

Provincial Private Member's Bill Analysis

- Full name:** Session 2, Parliament 40
Bill 50, An Act to require the introduction of legislation to allow for pooled registered pension plans
- Short name:** Bill 50, Pooled Registered Pension Plans Act, 2013
- Stated Purpose:** To provide a legal framework for pooled registered pension plans for Ontario residents.
- Private Member:** Julia Munro, MPP (York-Simcoe), PC Party
- First Reading:** April 10, 2013
- Bill 50 introduced and carried
 - Ms. Munro delivered a very brief description of the bill
- Second Reading:** April 25, 2013
- Ms. Munro given 12 minutes to present
 - Described the contents of the bill and provided statistics to support its necessity
 - 8 MPPs spoke in response (2 Liberal, 3 PC, 2 NDP)
 - Ms. Munro given two minutes to respond
 - Briefly touched on two points brought up during debate
 - Ended with a quote
 - Speaker put question on the motion for Second Reading and was met with “a bunch of noes”
 - Called for “ayes” and “nays”
 - Opined that the “ayes have it” and said a vote would be taken at the end of regular business
 - Results of the vote: 61 ayes, 17 nays
 - Bill carried on recorded division
 - Referred to the Standing Committee on Legislative Assembly

Synopsis of Ms. Munro's speech:

People in Ontario are not saving enough for their retirements. Only about 40 per cent of Canadians are members of a workplace pension plan and only about 30 per cent are saving through RRSPs. More than half of Canadians feel that their retirement won't be adequately funded, meaning dire consequences for those individuals and a heavy burden for the government. In order to encourage all Ontarians to save for retirement, we need to ensure a variety of choices.

The federal government recently passed legislation making it possible for the provinces to implement PRPPs. Other provinces have introduced PRPP legislation, but since Ontario is home to the bulk of employees not covered by federal pension legislation, it's probably not worthwhile for financial institutions to set up PRPPs until we act. PRPPs are an easy-to-use system for automatic saving. Self-employed workers would benefit by being able to join a pooled pension. PRPPs would be portable between employers and provinces, there will likely be a fee advantage over RRSPs and large-scale investment is possible due to a large pool of investors. Statistics say that small businesses are already interested and in favour of them since they'll attract employees and keep administrative costs for pensions low.

Party Platforms

In favour:

- Liberal -** The Liberal MPPs agreed that retirement savings is an issue of dire importance for everyone. They believe that PRPPs are a positive addition to the existing variety of savings options but are not a solution. They are pushing to also increase CPP contributions.
- PC -** The Conservative MPPs spoke in support of their party member. They argued that we cannot afford to increase the CPP at this time. Their argument in favour of PRPPs is that though most small business owners don't have retirement plan in place for their employees, most would like to. PRPPs would be a great option for them and they will be subject to a higher standard of financial supervision than RRSPs because of their status as pension plans.

Opposed:

- NDP -** The NDP members called for the creation of a defined provincial pension plan, like the CPP. They stated that it's been proven to be the best way to build a good pension. People can't afford to invest and the markets are too unsteady to rely on investment-style strategies. PRPPs do not solve the larger problem.

Special Interest Groups

In favour:

Canadian Bankers Association

PRPPs are simple to administer and make it possible for small- and medium-sized businesses, as well as the self-employed, to participate in private sector pension plans. They're an attractive product for financial institutions to offer.

Canadian Federation of Independent Business

The main reasons that small businesses don't offer any form of company retirement plan are the costs and the administrative burdens. If properly implemented by the provinces and financial institutions, PRPPs could improve both. Small businesses want to offer pension plans in order to attract employees.

Opposed:

C.D. Howe Institute (public-policy group)

They refer to PRPPs as no more than an RRSP program with a "new coat of paint." Tax rules for PRPPs will prevent many private-sector workers from saving enough for retirement and from receiving retirement income in the form of a life pension. PRPPs should be avoided entirely by many low- to middle-income workers, who will face taxes and government-benefit clawbacks on PRPP retirement benefits at rates that are significantly higher than the refundable rates that apply to contributions.

Conclusion

In my opinion, Bill 50 should be passed. No one can dispute that we have a serious retirement savings crisis in Canada, one that will only continue to get worse, according to Ms. Munro's statistics. Most of the opposition to the bill that was voiced during the debate wasn't about the actual merits of PRPPs but about the fact that they are not a comprehensive solution to the province's retirement issue. I would agree with that entirely, as did members of the PC party. However, just because their introduction wouldn't solve the entire problem doesn't mean that it wouldn't be a positive step. It's fine to use the discussion of retirement savings as a springboard to discuss increasing CPP contributions, introducing a defined provincial pension plan, etc., but why attempt to veto this particular bill when all of these ideas are valid and can contribute to an overall solution? Pooled pension plans would primarily benefit small businesses and the self-employed, and that alone should be enough to push this bill through. Currently, those are two groups who have been the most underserved by Ontario's pension options. PRPPs are also an appealing product due to their ability to hypothetically move with an employee from employer to employer. As long as your new employer also has a pooled pension plan, your existing savings will not be lost simply because you switch positions.

Should Bill 50 be passed (which I believe it should and will), I think the introduction of PRPPs is a necessary first step in what should be a comprehensive reform of our province's plan for sustainable retirement.