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Pension *Pulse*

PENSIONS & BENEFITS E-BLAST

Pension Platforms in the Federal Election

The three national political parties have released their pension platforms in the federal election campaign. Partly owing to the aging demographic, to the high voter turnout among seniors and to the growing concern over security in retirement, pension issues have become increasingly prominent in this federal election. The official platforms of the three parties are quite brief and lacking detail. They are summarized below, in alphabetical order.

Conservative Platform

The Conservative party is committed to proceeding with steps to implement the Pooled Registered Pension Plan. The federal and provincial finance ministers agreed to a framework for the PRPP at its meetings in December 2010 and since then the federal government has been holding consultations with stakeholder groups. See our Pension Pulses dated December 22, 2010 and February 28, 2011 for more details concerning the PRPP.

The Conservatives will double the annual contribution limit to the Tax-Free Savings Account from \$5,000 to \$10,000, once the federal budget is balanced within the next full term of office. Lastly, the Conservatives will provide a top-up to the Guaranteed Income Supplement, providing up to \$600 extra per year for single seniors and up to \$840 per year for senior couples.

Liberal Platform

The Liberal party platform outlines that: (i) in 2008, 75% of private sector workers did not participate in a registered pension plan; (ii) contribution levels to RRSPs have not grown over the past ten years; (iii) only one quarter of eligible taxpayers contribute to RRSPs; and (iv) investment management fees for RRSPs are often 2% or more on assets.

The Liberal party promises to enhance the Canada Pension Plan in two ways. Firstly, it supports a gradual increase in defined benefits under the CPP. The platform does not specify how large the increase would be, the timeframe for the increase or the contributions required to support the increase. Secondly, the Liberals propose a new, voluntary supplement to the CPP called a Secure Retirement Option. It would operate in a similar fashion to the PRPP, except that contributions would be made by employers or employees or both on a defined contribution basis to the CPP instead of to a financial institution. The fund management fees would be minimal.



The Liberals propose the creation of a "stranded pension agency" to deal with pensions in the event of corporate bankruptcy. This agency would permit pension plan members caught up in their employer's bankruptcy to transfer their pensions to the CPP, in order to better protect their remaining pension assets. The Liberals also propose to enhance the Guaranteed Income Supplement by \$700 million per year. It is not clear what this would translate to for single and married seniors.

New Democratic Party Platform

The New Democrats propose to increase benefit levels under the CPP, with the eventual goal of doubling benefits. The platform does not provide a timeframe for the increases or specify the amount of additional contributions that will be necessary to support the increased benefit levels. The New Democrats also commit to working with the provinces for employers and employees to make voluntary contributions to an individual public pension account. This likely refers to the PRPP.

The New Democrats propose to amend bankruptcy and insolvency legislation to give a super-priority to pensioners and those in receipt of long-term disability payments. These payments would rank ahead of other creditors in the insolvency process. The New Democrats also propose to increase the Guaranteed Income Supplement in its first budget to what it considers to be a sufficient level. No further details are provided.

Common Themes

There are a couple of common themes to the three platforms, recognizing a need to strengthen our pension system. There is a common commitment to introduce an additional voluntary pension vehicle, whether it is the PRPP or the secure retirement option that would permit additional contributions to the CPP. There is also a commitment to increase benefits under the Guaranteed Income Supplement.

While a consensus has been building among provincial finance ministers for enhancements to benefit levels under the CPP, this is one important policy area in which the federal parties diverge. Please contact any member of our National Pensions and Benefits practice for more information or if you would like to discuss your pension and benefit programs in the midst of these changes. ■



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As a member of our firm's Labour and Employment group, Mark handles all aspects of pensions and benefits law, including governance, regulatory compliance, collective bargaining, litigation, due diligence, mergers and acquisitions, financing agreements, bankruptcy and insolvency, and the tax aspects of compensation, pensions and benefits.

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