ONTARIO REPORT ON PUBLIC CONSULTATIONS ON THE CANADA PENSION PLAN

June 27, 1996

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Ontario

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June 1996

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The Honourable Ernie Eves, Q.C.
Minister of Finance
Frost Building South, 7th Floor
7 Queen's Park Crescent
Toronto ON M7A 1Y7

Dear Minister:

In response to your request for consultations with Ontarians on the future of the Canada Pension Plan, we have held two weeks of public meetings across Ontario. In Toronto, Hamilton and Thunder Bay, consultations were undertaken jointly with federal representatives, and in seven Ontario communities - Port Colborne, London, Windsor, Sudbury, Barrie, Peterborough and Kingston - we conducted Ontario-only sessions.

We are pleased to submit our report reflecting what Ontarians told us during the consultation process.

Yours sincerely,

Ed Doyle	Tim Hudak
MPP	MPP
Wentworth East	Niagara South

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INTRODUCTION

The Canada Pension Plan (CPP) is in crisis. When the CPP was established 30 years ago, it was intended to help provide working Canadians and their families with income for retirement, and with financial assistance in the event of the death or disablement of a contributor. But in recent years, liabilities have outstripped the capacity of the Plan's funding arrangements. Liabilities will continue to escalate as the baby-boom generation starts to retire in about fifteen years.

In February, the federal, provincial and territorial governments, as joint stewards of the Plan, launched a process to consult Canadians about how to ensure the sustainability of the CPP for current and future generations. Together they released *An Information Paper for Consultations on the Canada Pension Plan* which identifies the challenges facing the CPP and presents options for change. This paper was used as the basis for a series of public consultation hearings held jointly by the federal, provincial and territorial governments across the country. Two Ontario Members of Provincial Parliament , Tim Hudak who represents Niagara South and Ed Doyle who represents Wentworth East were part of the federal-provincial consultation panel that held hearings in Toronto, Hamilton and Thunder Bay.

This government believes that the CPP is of the greatest importance to Ontarians, and that the people of this province have a lot to say about how to improve our public pension plan. So Ontario decided to hold its own hearings in communities across the Province.

During the last two weeks of April, an Ontario panel made up of the two MPPs who participated in the federal-provincial consultations held hearings in Port Colborne, London, Windsor, Sudbury, Barrie, Peterborough and Kingston.

Throughout the consultation process, the panel encouraged the broadest possible participation. Local and provincial media were made aware of the hearings, and a toll-free line was set up through which people seeking information, wanting to make a presentation to the committee, or wishing to register their views on CPP reform could communicate with the Ontario government. A home page on the Internet was also established.

The interests and opinions expressed to the panel represented a broad cross-section of Ontario society. The panel heard from current pensioners who were concerned about changes to the Plan and from young people who were worried about whether the CPP would be there for them when they reached retirement age. It also heard from business groups, labour groups, groups representing disabled people, and many individual Ontarians.

The presenters shared many valuable ideas on how to reform the Canada Pension Plan. This report summarizes what the Ontario panel heard from the people of this Province. This information will help to guide the two levels of government as they wrestle with the reform of this important part of Canada's social fabric.

BACKGROUND

The CPP was designed with a financing arrangement that established contributions from current employees and employers as the major source of funding for benefits of current pensioners. When the plan was set up, an investment fund was established equivalent to about two years of benefits. This fund generates investment earnings. The CPP's financial condition is revealed by actuarial reports on the Plan, prepared at least once every three years. The most recent actuarial report was released early in 1995, and summarized the Plan's financial condition as at December 31, 1993.

The 1995 Report states that the CPP's finances will be exhausted by the end of 2015 if the existing level of scheduled contribution rates is not increased and benefits are left unchanged. To maintain the value of the CPP's investment fund at two years' worth of benefit payouts, the Report concludes that contribution rates will have to reach 11.8 per cent by 2016 (rather than the scheduled 10.1 per cent). With the present financing arrangements rates would continue to increase, and by 2030 the contribution rate could be over 14 per cent.

The CPP's investment fund has about $40 billion, which is less than 7 per cent of the $596 billion required to pay benefits already earned -- leaving the Plan with an unfunded liability of $556 billion as of the end of 1995.

The CPP's financial deterioration results from the failure of past governments to respond to changes in recent decades that have undermined the CPP's funding. The number of retired individuals drawing pensions relative to the number of individuals in the workforce making contributions has increased and will continue to increase well into the next century. Benefit improvements such as full indexation of benefits and increases in the flat-rate portion of disability benefits without corresponding funding increases have been a drain on the fund. Relatively slower growth in labour productivity, wages and salaries, and in the size of the labour force have been reducing the pool of earnings from which contributions are drawn. Expenditures on disability claims have also increased as a result of the introduction of unfunded benefit improvements and broader eligibility.

Combined contribution rates, now at 5.6 per cent of pensionable earnings for employers and employees, are already scheduled to rise by over 80 per cent by 2016. If no changes are made to the CPP and the way it is financed, future generations will be asked to pay two to three times more than we now pay for the same level of CPP benefits. There are serious concerns that future generations will be unable or unwilling to pay contribution rates in the 14 per cent range. Steps must be taken now to restrain escalating costs and refinance the CPP so Canadians can be sure that it will be there when they retire.

The federal-provincial *Information Paper* provides three sets of options to restrain escalating CPP costs:

* accelerating contribution rate increases to enhance the flow of contributions into the fund;

* restricting or tightening administration of benefits paid out by the Plan; and

* changing the Plan's investment policy to enhance investment returns earned.

Each category of options includes several choices.

Accelerating Contribution Rate Increases

Refinancing the CPP by increasing contribution rates more rapidly than scheduled could enhance the Plan's funding by increasing the value of both the contributions flowing into the fund and the yield from investment earnings. The first column in Table I shows the legislated schedule of CPP increases that were approved during the last CPP review in 1991. The second and third columns show schedules for accelerated increase options (Ramp I and Ramp II) presented in the *Information Paper*. Although the accelerated schedule options increase the contribution rate more quickly, they are part of overall reform options that would stabilize the contribution rate after 2005 at 10.9 or 11.1 per cent to prevent the rate from increasing to 14.2 per cent by 2030 if no action is taken. These changes will require baby boomers to help fund a greater portion of the CPP. As the investment fund increases at an accelerated rate, there will be a less onerous burden imposed on future working people to fund the boomers' retirement.

TABLE I

SCHEDULED CPP CONTRIBUTION RATE INCREASES AND AND OPTIONS FOR ACCELERATED INCREASES

	SCHEDULED INCREASES	RAMP I	RAMP II
1996	5.60	5.60	5.60
1997	5.85	6.00	6.00
1998	6.10	6.60	6.40
1999	6.35	7.40	6.80
2000	6.60	8.40	7.40
2001	6.85	9.60	8.00
2002	7.10	10.9	8.60
2003	7.35	10.9	9.40
2004	7.60	10.9	10.2
2005	7.85	10.9	11.1

Source: Federal, Provincial, and Territorial Governments, *An Information Paper for Consultations on the Canada Pension Plan (Ottawa, 1996)* , p. 16, p. 59-60.

The CPP fund could also be augmented by expanding the income base used for CPP contributions. Currently, no contributions are made on the first $3,500 of income, although benefits are calculated using all income. Therefore, benefits are paid out for which no contributions are made.

Tightening Administration of Benefits

The CPP's benefit expenditures for retirement, disabilities, and survivors could be reformed to reduce the Plan's long-term costs. Table II below shows the impacts on CPP costs and on contribution rates of several options for reducing expenditures.

TABLE II

IMPACT OF EXPENDITURE REDUCTIONS ON CPP COSTS AND THE CONTRIBUTION RATE

Expenditure Reduction	As a per cent of CPP costs	Reduction in pay-go contribution rate
Retirement benefits		
10% reduction in income replacement to 22.5%	8.8	1.25
Reduce per cent of years dropped from benefit calculations from 15% to 10%	2.2	0.31
Raise age of entitlement to 67	4.2	0.63
Reduce benefit indexation to CPI minus 1%	9.0	1.28
Disability benefits		
Tighten administration	1.5	0.22
Reduce benefit by 25% of WCB disability benefit	0.6	0.08
Raise eligibility requirement to having made contributions in 4 of the last 6 years	1.2	0.17
Base retirement pension on Year's Maximum Pensionable Earnings (YMPE) at time of disablement	1.1	0.15
Convert pension at age 65 to an actuarially reduced pension	2.7	0.39
Survivor benefits		
New rule for combined benefits	1.2	0.17
Eliminate death benefit	1.5	0.21

Source: Federal, Provincial, and Territorial Governments, *An Information Paper for Consultations on the Canada Pension Plan (Ottawa, 1996)* , p. 43.

(FOR MORE DETAILED INFORMATION ON TIGHTENING THE ADMINISTRATION OF CPP BENEFITS, SEE APPENDIX 1)

Changing CPP Investment Policy

Currently, the CPP investment fund is invested primarily in 20 year loans to the provinces with residual amounts invested in short-term federal obligations. The lending rate is pegged at the federal government's long-term borrowing rate. Each province has a borrowing entitlement based on contributions collected in that province. Accelerated increases in contribution rates could triple the size of the investment fund. Returns on this larger investment fund would become a more important funding source for benefits. The *Information Paper* sets out two options for a new investment policy to enhance returns from a larger investment fund.

One option would be to modify the current investment policy of loans to provinces. Modifications could include increasing the borrowing rate that provinces must pay. Also, the fixed 20 year term could be modified to allow provinces to borrow for a range of different terms to maturity. This option could balance provincial borrowing needs with enhancing the CPP's return on its investments. If the CPP fund were to grow to the point where it exceeded provincial borrowing requirements, the balance could be invested in market securities.

A second investment policy option would be to invest the inflow of additional contributions and maturing loans in market securities. This option could increase the real rate of return earned on the larger investment portfolio. It also raises complex additional issues concerning the appropriate governance arrangements for such a large investment fund and the impact of this large fund on the capital markets.

Conclusion

The current reforms require selecting some combination of the above options to curtail cost increases and keep the Plan financially healthy. Public consultations have provided helpful insights into the appropriate selection of options.

MAJOR FINDINGS

In the two weeks of provincial hearings, and dozens of written submissions, e-mail messages and phone calls, Ontario's CPP consultations panel received a wide variety of views on how to reform the CPP.

Overall, participants agreed that the CPP should be maintained, that contributions should remain affordable, that benefits should provide adequate financial security but should be better administered, that there should be fairness among generations and that CPP assets should be invested in Canada with a balanced approach, to maximize the rate of return with moderate risk.

MAINTAINING THE CPP

The overwhelming majority of presenters indicated that the CPP should be maintained. Groups as diverse as the Canadian Bankers' Association and the Canadian Federation of Labour said that the CPP should remain an important part of the retirement system for Canadians.

Pensioners told the panel how important the CPP is in allowing them to live with dignity in their retirement years. They felt that it was essential for future retirees to have access to this vital pension plan. Many presenters also emphasized the importance of the CPP to Canadian society. Given that all workers do not have access to private pension plans, people told us that there must be a public, fully portable pension plan that all working Canadians can contribute to and benefit from. In Thunder Bay, Sarah Colquhoun of the Kinna-aweya Legal Clinic said the CPP is an ideal pension arrangement because it provides wide coverage and includes part-time workers. This is especially important given the increase in transitory employment patterns. Maintaining the CPP is particularly important to women who have less access to private pension plans or Registered Retirement Savings Plans (RRSPs).

Some presenters even favoured expanding access to the CPP by allowing homemakers and unemployed people to make contributions to , and draw benefits from , the CPP.

A few of the presentations suggested that the CPP was no longer a sustainable program and that it should be replaced by a mandatory individual retirement savings program, similar to an RRSP.

The panel heard very clearly that Ontarians want a Canada Pension Plan, but they want a Plan that is more efficiently and effectively managed and they do not want contribution rates to rise to a level that is unaffordable. And Ontarians feel that benefits received by an individual should more directly reflect contributions made to the CPP.

CONTRIBUTION RATES

The Panel discovered a broad recognition of the need to increase contribution rates in order to sustain the CPP. However, many presenters raised concerns over the size and timing of these increases.

While some presenters indicated that a contribution rate of up to 14.2 per cent was both necessary and sustainable, most strongly objected to such a high contribution rate because it would not be acceptable to future generations and would have a negative impact on job creation and disposable income.

The majority of presenters who discussed contribution rates favoured a long-term rate of under 10 per cent of contributory earnings. For example, the Association of Canadian Pension Management suggested that contribution rates in the 8 to 10 per cent range would be appropriate. This rate was perceived to achieve the goal of raising contributions enough to make the CPP financially viable, but not so high as to inhibit growth and job creation by increasing payroll taxes too much.

Some presenters pointed out the advantages of moving fairly quickly to a constant rate, also referred to as a steady-state level of contributions. This would have the effect of increasing the CPP reserve fund and using higher investment earnings to minimize contribution rate increases.

Nonetheless, many participants also indicated that increasing contribution rates quickly to enhance investment returns must be balanced against potential adverse impacts on job creation and overall economic activity.

Many presenters expressed concern over the fact that accelerated CPP contribution rate increases would raise payroll taxes significantly. They told the panel that when payroll taxes are high, the cost of hiring new employees becomes excessive for many businesses. New enterprises are also less likely to set up in Ontario if our payroll taxes are too high. As Gary Zubal of the Windsor and District Chamber of Commerce put it, “there is a considerable danger in boosting premiums...payroll taxes are job killers.”

Denis Richard of Fisher Gauge, a Peterbourgh company that has plants in Canada, the United States, and Britain told the panel that, “one of the factors in locating future expansion will be predicated on the employer tax burden in each of the countries.”

But presenters raised the point that CPP contributions are not the only payroll tax. Several submissions suggested that an increase in CPP contributions would have much less effect on job creation and economic growth if the increase in this payroll tax were balanced with a decrease in another payroll tax, Unemployment Insurance (UI) premiums.

These presenters pointed out that the federal government has been running a significant surplus on the Unemployment Insurance Program. At the current premium rate, the UI account will have accumulated a surplus of approximately $5 billion by the end of this year and $10 billion by the end of 1997. The accumulated surplus will rise to over $25 billion by the end of the century if premium rates are not reduced. This suggested the possibility of increasing CPP contributions while decreasing UI premiums and still keeping payroll taxes at a manageable rate.

Representatives of the pension plan of the Colleges of Applied Arts and Technology suggested that the surplus in the UI account could be used to supplement the CPP fund.

FAIRER EXPENDITURES ON BENEFITS AND ADMINISTRATION

Ontarians clearly value the CPP, but believe that their public pension plan could be better run by getting rid of waste and duplication, improving administration, and eliminating or changing some benefits. Although concern over gender-related issues was not raised extensively, there were comments on the possible adverse effect of proposed changes to benefits on women.

Many presenters noted that death benefits are no longer as necessary as they were when the CPP began, given that the proportion of the population without adequate resources to meet death and burial expenses is significantly lower than it was a generation ago. For people like Peter Brown who appeared before the panel in Windsor, this suggested that the death benefit could be eliminated to reduce costs. He said, "I don't think the Canada Pension Plan should be in the funeral business. I really don't see why we need $3,500 to bury ourselves ... I think the death benefit should be abolished." Not all presenters agreed with this view. Some opposed eliminating the death benefit, while others such as D.H. Rapelge in Port Colborne made the suggestion that the death benefit could be income tested so that only those who were truly in need of it would receive it.

It was also suggested to us that the survivors' benefit could be means tested or eliminated for people who remarry. Any changes to survivor benefits, however, would disproportionately affect women.

Other presenters focused on changing the level of earnings on which CPP contributions are based. Currently contributions are not levied on the first $3,500 of annual earnings. This is referred to as the Year's Basic Exemption (YBE). However, benefits accrue on all earnings up to the Year's Maximum Pensionable Earnings (YMPE) of $35,400.

Some presenters, including the Multi-Employer Benefit Plan Council of Canada, and the Thunder Bay Chamber of Commerce, favoured eliminating the YBE, while others suggested the YBE should be frozen at the current level. Eliminating the YBE would mean that contributions would be made on all earnings. At the Toronto session, Monica Townson suggested that the YBE could be eliminated, but offset by tax credits for low income earners. Other groups raised concerns over lowering or eliminating the YBE. The Association of Canadian Pension Management suggested that this would not be appropriate, while the Canadian Council on Social Development told us that reducing the YBE would hit low income earners the hardest.

Some submissions suggested making changes to the Year's Maximum Pensionable Earnings. For example, Sarah Colquhoun of the Kinna-aweya Legal Clinic and Leni Untimen of the Northwestern Ontario Women's Decade Council in Thunder Bay indicated that the YMPE should be increased for contribution purposes, but benefits should be limited to the YMPE entitlement. This suggested change would transform the CPP from a pension plan to an income redistribution program. Others suggested that benefits should also be paid on a higher level of pensionable earnings.

The issue of tightening eligibility for disability benefits was raised by many presenters including, the Board of Trade of Metro Toronto, Wayne Redshaw in Port Colborne, and Ross Archibald and Darroch Robertson of the University of Western Ontario in London.

Opinion was divided on the issue of increasing the Normal Retirement Age (NRA). Groups such as the Ontario Coalition of Senior Citizens' Organizations and the Toronto Mayor's Committee on Aging opposed any increase to the NRA. Other groups and individuals, including David E. Wismer and Ross McKenzie of the Greater Barrie Chamber of Commerce and Gilbert Westin in Barrie and David Slater in Toronto endorsed increasing the retirement age to 67. There was a general agreement among presenters that if the retirement age were to be increased to 67, this change should be phased in slowly in order to be fair to those who are currently approaching retirement age. A decision to increase the NRA would also have an impact on early retirement provisions.

Many of the people making presentations on behalf of seniors and disabled groups opposed any cuts to CPP benefits. For example, Don Comi, President of the Steelworkers Association of Retirees said in Port Colborne that reducing expenditures on benefits is unacceptable.

Some organizations and individuals suggested that disability provisions be separated out from the CPP and that the federal government investigate the feasibility of a national disability program, leaving the CPP focused on retirement benefits.

Some people told us that seniors who are currently receiving pensions should share the burden of CPP reform. In Peterborough Bill Carruthers said that people who are currently receiving benefits should "have to bear some of the pain." Others suggested deindexing or partially deindexing pensions and disability benefits. Martin Brown and David Adams of Watson Wyatt in Hamilton suggested that "efforts should be made to determine the true level of inflation applicable to seniors receiving CPP pensions. If the 'seniors inflation' rate is lower than the CPI, then post-retirement indexing of CPP benefits should be reduced accordingly."

The majority of presenters did not necessarily wish to see benefits reduced, but were prepared to endorse changes in some benefits in order to maintain the CPP without contribution rates reaching a level that is unaffordable.

INVESTMENT POLICY

Many presenters favoured changing the CPP investment policy to increase the rate of return. There was significant support for allowing some market investments. In Toronto, David Slater advised governments to, “invest the fund in a market portfolio on a moderate risk return basis.” The Watson Wyatt submission to the Panel suggested that the full fund should be invested on the open market or, “at a minimum, the increase in the CPP fund resulting from the current round of reforms should be invested on the open market, with the current level of funds remaining available to the provinces.”

Many of those who favoured market investments believed that these investments should be made only in Canada in order to encourage job creation and aid economic growth. Frank Heisz of London suggested in a letter, “funds should be invested in Canadian financial assets in the same way as Registered Pension Plans are now invested.” There was also a concern expressed that the CPP funds be placed in investments with minimal risk.

Several presenters suggested that the CPP investment fund be managed by a panel of private sector investors.

Not all presenters favoured moving to market investments. Some suggested that CPP assets should continue to be targeted for provincial borrowing.

Aline Revoy in Barrie reasoned that provinces should be able to continue to borrow some of the CPP fund because “if the provinces can’t borrow and they have to borrow at market rate(s)... we’ll pay it in taxes, so its the same old story - the bottom line is we all end up paying.”

INTERGENERATIONAL FAIRNESS

Issues related to fairness among different generations were raised in several submissions to the panel. People who have contributed to the CPP throughout their working lives want some assurance that they will receive the pension that they have been led to expect. However, there was a broad recognition that if no changes are made, future generations may have to contribute three times as much for the same, or even lower benefit levels as current beneficiaries receive.

Most of the people the panel heard from were older Ontarians. Several of the younger presenters advocated a gradual transition to a mandatory private pension plan along the lines of an RRSP. Some suggested minimizing the role of politicians in the CPP and called for more frequent scrutiny of the CPP to avoid further rate increases.

In Sudbury, Mitchell James Day told us that he favours reforming the CPP along the lines of changes that have been made to pubic pension plans in Chile and the United Kingdom, under which people make mandatory contributions to individual retirement savings plans. In an electronic mail message, Steven H. Groves suggested that the government "continue the five per cent direct deduction from payroll, but have that money diverted to that individual's RRSP."

The Canadian Council on Social Development (CCSD) suggested that the intergenerational equity issue could be addressed by providing age-based tax credits in respect of contributions. Currently, the tax credit is approximately 27 per cent of contributions, regardless of age. The CCSD suggested that tax credit could be raised to 32 per cent for contributors aged 30-39, and to 40 per cent for contributors aged 18-29.

Many presenters recognized that an accelerated contribution rate schedule would address the intergenerational fairness issue by requiring baby boomers to make a larger contribution toward their own retirement. A decrease in Unemployment Insurance premiums was called for to mitigate the negative effects of higher contributions on youth employment prospects.

APPENDIX 1:
MORE DETAILED INFORMATION ON TIGHTENING THE ADMINISTRATION OF CPP BENEFITS AS LAID OUT IN THE FEDERAL-PROVINCIAL *INFORMATION PAPER*

Retirement Benefit Options

A 10 per cent reduction in retirement benefits of new retirees Instead of a pension based on 25 per cent of an average worker's earnings before retirement, new retirees would be entitled to a pension based on 22.5 per cent of an average worker's earnings before retirement. This option reduces the maximum monthly retirement pension from the current $727 to $654, and reduces long-term CPP costs by 8.8 per cent.

A reduction of the percentage of years dropped out or excluded from the calculation of CPP pension entitlements from 15 per cent to 10 per cent This would mean that contributors would , on average, have to work 2.3 years longer to be entitled to a full CPP pension. This option could reduce long-term CPP costs by 2.2 per cent.

A phased in increase in the normal retirement age or the age of entitlement for receiving a full CPP pension from the current 65 years of age to 66 or 67 This option would reduce long-term CPP costs by 2.2 per cent for an increase to age 66 or 4.2 per cent for an increase to age 67.

A reduction in the indexation of benefits from complete indexation to partial indexation such as the inflation rate less one percentage point This would reduce long-term CPP costs by 9.0 per cent.

Disability Benefit Options

A tightening of the administration of disability benefits could reduce the CPP's long-term costs by 1.5 per cent.

A reduction in the overlap of CPP benefits with provincial Workers' Compensation Board (WCB) disability benefits Subtracting 25 per cent of provincial WCB disability benefits from CPP disability benefits would reduce long-term CPP costs by 0.6 per cent.

A tightening of eligibility from a contributory requirement of two of the last three years to four of the last six years This would reduce long-term CPP costs by 1.2 per cent.

A conversion of disability benefits to an early retirement pension when a recipient reaches age 65 At age 65 persons who have been out of the workforce and receiving CPP disability benefits would receive an early retirement pension with the early retirement

date equivalent to the date of disablement. This option would reduce long-term costs by 2.7 per cent.

Basing retirement pensions for the disabled on their Year's Maximum Pensionable Earnings at the time of disablement rather than earnings at age 65 This option would reduce the CPP's long-term costs by 1.1 per cent.

Survivor and Death Benefits

The CPP's original survivor benefit was intended for a society where single income earner households prevailed. Single income earner households have been replaced by two income household with greater female participation in the labour market. This social change makes a case for redesigning survivor benefits to combine survivor entitlements on the basis of households. This option could reduce the CPP's long-term costs by 1.2 per cent.

CPP death benefits were intended for a society where a significant proportion of the population did not have adequate financial resources to provide for expenses of death and burial. The proportion of the population without adequate resources to meet death and burial expenses is significantly lower than it was a generation ago. Eliminating the CPP's death benefit could reduce the CPP's long-term costs by 1.5 per cent.

APPENDIX 2
LIST OF PRESENTERS:
ONTARIO CPP CONSULTATIONS

Toronto, April 15, 1996

1. Board of Trade of Metro Toronto
   Presenter: Ian Markham, Chairman of Pension and Employee Benefits Committee

2. Association of Canadian Pension Management
   Presenter: Gretchen Van Riesen, Vice Chairman

3. John Andrachuk

4. Older Women's Network, Metro Toronto & Area Council
   Presenter: Grace Buller

5. Richard Worzel

6. The Canadian Bankers' Association
   Presenters: Doug Berrigan, and Richard Turzanski

7. Canadian Federation of Labour
   Presenter: Jim McCambly, President

8. Dianne I. Albers

9. Philip Connell

10. United Steelworkers of America
    Presenter: Lawrence McBrearty, National Director

11. Canadian Council on Social Development
    Presenter: Charles Birchall, President

12. Jim Buller

13. Multi-Employer Benefit Plan Council of Canada (MEBCO)
    Presenter: William D. Andersen, President

14. Canadian Mental Health Association
    Presenter: Ruth Stoddart, Manager, Policy Planning and Development

Toronto Continued..., April 15, 1996

15. Ontario Coalition of Senior Citizens' Organizations
    Presenter: Bea Levis, Co-Chair, Steering Committee

16. Canadian Labour Congress
    Presenter: Dick Martin, Secretary-Treasurer

17. Ontario Social Safety Network
    Presenter: Randy Ellsworth, Co-Chair

18. David Slater

19. Canadian Association of Retired Persons
    Presenter: Mrs. Lillian Morganthau, President

20. Council of Canadians with Disabilities
    Presenter: Francine Arsenault, President and National Chairman

21. Workers' Compensation Network
    Presenter: John McKinnon, Chair

22. Toronto Mayor's Committee on Aging
    Presenter: Lois Neely, Chair of Committee

23. Monica Townson

24. Colleges of Applied Arts and Technology
    Presenters: Ron J. Martin, Chair, Board of Trustees, Paul E. Owens, Plan Manager and Chief Executive Officer, Sharon Chandler, Director, Policy and Communications

25. Pension Investment Association of Canada
    Presenter: Keith Douglas

26. Canadian Union of Public Employees
    Presenter: Peter Leiss, Chair of the Pension Committee, CUPE Ontario

27. Income Maintenance for the Handicapped Co-ordinating Group
    Presenter: Scott Seiler, IMG Co-ordinator

28. Advocacy Centre for the Elderly
    Presenter: George Manticone, PhD, LLB

Toronto Continued..., April 15, 1996

29. Ontario Taxpayers Federation
    Presenter: Paul Pagnuelo, Executive Director

30. Brenda Mason

31. David Vallance

32. Andrew Kilpatrick

Hamilton, April 16, 1996

1. Pearson Insurance
   Presenter: Bruce Pearson

2. Bic Financial
   Presenter: Clarence Bic

3. Tom Beatty

4. Keith Holtze

5. Seniors Outreach Citizens Centre
   Presenters: Dave Cage, Bill Mitchell

6. Ada Bland Senior Citizens Centre
   Presenter: Bob Slattery

7. Coalition of Seniors for Social Equity
   Presenter: Keith Patterson

8. Canadian Pensioners Concerned, Ontario Division
   Presenter: Mae Harman, President

9. Watson Wyatt
   Presenter: Martin Brown and David Adams, Watson Wyatt Canadian Pension Practice

10. IOU For the Future Group
    Presenter: Douglas Earle

11. Jim Willis

Hamilton Continued..., April 16, 1996

12. John Ballman

13. Gary Birch

Port Colborne, April 17, 1996

1. Grant Dunkley

2. Bill Brunt

3. Steelworkers Association of Retirees
   Presenter: Don Comi

4. Ed Pearce

5. Heather Kelley

6. Wayne Redshaw

7. Joe Capitano

8. Pat Greco

9. Glen Hutton

10. Mary Beth Anger and John Sheffield
    Community Legal Services of Niagara South.

11. Dave Thomas

12. John Parisee

13 Richard Bell

14. D. H. Rapelge

15. Ray Haggerty

16. John Baldwin

17. Jerry Diffin

Port Colborne Continued..., April 17, 1996

18. John Warner

19. Leslie Penwarden

20. Robert Wright

21. Mike Sansano

22. Ruth Biddell

23. Pam Archer

24. Paul McLelland

25. Evan Coleman

26. Jean McHenry

27. Cathy Dennahoer

London, April 18,1996

1. Geoffrey E. Hale

2. Roger McCaulay
   Member, Council of London Seniors

3. Frederick Hatfield
   Member, Council of London Seniors

4. Susan Smith

5. D. S. “Bill” Rudd

6. John Stirling

7. London-Middlesex Taxpayers Coalition
   Presenter: John Montag

8. Gary Boyle

London Continued... , April 18,1996

9. Ross Archibald, Rick Robertson
   University of Western Ontario Business School

10. Tom McSwigger

11. Dave Morrison

12. Peter Mindorff

13. Russ Betterly

14. Bob Young

15. Rick Smith

16. Chris Seal

17. Jack Morris

Windsor, April 19, 1996

1. Windsor and District Chamber of Commerce
   Presenter: Gary Zubal

2. Essex County Chapter of the Canadian Association of Retired Persons
   Presenter: Bob L'Esperance Chairman

3. Council on Aging
   Presenter: Alex Gyemi

4. Magda Salamaki

5. Genevieve Briggs

6. Peter Brown

7. Bob Harper

8. Gerard Charett

9. Paul Branton

Windsor Continued..., April 19, 1996

10. Roger Grenier

11. Ray Bizar

12. Annie Gould

13. Betty Grenier

Thunder Bay, April 22, 1996

1. Communication, Energy and Paper Workers Union of Canada
   Presenter: Mark Weare

2. Linda Mercier

3. Kinna-aweya Legal Clinic
   Presenter: Sarah Colquhoun

4. David Ramsay

5. Thunder Bay Chamber of Commerce
   Presenter: Rebecca Johnson

6. International Longshoreman's Union
   Presenter: Jim Martinsen

7. Richard Staples

8. Northwestern Ontario Women's Decade Council
   Presenter: Leni Untimen

9. Thunder Bay and District Injured Workers' Support Group
   Presenter: Steve Mantis

Sudbury, April 23, 1996

1. Mitchell James Day

2. Maurice Taylor

3. Sudbury and District Labour Council
Presenter: John Filo

4. Conseil consultative nationale sur le troisieme age
Presenter: Juliette Pilon

5. Len Park

6. Anne Parkville

Barrie, April 24, 1996

1. Greater Barrie Chamber of Commerce
Presenters: David E. Wismer and Ross McKenzie

2. Simcoe Centre Injured Workers
Presenter: Liz Mc Dougall

3. Jim Wooland

4. Gilbert Westin

5. Ron Seadon

6. Nancy Thompson

7. Aline Revoy

8. David Bleuins

9. Paula Deason

10. Ted Parks

11. Gord Evans

12. Frank Ford

13. Jamie Deason

Peterborough, April 25, 1996

1. Peterborough Senior Citizens Council
   Presenter: Pamela MacDougall and George Watson

2. Robert Nickerson and Tom Saunders

3. Bob White

4. Fisher Gauge Limited
   Presenter: Denis Richard

5. John Gouette

6. Jyoti Singh

7. Mindi Butalia

8. Bill Carruthers

9. Marie Bongard

10. Stanley Nowicki

11. Jack Foote

12. Harvey Reid

13. John Fox

14. Gord MacLand

15. Clare Maloney

16. Margaret Anne Cooper

17. Grace Bargent

18. Ron Chafe

19. Terry Wasson

20. Gary Spence

21. Gary Jobe

Kingston, April 26, 1996

1. Gary W. Bonner
2. Jim Purdie
3. Theo Stol
4. Warren Thomas
5. Donald Tilley
6. Dan Brady
7. Colin Haines

LIST OF WRITTEN & ELECTRONIC SUBMISSIONS

Written

1. LAWRENCE ROBIDOUX
   Letter, undated

2. BARBARA MINOR
   Letter dated April 16,1996

3. UNITED STEELWORKERS OF AMERICA
   Submission: “Remarks to the Federal/Provincial/Territorial CPP Consultations”, (April 15, 1996)

4. TORONTO MAYOR’S COMMITTEE ON AGING
   Submission: “Presentation to the Federal/Provincial/Territorial Consultation Panel on Proposed Changes to the Canada Pension Plan,” (April 15,1996)

5. THE MULTI-EMPLOYER BENEFIT PLAN COUNCIL OF CANADA (MEBCO)
   Submission: “Submissions to the Canada Pension Plan Secretariat,” (April 15, 1996)

6. WATSON WYATT WORLDWIDE
   Submission: “Overview of CPP Submissions” (April 16,1996)

7. FRANK HEISZ
   Letter dated April 16,1996

8. KAREN TORKOS
   Facsimilie dated April 18, 1996

9. D. M. POWERS
   Letter dated April 18, 1996

10. J. L. WASTELL
    Letter dated April 16, 1996

11. ROBERT KELLETT
    Letter dated April 20,1996

12. GENEVIEVE A. BRIGGS
    Letter dated April 17, 1996

13. NORMA J. HALL
Letter dated April 16,1996

14. “A COUPLE IN OUR MID FIFTIES”
Letter dated April 16, 1996

15. ONTARIO TAXPAYERS FEDERATION
Submission: “Dealing With Canada’s Second Debt: Fixing the Canada Pension Plan”, (April 15, 1996)

16. STEVE GARIEPY
Letter dated April 16, 1996

17. DAVID GUNTER
Letter dated April 17, 1996

18. LONDON-MIDDLESEX TAXPAYERS’ COALITION
Written presentation by Jim Montag, Thursday April 18, 1996

19. D. S. “Bill” RUDD
“Submission to the Ontario Legislative Committee on the Canada Pension Plan”, (April 18, 1996)

20. JEANNINE BROWN
Letter dated April 18, 1996

21. GEOFFREY E. HALE
Letter dated April 18, 1996

22. JOHN BALLMAN
Undated written submission

23. COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION
Undated written submission by Mark Weare

24. GREATER BARRIE CHAMBER OF COMMERCE
“Remarks by the Greater Barrie Chamber of Commerce to Ontario’s CPP Consultations,” (April 24,1996).

25. HEATHER KELLEY
Letter dated April 17, 1996

26. MERVYN AND DONNA STEELE
Letter dated April 21, 1996

27. ALICE M. YONICK
Letter dated April 20, 1996

28. PATRICIA AND LARRY L'ESPERANCE
Letter dated April 23, 1996

29. HELEN RIEL AND GALE DURBIN
Letter dated April 25,1996

30. HEATHER AND TONY KENNY
Letter dated April 24, 1996

31. SENIOR CITIZENS COUNCIL PETERBOROUGH
Submission: "Response to the Information Paper for Consultations on the Canada Pension Plan," (April 24,1996)

32. JOHN S. McGEE
Letter dated April 26, 1996

33. FRED BLAIN
Letter dated April 23, 1996

34. THERESE JEAN AND JEAN L. ESIR
Letter, undated

35 STEVE CRUICKSHANK
Letter dated April 29, 1996

36 EVA VOMACKA
Letter dated April 26, 1996

37 RUTH TRUANT
Letter dated April 26, 1996

38 LAWRENCE D. REAUME
Letter dated April 24, 1996

39 WILLIAM T. METZGER
Letter dated April 27, 1996

40 PATRICK M. GRAHAM
letter dated April 26, 1996

41 R. A. J. WOOLAND
Letter dated April 26, 1996 with written transcript of April 24 presentation

42 ANGUS FROATS
Letter dated April 25,1996

43 IRIS SCHULTZ
Letter dated April 22, 1996

44. PATRICIA GRIERGIS
Letter dated May 7, 1996

45. MARGARET ANNE PARKHILL
Letter dated May 1, 1996 and written transcript of April 23 presentation to Ontario's CPP consultation panel

46. G.N. WATSON
Letter dated May 3, 1996 and "Submission to CPP Consultations Secretariat re: The Re-Structuring of the Canada Pension Plan", (May 1, 1996)

47. WENDY COOK
Letter dated May 6, 1996

48. MINNIE I. KEMP
Letter dated May 7, 1996

49. JOHN FRASER
Letter dated May 10, 1996

50. DAVID AND DIANE GUNTER
Letter dated April 17, 1996

51. KAREN TORKOS
Letter dated April 18, 1996

52. THE ASSOCIATION OF CANADIAN PENSION MANAGEMENT
Submission: "The Future of the Canada Pension Plan - Submission to the CPP Consultation Committee", (April 29, 1996)

53. CANADIAN MENTAL HEALTH ASSOCIATION, ONTARIO DIVISION
Submission: “Submission to the Canada Pension Plan Secretariat Regarding Proposed Amendments to the Canada Pension Plan (April, 1996)

54. D.M. POWERS
Letter dated April 18, 1996

Electronic

1. MIKE MACNEIL
E-mail dated April 16, 1996

2. STEVEN H. GROVES
E-mail dated April 16, 1996

3. TOM CLIFFORD
E-mail dated April 16, 1996

4. DOROTHY WHITE
E-mail dated April 19, 1996

5. TIMOTHY McMAHON
E-mail dated April 20, 1996

6. GRACE MORFITT AND RON RILEY
E-mail dated April 23, 1996

7. RON WILEY
E-mail dated April 22, 1996

8. ED GOUGH
E-mail dated April 28, 1996

9. STEPHEN SZOKE
E-mail dated April 29, 1996

GLOSSARY OF CPP AND PENSION TERMINOLOGY

Actuarial Assumptions A set of estimates used to value a pension plan in respect of future developments affecting the cost of benefits to be provided. These estimates may relate, for example, to mortality rates, investment returns, workforce participation rates, inflation, unemployment, fertility, net immigration and the rate of increase in earnings.

Actuarial Valuation An examination of a pension plan by an actuary to assess the extent to which accrued benefits are funded and to determine the level of contributions required to maintain the plan's solvency.

Consumer Price Index (CPI) A measure derived by Statistics Canada which assesses the percentage change over time in the cost of purchasing a constant, representative "basket" of goods and services. As the "basket" is of unchanging quantity and quality, changes in its cost are due only to price movements.

Contributory Earnings The range of employment income on which contributions are made, in respect of the CPP on earnings between the Year's Basic Exemption and the Year's Maximum Pensionable Earnings (between $3,500 and $35,400 in 1996).

Contributory Period Generally speaking, the period commencing January 1, 1966 or the month a contributor reaches age 18, if later until the month the contributor turns 65. Generally, this would imply a period of 47 years. However, there is a "drop-out" provision under which 15 per cent of the months of lowest earnings are exempt from the calculation of benefits, in effect reducing the typical contributory period to 40 years.

Credit Splitting A provision in a pension plan where one spouse, on dissolution of marriage or a common-law relationship, may obtain a share of the pension credits earned by the other partner during the period of the relationship. In the case of the CPP, it involves the equal splitting of credits earned by both partners during the relationship.

Defined Benefit Plan A pension plan which determines the benefit to be paid by the application of a formula related to years of contributions, average earnings, etc. but <u>not</u> total contributions. If the plan is contributory, the rate of contributions for employee and employer will typically be specified. The CPP is a defined benefit plan. (See Defined Contribution Plan.)

Defined Contribution Plan Also known as a Money-Purchase Plan. A pension plan which defines the contributions to be made by employees and the employer, but not the benefit formula. Accumulated contributions and interest are used to purchase an annuity for the employee on retirement. (See Defined Benefit Plan.)

Drop-Out Provision A feature of a pension plan that provides for the exclusion of a certain number of years from a plan member's contributory period when calculating pension entitlements. The CPP's general drop-out allows members to exclude 15 per cent of their months of lowest earnings so as not to penalize them for periods of illness, unemployment, school attendance or part-time earnings. In addition, the CPP's child-rearing drop-out allows members to exclude from their contributory period any years outside the workforce for which they have a child under age seven.

Early Retirement A provision in a pension plan for retirement earlier than the normal retirement age. The amount of the pension credited under the plan formula will typically be reduced according to the member's attained age. Under the CPP, the retirement pension is reduced by 0.5 per cent per month for each month before that in which the member reaches age 65 (or 6 per cent per annum to a maximum reduction of 30 per cent at age 60).

Earnings Wages, salaries and self-employment income, but not all "income" in the sense of bond or bank interest, dividends and capital gains, rental, mortgage or trust income, workers' compensation, unemployment insurance or social assistance.

Full Funding A means of financing a pension plan whereby contributions are sufficient to pay for benefit entitlements as they are earned. A fully funded plan has assets which are equal to its liabilities at a given point in time. (See Pay-As-You-Go Funding.)

Fund/Benefit Ratio The multiple of a pension plan's assets at the end of a given year to the plan's projected liabilities (benefits and adminstration costs) for the subsequent year. The CPP has a funding rule which requires that, in the absence of an agreement by Finance Ministers on the five-year extension of the contribution rate schedule, the contribution rate schedule be extended such that the fund/benefit ratio would be equal to at least 2 at the end of fifteen years.

Indexation An automatic, periodic adjustment to a benefit to account for inflation. (To be distinguished from an ad hoc adjustment.) It is typically done according to a formula based on a recognized price or wage measure (index). For example, CPP benefits are indexed each January 1 according to the Consumer Price Index (CPI) for the 12-month period ending the previous October.

Nominal Including both a real (or constant) and an inflationary component, i.e. measured in the dollars of a given year which, as a unit of measurement, vary in magnitude over time with inflation. (See Real.)

Normal Retirement Age (NRA) The age specified in a pension plan at which workers are expected or entitled to retire. The NRA is typically the earliest age at which an unreduced pension benefit is payable. Under the CPP, this occurs at age 65.

Pay-As-You-Go ("Pay-Go") Funding A means of financing a pension plan whereby current contributions pay for benefits-in-pay plus administration costs. The CPP is funded on a modified pay-as-you-go basis in that it does have a small reserve of assets, equal to about two years' worth of benefits, which generates revenue from investment earnings. (See Full Funding.)

Pensionable Earnings The range of employment income to which the calculation of benefits applies, i.e. on earnings up to the YMPE (from $1 to $35,400 in 1996).

Real Net of, or subtracting out, inflation, i.e. measured in constant dollars over time. (See Nominal.)

Solvency The adequacy of a pension plan's funding provisions in meeting the plan's present and future obligations.

Unfunded Liability Generally, the amount by which the assets of a pension plan are less than its liabilities at a point in time.

Year's Basic Exemption (YBE) A term used in respect of the CPP referring to the lower limit of employment earnings on which contributions are levied ($3,500 in 1996). While earnings below the YBE are exempt from contributions, benefits are calculated as though contributions had been made on this range of income. The YBE is 10 per cent of the YMPE rounded down to a multiple of $100.

Year's Maximum Pensionable Earnings (YMPE) A term used in respect of the CPP, often referred to as the earnings' ceiling. The YMPE is the maximum of annual employment earnings on which CPP contributions and benefits are calculated ($35,400 in 1996). The YMPE is indexed each year according to a formula based on average wage and salary levels.

PAY-GO FUNDING VERSUS FULL FUNDING

Pay-As-You-Go ("Pay-Go") Funding: *A means of financing a pension plan whereby current contributions pay for benefits-in-pay (plus administration costs). The CPP is funded on a modified pay-go basis in that it does have a small reserve of assets, equal to about two years' benefits, which generates revenue from investment earnings.*

Full Funding: *A means of financing a pension plan whereby contributions are sufficient to pay for benefit entitlements as they are earned. A fully funded plan has assets which are equal to its liabilities at a given point in time.*

When the CPP began in 1966, real wages and salaries were growing at substantially high annual rates, both because productivity per worker and the total number of workers were growing rapidly. This meant that the CPP contributory base was increasing fast enough to cover expenditures without the need for increases in contribution rates.

At the same time, real interest rates were low such that a large investment fund would not have contributed much to the financing of CPP benefits. Financing "current" benefits by "current" contributions (pay-go funding) levied on earnings that were growing faster than investment returns was thus desirable. From 1960 until 1979, real growth rates in the Canadian economy were greater than real long-term interest rates such that pay-go funding was preferable to full funding.

However, since about 1980, slower growth in labour productivity and the size of the labour force have slowed the growth in total wages and salaries, and hence the growth of the CPP's contributory base. (This necessitates compensating rapid contribution rate increases under a pay-go system.) Further, real interest rates have increased substantially, increasing the potential significance of investment returns in CPP funding. As real long-term interest rates are now greater than real growth rates, full funding has thus become preferable to pay-go funding. This is projected to continue to be the case for some time.

In a fully funded pension plan, there is a long period between when contributions are made and when benefits are paid. This implies a large fund available for investments. Investment earnings will typically finance 75 to 80 per cent of benefits in a fully funded plan. Higher investment earnings mean lower contribution rates under full funding than those ultimately required under a pay-go system.

Under full funding, benefit security is enhanced because benefits are funded as they are earned. Further, intergenerational equity is also enhanced in that current contributors pay the actuarial cost of their pensions rather than passing on a large burden to subsequent generations. There are also macro-economic benefits associated with full funding including higher savings, less foreign indebtedness, more investment and a larger capital stock.