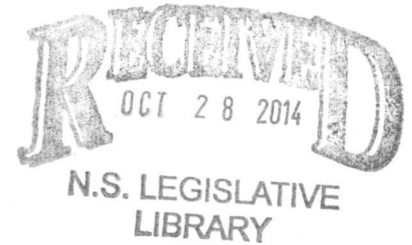


LAW AMENDMENTS COMMITTEE

Red Room, Province House

Monday, October 27, 2014



Bill #38 - Pooled Registered Pension Plans Act

- 4:00 pm
1. Ian Johnson, Services Co-ordinator/Policy Analyst
Corinne Carey, Pension & Benefits officer
NSGEU
 2. Carol Ferguson, Researcher
CUPE NS

Bill #49 - Economic Development in Nova Scotia, An Act to Improve

- 4:00 pm
1. Bob Parker *DIDN'T APPEAR*
students NS

Bill #6 - Petroleum Resources Act (amended)

Deferred from previous meeting

**Bill #18 - Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation
(Nova Scotia) Act (amended)**

no representation

Bill #22 - Maritime Provinces Harness Racing Commission Act (amended)

no representation

Bill #25 - Housing Act (amended) and Housing Nova Scotia Act (amended)

no representation

Bill #26 - Animal Protection Act (amended)

no representation

Bill #50 - Halifax Regional Municipality Charter (amended)

no representation



Notes for a Submission

By

Joan Jessome
President

Nova Scotia Government and General Employees Union

To the
Law Amendments Committee
On
Bill 38 -
Pooled Registered Pension Plans Act

October 27, 2014

Introduction

Thank you, Madam Chairperson and members of the Committee for the opportunity to speak to you about Bill 38 – *Pooled Registered Pension Plans Act*. Our President (Joan Jessome) was unable to be here today to speak to this Bill, due to prior commitments for her out of town. My name is Ian Johnson and I am the Servicing Coordinator/Policy Analyst with NSGEU, and with me is Corinne Carey who is the Pensions and Benefits Officer with NSGEU.

The Nova Scotia Government and General Employees Union (NSGEU) is the largest union in the province representing more than 30,000 workers across the public sector in the provincial government, corrections, health care, public schools, community colleges, universities, municipalities, and community organizations.

Participation in retirement savings arrangements is very important to our members. They are covered by almost 20 different pension plans with 93% of members participating in Defined Benefit Pension Plans, 3% participating in Defined Contribution Pension Plans, 3% participating in Group RRSPs and 2% having no workplace pension at all. It is for our members, and also, those thousands of Nova Scotians, without work place pensions that we are speaking for today.

We have been involved for at least 20 years in pressing for improvements to pension policy and legislation in general and to the pension plans of our members in particular. We are involved in joint trusteeship with several public sector pension plans such as the Public Service Superannuation Plan and the Nova Scotia Health Employees Pension Plan. We are also represented on the Nova Scotia Pension Services Corporation Board of Directors. Finally, we offer a number of pre-retirement seminars for our members every year.

Bill 38 – A Flawed Public Policy

This legislation entitled the *Pooled Registered Pension Plans Act* (or PRPP) is being billed by the Minister of Finance and Treasury Board as a pension option that will allow Nova Scotians to retire with security and comfort. She suggests that PRPPs will provide a low-cost, regulated pension option for employers, employees and self-employed persons. The purpose of the Act is apparently to “provide a legal framework for the establishment and administration of a type of pension plan that is accessible to employees and self-employed persons and that pools the funds in members’ accounts to achieve lower costs in relation to investment management and plan administration.”

We do agree that all Nova Scotians are entitled to retirement security, that only 40 percent of Nova Scotians have a pension, and that less than 20 percent of working Nova Scotians contribute to a Registered Retirement Savings Plan (RRSP). But our agreement ends there. We are strongly opposed to seeing this legislation proceed any further.

If this legislation is passed, PRPPs will be added to the growing list of retirement schemes (defined contribution pension plans, money purchase pension plans, and registered retirement savings plans) with the intent to provide employees with retirement income. **But let us be clear, these retirement schemes are NOT pension plans. They do not provide retirement security. Pooled Registered Pension Plans are just another voluntary savings vehicle.** They may be better than RRSPs in addressing the deficiencies in our pension system, but they are greatly inferior to an expanded Canada Pension Plan (CPP)

The PRPPs are targeted at workers who do not have a registered pension plan. According to the Department of Finance “Nova Scotia PRPP Q and A”, the PRPPs may not be advantageous for those employees who earn less than \$25,000 per year and who do not believe that their income will increase

substantially because those savings would reduce the amount that can be collected from programs like Old Age Security. For us, though, these are the very workers who we think should have adequate retirement savings.

Unlike the CPP where employers pay one-half of the premium cost, PRPPs will not require contributions from employers. Unlike the CPP and defined benefit pension plans, PRPPs will not provide a secure retirement income at a set replacement rate of pre-retirement earnings. Employees will be required to speculate on the financial markets with the hope that on the day they retire they will have enough saved in their account to last them through their retirement years. Unlike the CPP, PRPPs will not offer protection against inflation, and will not necessarily last a lifetime. Conversion of a PRPP to lifetime, indexed annuity at the time of retirement might be possible but at a very high cost.

PRPPs will supposedly achieve a "lower cost" for the Plan participants in the investment and administration of their retirement funds. To do so, banks and insurance companies will be investing workers' money, with the ability to charge somewhat reduced "management fees". However, we are concerned that this will be done with little or no public oversight as to how those monies are managed or where they are invested. If the purpose is to achieve a true "low cost" alternative, the legislation should, at least, set out maximum thresholds for the fees that can be deducted and limits on the amount of money invested in the various investments vehicles.

We are also very concerned that PRPPs will operate completely outside the legislative requirements and protections offered by the provincial *Pension Benefits Act*. Yes, it will operate under the *federal Pooled Registered Pension Plans Act (Canada)*, but that does not provide the same level of oversight and protections as our own PBA. Many of the important details such as fees, contribution rates, and investment options are left to be defined in the regulations without any clarity about how these regulations will be developed.

In fact, we were surprised to see one key part of Bill 38 being the creation of a new Superintendent of Pooled Retirement Pension Plans. The federal PRPP allows for the appointment of a Superintendent under Section 5 of the *Office of the Superintendent of Financial Institutions Act*. OSFI is responsible for the supervision of federally regulated private pension plans. It is unclear why Bill 38 appoints a separate Superintendent to perform the function and duties of the Act. Currently, the provincial Pension Regulation Division under the Minister's Department administers and enforces the *Pension Benefits Act* which applies to most public and private pension plans in the province. It would seem more practical to have plans subject to the *Pension Benefits Act* and a *Pooled Registered Pension Plans Act*, overseen by our own Superintendent of Pensions.

As we have already indicated, the biggest flaw with this Bill is that it is voluntary in nature. Employee participation is voluntary. Employer contributions to an Employee's PRPP are voluntary. We hear that businesses are keen to offer the PRPP, but what is unknown is if they will step up to the plate and contribute towards their employees' future retirement. Without mandatory coverage as has been already shown across the country with voluntary schemes, we do not think that the PRPP will not solve the goals which are being set out for it to achieve.

Alternative Option– Enhance the Canada Pension Plan

Instead of setting up another retirement income vehicle with a number of uncertainties, we call on the McNeil Government and the Committee to support an expansion of the Canada Pension Plan because:

- It provides defined retirement benefits which are Inflation-indexed to CPI as well as survivor, and disability benefits for all workers in all industries across the country, including the self-employed, regardless of the number of employers and number of jobs a worker has over her or his lifetime;

- It is jointly funded by employees and employers (currently 4.95% each – 9.9% combined) on earnings up to annual maximum of \$52,500 (in 2014);
- It is actuarially sound for the next 75 years;
- It has administration fees of less than 0.05% of assets which are far lower than the management expense ratios for privately administered assets by Canadian financial institutions.
- It is portable across jobs, employers and jurisdictions.

Conclusion

In conclusion, the NSGEU is strongly against Bill 38. Instead, we would strongly advocate that the government pursue the enhancement of the Canada Pension Plan as a means to ensure Nova Scotians have the ability to save for retirement. We are very disappointed that the government has completely backed away from being a strong advocate of this enhancement which most of other provinces and territories have been supporting several years.

On the topic of pensions, we would like to again urge the government to finalize the regulations and proclaim the new Pension Benefits Act which was passed as Bill 96 in December 2011. To our knowledge, this is the second piece of legislation proposing amendments to an Act which has not yet been proclaimed.

One final point we would like to make again is that the presentations and questions and answers for any given Bill should be posted on the Status of Bills website, as is now done with posting a list of presenters and a copy of any written submissions. There is an invaluable amount of information and perspectives as well as passion being presented to this Committee on a regular basis. All of this input should be publicly available.

Thank you for your time and attention. We welcome any questions or comments from Committee members.

Submission by the CUPE Nova Scotia Division

To the

**Nova Scotia Law Amendments Committee on
Bill No. 38**

Pooled Registered Pension Plans Act

October 27, 2014

Good afternoon.

My name is Carol Ferguson and I am the Research Representative with the Canadian Union of Public Employees, Atlantic Region. I am here today on behalf of Danny Cavanagh, President of the Canadian Union of Public Employees Nova Scotia Division. The Canadian Union of Public Employees is Canada's largest union, with 628,000 public sector members working in almost every community across the country.

In Nova Scotia, we proudly represent more than 18,000 working women and men. Our members work on the front lines of our communities delivering public services to the people of Nova Scotia in home care support services, health care, community and social services, education, public utilities, housing, libraries, municipalities, post-secondary education, early childhood education and care, airlines and in many more sectors of the economy.

I want to thank the members of the Law Amendments Committee for this opportunity to speak to this legislation.

The Context

Every Nova Scotia deserves to retire with dignity. But like more and more Canadians, they are facing increasing uncertainty when it comes to their retirement plans.

More employed Canadians are living pay cheque to pay cheque, saving less and falling further behind in meeting their retirement goals according to the sixth annual National Payroll Week Research Survey, conducted by the Canadian Payroll Association (CPA), and released September 10, 2014.

In Atlantic Canada, 62% say they are living pay cheque to pay cheque (up from 58% over the past three years). This is the second highest percentage (after Manitoba) among all the provinces/regions.

Atlantic Canada had the highest percentage of employees living close to the edge with 41% saying they would be hard pressed to come up with \$2,000 over the next month if an emergency arose.

Atlantic Canadians are saving less this year. In the Atlantic region, 67% of employees are saving just 5% or less of their pay, more employees than anywhere else in the country. This is up from an average of 52% over the past three years. Financial planning experts generally recommend a retirement savings rate of 10% of net pay.

Fully 72% of Atlantic region employees expect to delay retirement until age 60 or older – up from 61% over the past three years. The number one reason cited for retiring later in life is that employees are not able to save enough money.

Atlantic Canada has the second highest number of employees who have saved less than a quarter of their retirement goal at 81% (up from an average of 66% over the past three years).

Increasing retirement security for all Nova Scotians should be a government priority, but the approach introduced in Bill 38 will do little to address the problem.

The Problem With PRPPs

Bill 38, if passed, will allow employers in Nova Scotia to offer "Pooled Registered Pension Plans" (PRPPs) in workplaces.

Let's be clear. The PRPP is not a pension plan. They are one more tax-sheltered voluntary savings plan like RRSPs. PRPPs are really a system of RRSPs by another name and managed by a different set of financial institutions.

Unlike a real pension plan, the PRPP is not mandatory. Employers don't have to offer one. Even if they do, they don't have to contribute to the plan. Even if there is a plan on offer, workers don't have to participate.

Nova Scotians already have decades of experience with RRSPs.

And how has that worked out? As the provincial government acknowledges, only 20% of Nova Scotians contribute to an RRSP every year. We're approaching one trillion dollars in unused RRSP room across the country. Voluntary options like this simply don't work.

PRPPs cannot be the answer to Nova Scotia's retirement income dilemma because they replicate every one of the essential characteristics of RRSPs that led to their failure:

- Participation will not be mandatory;
- Contributions from employers will not be required;
- They will offer no relief from exorbitant investment management fees and unacceptably low returns; and
- They will not offer participants the option of converting their accumulated retirement savings into a lifetime pension.

RRSPs and PRPPs are a boon to mutual fund managers — who "earn" among the world's highest mutual fund fees from investors. For example, an individual Canadian

who contributes a constant percentage of his or her income over a working lifetime to these retirement income savings plans pays an average of 2.07% annually in investment management fees to mutual fund managers. Over a working lifetime, that soaks up about 36% of his or her retirement savings.

Moreover, there is no real, secure benefit promise in a PRPP, as we think of in a pension plan. Workers are left to bear the risks of market downturns on their own. PRPPs are simply not pension plans.

Nova Scotians Need an Expanded CPP

There are three components of Canada's retirement income system: Old Age Security; the Canada and Quebec Pension Plans; and the private pension and individual retirement saving system.

Policymakers pictured retirement security as a three-legged stool: a publicly funded universal system for all seniors, regardless of their employment history; a mandatory, publicly run, employer-employee financed employment-based pension plan—the CPP/QPP; and private, workplace-based pensions supplemented by individual private savings for retirement.

The first leg has largely been successful. Combined with the Guaranteed Income Supplement and further add-ons in some provinces, Old Age Security can legitimately be credited for a substantial reduction in poverty among seniors — especially among senior women — in Canada over the past 40 years. The poverty rate for elderly couples dropped from 17.7% in 1976 to 2.4% in 2011. While poverty among single seniors is still high, it is dramatically lower than it was in 1976.

The Canada Pension Plan and the Quebec Pension Plan — limited as they were to 25% of an earnings base capped at the average wage — are a world-recognized success. The CPP and QPP funds, managed by the Canada Pension Plan Investment Board and the Caisse de depot et placement du Quebec, respectively, are among the largest and most successful pension funds in the world.

In late 2013 the Chief Actuary of Canada reaffirmed that the CPP remains sustainable at the current contribution rate of 9.9% for the next 75 years.

By contrast, the third, privately initiated leg — private, workplace pensions — has been a conspicuous failure. While governments generally met the expectations of the original design for their own employees, pension coverage in the private sector never approached half the private sector work- force and had dropped to 21.4% by 2011. Private sector coverage in defined benefit pension plans had slipped to 11% by 2011.

CUPE, along with seniors' organizations, bankers, labour organizations and provincial governments, supports an expansion of the Canada Pension Plan. Currently, the Canadian Pension Plan (CPP) does not provide adequate income to cover the gaps in pension coverage. On average, the CPP provides a monthly income of only \$530. Imagine the economic and social issues ahead as those baby boomers retire into poverty.

CUPE and the labour movement have been fighting for years for a phased-in doubling of CPP benefits, which would be funded by a modest increase in employee and employer contribution rates. This is a better solution for many reasons: it's mandatory, universal and run on a non-profit basis, it provides secure benefits in retirement, and the risks and costs of a secure retirement are pooled with workers across the country. The CPP is sustainable and this improvement in benefits is affordable. The public, a very wide array of stakeholders and most provincial governments support CPP expansion.

Conclusion

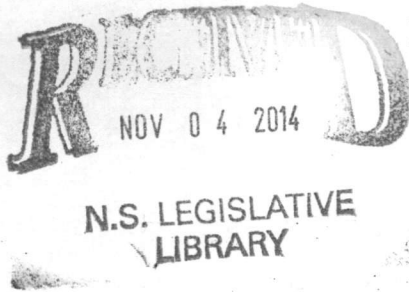
CUPE calls on the government of Nova Scotia to work towards a real solution, not a distraction like the PRPP. We urge Premier McNeil to push for CPP expansion, as most other provincial leaders are.

RRSPs, and their clone the PRPPs, fail because they are a bad investment on their own terms and because, when stacked up against the realistic alternative of an expanded Canada/Quebec Pension Plan, they deliver an inferior product at more than twice the cost.

PRPPS will do much more for the financial industry than they will for Nova Scotia workers.

CUPE is deeply concerned about projections that, without real action, show future generations of seniors having to dramatically reduce their standards of living in retirement.

CUPE has no confidence that PRPPs will solve the growing retirement income problem.



LAW AMENDMENTS COMMITTEE

Red Room, Province House

Monday, November 3, 2014

1:30 p.m.

Bill #51 - Motor Vehicle Act (amended)

- 1:30 p.m.
1. Ryan Kirker
 2. Dr. Natalie Yanchar, President
Injury Free Nova Scotia
 3. Scott Burchill

Bill # 64 - Limitation of Actions Act

- 2:00 p.m.
1. Darrel Pink
Nova Scotia Barrister's Society
 2. Cheryl Canning and/or Charles Ford
Lawyer's Insurance Association of Nova Scotia (LIANS)

Bill #60 - Smoke-free Places Act (amended) and Tobacco Access Act (amended)

- 2:30 p.m.
1. Shai Sinnis
 2. Ray Yeates
 3. Leo Bitar **DID NOT APPEAR**
 4. Marsha Kaczmarek
 5. Denise Smith **DID NOT APPEAR**
 6. Eva Campbell
 7. John Kaczmarek
 8. Mohammad Ranjbar

9. Michael Kadalen
Cedar Festival

~~10. Bonnie MacDonald~~

3:30 p.m.

11. Rodney Smith **DID NOT APPEAR**

12. Cedric Hughes

13. Chris Phillips

14. Heather DeLong

15. Kyle Kurts, business owner
Smoke-less NS Limited

16. Mike Hammoud, President
Atlantic Convenience Stores Association

17. Shaddy Chedraoui **DID NOT APPEAR**

18. Kevin Chapman, Director of Health Policy and Promotion
Doctors Nova Scotia

19. Simon Salah

20. Tony Wood-Keller

4:30 p.m.

21. Nicholas Flynn

22. Jason Hubbard

23. Krista McMullin

24. Daniel David, Chair
Electronic Cigarette Trade Association

25. Rob Cunningham, Senior Policy Analyst
Kelly Cull, Manager, Government and Partner Relations
Canadian Cancer Society

26. Catherine Drosbeck, Community Health Promotion Lead
Heart and Stroke Foundation
27. Samir Toulany **DID NOT APPEAR**
28. Sami Jreige
29. Marika Schenkels
30. Mike Bowen **DID NOT APPEAR**
31. Mark Chedrawe
32. Paulette Hawksworth
College of Dental Hygienists of NS
33. Natalia El-Moukhtafi
34. Chris Salah
35. Patrick Jabbour **DID NOT APPEAR**
36. Todd Leader
37. Kim Pye
38. Johanna Kwakernaak
Western Kings Community Health Board
- ~~39. Gwennyth Dwyne~~
40. Daisy Dwyer
41. Jeremy Adams, Director
National Smokeless Tobacco Co.
42. Dr. Louise Parker

5:30 p.m.

Bill # 64 - Limitation of Actions Act (cont'd)

- 6:30 p.m.
3. ~~Raymond (Ray) Wagner and/or Harvey McPhee~~
Berry Mason and Brian Hebert
Atlantic Provinces Trial Lawyers Association (APTLA)
 4. Ryan Blood
 5. Dan Ingersoll, Q.C.
Len White, CEO
Engineers Nova Scotia

Bill #62 - Shared Services Act

- 6:30 p.m.
1. Ian Johnson, Servicing Co-ordinator/Policy Analyst
Keiren Tompkins, Executive Director
Nova Scotia Government Employees Union (NSGEU)

Bill #60 - Smoke-free Places Act (amended) and Tobacco Access Act (amended) (cont'd)

- 7:30 p.m.
43. Mohammed Al-Hamdani *DID NOT APPEAR*
 44. Michael Klander
Rothmans, Benson & Hedges
 45. Nancy Hoddinott, Executive Director, Primary Health
IWK Health Centre
 46. Christina Swetnam, Chair
Smoke Free Kings
 47. Holly Kennedy
 48. Chris Enns
 49. James Ruddy

Bill #24 - Civil Service Act (amended)

no representation

Bill #38 - Pooled Registered Pension Plans Act

deferred from previous meeting

Bill #52 - Consumer Protection Act (amended) and Safer Communities and Neighbourhoods Act (amended)

no representation

Bill #58 - Apprenticeship and Trades Qualifications Act (amended)

no representation

Bill #59 - Halifax Regional Municipality Charter (amended)

no representation

Bill #65 - Railways Act (amended)

no representation

Bill #66 - House of Assembly Act (amended), House of Assembly Management Commission Act (amended) and Members' Retiring Allowances Act (amended)

no representation

COMMUNITY SOCIETY TO END POVERTY IN NOVA SCOTIA
(CSEP-NS)

c/o North End Community Health Centre
2165 Gottingen Street
Halifax, NS
B3K 3B5

October 28, 2014

The Honourable Lena Diab
Chair,
Legislative Standing Committee
Government of Nova Scotia
Nova Scotia Legislature
Halifax

Dear Minister Diab,

I am writing on behalf of the Community Society to End Poverty in Nova Scotia (CSEP-NS) in support of the Brief presented by the Nova Scotia Government Employees Union (NSGEU) recently on Bill 38, The Pooled Registered Pension Plans Act.

CSEP-NS has been advocating for a strong and comprehensive Poverty Reduction Strategy for Nova Scotia since 2007. The need to strengthen the Canada Pension Plan was one of several policies identified as requiring the attention of both provincial and federal governments in our community-based Framework for a Poverty Reduction Strategy for Nova Scotia (2007).

We do not believe that the proposed Pooled Registered Pension Plans Act will address the pension needs of low to middle wage earners. Many of these workers work in low paid or temporary or part time jobs that do not have access to a private pension plan. We do not believe the proposed new Plan will make it any easier for most of these workers to save for their retirement. We also believe the proposed governance regulations for this plan place retirement savings at risk.

Instead of supporting a Plan which at best will likely only assist a small number of workers, we would urge your government to support, along with several other provinces that have already endorsed the idea, the strengthening of the Canada Pension Plan. As you know, the CPP is more efficiently managed than any type of private registered retirement plan and well worth the investment through employer and employee contributions. The strengthening of

the CPP will also ensure that all workers, no matter who they work for or their level of earnings, will be ensured of a pension in retirement.

Yours sincerely,



Paul O'Hara
Co-chair
Community Society to End Poverty-Nova Scotia

CARRIED

Bill #38
Pooled Registered Pension Plans Act

CHANGES RECOMMENDED TO THE LAW AMENDMENTS COMMITTEE
BY THE MINISTER OF FINANCE AND TREASURY BOARD

PAGE 1, paragraph 2(1)(c) - delete "by the regulations" and substitute "in the federal regulations, other than the Province".

PAGE 10, subclause 20(1),

- (a) delete paragraph (e);
- (b) paragraphs (f) to (zl) - reletter as (e) to (zk).