

Common Front for Retirement Security – Charter Members

CARP, Canada's Association for the Fifty Plus

SenTax

Small Investor Protection Association SIPA

The Royal Canadian Legion

Air Canada Pionairs

Response: A Thousand Voices (RTV)

Allstream Retirees

Bell Pensioners' Group BPG

Federal Superannuates National Association (FSNA) L'Association nationale des retraités
fédéraux

United Senior Citizens of Ontario USCO

Alliance of Seniors – the Older Canadians Network - Toronto

Canadian Activists for Pension Splitting/Regroupement des Canadiens pour le partage des
pensions (CAPS/RCPP)

Retired Airline Pilots of Canada RAPCAN

Older Women's Network (Ontario)

The Ontario Coalition of Independent LIF Holders

Armed Forces Pensioners'/Annuitants' Association of Canada Inc.

CBC Pensioners National Association / Association nationale des retraités de la SRC

COMTECH, Communication and Technical Workers Credit Union

REAL Women of Canada

Army, Navy and Air Force Veterans in Canada

Molson Retirees

CN Pensioners Association

Formed in June, 2007, the **Common Front for Retirement Security CFRS** comprises 22 organizations giving voice to over two million organized Canadians. The CFRS evolved from the Common Front for Pension Splitting CFPS after its three-year advocacy campaign that prompted the federal and provincial governments to introduce pension income splitting for married and common law households starting in tax year 2007.

CFRS Purpose/Structure

The objective of the CFRS is to see legislation enacted that will provide retirement security for Canadians in all walks of life in their senior years. The CFRS is not a coalition, alliance or federation. Participating organizations retain their autonomy and the authority to speak for their members. The CFRS facilitates teamwork and co-operation among its members to achieve its common goals. It advocates federally and provincially in areas of specific common concerns

The CFRS's current concerns are:

- 1) The orderly introduction of the pension splitting processes
- 2) Pension security
- 3) Capital market investment security, and
- 4) Access to occupational pension for all Canadians

The CFRS considers pension security, investment security and pension access to be interlinked. Addressing one without considering the others would be ineffective.

Pension Security:

The CFRS is impressed with the clarity of background material that the Commission has assembled. It congratulates Commissioner Arthurs and his team of experts for this and considers it a firm step in the right direction. Nevertheless, reforms of this magnitude require political will that may waiver or are subject to unpredictable whims and circumstances. The CFRS wishes to be an effective and powerful ally in advocating for appropriate legislation.

The CFRS does not have the technical expertise to explore Ontario's Pension System. However it supports in principle the submission to the Ontario Expert Commission on Pensions by the Bell Pensioners' Group (BPG) who have been investigating the issues for over a decade. BPG is a charter member of the CFRS.

The CFRS also supports in principal the position of the Canadian Institute of Actuaries' (CIA) *Prescription for Canada's Ailing Pension System*. http://www.actuaries.ca/index_e.cfm However CIA and BPG do not go far enough to describe the systemic problems.

The OECPC background paper published in February 2007 describes some of the attributes of Defined Benefit Pension Plans (DBPP) such as the protection members have with respect to market and economic volatility. DBPP have other advantages that are equally important, notably, much greater security and efficiency compared to plans where members with little or no

Submission to the Ontario Expert Commission on Pensions, 2007

understanding of Canada's capital market system are forced to make financial decisions. It is a *caveat emptor* jungle contaminated by fraudulent investment opportunists and white-collar crime. Many ersatz financial advisors are pitchmen whose only goal is to sell accounts and risky products to unsuspecting victims. Some are scam artists who prey on the naive and elderly.

Many Canadians are waking up but unfortunately only after they, their family and/or their friends have become victims. The Oct 2, 2007 CBC report of the Innovative Research Group study, revealed that *one million Canadians were victims of investment fraud*. The Small Investor Protection Association (SIPA) estimates that Canadians are bilked of more than \$20 billion annually. An important task of the OECP is to recommend that government and other institutions educate the general public, demand better labelling of financial products, legislate a cooling-off period for investors and a publish a "Face-Book" of offenders. The OECP should join the growing chorus of professional voices demanding that federal and provincial legislators strengthen the laws and put teeth into enforcement. See National Post, Oct 10, 2007 article by Al Rosen (attached).

While white-collar crime is outside the OECP mandate it should at least warrant a footnote in its final report. Given highly sophisticated administration DBPP plans are far less likely to be victims. Swindlers are not as prone to preying on institutions that hold the power and resources to defend themselves.

DBPP administration is not sacrosanct. The recent revelation of wrongdoing in the RCMP - Canada's great symbolic enforcer of justice - suggests that there needs to be greater regulation and scrutiny of pension administrators.

Canada's whole financial system needs review. Politicians have been promising capital market reforms for over fifty years. Provincial and federal pension acts, are over 20 years old and out of sync with the new realities.

What are the costs of corporate corruption to pension plans? - WorldCom, Enron, Nortel, BreX, Hollinger and now the Asset-Backed Commercial Paper debacle. Regulators need to reign in corporate malfeasance and greed. How much have they cost our pension funds?

The shift from DBPPs

What can be done to stem the apparent drop in popularity of DBPPs? Pension plan sponsors and members need to find win-win propositions. Canada is re-entering a period of full employment where high salaries alone will not attract and retain occupational skills and expertise. DBPPs played a big role in the 1970s when a similar situation existed. The value of retirement security

is underappreciated. Corporations need to better understand the competitive edge that DBPPs have for attracting and retaining the best people especially in fields where already scarce human resources are in the shortest supply.

The carrot is superior to the stick

Much of the current disfavour with DBPPs could be resolved by bringing the stakeholders (plan sponsors, members and politicians) together to address perceived problems. Some of the proposed pension reforms scare sponsors.

The CFRS has asked plan sponsors what it would take to entice them to continue or to initiate new DBPPs. They point to the bottom line and future liabilities. Politicians know that growing numbers of constituents worry about retirement security. The CFRS asked some of its political friends to mull over the idea of tax-credits and other incentives to sweeten the pot. It discovered that they and their advisors under-appreciate how pension funds perform as a major economic engine driving Canada's economy (second after the banks). The CFRS expects that OECP can play an important role by orchestrating dialogue between governments, pension sponsors and pension plan representatives.

The CFRS would be pleased to play a role in opening up such dialogue.

Access to occupational pension

It is unfair that 40-50 percent of workers do not have meaningful occupational pensions. They should be entitled to enjoy the comfort of retirement security and self-sufficiency in their golden years.

Other nations are struggling with solutions. They too, understand the advantages of universality. Retirement security is seen as an entitlement of a modern society, but, the public coffers cannot bear the escalating costs of sustaining an aging population simply by passing on the expense to the next generation.

In the United Kingdom, commenting on Lord Turner's proposed *National Pension Savings Scheme (NPSS)*, UK Secretary of State for Work and Pensions, John Hutton said, "***We know that people are far more likely to save for their retirement if they have access to a simple, low cost pension with a contribution from their employer.*** That is exactly what Personal Accounts will provide. In the *Attitudes to Pensions* report, 84 per cent of people surveyed supported the idea of a national pension savings scheme, and a further 68 per cent liked the idea of automatic enrolment. Given the similarity of culture and economics, a survey in Canada would likely produce similar response. (OECP would want to request a study to test the credibility of CFRS's assumption.)

The UK's personal accounts scheme shares the cost between employees and employers. The UK government contributes another one percent. A provincial or federal plan could also provide a safety net for a mobile work force and a backstop for pension fund windup.

A made-in-Canada scheme could salvage many attributes of a DBPP and lead to exciting innovations.

Canada Pension Plan Enhancement: The CFRS supports the Federal Superannuates National Association (FSNA)* in its brief proposing a vertical enhancement of CPP/QPP contributions and benefits to raise pension limits particularly for lower income pensions.

Locked-in Funds: The CFRS unequivocally agrees that pensioners deserve discretion over their own money. On Sept 26 preminent experts, Professor Jack Mintz, Rotman School of Management, University of Toronto and Malcolm Hamilton, Mercer Consulting proclaimed the rationale for 100% unlocking at a Toronto media event sponsored by CARP*, Canada's Association for the Fifty Plus and the Ontario Coalition of Independent Locked-In Fund Holders* (*charter members of CFRS)

The CFRS is not fixed on one-remedy solutions and would be pleased to play a role in blending ideas

Dan Braniff

Founder/liaison Common Front for Retirement Security CFRS

Founder/liaison Common Front for Pension Splitting CFPS

dan.braniff@sympatico.ca

www.RetirementSecurity.ca and <http://georgianbay.carp.ca>

519 363 2552 705 444 1540

Stan Buell

President, Small Investor Protection Association SIPA

stanbuell@rogers.com

www.sipa.ca

905 471-2911

**Retirement
Security.ca**

