THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

Office of the President and Chief Executive Officer

Cabinet du président et chef de la direction

May 31, 2016

The Honourable William Morneau, PC, Q.C., M.P.
Minister of Finance
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Minister Morneau:

We thank you for the leadership that you and your government have shown in steering the economy through these challenging times. In anticipation of your meeting with the provinces on June 21 in Vancouver, we want to convey the views of our members on Canadian retirement savings.

With Ontario's Retirement Pension Plan (ORPP) set to commence enrollment in 2017, we appreciate your efforts to find a federal solution that will avert a patchwork of provincial programs.

However, we are concerned that big increases to pension contributions could come at a time when the Canadian economy is struggling with weak commodity prices and slower consumer spending, and we worry that this could undermine your efforts to stimulate the economy. For example, the Conference Board estimates that ORPP would decrease household spending in Ontario by $2.84 billion per year in the early years because benefit payments won't start until 2022 and will be less than contributions until 2047.

Our members are concerned about any increase to payroll taxes. As you are aware, the Canada Pension Plan (CPP) already costs 9.9% of salary (shared equally by employee and employer). ORPP would add 3.8% (shared equally) on top of that, bringing us up to almost 14%. This is in addition to 4.5% for Employment Insurance as well as federal and provincial income taxes. All this would place Canada's payroll tax burden up near the highest in the world.

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With your expertise on pensions, we hope you agree that the evidence on whether Canadians are saving enough is somewhat mixed. A study from McKinsey shows that 83% of Canadians will retire without significant adjustment in their standard of living. CD Howe points out that the average income of Canadian seniors, adjusted for tax and family size, is 91% of the average income of working age Canadians and that seniors are better off financially than younger Canadians. Fred Vettese writes that there is no retirement crisis because we understate certain income sources, such as real estate, and overestimate our spending in advanced ages.

The point is that any solution must target the 15-20% of workers who are at risk. Those who go from to job to job on contract find it more difficult to save. Seniors who depend on a spouse's pension sometimes struggle when survivor benefits are clawed back. An across-the-board plan that affects millions of Canadians, such as ORPP will simply hurt the economy.

We believe that your government can target Canadians who need help by improving savings opportunities and providing better incentives. Firstly, your recently announced increase to the Guaranteed Income Supplement will help the most at risk seniors. Secondly, Canadians, by default, should be "opted-in" to savings plans in order to provide the nudge they need, and savings incentives could be targeted towards those in the lower middle income levels. We also recommend that you allow Canadians to voluntarily contribute more to the CPP. Finally, we need to emphasize personal choice and responsibility. The CPP should be a tool that helps Canadians save for retirement, not a guarantee of income for all Canadians.

If you have any questions or if we can be of assistance, I would be pleased to discuss any time.

Sincerely,

Perrin Beatty

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