



December 11, 2009

Office of the President and  
Chief Executive Officer

Cabinet du président  
et chef de la direction

Hon. James Flaherty, P.C., M.P.  
Minister of Finance  
140 O'Connor Street  
Ottawa, ON K1A 0G5

Dear Minister:

The Canadian Chamber of Commerce is Canada's most representative business organization. Through our network of more than 325 local chambers of commerce and boards of trade, we speak for 175,000 businesses of all sizes nationwide. We pride ourselves on being The Voice of Canadian Business and work hard with the federal government to ensure its policies enable Canada's businesses to maximize their economic and social contribution to our national wellbeing.

As you and your provincial/territorial colleagues meet in Whitehorse on December 17<sup>th</sup> and 18<sup>th</sup>, the issue of ensuring that Canadians continue to have adequate retirement incomes will figure prominently in your discussions.

According to a recent report by Mercer<sup>1</sup>, Canada's retirement savings system is among the best in the world. In general, we agree and believe there is an opportunity to improve Canada's current retirement savings system rather than fundamentally changing it. The latter could risk damaging a retirement savings framework that is currently functioning well.

Much of the current discussion on the issue of retirement savings has focused on ensuring that private sector employees have more access to employer-sponsored retirement savings plans.

Larger businesses have the resources to manage pension administration and have a larger number of employees over which to spread the significant overhead costs. Like businesses in other countries, large Canadian employers have been moving away from Defined Benefit (DB) pension plans towards Defined Contribution (DC) plans. We believe this is due, in part, to the significant administrative burden as well as the potential financial liability and earnings volatility caused by sponsorship of a DB plan.

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[http://www.mercer.com/attachment.dyn?idContent=1359625&filePath=/attachments/English/melbourne\\_mercer\\_global\\_pension\\_index.pdf](http://www.mercer.com/attachment.dyn?idContent=1359625&filePath=/attachments/English/melbourne_mercer_global_pension_index.pdf)

Most small and medium-sized businesses do not have the resources to offer employer-sponsored pension plans. Instead many of these businesses work locally with their financial advisors to establish a group RRSP. These plans provide employers with more flexibility and are easier to administer. There are more than two million Canadians currently saving for retirement through group RRSPs.

Canadian businesses need the flexibility to choose retirement savings solutions that fit their business models. Likewise, Canadians' pension needs vary significantly. Therefore, we recommend you and your colleagues consider a balanced, competitive approach to retirement savings that includes more private sector options for businesses and employees. These options should focus on improving both DC pension plans and group RRSPs making these plans less costly and easier for small and medium- sized businesses to offer to their employees.

DC pension plans can be improved and made more attractive to employers by:

- creating a new regulatory framework specifically designed for DC pension plans that eliminates unnecessary DB plan rules and concepts,
- allowing multi-employer plans,
- amending employment laws to allow employers to automatically enroll employees and increase employee contribution, and
- harmonizing DC pension regulations across federal and provincial/territorial jurisdictions.

These changes would lower the costs and administrative burdens for businesses making it more attractive and feasible for employers to sponsor these plans. The changes would also lower costs and increase contributions for the millions of Canadians currently enrolled in DC pension plans.

Group RRSPs can be improved and made more attractive to employer sponsors by:

- creating a new regulatory framework specifically designed for employer-sponsored group RRSPs that allows locking-in of some or all contributions,
- exempting contributions to a group RRSP from payroll taxes (EI and CPP), and
- allowing pension-like income splitting for withdrawals from a Group RRSP.

Many employers want contributions, especially theirs, to be locked-in so that the money is saved for retirement and not prematurely withdrawn by employees.

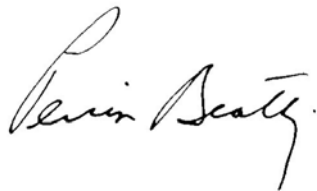
Improving DC pension plans and employer-sponsored group RRSPs would be an effective, low cost, practical solution that could immediately benefit thousands of Canada's small and medium-sized businesses and millions of employees.



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We urge all levels of government to work with Canadian businesses to improve the existing framework for employer-sponsored retirement savings plans as a means of ensuring that Canadians have adequate retirement income.

Sincerely,

A handwritten signature in black ink that reads "Perrin Beatty". The signature is written in a cursive style with a large initial 'P' and a long, sweeping underline.

Perrin Beatty  
President and Chief Executive Officer

c.c.: Ted Menzies, Parliamentary Secretary to the Minister of Finance  
Hon. Raymond Bachand, Minister of Finance, Québec  
Hon. Greg Byrne, Minister of Finance, New Brunswick  
Hon. Dwight Duncan, Minister of Finance, Ontario  
Hon. Iris Evans, Minister of Finance, Alberta  
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