elderly might be eliminated by increasing the GIS. This apparently simple solution is not free from difficulty. A recipient's earned pension under the C/QPP or an occupational plan (but not OAS) is devalued substantially as GIS benefits are increased. This unfortunate result occurs because the GIS benefit is reduced by 50¢ for each dollar received from these or other sources. Under the newly proposed top-up, each dollar of other income would reduce GIS benefits by a full dollar. This may erode or eliminate the value of modest voluntary pension arrangements and C/QPP benefits of low and middle income earners. However, expanding the GIS, with its existing 50% tax-back provision, would increase significantly the already large proportion of elderly people now drawing income-tested GIS benefits.

The Guaranteed Income Supplement demonstrates the failure of our current pension system. As a representative of the Canadian Chamber of Commerce pointed out:

> In most countries it is considered that if the people on welfare benefits are more than 15% or 20% of the total old population there must be something wrong with your basic program. (9:27-28)

In Canada, over 50% of those over 65 receive income-tested benefits through full or partial GIS benefits. If pensions were adequate, there would be little need for the GIS. The majority fails to come to grips with this major problem which jeopardizes the future security of low and middle income Canadians.

Despite these serious concerns with the GIS as a major long-term feature of our pension system, the needs of the single elderly are so compelling that we must provide a top-up to the GIS immediately. If OAS benefits were increased as proposed, a smaller top-up would be required.

The figure selected by the majority ($102 per month) is both arbitrary and meagre. It does not reflect any recognizable measure of poverty. Our country has the resources to make adequate provision for the elderly. What we lack is commitment among our leaders. To say, as the government has said, that benefits will rise "when resources permit", is simply not good enough. One witness before the Task Force put the point succinctly:

> Unless. . .pensioners are given first priority, resources will never "permit" for them. (4:12)

People Under 65

During the course of its hearings, the Task Force received submissions discussing the plight of people, largely between the ages of 55 and 64, who are ineligible for benefits under any public pension program. Though we had neither the mandate nor the time to examine the particular needs of this group, there was concern among witnesses and Task Force members that many people under 65 face severe hardships with little support from public sources. The problems frequently include:

- ineligibility for any sort of public pension benefits;
- long or frequent periods of unemployment;
- great difficulty in securing gainful employment;
- poor job skills and low pay;
- the death of a spouse;
- marital breakup; and
- ill health.

Unlike their counterparts over 65, unemployment insurance and provincial welfare may be the only resources available to them. Aside from the positive proposal to make CPP benefits available at age 60, the Task Force recommendations will benefit only a small and arbitrarily defined subgroup — widows and widowers between the ages of 60 and 64. In fact the problems afflicting widows and widowers often beset other people of this age.

I recommend that federal government begin immediately to examine ways of meeting the needs of this group through expanded general public programs, such as OAS and the C/QPP, that will be available at age 60 at the option of the retiree. Further, the federal and provincial governments ought to conduct a thorough study of the needs of those aged 55 and over, including consideration of a guaranteed annual income and how it might best be implemented.

Women and Pensions

Throughout the long debate on pension reform, if there has been one issue on which all those involved have agreed, it is that special attention must be given to the problems facing women in Canada's retirement income system.

Canada and Québec Pension Plans

The Task Force received briefs and heard representations from a number of national women's organizations. There was no disagreement on what these groups believe to be the most important issue regarding women's pension needs. We were told by the National Action Committee on the Status of Women that:

> For the future elderly women, the most important reform would be the expansion of the Canada Pension Plan, so that those who are in the labour force can have adequate benefits when they get to the age of 65. (5:10)

The *Fédération des Femmes du Québec* said in evidence that:

> The most important reform for women and for men is to expand the Canada and Quebec Pension Plans to double them. . .Any of the other amendments will improve the situation of women relative to men but they will still be poor, because the Canada Pension Plan is inadequate now. It does not allow anybody to replace sufficient pre-retirement income. (9:48-49)

This was also the view of the Canadian Advisory Council on the Status of Women. I find it completely unacceptable that the majority report ignores the virtually unanimous recommendation of the representatives of Canadian women.

The Task Force is well aware that the majority of adult women are now in the workforce and that more than two-thirds of all women in the prime age group (ages 25 to 44) work outside their homes. Close to 80% of these women have full-time jobs. I reject the suggestion advanced in the majority report that simply by switching a tax deduction to a tax credit the Task Force has discharged its responsibility to address the retirement income needs of women.

More than two-thirds of women in the workforce do not have access to employer-sponsored pensions. Recommendations to improve portability, to provide indexing and to ensure the use of non-discriminatory mortality tables will thus have little effect for most women. The vast majority of women workers have to rely on public pensions alone for their retirement income needs. Without an expansion of the C/QPP, the pension income received by a woman worker with a full-time job (whose earnings average about three-quarters of the AIW), will replace less than 44% of her pre-retirement earnings.

The majority report points out that the current pension system provides high replacement ratios for lower and lower-middle income families. For families with only one earner, this may well be so. Since both spouses receive the OAS (equal to 14% of the AIW), a one-earner couple where the earnings of one spouse averaged at the AIW would receive pensions from the public system (not including GIS) replacing approximately 53% of their pre-retirement earnings.

One-Earner Couple Supplement ("Homemaker Pension")

Having rejected an increase in C/QPP benefits, on which most women's groups were agreed, the majority of the Task Force recommended a "homemaker pension", a proposal on which women's groups were sharply divided. What the majority report refers to as a "homemaker pension" is in fact nothing of the sort. It is a supplementary benefit primarily for couples with only one earner. Since the majority report recommends that all C/QPP pension credits be shared equally between the spouses when they both reach retirement age (a recommendation that I support fully), any benefit given to a spouse who does not participate in the workforce would be shared between both spouses. The "homemaker pension" is therefore, in effect, an additional bonus to one-earner couples and not a pension for the homemaker "in her own name".

Although the majority report presents no clear rationale for providing further benefits from the public pension system for one-earner couples, one can assume that the basis for the recommendation is the argument that homemakers perform valuable work that should entitle them to a pension. While I concur with the view that homemaking services have an economic value, I believe they have a value regardless of who performs the service. Homemaking services may be provided by a spouse who does not participate in the workforce, or by a spouse who works as a homemaker in addition to her or his full-time employment in the paid labour force, or they may be shared between husband and wife where both spouses are also engaged in paid employment. There is no logic in the proposition that only those who do not participate in the paid workforce should receive a special pension and public subsidy because they are presumed to be providing homemaking services.

The majority report recognizes that the "homemaker" proposal introduces benefits that are not related to earnings but concludes that these benefits can be grafted successfully onto the C/QPP. This approach appears to be inconsistent with that of the succeeding section entitled "Native People". The section notes that elders who have spent most of their working lives outside the cash economy enter it in their retirement years. As the majority report points out, "they have no formal attachment to the labour force and no record of cash earnings". The majority concludes that an "earnings-related pension plan is evidently a poor vehicle for providing retirement income for people increasingly forced into a cash economy for support". (page 33)

I cannot accept the assumption in the majority report that the contributions of homemakers who are also in the labour force will be recognized by providing a C/QPP benefit top-up for all those earning less than half the yearly maximum pensionable earnings (YMPE). The majority of women in the workforce have full-time jobs and most of them earn more than half the YMPE. It is widely acknowledged that most of these women also have to provide homemaking services for their families as well as contribute to family income through full-time paid employment. I cannot accept the assumption of the majority that the homemaking these women do has no value. Nor can I agree with statements in the report implying that because some of these women may be able to claim tax deductions for child care expenses for brief periods during their working lives, we are somehow relieved of any obligation to provide them with adequate pension protection.

I believe that the proposal to favour one-earner couples by giving them additional benefits would create serious inequities. For example, under the proposals in the majority report, a two-earner couple with an income equivalent to the YMPE would not qualify for a "homemaker pension" if each spouse earned one-half the YMPE. Yet a one-earner couple with the same income would be entitled to this additional benefit. As a result, the pension benefits of the one-earner couple would be higher than those of the two-earner couple. And since all benefits are to be shared equally between the spouses, the surviving spouse of the two-earner couple would receive lower benefits than the surviving spouse of the one-earner couple, even though both couples had the same pre-retirement earnings.

I see no justification for this kind of inequity. I must therefore reject the proposal that special benefits be paid to one-earner couples and to those who earn less than half the YMPE under the guise of a "homemaker pension".

I do not accept the implicit assumption of the majority report that there is something akin to an employee/employer relationship between a homemaker and her or his family. It is my belief that homemakers should be treated as full and equal contributors to the marriage partnership. The contribution of every homemaker would be recognized by providing for all C/QPP pension credits to be divided equally between the spouses when they have both reached retirement age, on divorce or at separation. This proposal would provide a full-time homemaker with a pension in her or his own name without making invidious distinctions between full-time homemakers and others who provide homemaking services.

I must emphasize that the reforms I have already advocated (that is, an increase in OAS benefits to a level equivalent to 17½% of the AIW, and an expansion of the C/QPP to 50% of covered earnings), when combined with credit-splitting, will have a profound effect on homemakers who never enter the paid labour force. The combined effect of these reforms was outlined in the brief presented to the Task Force by the Equality of Opportunity and Treatment of Women Workers Committee of the Canadian Labour Congress. As noted there:

- full-time homemakers will be guaranteed an indexed income above the poverty line;
- if their spouse was a middle or low earner, they will be guaranteed that their standard of living will be maintained when their spouse moves from work to retirement;
- they will be guaranteed that their standard of living will be maintained when their spouse dies;
- they will be provided with C/QPP retirement benefits in their own names at age 65; and
- they will be guaranteed equal treatment with their spouses no matter which one dies first.

Most important, I believe that the reforms I advocate will address the needs not only of women who remain outside the paid labour force, but of all Canadian women. The majority of adult women in this country are now in the workforce. Unless these women get better pensions, the majority of Canadian women will continue to end their days in poverty. One prophetic submission warned:

> It would be pitiful if a homemaker proposal was adopted and then used as an excuse for not increasing C/QPP benefits. As a way of dealing with the pension problems of women this would amount to designing a program for the future based on a caricature of women's status in the past. (Equality of Opportunity and Treatment of Women Workers Committee, Canadian Labour Congress, *Brief to the Task Force*)

In my opinion, this is exactly what the majority has done.

Survivor Benefits

Having adopted the one-earner couple supplement ("homemaker pension") proposal, the majority report goes on to argue that C/QPP benefits to survivors over the age of 65 need not be increased to the degree proposed in the federal government's Green Paper, *Better Pensions for Canadians*. The Green Paper had proposed a survivor benefit of 60% over and above the pension entitlement arising after splitting the C/QPP credits. This would provide the survivor with 80% of the C/QPP income that had flowed into the household prior to the death of the other spouse. The majority of the Task Force has suggested that with the adoption of the one-earner couple supplement and credit-splitting, the survivor benefit could be reduced from 60% to 30%. The majority's proposal would provide a surviving spouse with 65% of the C/QPP income that had flowed into the household prior to the death of the first spouse.

I strongly disagree with the position taken by the majority of the Task Force on the level of C/QPP benefits that should be provided to survivors over the age of 65. Survivor benefits should ensure that the surviving spouse is able to maintain her or his standard of living. Witnesses suggested that if this objective is to be met, a surviving spouse would have to have between 60% and 70% of the income of the couple. While the majority's recommendation might appear to fall within this range, it overlooks a very important point: when the first spouse dies, the OAS benefits flowing into the household are cut by half. To maintain living standards, the Green Paper proposal is far more reasonable than that of the majority of the Task Force. Further, because the one-earner couple supplement proposal applies to only a portion of the population, it is a poor basis for deciding what should be done with the survivor benefit.

Pension Financing

Pension financing, and particularly C/QPP financing, is discussed in chapters 2 and 4 of the majority report. I need only touch on a few points here.

First, the C/QPP is financially sound. As is stated in Chapter 4, "[t]he claim of young Canadians on future C/QPP benefit payments is not in jeopardy". Eventually the contribution rate will have to rise, but this was well understood at the time the plan was established. If benefit rates were to double, as I have proposed, and if the most pessimistic projections about birth rates were to materialize, the plan would remain financially sound, and contributions would remain at levels comparable to those currently being paid to support public pension systems in other industrialized countries. What is frequently forgotten is that while an aging population pays more to support the elderly, fewer private and public resources are required to support the young. Further, while it is possible to make 20 to 30-year projections with some degree of confidence, projections of C/QPP contribution rates extending 50 years and beyond are highly unreliable.

One stated reason for not wanting to increase C/QPP benefits and contributions was that this would increase 'non-wage labour costs'. But because expansion in occupational pension plans would have the same effect on 'non-wage labour costs' the argument boils down to a rejection of any sort of meaningful pension reform. In any case, the cost of pensions is taken into considerations when wages and salaries are determined and is thus reflected in lower rates of pay. Ultimately the burden of pension financing is borne primarily by employees.

By ignoring the lessons of chapters 2 and 4, the majority is free to wring its hands and worry about the commitment, or lack of it, that future generations may show toward universal public pensions. In exchange for higher contribution rates, they will be entitled to security at retirement. A willingness to pay more now in return for adequate future pensions was apparent as witness after witness testified before the Task Force.

There is a direct relationship between the quality and cost of a pension system. If we are to meet our goals of adequacy and equity, we must be prepared to allocate sufficient private and public resources. As a greater proportion of our population reaches retirement age, retirees will be entitled to a greater share of national income. The proposals I have set out are affordable under current economic conditions; and, as the Economic Council of Canada indicated to the Task Force, they will not compromise our future prosperity. (3:15)

Conclusion

I am deeply disappointed with the report by the majority of the Task Force. Our challenge was to recommend proposals to secure adequate pensions for the current and future elderly. I believe the report of the majority contributes little to the cause.

Others will feel anger and frustration. Though a variety of groups submitted comprehensive and carefully prepared briefs dealing with the adequacy and affordability of pensions, the majority listened only to the appeals of business. This is reflected in their recommendations. The central proposal of representatives of women, labour, retirees and the poor was the general expansion of public pension benefits, primarily the C/QPP. The Task Force ought to have given greater consideration to the representations of those who will be most directly affected by its decision not to expand the C/QPP — low and middle income people.

Pensions are long-term financial plans. Unfortunately, the recommendations of the majority were heavily influenced by the current economic recession and the current fiscal difficulties of the federal government. This precluded proper consideration of the fundamental question — the long-term distribution of income between the retired population and younger generations.

My recommendations provide the basis for adequate, equitable and affordable pension arrangements. They are technically sound and may be implemented with relative ease. All that is absent is the political will.

A copy of the relevant Minutes of Proceedings and Evidence (*Issue 38*) is tabled.

Respectfully submitted,

Douglas C. Frith
Chairman

MINUTES OF PROCEEDINGS

TUESDAY, OCTOBER 25, 1983
(88)

The Special Committee on Pension Reform met *in camera* at 9:07 o'clock a.m. this day, at Mont Ste-Marie, Québec, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Mr. Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee proceeded to consider a draft report.

At 12:30 o'clock p.m., the Committee adjourned to 2:30 o'clock p.m., this day.

AFTERNOON SITTING
(89)

The Special Committee on Pension Reform met *in camera* at 2:35 o'clock p.m. this day, at Mont Ste-Marie, Québec, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Mr. Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

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The Committee resumed consideration of a draft report.

At 7:05 o'clock p.m., the Committee adjourned to the call of the Chair.

WEDNESDAY, OCTOBER 26, 1983
(90)

The Special Committee on Pension Reform met *in camera* at 9:10 o'clock a.m. this day, at Mont Ste-Marie, Québec, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 1:20 o'clock p.m., the Committee adjourned to 2:30 o'clock p.m., this day.

AFTERNOON SITTING
(91)

The Special Committee on Pension Reform met *in camera* at 2:30 o'clock p.m. this day, at Mont Ste-Marie, Québec, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 6:30 o'clock p.m., the Committee adjourned to the call of the Chair.

THURSDAY, OCTOBER 27, 1983
(92)

The Special Committee on Pension Reform met *in camera* at 9:10 o'clock a.m. this day, at Mont Ste-Marie, Québec, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 1:20 o'clock p.m., the Committee adjourned to 2:30 o'clock p.m., this day.

AFTERNOON SITTING
(93)

The Special Committee on Pension Reform met *in camera* at 2:40 o'clock p.m. this day, at Mont Ste-Marie, Québec, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 5:43 o'clock p.m., the Committee adjourned to the call of the Chair.

(94)

The Special Committee on Pension Reform met *in camera* at 10:07 o'clock a.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, Research Associate; M. Hatfield, P.C. Research; T. Page, Liberal Party Research.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 11:05 o'clock a.m., the Committee adjourned to 2:00 o'clock p.m., this day.

AFTERNOON SITTING

(95)

The Special Committee on Pension Reform met *in camera* at 2:05 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, Research Associate; M. Hatfield, P.C. Research; T. Page, Liberal Party Research.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 6:00 o'clock p.m., the Committee adjourned to the call of the Chair.

TUESDAY, NOVEMBER 1, 1983
(96)

The Special Committee on Pension Reform met *in camera* at 2:15 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 5:20 o'clock p.m., the Committee adjourned to the call of the Chair.

WEDNESDAY, NOVEMBER 2, 1983
(97)

The Special Committee on Pension Reform met *in camera* at 9:50 o'clock a.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 12:35 o'clock p.m., the Committee adjourned to 2:00 o'clock p.m., this day.

AFTERNOON SITTING
(98)

The Special Committee on Pension Reform met *in camera* at 2:15 o'clock p.m. this day, the Vice-Chairman, Mr. Vince Dantzer, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant; Yves Guérard, Pouliot, Guérard, Consultant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

Mr. Guérard made comments and answered questions.

At 5:30 o'clock p.m., the Committee adjourned to the call of the Chair.

(99)

The Special Committee on Pension Reform met *in camera* at 9:30 o'clock a.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 12:45 o'clock p.m., the Committee adjourned to 2:00 o'clock p.m., this day.

AFTERNOON SITTING

(100)

The Special Committee on Pension Reform met *in camera* at 2:15 o'clock p.m. this day, the Vice-Chairman, Mr. Vince Dantzer, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Reid (*St. Catharines*) and Weatherhead.

In attendance: A.R. Dobell, Study Director; M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 3:55 o'clock p.m., the Committee adjourned to the call of the Chair.

TUESDAY, NOVEMBER 15, 1983
(101)

The Special Committee on Pension Reform met *in camera* at 10:05 o'clock a.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Desmarais, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; H. Blakeney, N.D.P. Research; J. Parr, Special Assistant; A. Wohlfarth, Consultant; K.J. Randle, Editor.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

On motion of Mr. Miller, it was agreed,—That the Committee authorize the Chairman to sign a contract with Kathryn J. Randle, Editor/Researcher to act as editor of the English text of the report to the House.

At 12:35 o'clock p.m., the Committee adjourned until 2:00 o'clock p.m., this day.

AFTERNOON SITTING
(102)

The Special Committee on Pension Reform met *in camera* at 2:20 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Desmarais, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; H. Blakeney, N.D.P. Research; J. Parr, Special Assistant; A. Wohlfarth, Consultant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

Mr. Wohlfarth made comments and answered questions. Discussion continued.

At 5:50 o'clock p.m., the Committee adjourned until 7:15 o'clock p.m., this day.

EVENING SITTING
(103)

The Special Committee on Pension Reform met *in camera* at 7:30 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Mr. Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 10:00 o'clock p.m., the Committee adjourned to the call of the Chair.

WEDNESDAY, NOVEMBER 16, 1983
(104)

The Special Committee on Pension Reform met *in camera* at 9:25 o'clock a.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Mr. Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; T. Page, Liberal Party Research; H. Blakeney, N.D.P. Research; J. Parr, Special Assistant; Y. Guérard, Pouliot, Guérard, Consultant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

Mr. Guérard made comments and answered questions.

At 12:20 o'clock p.m., the Committee adjourned until 4:00 o'clock p.m., this day.

AFTERNOON SITTING
(105)

The Special Committee on Pension Reform met *in camera* at 4:10 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research: J. Parr, Special Assistant; Y. Guérard, Pouliot, Guérard, Consultant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

Mr. Guérard made comments and answered questions.

At 7:25 o'clock p.m., the Committee adjourned to the call of the Chair.

THURSDAY, NOVEMBER 17, 1983
(106)

The Special Committee on Pension Reform met *in camera* at 10:30 o'clock a.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Desmarais, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. Miller, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

On motion of Miss MacDonald, it was agreed,—That a statement of dissent submitted by Mr. Miller be printed as an appendix to the Committee's report.

At 12:35 o'clock p.m., the Committee adjourned until 2:00 o'clock p.m., this day.

AFTERNOON SITTING
(107)

The Special Committee on Pension Reform met *in camera* at 2:25 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Desmarais, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 6:00 o'clock p.m., the Committee adjourned until 7:00 o'clock p.m., this day.

EVENING SITTING
(108)

The Special Committee on Pension Reform met *in camera* at 7:20 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Desmarais, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 9:15 o'clock p.m., the Committee adjourned to the call of the Chair.

TUESDAY, NOVEMBER 22, 1983
(109)

The Special Committee on Pension Reform met *in camera* at 3:25 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Desmarais, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant; K.J. Randle, Editor.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

On motion of Mr. Desmarais, it was agreed,—That the Chairman be authorized to hire and to direct Banfield-Seguin Ltd. to design and produce camera-ready artwork for the cover of the report to the House.

On motion of Miss MacDonald, it was agreed,—That the Committee meet at 9:30 o'clock a.m., Wednesday, November 23, to continue consideration of the draft report.

At 5:20 o'clock p.m., the Committee adjourned to the call of the Chair.

WEDNESDAY, NOVEMBER 23, 1983
(110)

The Special Committee on Pension Reform met *in camera* at 9:45 o'clock a.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Desmarais, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant; K.J. Randle, Editor.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

At 12:30 o'clock p.m., the Committee adjourned until 2:00 o'clock p.m., this day.

AFTERNOON SITTING
(111)

The Special Committee on Pension Reform met *in camera* at 2:10 o'clock p.m. this day, the Chairman, Mr. Douglas Frith, presiding.

Members of the Committee present: Messrs. Dantzer, Desmarais, Frith, Mrs. Killens, Miss MacDonald (*Kingston and the Islands*), Messrs. MacLellan, Reid (*St. Catharines*) and Weatherhead.

In attendance: M.J. Morton, M.C. Wolfson, Research Associates; M. Hatfield, P.C. Research; T. Page, Liberal Party Research; J. Parr, Special Assistant; K.J. Randle, Editor.

The Committee resumed consideration of its Order of Reference dated Tuesday, March 1, 1983 relating to proposals for the reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". (*See Minutes of Proceedings, Thursday, March 17, 1983, Issue No. 1.*)

The Committee resumed consideration of a draft report.

On motion of Miss MacDonald, it was agreed,—That the report of the Task Force, as amended, be adopted.

On motion of Mrs. Killens, it was agreed,—That the Task Force's report to the House be printed in separate English and French versions.

On motion of Mr. Reid, it was agreed,—That 15,000 copies and the English version and 3,000 copies of the French version of the report be printed.

On motion of Mr. Weatherhead, it was agreed,—That a formal lock-up for the media be organized on the day of tabling, prior to tabling, where Members can highlight elements in the report and officials can be on hand for background briefing and that a press release, with the summary of recommendations be prepared for distribution on the day of the tabling.

On motion of Mr. MacLellan, it was ordered,—That the Chairman present the report to the House when the printed copies in both official languages are available.

In accordance with a motion of the Committee on September 20, 1983, it was ordered, — That the Chairman present to the House as soon as possible the Second Report which is as follows:

The Special Committee on Pension Reform has the honour to present its

SECOND REPORT

In accordance with its Order of Reference of Tuesday, March 1, 1983, your Committee has examined the proposals for reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". Your Committee has completed its public hearings on the subject and is completing its report to the House.

Since it appears that the report will not be ready for tabling before the end of the First Session of this Parliament, your Committee has therefore decided to report back the evidence it has gathered to date and to request that it be reconstituted as soon as possible in the next Session. So that we can take up our work from the same stage in our inquiry, we would ask that, when the Parliamentary Task Force on Pension Reform is reconstituted, it be with the same membership, the same Order of Reference and that the evidence adduced be referred back to the Committee for its continued consideration.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues 1 through 37 inclusive*) is tabled.

At 6:00 o'clock p.m., the Committee adjourned to the call of the Chair.

Audrey O'Brien
Clerk of the Committee

[illegible] of Mr. [illegible] it was agreed,—That a formal lock-up for the media [illegible] on the day of tabling [illegible], where Members can highlight elements [illegible] officials can be on hand for [illegible] briefing and that a press release, [illegible] recommendations be prepared for distribution on the day of the tabling.

[illegible] of Mr. MacLellan, it was agreed,—That the Chairman present the report [illegible] when the printed copies in both official languages are available.

In accordance with a motion of [illegible] on September 28, 198[illegible], it was ordered,—That the Chairman present to the House as soon as possible the Second Report which is as follows:

The Special Committee on Pension Reform has the honour to present its

SECOND REPORT

In accordance with its Order of Reference of Tuesday, March 1, 1983, your Committee has examined the proposals for reform of the Canadian retirement income system contained in the Government of Canada's paper "Better Pensions for Canadians". Your Committee has completed its public hearings on the subject and is completing its report to the House.

[illegible] that the report will not be ready for tabling before the end of the First Session of this Parliament, your Committee has therefore decided to report back the evidence it has gathered to date and to request that it be reconstituted as soon as possible in the next Session. So that we can take up our work from the same stage in our inquiry, we would ask that when the Parliamentary Task Force on Pension Reform is reconstituted, it be with the same membership, the same Order of Reference and that the evidence adduced be referred back to the Committee for its continued consideration.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues 1 through 37 inclusive*) is tabled.

At [illegible] p.m., the Committee adjourned to the call of the Chair.

Audrey O'Brien

Clerk of the Committee