



June 27, 2013

Dear Finance Minister:

I am writing to urge you to meet with other Finance Ministers across Canada as soon as possible to make improvements to the Canada Pension Plan.

After years of discussion and delay, you and your colleagues have an opportunity right now to make a significant positive difference to the lives of tens of millions of Canadians by committing to an expansion of the Canada and Quebec Pension Plans. This is a policy decision supported by a majority of Canadians. Polling data shows that 75% of Canadians support CPP expansion, even when they are presented with figures on the increased contributions required from them to double CPP benefits.

At your meeting last December, improvements to the CPP were once again put off, but federal Finance Minister Flaherty promised to a meeting in June to finally make some decisions. Now, I understand this important issue has been moved to a phone call between Ministers. The federal government's lack of leadership on this issue has gone on long enough. If the federal government still refuses to act, I urge you to arrange a meeting with other provincial Finance Ministers to achieve an agreement on improving the CPP with the required two-thirds majority—and then challenge the federal government to act.

RRSPs and other voluntary retirement mechanisms aren't working. RRSP contribution rates continue to drop, with less than a quarter of all tax filers contributing to Canada's expensive and unreliable system of private retirement savings through RRSPs. Middle and lower income working Canadians are of course able to contribute far less. Outside of publicly supported pensions, the CPP and QPP are the only reliable retirement savings most working Canadians have.

The Canada and Quebec Pension Plans are a major Canadian success story. In the 50 years since they were first envisaged in July 1963, they have developed into a very efficient and well managed program that provides secure retirement incomes for every working Canadian at a low cost—and is projected to be financially sustainable on the basis of current contribution levels over at least 75 years.

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The one major problem is that benefit levels at a maximum of \$12,000 a year are insufficient, especially now as fewer employers provide any form of additional pension for their workers—and fewer Canadians can afford or choose to put money into insecure retirement savings plans. This isn't a problem faced by many business owners: while employers cut back on pensions for their employees, the fastest growing form of pension are individual defined benefit pension plans for executives and business owners.

A phased-in doubling of CPP benefits funded by a modest increase in contributions over seven years has widespread support among provincial governments, pension experts, and the Canadian public. Polling shows very strong support, with 75 per cent of Canadians supporting an expanded and improved CPP when presented with specific figures on how much it will cost them.

While expansion of the CPP has gained the support of many pension experts, business and even finance industry leaders, some vocal business lobby groups continue to express opposition to any form of improvement. They claim CPP premium increases would lead to negative economic impacts and employers can't afford payroll increases. The same economist hired to project major job losses from an expanded CPP previously predicted that CPP premium increases introduced in 1997 would have "severe macroeconomic consequences" and a loss of over 200,000 jobs per year during the past decade.

Instead the unemployment rate fell for years and reached a 30 year low by 2007. These alarmist claims ignore the fact that payroll pension contributions in Canada are already significantly lower than OECD standards, and would remain so if a modest expansion was implemented. Employment Insurance premiums are already slated to decline, an improved CPP would reduce pressure and premiums for other workplace pensions, and improved certainty of retirement income through the CPP would provide major economic benefits through increased security.

Employers, who have benefited from significant reductions in corporate tax rates in recent years, should be able to afford a small increase in CPP contribution payments. Corporate profits and excess cash held by businesses are also at a record share of the economy, as they have benefited from tens of billions in reduced corporate income and business taxes, including an EI premium credit for small businesses. All analyses—including those published by the CFIB—show that an expansion of the CPP would have positive long-term economic impacts on economic growth, employment and productivity growth within a decade.

The cost of inaction on CPP expansion is growing. Study after study shows that Canadians are not saving enough for retirement, and that this problem will only get worse as future generations retire. These troubling projections demonstrate the shortcomings of an increasingly individualized retirement income system.

If we fail to recognize these trends, and fail to provide an effective mechanism for retirement security for all Canadians, we will all pay for this in the coming decades. We will pay with reduced living standards, poverty and needless suffering. These outcomes, will, in turn, cost taxpayer money through programs like the federal Guaranteed Income Supplement and provincial support programs. A modest expansion of the CPP would also reduce strain on employer-provided defined benefit pension plans which are under pressure, particularly in the private sector.

Canadians are prepared and willing to contribute more to receive the security of an expanded CPP benefit. The longer we delay implementation of this important reform, the longer Canadians will have to wait for meaningful retirement security. Actuarial projections show that the CPP is completely sustainable in the long-term and any expanded benefits would be fully pre-funded, ensuring ongoing sustainability. The CPP is a universal and remarkably efficient and secure way to provide retirement dignity and security for Canadian workers and their families. Governments need to get onside, not create any more unnecessary roadblocks and finally agree to an expansion of one of our country's great social and economic policy success stories: the Canada Pension Plan.

Yours truly,

A handwritten signature in black ink that reads "Paul Moist". The signature is written in a cursive, flowing style.

PAUL MOIST
National President

cc: The Honourable T. Mulcair; C. Fleury; National Executive Board Members; P. Beattie; D. Ivanochko;
K. Georgetti