

April 14, 2010

Mr. Chris Forbes
Federal-Provincial Relations and Social Policy Branch
Department of Finance
L'Esplanade Laurier
15th Floor, East Tower
140 O'Connor Street
Ottawa, Canada K1A 0G5

Dear Mr. Forbes,

The Greater Sudbury Chamber of Commerce is pleased to have the opportunity to contribute to the federal government's consultation on *Ensuring the Ongoing Strength of Canada's Retirement System* in advance of the next meeting of federal and provincial/territorial finance ministers.

We believe that Canada's current retirement savings system works well and that the ministers' focus should be on improving it 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.

While larger businesses have the resources to manage pension/retirement savings programs, this is not the case for most small and medium-sized businesses. Those that wish to offer their employees group RRSPs work locally with their financial advisors. 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 businesses' size and resources. At the same time, Canadians' retirement savings and income needs vary significantly. Therefore, we recommend the federal and provincial/territorial governments 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 Defined Contribution (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 Defined Benefit (DB) plan rules and concepts,
- encouraging the creation of multi-employer DC pension 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 offer these plans. The changes would also contribute to

lowering costs and increasing contributions for the millions of Canadians currently enrolled in DC pension plans.

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

- creating a new regulatory framework specifically designed for employer-sponsored group RRSPs that allows locking-in of some or all contributions¹,
- exempting contributions to a group RRSP from payroll taxes (EI and CPP), and
- allowing pension-like income splitting for withdrawals from a Group RRSP.

Improving DC pension plans and employer-sponsored group RRSPs – and making the regulations governing them consistent across all jurisdictions - would be an effective, low cost, practical solution that could immediately benefit thousands of Canada's small and medium-sized businesses and the millions of Canadians who work for them.

Lastly, most employers need to be educated in the benefits that such programs can bring to the business; stronger loyalty and productivity can translate into benefits for their bottom line, yet these plans are often perceived to be administrative headaches that increase costs. These ill-informed impressions are not based on analysis and organizations like chambers of commerce can act as a catalyst in this regard by organizing information sessions, circulating case studies, and hosting information sessions.

Similarly, our youth need to have an understanding of finances, debt and the value of pensions and preparing for them. Our school system should be in important doorway to achieve these learning outcomes. Early education can have a lasting effect when learning about personal finance, especially the value of saving for retirement at an early age.

The Greater Sudbury Chamber of Commerce urges 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,



Debbi M Nicholson
PRESIDENT & CEO

Cc: Canadian Chamber of Commerce
Glenn Thibeault, MP Sudbury
Claude Gravelle, MP Nickel Belt

¹ *Many employers want their contributions to be locked-in so that the money is saved for retirement and not prematurely withdrawn by employees.