The Conference For Advanced Life Underwriting

Backgrounder on Recommendations Relating to Retirement Income Adequacy of Canadians

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1. Introduction – How Did the Debate Arise?

Over the years there have been a number of federal initiatives relating to retirement income sufficiency. For example:

- The Canada Pension Plan (CPP) has undergone a number of changes to ensure the long-term viability of providing benefits and have equity between members that choose to retire early or defer benefits past age 65.[1]
- Contribution limits for defined contribution Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs) have been significantly increased to provide greater room for tax-deferred savings.
- The age limit for maturing pensions and RPPs and RRSPs was reinstated to age 71 to allow for longer tax-deferred accumulation.
- Pension splitting rules were introduced to potentially reduce the level of tax on retirement income.
- The introduction of the Tax-Free Savings Account (TFSA) has provided new saving incentives for a large and diverse group of taxpayers.

In the midst of these changes there was growing concern at the provincial level that RPPs were becoming less relevant to employers and employees. Statistics indicate that while the number of plan members covered by RPPs continues to increase, participation rate as a percentage of the labour force has been steadily decreasing. At the same time it appears that fewer Canadians have been establishing RRSPs and the average contribution level is on the wane.

Government officials worried that many Canadians were going to be unprepared for retirement, and, as a result, would have a significantly lower standard of living when they left the workforce. Canadian demographics suggested that this problem could become acute within the next decade as a larger number of baby boomers entered their retirement years. Several provinces decided to take action, establishing expert panels and/or task forces to examine the reasons for the decline in pension coverage and make recommendations on how to reverse this trend. The federal government entered the discussions as it became clear that its support would be required to implement policy and legislative change.

The financial events of 2008 and early 2009 elevated these concerns and accelerated the sense of urgency behind the provincial reviews. Canadians experienced the shock of rapidly falling stock markets and a destabilized financial system. These events impacted the financial viability of several large public companies and in turn destroyed significant value in pension plans, RRSPs and other non-registered investments that were ear-marked for retirement purposes. For individuals close to or just entering their retirement years, this was a particularly stressful period of time.

In the face of these events the Federal, Provincial and Territorial Ministers of Finance ("the Finance Ministers") agreed in May 2009 to create a Research Working Group on Retirement Income Adequacy. A number of experts were commissioned to develop papers on pension and retirement income topics that would expand and enhance the knowledge base on retirement

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[1] Changes implemented in 1997 had the impact of making the CPP a "target benefits" program. This results from the fact that the provinces have only approved a legislated contribution rate of 9.9%. If the Chief Actuary produces a triennial valuation report with a higher steady state contribution rate, and the Federal, Provincial and Territorial Finance Ministers do not agree to the higher rate, one impact is the suspension of pension indexing until such time as the steady state rate drops below 10%.

income adequacy in Canada. A summary report was prepared by Jack Mintz, Research Director for the Research Working Group, and his report and related issues were discussed by the Finance Ministers at their Whitehorse meeting in December 2009.

At the Whitehorse meeting there was general consensus that while certain segments of the Canadian population were not saving enough for retirement, the Canadian retirement system was in relatively good shape. The Finance Ministers further agreed there was a need to make some changes to enhance the current system, and it was preferable to have a "pan-Canadian" solution rather than the federal or provincial governments strike out with independent solutions. As a next step it was agreed that public input would be sought on specific retirement proposals. Once this additional feedback was obtained, the Ministers planned to reconvene in the spring of 2010 to reach a consensus on which proposals should move forward for additional consideration.

2. What Has Happened Since the Whitehorse Meeting?

a) Government Consultations/Meetings

Early in 2010 several provinces as well as the federal government embarked on public consultations to gather feedback on the following options:

(i) Expanding coverage under the CPP through an increase in the replacement rate and/or increase in the earnings ceiling.
(ii) The introduction of a private sector defined contribution pension plan that would eliminate the requirement that the plan be established by an employer, thereby allowing participation by the self-employed and any employee that is not otherwise part of an employer-sponsored pension plan.

At the Federal, Provincial and Territorial Finance Ministers meeting held in Prince Edward Island in June 2010 the Ministers agreed to pursue three options for strengthening Canada's retirement system:

- Explore pension innovations that would allow financial institutions to offer broad-based defined contribution arrangements to multiple employers, all employees and the self-employed.
- Joint initiatives on financial literacy to help Canadians make more informed decisions when planning for their retirement.
- Consider a modest, fully funded, phased-in approach to increase coverage and adequacy of CPP benefits.

However, in advance of the next meeting of the Finance Ministers in December 2010, it became clear there was not sufficient provincial support to modify coverage under the CPP and instead the federal government released proposals to allow "Pooled Retirement Pension Plans" (PRPPs). PRPPs essentially give effect to the private sector approach for increasing pension coverage for employees and the self-employed.

At the December 2010 meeting the PRPP proposals were endorsed by the Finance Ministers, but a number of attendees expressed disappointment that enhancements to the CPP would not be pursued.

b) New Legislation Governing Registered Pension Plans

Concurrent with this activity there were a number of steps being taken to deal with identified issues relating to pension plan governance and funding.

In 2010 the federal government announced four sets of reforms to pension law. The Income Tax Act was amended to increase the permitted surplus threshold for all registered pension plans in Canada to 25% of pension plan liabilities from the current 10%, for periods of pensionable service after 2009. There were also a number of legislative amendments made to the Pension Benefits Standards Act (PBSA) (which covers federally regulated pension plans). These amendments, among other things, enhanced vesting of benefits; permitted letters of credit for solvency funding; introduced a form of pension solvency averaging; formalized negotiated contribution defined benefit plans; and created a ‘safe harbor” for defined contribution pension plan administrators.

A number of provincial governments also moved forward in studies or legislation designed to improve the operation and long-term sustainability of provincially regulated pension plans. Many commentators expressed the view that 2010 was the busiest year for pension review and reform in over 20 years.

c) Improving Economic Conditions

We were fortunate to see ongoing improvement in economic prospects both within Canada and internationally. Interest rates remain below historic averages; most of the major stock markets continued their recovery from the depths of 2008; and by the end of 2010 Canada had regained most of the jobs lost during the recession. While these factors did not necessarily restore all the lost value in pension assets experienced during the recession, the stress and fear felt by Canadians was now giving way to cautious but growing optimism in the world economy.

d) Concern with Consumer Debt Levels

Sustained low interest rates in Canada have created a new fear – that of growing consumer debt and weakening savings rates. During 2010 both the Governor of the Bank of Canada and the federal Minister of Finance, as well as other leading economists, made high-profile pleas for Canadians to curb their borrowing and pay down debt. The concern is that once interest rates inevitably begin their march upwards, many Canadians will not be able to carry their credit or mortgage debt. This in turn could set off a chain reaction similar to what recently happened in the United States, resulting in a major decline in housing prices, an increase in personal and corporate bankruptcies, and significant bank credit losses.

In the past year the federal government has attempted to exert influence over mortgage lending practices through changes to the rules governing government-backed insured mortgages offered through the Canada Mortgage and Housing Corporation (CMHC). These changes include tightening the borrowing standards for variable rate mortgages; reducing the maximum amount that can be borrowed on refinancing of a mortgaged property; increasing the minimum down payment on rental properties; and reducing the maximum amortization period. It is expected that these measures will help Canadian households from becoming overextended on their mortgages should interest rates rise in the future.

e) Release of New Data and Reports

There has been a constant barrage of new reports and data relating to the Canadian retirement system and how Canadians are faring in their retirement planning goals. Some of the major reports are highlighted below:

(i) Melbourne Mercer Global Pension Index [2]

This report studies the pension systems and retirement income schemes of 14 different countries. Each country is assigned a grade between A (highest rating) and E (lowest rating) based on the evaluation of a number of pre-defined quality factors relating to a national retirement income system. No country received an A level grade, while five countries including Canada were given a B level grade.

The overall index value is determined by using the weighted value of three sub-indices. The weightings used are 40% for the "adequacy" sub-index, 35% for the "sustainability" sub-index and 25% for the "integrity" sub-index.

The Canadian system was ranked second out of the 14 countries in the adequacy sub-index. While there are a number of components to this sub-index, its overall goal is to consider the minimum level of income provided and the net replacement rate for a median income earner. In evaluating these factors, the report not only considered savings from formal pension and retirement plans, but also the fourth pillar represented by household savings and home ownership.

The report provides the following recommendations on how the Canadian retirement system could be improved:

- Increasing the coverage of employees in occupational pension schemes.
- Ensuring that voluntary retirement saving are preserved for retirement purposes.
- Introducing a mechanism to increase the state pension age as life expectancy continues to increase.
- Increasing the level of household savings.

The report also noted that the Canadian index value declined from 2009 to 2010 primarily due to the decline in asset values as a percentage of GDP, and the increase in government debt, both which were the result of the recent global financial crisis.

(ii) The Value of Advice Report [3]

This report looks at the value of advice provided by financial advisors, using research extracted by Ipsos Reid from its 2009 *Canadian Financial Monitor*. This report highlights the role played by financial advisors in guiding clients through lifecycle planning and uses data to demonstrate that clients with financial advisors tend to have higher average household investable assets irrespective of income and age ranges. The data also supports the view that advised households take greater advantage of RRSPs, TFSAs and RESPs. There is a similar trend when considering

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[2] Mercer Australian Centre for Financial Studies - Released October 2010. This is the second annual report.
[3] Released by the Investment Funds Institute in July 2010, relying on data from Ispos Reid's 2009 *Canadian Financial Monitor*.

the “confidence level” of clients – with those using advisors indicating that they feel more confident about their retirement than those without an advisor.

These later findings were affirmed by a recent poll conducted by the CIBC, which indicated that Canadians who have met with an advisor in the last year are more likely to have established goals for themselves and feel more confident that they will meet these goals.[4]

(iii) Report of the Task Force on Financial Literacy[5]

Financial literacy is a critical element in enabling Canadians to make appropriate decisions relating to their financial health including saving for their retirement. The Task Force was formed to make recommendations to the Federal Minister of Finance on the steps that should be followed to ensure that Canadians are prepared to manage their own financial affairs. The Task Force came forward with 30 recommendations that were summarized under five main themes:

- Shared Responsibility – Strengthening the financial literacy of Canadians requires cooperative efforts among all stakeholders, including individuals, governments at all levels, financial institutions, and other businesses and voluntary organizations.
- Leadership and Collaboration – A national leader should be appointed to execute a literacy strategy in collaboration with a national advisory council comprising a broad mix of expertise.
- Lifelong Learning – The National Strategy proposes that the formal education system provide a foundation for financial literacy, while recognizing there are a number of other avenues for providing essential learning in the area of financial literacy.
- Delivery and Promotion – A public awareness program should be developed, combined with a single-source website providing access to high quality and unbiased financial information.
- Accountability – The national champion would report to the Minister of Finance and there should be ongoing program evaluation to ensure the success of the strategy.

The implementation of the main recommendations from the Task Force will be an important element in helping Canadians take advantage of the various retirement and savings programs available to them.

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[4] Survey results are based on a telephone poll conducted by Harris/Decima which surveyed 2017 Canadians between September 23 and October 4, 2010.

[5] Appointed in June 2009, the Task Force on Financial Literacy is comprised of 13 members, drawn from the business and education sectors, community organizations and academia. The Task Force on Financial Literacy was formed to provide advice and recommendations to the Federal Minister of Finance on a national strategy to strengthen the financial literacy of Canadians.

3. Defining the Retirement Income Problem

In determining the appropriate policies for any enhancements to the Canadian retirement system, CALU believes it is first important to understand who is "at risk" of not having enough put aside for retirement and the underlying reasons for this.[6]

A review of the various reports produced in the last two years on the Canadian retirement system seem to support the following conclusions relating to the level of preparedness for certain segments within the Canadian population:

a) The Current System Provides Adequate Support to Low Income Canadians

In his summary report relating to the research prepared by the Research Working Group on Retirement Income Adequacy Jack Mintz noted the following:[7]

> "Evidence provided by Baker and Milligan in their paper[8] suggests that federal and provincial governments have successfully supported low-income seniors so that most have adequate income security with retirement incomes equal to or more than income earned during their working lives."

As well, Keith Ambachtsheer noted the following:

> "Pillars 1 and 2 provide full coverage and high income-replacement rates for low-income Canadians. For example, using the 60 percent income-replacement adequacy rule of thumb developed above, the estimated $27,500 pension income from combined Pillar 1 and 2 sources for a Canadian couple (with no other income sources) replaces about $46,000 in annual earnings for the couple." [9]

b) Long-Term Members of RPPs Should Have Adequate Support

RPPs are typically designed to replace approximately 60% to 70% of an employee's pre-retirement income up to defined limits, and in combination with benefits under the CPP and other savings programs, members of mandatory pension plans should be guaranteed an adequate level of retirement income.

The most recent report released by Statistics Canada relating to RPP coverage in Canada (for the 2008 taxation year) indicated the following:

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[6] The adequacy of income generated by a retirement income system is commonly judged in terms of (a) its capacity to allow people to maintain their standard of living in retirement and/or (b) whether incomes of elderly are above some agreed upon minimum standard. This submission is not intended to address issues relating to ensuring that Canadian retirees' incomes surpass a low income standard.

[7] Jack Mintz, Research Director, "Summary Report on Retirement Income Adequacy Research," dated December 18, 2009 at page 5.

[8] Michael Baker and Kevin Milligan, "Government and Retirement Incomes in Canada," November 25, 2009.

[9] "The Canada Supplementary Pension Plan (CSPP)," C.D. Howe Institute Commentary No. 265, May 2008, page 265.

- Approximately 6 million employees are members of either Defined Benefit (DB) or Defined Contribution (DC) RPPs.
- The number of RPP members as a percentage of the labour force remained stable from 1998 to 2008 at 33%.[10]
- However, the portion of paid workers covered by an RPP declined from 41% in 1998 to 38% in 2008.
- RPP coverage in the public sector is 84% of public sector employees, while RPP coverage in the private sector is only 25% of private sector employees.
- There has been a shift from DB to DC or other hybrid plans, resulting in a decline in the percentage of paid works covered by DB plans from 85% to 75% from 1998 to 2008.

From these statistics it may be concluded that most public sector workers will have adequate retirement income coverage. There is a much smaller percentage of employees outside of the public sector who participate in RPPs, and it can generally be assumed that these workers are unionized and/or employed by medium- to large-size companies.[11]

However, it is acknowledged that retirement income adequacy issues may arise for a non-working surviving spouse given that many defined benefit plans provide for a lower payout after the death of the plan member. Presumably other sources of savings and capital as well as life insurance can be employed to ensure the survivor is adequately taken care of in retirement.

c) Higher Income Individuals Should Have Means to Provide Adequate Support

It has generally been concluded that higher income Canadians (those earning more than $100,000 per year) have the means to provide an adequate level of retirement income, although many may not be saving enough to replace 60% or more of their pre-retirement income.

This conclusion is partially borne out by participation rates in both RPPs and RRSPs. A Statistics Canada report published in March 2010[12] indicates that in 2008, 74% and 86% of employed taxpayers in the fourth and highest quintile income groups respectively participated in either or both of an RPP and RRSP. Looking at RRSP participation alone, 50% and 65% of employed taxpayers in the fourth and fifth quintile income groups respectively participated in these types of plans. This is significantly higher than the average participation rate of 34% for the total employed taxpayer group.

d) Who Is "At Risk" Under the Current Retirement Income System

Taking into account the above analysis, the employee population "at risk" of having insufficient retirement income would appear to have the following attributes:

- non-unionized;
- self-employed or working for small- to medium-size companies without an employer-sponsored RPP;

[10] This also means that approximately 12 million working Canadians do not participate in an RPP.
[11] Keith Ambachtsheer's report indicates that in 2004, the percentage of RPP coverage for employers with 100-499 employees was 26.4% and for employers with 500+ employees was 81.6%. Supra note 9.
[12] "Participation in Private Retirement Savings Plans, 1997-2008," Statistics Canada, Income Statistics Division, Pension and Wealth Section.

- earning between $40,000 - $100,000 per year; and
- not making sufficient contributions to RRSPs or taking advantage of other savings and investment programs.

In his report Keith Ambachtsheer[13] attempted to estimate the size of this group based on 2004 workforce data and RPP/RRSP participation levels. At that time the workforce consisted of almost 15 million people, with 5.4 million being members of RPPs. Of the remaining 9.5 million non-RPP members, 4.9 million earned less than $30,000. This left 4.6 million workers who could potentially benefit from contributing to an RRSP or other investment programs.

Assuming that the top 20% of Canadians in terms of net worth were accumulating sufficient assets in RRSPs (and other assets), this would leave approximately ***3.5 million working Canadians*** as the target group (having the characteristics noted above) with the potential of not having adequate retirement savings. With the workforce growing to 18 million by 2008, and assuming no significant change in the composition of the various employee groups, this would mean that **over** ***four million working Canadians*** are potentially at risk.

While CALU believes there are other potential sources of retirement capital (as discussed below) that may reduce the size of the “at risk” group, there appears to be a significant and potentially growing percentage of Canadians that need to take more pro-active steps to ensure they can maintain a comfortable lifestyle in retirement. In fact, a recent report raises the alarm bell that a significant percentage of future retirees may have a more difficult time avoiding a dramatic reduction in their post retirement standard of living.[14]

It is also apparent from the discussion below that that there is no “one-size-fits-all” solution for dealing with this target group. In some cases the solution may be for the employer to establish an RPP, group RRSP or PRPP with or without matching employer contributions. In other situations the solution may be to encourage individuals to defer on current consumption in order to make contributions to a TFSA and/or RRSPs. There may be other cases where the individual can utilize other savings and investment vehicles for retirement purposes.

[13] Supra note 9 at pp 6-7.

[14] Robson, Moore and Laurin, “Sizing Up the Retirement Challenge: How Well are Canadians Preparing for Retirement,” C.D. Howe Institute, No. 317 December 2010. The purpose of the study outlined in this report is to determine if future retirees may experience a significant decline in their retirement income. The major difference from past studies is the use of a new Statistics Canada tool called the LifePaths model to simulate current consumption patterns, certain sources of retirement income and funding for consumption in retirement. This model indicates that by the year 2050 the percentage of retirees (currently aged 25-30) experiencing a greater than 25% drop in income to support consumption will increase from current rates of 16% to 44%. A substantial number of this group will be in the top two income quintiles but there will be an increase in all income groups potentially suffering a significant decline. The primary drivers for this is that Old Age Security (OAS) benefits won't keep up with future earnings growth and anticipated lower RPP coverage for private sector workers will not be fully compensated by increases in other forms of savings. The paper concludes that in the future workers will need to find a better balance between current and retirement consumption (i.e., save more for retirement) and that no one reform option will address each situation. While arguably the most comprehensive analysis available to date, the report notes the long 40-year projection period makes the analysis particularly sensitive to the assumptions that have been used.

4. Why Don't More Employers Offer RPPs?

This next section will address the main reasons why small- to medium-size employers decide not to implement an RPP for their employees.

a) *Time and Costs to Set up and Maintain a Retirement Program*

Smaller employers are concerned about the record keeping and compliance burden associated with establishing and maintaining an RPP. They are also concerned about the costs of making ongoing contributions to the plan, particularly during times of economic uncertainty.

b) *Increased Responsibility and Potential Liability*

Somewhat related to the first point, there is the concern that under a DC type plan there is an obligation on the employer to educate employees on investing and investment selections. In the absence of taking a proactive role, employers could be held accountable for any investment losses suffered by employees.

c) *Prefer the Flexibility of a Group RRSP or Deferred Profit Sharing Plan*

A large number of small and medium- size business owners have implemented Group RRSPs and or Deferred Profit Sharing Plan (DPSP). According to the Canadian Life and Health Insurance Association (CLHIA), as at the end of 2009, there were approximately 25,000 Group RRSPs/ LIRAs with over two million plan members, with accumulated contributions of over $35 billion. There were also approximately 3,000 DPSPs in effect, with over 500,000 members and accumulated contributions of approximately $5 billion.

Tal has established a successful company in St. John's, Newfoundland, supplying equipment to fishermen located in the Atlantic region. He wants to implement a retirement savings program from his 20 employees but is concerned with the company's ability to make contributions due to significant fluctuations in annual earnings. After consulting with an employee benefits specialist he decides to implement a voluntary group RRSP as well as a DPSP. Under the DPSP the company can make deductible contributions equal to a minimum of 1% of base wages without such contributions being subject to payroll taxes. Contributions will vest in plan members within two years of participation, and since the employees cannot contribute to the plan, they may otherwise make contributions to the group RRSP. The company's contributions to the DSP will grow on a tax-sheltered basis and are not locked-in as would be the case under an RPP.

d) *Prefer to Offer Enriched Salary/Bonus and Benefits in Place of Retirement Benefits*

There are a number of small- to medium-size firms operated by owner-managers. They tend to be more entrepreneurial and believe that employees will be more satisfied with higher salaries, richer group benefits, or other perks and benefits. The owner-manager is of the view that a well-compensated employee should have sufficient disposable income to fund their own retirement program, and would prefer to manage their own funds through an RRSP or non-registered investments.

Kwan and Lea have established a manufacturing firm in Mississauga, Ontario. They employ 10 staff at a variety of employment levels. While there is no RPP or Group RRSP, their employees are eligible for an annual bonus of up to 25% of their salary based on the profitability of the firm and individual targets. Over the past few years the average bonus payout has been 15% of salaries. These payments are made in February of each year with the expectation that staff will use their bonus to top-up RRSP contributions or cover extraordinary expenses.

e) The Employer Offers Equity/Bonus Programs

There are business sectors (particularly in the high tech and investment fields) with a history of competing for employees using performance bonuses, deferred profit sharing plans, deferred compensation arrangements and stock options. These firms attract employees who are motivated by a work environment that recognizes individual success as well as the overall growth of the business. In these types of firms it is expected that each employee will assume responsibility for his or her own retirement planning.

5. Why Isn't the "At Risk" Group Contributing to RRSPs?

a) Lifestyle Planning

The ability and desire to contribute to an RRSP is in part related to the financial priorities of each individual. For example, consider the following situations:

Jaye, 28 years of age, immigrated to Montreal, Quebec, with her family about 10 years ago. She has just completed five years of university and has student loans totalling almost $24,000. Jaye experienced difficulties finding a job in her chosen field and eventually settled for an entry-level position with a medium-size company paying $40,000 per year. She decided to move downtown to be closer to work and is sharing an apartment with a friend. After taking into account her fixed monthly expenses, she has approximately $600 per month of discretionary funds. Assuming she devotes 75% of these funds to debt repayment, it will be approximately five years before she can consider contributing to an RRSP.[15]

[15] A recent Statistics Canada Report indicates that in the measured period (1995-2005) more post-secondary students are graduating with student loans, and the average debt level has increased to $18,800. May Luong, (2010), "The financial impact of student loans," *Perspectives on Labour and Income*, Statistics Canada, Catalogue no. 75-001-X. A recent poll conducted by IPSO for RBC indicates that only 39% of Canadians between the ages of 18-34 have RRSPs. The poll indicated that the financial priorities of this age group were debt repayment followed by home ownership.

Paul is 35 years of age, married with two children and lives in London, Ontario, where he is employed as a mechanic. He makes the decision to start up his own auto repair shop and invests $50,000 in equipment and leasehold improvements. He struggles in his first few years and can barely replace the salary he was earning as a mechanic. The business eventually becomes more successful and he decides to hire new staff to work in the shop. Again, there is a period of time before the investment in staff becomes profitable. Within five years his business has grown to the point where he needs to expand the size of his shop and purchase new equipment. Finally, after 10 years of running his own business there are sufficient profits to pay Paul a modest bonus that he can contribute to his RRSP.

Tim and Simone are in their early 40's and recently purchased a larger house in Burnaby, British Columbia, with the help of a relatively large mortgage. Simone runs her own consulting business out of the house and John is a manager with a small but successful company. They have two children ages 13 and 15 that appear headed to university. John and Simone have decided to focus on paying down their mortgage and putting aside funds for their childrens' education. As a result they are forgoing contributions to their RRSPs. It is anticipated their financial situation will change dramatically once the mortgage is paid off and their children have completed university. At that time they plan to catch-up on their RRSP contributions.

Brian and Jan, in their mid 50's, live in Halifax, Nova Scotia, and have two university age children. Until recently they were both employed in good jobs with local employers and making regular contributions to their RRSPs. However, Jan has taken a sabbatical from her job to take care of her mother, who has been diagnosed with Alzheimer's. Their children have decided to attend university in Montreal and Toronto respectively. With the loss of Jan's income and the extra expenses of children away at university, Lee has stopped contributing to his RRSP and they may need to dip into their retirement savings in the future.

b) Better Alternatives to Investing Discretionary Capital

Individuals tend to be more comfortable and confident investing in property or businesses that they understand. In some cases the investment qualifies for a tax preference that can significantly enhance the overall after-tax rate of return. Consider these examples:

George, while in his mid 30's, started up a manufacturing business in Winnipeg, Manitoba, in partnership with two other friends. As it became successful the business was incorporated and the corporate income now qualifies for the small business deduction. Their accountant recently suggested that they distribute their after-tax business income as dividends rather than salary to avoid payroll taxes and benefit from the dividend tax credit. George has been advised that when the business is sold a substantial portion of any capital gain can be sheltered by the capital gains exemption. This strategy, properly implemented, could result in significantly higher after-tax returns than taking income out of the company as salary and contributing a portion to an RRSP.

Jasmin, in her early 40's, is a successful real estate agent working in Ottawa, Ontario. Over the past 10 years she has acquired five houses at very good prices and is renting them out to university students and young professionals. She is sheltering much of the income through operational expenses and claiming capital cost allowance, using the after-tax cash flow to finance the acquisition of other rental properties. She knows that eventually she'll sell the properties and realize capital gains and recapture of depreciation, and at that time can use her RRSP carry-forward to shelter this income.

Albert and Flor, in their late 20's, live in Prince Edward Island and have two young children. They recently met with their financial advisor to discuss the best way to put away funds to assist with their children's future educational expenses. The advisor has recommended that they make annual deposits into a Registered Education Savings Plan (RESP) and in doing so qualify for the federal government education savings grant. The advisor has also suggested that to the extent they have additional disposable income they should deposit those funds into a TFSA. The TFSA allows them to shelter the income on these contributions from current taxation and also have access to these funds if needed when their children go to university. If the RESP funds are not fully utilized by their children there is a mechanism to transfer the unused portion (up to $50,000) into their RRSPs and avoid current taxation of accumulated income. As well, the funds accumulating within the TFSA can be utilized for retirement income purposes.

c) Decreasing Savings Rates

There is a concern that the reduced incidence of contributions to RRSPs is attributable to a general decline in savings combined with an increase in the amount of debt being assumed by Canadians. While we agree this is likely one reason that a number of Canadians are not contributing to an RRSP, we would make the following additional observations:

- A number of commentators have already noted that the measurement of "savings rate" is somewhat distorted and may not be a true reflection of what is being set aside for "future consumption."[16] In particular, the savings rate does not take into account purchases of consumer durable products or the unrealized growth of capital assets.
- Given the persisting low level of interest rates many Canadians have turned to other alternative investments such as mutual funds, stocks and bonds, rental property and business investments to achieve a higher rate of return.
- The "decline" in savings rates is measured against the period of time from 1970-1990, which was characterized by unstable economic conditions and a high inflationary back-drop. However, if we look back to the 1960s, a period similar to today with low inflation and lower interest rates, the overall savings rates have not declined so dramatically.
- The recent increase in the average debt to income ratio for Canadians is on first blush somewhat troubling. Many commentators note this is a result of a Canadian spending spree on homes, automobiles and other discretionary consumer goods. However, this is not necessarily the case. Consider the following example:

[16] Jack Mintz, "Summary Report on Retirement Income Adequacy Research," dated December 18, 2009, at page 6.

Don is a successful dentist practising in Calgary, Alberta. He incorporated his practice several years ago and it currently grosses $500,000 per year, with $250,000 remaining after expenses. He takes minimal salary from his corporation and instead receives sufficient dividends to fund his family's living expenses. He is retaining approximately $100,000 in the company and considers this to be part of his long-term retirement savings. Last year he took out a $200,000 mortgage on his house and lent these funds interest-free to his corporation to upgrade some dental equipment. The corporation is repaying this loan on a monthly basis, which in turn is applied against the mortgage.

The $100,000 retained in the corporation is "ignored" in determining Don's personal "savings rate" (which would essentially be nil). The mortgage debt of $250,000 would be treated as personal debt, even though it is being used for corporate purposes. The end result from these various transactions is that Don's debt to disposable income ratio would have increased significantly. Finally, his net worth would not reflect any growth in the value of the business until such time as he sells his practice. The reality of Don's situation is much different than what the statistics reveal.

d) Don't Have Sufficient "Earned Income"

As discussed in several examples, owner/managers of incorporated businesses may decide to take income from their corporation as dividends rather than salary, which does not create RRSP contribution room. Other owner/managers may choose to receive only sufficient salary to cover living expenses, leaving excess profits within the corporation to fund future growth. In this latter situation, when the company is sold the retained earnings are converted into capital gains, which again are not treated as "earned income" for purposes of contributing to an RRSP.

e) Don't Understand the Benefits of an RRSP

Less financially literate Canadians may not appreciate the power of compounding earnings on an after-tax basis. This benefit is also perhaps less apparent to risk-adverse investors who are investing their funds in Guaranteed Investment Certificates (GICs) and similar low-risk investments. It is hoped that the federal government initiative on financial literacy (discussed above) will increase the level of financial sophistication and encourage more contributions to RRSPs and other tax-deferred investments.

f) Don't Have a Financial Advisor

A number of reports relating to the Canadian retirement income system have commented on the "high cost" of retail investment funds as measured by the management expense ratio (MER) of those funds.[17] The commentators have gone further and questioned the value of "active fund management," noting that the gross rates of return on retail investment funds are typically no better than the returns that could have been earned by passive or indexed type funds with a lower MER. The conclusion is that retail investment funds are not "good value" as the MER acts as an overall drag on investor returns. What appears to have been missed in this discussion is that a

[17] For example, see Edward Whitehouse, "Canada's Retirement Income Provision: An International Perspective." Pages 22-23. However, it should be noted that there are group retirement investment products available to small- and medium-size employers that have management expense ratios which are significantly lower than retail mutual investment funds. (i.e., in the range of 1.25% for a balanced fund).

portion of the MER in a retail-based fund is used to finance the distribution costs of the products through investment and financial advisors. Without the support of an advisor, investors would need to create their own financial or retirement plan, select the appropriate investment products to fit their risk profile and make modifications to the plan/investment mix as circumstances change. Given that the management fees associated with retail funds are fairly comparable to that of other investment funds absent the cost of distribution, the question really becomes: "is an investor who is supported by a financial advisor likely to be better off financially than other investors who act without advice."

The available information clearly suggests the answer to that question is "yes".[18] For example, the data indicates that:

- The household average investable assets based on household income is considerably higher in all income groups for "advised" vs. "non-advised" households.
- The household average investable assets based on the age of the head of the householder is considerably higher in all age groups for "advised" vs. "non-advised" households.
- The percentage of households with an RRSP is significantly higher for "advised" vs. 'non-advised" households.
- The percentage of households satisfied with the household's financial situation is considerably higher for "advised" vs. "non-advised" households.

We believe advisors can play a key role in assisting Canadians by helping identify the need to save for retirement, show gaps in current savings behaviour, recommend alternative investment and savings options for addressing identified gaps (including educating individuals on the use of complex financial tools that can assist in the accumulation of assets) and monitoring progress in achieving savings goals.

g) *Canadians Expect Large Inheritances or Cash on Sale of Business*

It is anticipated that up to $1 trillion in wealth will pass to baby boomers and their families over the next 20 years. In fact, a 2006 study indicated that approximately 1.5 million Canadians are relying on an inheritance as a primary source of capital to fund their retirement income.[19] In a more recent survey approximately 30% of Canadian boomers said they expect to receive an inheritance, despite the recent economic downturn.[20]

Similarly, a significant percentage of small businesses in Canada are owned by baby boomers. As these boomers retire they will sell their business or look for other opportunities to convert the value of the business into a flow of retirement income. A recent survey of small business owners in Canada indicates that 30% of owners are expecting to fund their retirement at least in part from

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[18] IPSO Reid – *Canadian Financial Monitor* – this data comes from a special analysis of 3,200 households using/not using financial advisors in 2005 and 2009. This information is supported by another poll conducted by Harris/Decima for CIBC between September 23 and October 24, 2010. In this poll 61% of Canadians who have met with a financial advisor in the last year have financial goals in place for themselves and their families whereas just 41% among those that haven't met with an advisor. Confidence is also higher among this group that they will reach their financial goals at 77% vs. 66% confidence level among those who have not had a conversation with an advisor.
[19] The Canadian Inheritance Survey, Decima Research 2007.
[20] BMO Retirement Institute Inheritance Survey 2009.

the profits of their ongoing business. Another 27% are planning to sell their business to fund their retirement.[21]

h) Concern with Tax Treatment of RRSPs

There is a relatively small group of Canadians who believe there are potential tax pitfalls related to contributing to an RRSP. For example, an individual may feel it is better to invest for retirement through equity-based mutual funds or public company shares rather than using guaranteed income products. However, they are aware that capital gains and dividend income earned within an RRSP is subject to full taxation when withdrawn from the plan. The individual may therefore chose to make most of his or her retirement investments through non-registered investments to minimize the level of tax on capital gains and dividend income.

There is also the concern that RRSP income, when added to other sources of income during retirement, can result in the claw-back of OAS benefits. The OAS claw-back in effect represents an additional 15% tax on the recipient, and for certain Canadians they may prefer to save for retirement in other types of investments that allow more control over the triggering of taxable income, such as TFSAs or corporate class mutual funds.

i) Role of Insurance-Based Products

There is a wide range of products offered by insurance companies that have not, in our view, been properly accounted for in the discussion of retirement income adequacy. One of the main roles of life insurance is to ensure that family members are financially supported on the death of parent or spouse.[22] Insurance death benefits could represent a source of retirement income for a surviving spouse or be used to enhance other sources of retirement income.[23] Life insurance also permits the tax-deferred growth of cash values, which can be used to fund future premiums or for other purposes such as retirement planning.

Canadians also accumulate significant sums of capital in non-registered deferred and immediate annuities.[24] These plans are often put in place to provide a secure and guaranteed source of funds in retirement. At the end of 2009 Canadians had approximately $30 billion invested in individual non-registered annuities and received $26.4 billion in annuity benefits (both registered and non-registered plans).

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[21] Angus Reid Public Opinion conducted an online survey from August 11-19, 2010, on behalf of American Express Small Business Services among a representative sample of 555 Canadian small business owners who currently have two to 100 employees. A 2003 report based on a CIBC/Decima poll of 1,351 small business owners (businesses with 1-15 employees including the owner and having revenues under $5 million per year) indicates that this segment of small business owners need to rely more heavily on other sources of retirement funding such as RRSPs as there is little equity in their business.

[22] In 2009 a total of $10.4 billion in life insurance benefits were paid out by Canadian insurance companies. This is made up of $7.6 billion of insurance benefits (death benefits and termination values) and $2.8 billion of policyholder dividends on participating insurance policies (Canadian Life and Health Insurance Association (CLHIA) Industry Statistics 2009).

[23] About 21 million Canadians own approximately $3.5 billion of individual and group insurance coverage. The average death benefit by individual insured was $169,000 and the average coverage per insured household was $337,000 (CLHIA Industry Statistics 2009).

[24] At the end of the second quarter of 2010, total assets under management in individual annuities reached $110.7 billion in Canada. This figure includes registered and non-registered term deposits, payout annuities and segregated funds.

The insurance industry also offers other plans such as critical illness insurance[25] and long-term care insurance[26] that are designed to assist Canadians with expenses relating to suffering a critical illness or living in a long term care facility or receiving home care. Individuals can incur significant medical and facility care expenses as they grow older, which over time may deplete capital that was set aside for retirement purposes. These types of products are designed to provide financial assistance to cover these types of expenses and ensure that the proper level of care is received without relying on government assistance and/or using up all their retirement capital. There are currently no tax incentives offered for the purchase of these types of insurance plans.[27]

As has been demonstrated by the above discussion, it cannot be assumed that non-participation in an RPP or RRSP by employees and the self-employed in the target income range of $40,000 - $100,000 is an indication that they are not taking appropriate steps to plan for their financial future including retirement. For some, it is a question of prioritizing how they allocate disposable income to deal with current financial needs including debt repayment, home ownership, university expenses, or assuming the care of elder parents. Others have made the determination that there are more suitable investment vehicles such as TFSAs, RESPSs, business investments and real estate ownership. A smaller group may be relying on inheritances, the sale of a business or income property or other "non-traditional" investments to supplement what they and their family may need in the future.

However, there likely remains a significant group of Canadians that require some form of assistance in planning and saving for their retirement. The remainder of this submission will review policy considerations and options on how the current retirement income system can be improved to assist these individuals.

6. Policy Considerations in Developing a Well-Rounded Retirement Income System

The Melbourne Mercer Global Pension Index[28] suggests that a well-designed retirement system will have the following characteristics:

- Broad-based in terms of both coverage and the range of risks covered.
- Sustainable over time in terms of its actuarial and financial soundness.
- Robust so that it can withstand macroeconomic and other shocks.
- Affordable from individual, business, fiscal and macroeconomic perspectives.
- Provides reasonable levels of post-retirement income.
- Provides a safety net for the elderly poor.

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[25] A critical illness policy pays out a pre-determined lump sum amount on the diagnosis of a defined critical illness such as cancer, heart attack or stroke. According to a LIMRA survey, by the end of 2009 there were approximately 90,000 critical illness policies in force with annualized premiums of $695 million.

[26] A long-term care policy typically provides a monthly benefit to cover the costs of care where the insured person is unable to perform certain "activities of daily living" such as eating, bathing or dressing. The market for long-term care insurance products is slowly growing in Canada, with approximately 70,000 policy holders paying annual premiums of $73 million. There were only a small number of claims made in 2009 according to an annual survey conducted by LIMRA.

[27] These plans are currently categorized as "accident and sickness insurance" and assuming individual ownership, the premiums are non-deductible and benefits under such policies are tax-free when received by the owner/insured.

[28] Supra note 2.

The Organization of Economic Cooperation and Development (OECD) has developed a very similar framework for evaluating retirement systems, using the following criteria:[29]

- Coverage of the pension system, by both mandatory and voluntary schemes.
- Adequacy of retirement benefits.
- Financial sustainability and affordability of pensions to taxpayers and contributors.
- Economic efficiency: minimizing the distortions of the retirement income system on individuals' economic behaviour, such as labour supply and savings outside of pension plans.
- Administrative efficiency: keeping the cost of collecting contributions, paying benefits and (where necessary) managing investments as low as possible.
- Security of benefits in the face of different risks and uncertainties.

It should be noted that there will trade-offs in the effective design of a retirement system or associated reforms. The nature of those "trade-offs" need to be evaluated in relation to the identified group of Canadians that are most at risk of having insufficient retirement income (i.e., middle income, self-employed or working for small- to medium-size companies without a pension plan). CALU is also of the view that any reforms should continue to increase the fairness and efficiency of the retirement income system while also encouraging greater participation in retirement saving.

7. Policy Options Under Consideration

In this section we will review the main recommendations made by various commentators and interest groups for ensuring Canadians have sufficient retirement income as well as some new ideas for consideration. These suggestions will be evaluated in relation to meeting the needs of the identified group of Canadians who are most at risk.

a) Pooled Registered Pension Plans

The framework for Pooled Registered Pension Plans (PRPPs) is designed to improve the range of retirement options for Canadians by:

- providing an accessible, straightforward and administratively low-cost option for employers to offer their employees;
- allowing individuals who currently don't participate in a RPP, such as the self-employed and employers that do not offer a pension plan, to make use of this new type of pension plan;
- enabling more people to benefit from the lower investment management costs that result from membership in a large, pooled pension plan;
- allowing for the portability of benefits that will facilitate an easy transfer between plans; and
- ensuring that the funds are invested in the best interest of plan members.

We endorse the principals that form the basis for the development of PRPPs and are of the view that this type of plan represents a well-targeted approach to meeting the needs of the identified segment of Canadians who are most "at risk." The federal proposal allows both employees and

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[29] This criterion was referenced by Edward Whitehorse in his report entitled "Canada's Retirement Income Provision: An international perspective". Department of Finance Publications.

employees to freely opt-in or opt-out, and imposes no funding obligations on the employer. It also allows for employee contributions to freely move between plans and not be "locked-in," similar to a group RRSP or RRSP. However, we also recognize that details of these plans are still in the developmental stage and will require further consideration once more information becomes available.

At this time we do have the following concerns with these proposals:

- There has been commentary that any employer with 20 or more employees should be required to participate in a PRPP. As both employers and employees may have valid reasons for not participating in this type of plan, we don't think there should be any obligation to participate. As well, this could open the door to requiring the employer to not only be a participant, but to provide some level of funding irrespective of their financial situation.
- We are concerned that employees who participate in PRPPs will do so without receiving appropriate advice from qualified financial advisors advisors. An advisor would guide the participant through a review of their current financial situation as well as investment options/alternatives. While it is understood that the PRPP investment fund will permit a "reasonable and prudent person to create an appropriate portfolio," an advisor would help integrate the risk profile of these investments into the participant's overall investment strategy. If a participant is allowed to transfer current registered savings into a PRPP this would magnify this concern.
- The provinces should agree on a common framework and approach to implementing these plans in order to avoid the current issues relating to RPPs where employers have to deal with multiples sets of rules and regulations.

b) Expanding Coverage Inder the Canada Pension Plan

There have been various proposals to expand the current Canada Pension Plan (CPP) mandatory defined benefit coverage. Some commentators have suggested doubling the CPP replacement rate to 50% while maintaining the existing maximum earning threshold. This proposal would follow the current structure and design of the CPP, such that participation would be mandatory and the benefit would be a defined amount. There would be an increase in mandatory employer and employee contributions in order to fund the increased benefit. Since the CPP is required to fully fund any benefit enhancements it could take up to 40 years to achieve the full increase.

The following advantages arise from these various proposals:

- Plan participants benefit from professional management and lower administrative expenses associated with the CPP.
- Plan participants would have a guaranteed indexed benefit irrespective of fund performance.[30]
- As with other defined benefit pension plans, payments will be received for the lifetime of the participant, eliminating longevity risk.

[30] Subject to earlier comments on changes made to the CPP in 1997 (see note 1).

Those opposed to this solution have noted the following issues:

- To the small employer, it could be viewed as an additional tax burden that will reduce the amount of funds they have available to reinvest in their business. Self-employed individuals would be particularly impacted as they would fund both the increased employer and employee contribution.
- It changes the balance between mandatory and voluntary savings, and eliminates choices available to employers on how to reward employees, and on employees on how to manage their discretionary savings.
- Such expansion could increase the risk of investment inefficiencies.[31]

We would also point out the following additional concerns with these proposals:

- It impacts all employers and employees irrespective of whether there is already adequate retirement funding programs in place through RPPs, Group RRSPs, RRSPs or other investments.[32]
- It appears to reallocate investment capital from small business owners to the public sector by transferring funds to the CPP for reinvestment in the public sector and large private enterprises.

Despite the enumerated issues, CALU believes there is value in continuing to explore options for a second tier of CPP benefits provided these don't displace retirement and savings programs that are already working effectively for employers and employees. However, there must be some public education that such changes only represent a longer-term solution to supporting retirement income needs.

c) Expanding Financial Literacy and Understanding Value of Advice

We endorse the five themes set out in the report of the Financial Literacy Task Force and support a strategy that involves both individuals and various other stakeholders working together to develop programs that help expand the financial literacy of all Canadians. We agree that financial literacy must be a lifelong learning process due to the ongoing evolution of financial products and strategies as well as the changing regulatory environment.

CALU members can clearly play a role in this process, by providing guidance and advice to clients on planning tools and products, as well as working with our sister organization, Advocis, to support new programs sponsored under this initiative.

We would suggest that as part of the ongoing financial literacy project that certain initiatives be undertaken that would specifically target middle-income Canadians who are not members of pension plans, to ensure they have in place appropriate strategies relating to saving for retirement. For example, the development of web-based tools that assist in determining the required savings to meet a specified retirement income goal would be of assistance to the "at risk" group.

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[31] This issues is explored by Neil Mohindra, "Should CPP be Enhanced? An Examination from an Economies-of-Scale Perspective." The Fraser Institute, April 2011.
[32] It may in fact force certain employees to forego more pre-retirement consumption than is necessary to maintain their living standards into retirement, which is a sub-optimal result.

d) Encourage Growth of RPPs through Simplification and Harmonization

The following changes have been identified to improve the growth of RPPs offered by small- and medium-size employers:

- Subject to appropriate safeguards, modify or remove fiduciary responsibility for employer-sponsored defined contribution pension plans (this issue may become less important if PRPPs are implemented).
- Enhance harmonization between federal and provincial legislation governing RPPs.[33]
- Reduce the regulatory burden and costs associated with the implementation and ongoing management of an RPP.
- Allow employers to build up greater surpluses to guard against poor fund performance (the federal government has already taken steps in this regard).

CALU supports initiatives in this area as part of a multi-faceted approach to enhancing retirement income for those employed by small- to medium-sized companies.

We also believe there is value in encouraging the development of new types of pension plans that attempt to incorporate the best features of defined benefit and defined contribution plans such as:

- An element of guaranteed benefits for employees.
- Greater funding certainty for employers.
- Longevity and inflation protection of benefits.
- Required and/or voluntary contributions by employees.

e) Grow Usage of Group RRSPs Among Small- to Medium-Size Employers

A number of employers have already implemented group RRSPs, and we are of the view that there will continue to be situations where employers and employees would prefer to participate in such plans rather than a RPP or possibly a PPRP. For example, group RRSPs are only governed by the federal tax system, making them easier to set up and administer. As well, such plans are well-understood by employees and provide full portability of benefits.

The federal government should continue to support the growth of these plans and put them on a more equal footing with RPPs by removing the requirement for employers to remit CPP, employment insurance and other payroll-related taxes where contributions are made directly to the RRSP. As well, we recommend that all provinces be encouraged to extend creditor protection to group RRSPs similar to what is available for savings in RPPs.

f) Increasing Usage of RRSPs

We continue to believe that RRSPs should play an important role in the third pillar of the Canadian retirement system. These plans offer the greatest level of flexibility for both financial and retirement planning, having the following features:

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[33] It has been suggested that the lack of provincial harmonization in RPP regulations is costing employers well in excess of $1 billion annually. See Gretchen Van Riesen, “The Pension Tangle,” C.D. Howe Institute, No. 294, August 2009.

- Wide range of investment choice including the ability to invest in private shares and residential mortgages.
- The ability to withdraw funds for a home purchase or for educational purposes without immediate triggering of tax.
- The ability to receive proceeds from RESPs and Registered Disability Savings Plans (RDSPs).
- Simplicity in transferring between types of investments and plan managers.
- A wide range of maturity options.
- Easy access to financial advisors for advice on financial and retirement planning.
- Wide distribution through a variety of financial institutions and advice-based channels.

The question then turns to how the rules governing these plans might be enhanced to attract more contributions from the target group of Canadians who are currently not saving enough for retirement. Some suggestions would be as follows:

- Treat some portion of dividend income received by the owner/manger of a private corporation as earned income for purposes of determining RRSP contribution room.
- As is the case for TFSAs, allow individuals to replace funds withdrawn from an RRSP before a certain age (i.e., age 50) on a non-deductible basis to benefit from future tax deferred growth. For example, if a person withdrew $10,000 for debt repayment at age 40, it could be re-contributed to a plan provided this is done before the person reaches age 50.
- Allow indexing of unused RRSP contributions for individuals who were unable to contribute to an RRSP as a result of being out of the workforce (i.e., due to the loss of a job, disability, maternity or parental leave).
- Alter the current RRIF minimum withdrawal requirements to more appropriately reflect lower interests and increased longevity.

We believe the implementation of any of these ideas will further enhance the flexibility of RRSPs and increase contributions from the target group of Canadians.

g) Design a New Locked-in RRSP/Group RRSP

There is concern that RRSPs may in fact offer too much flexibility in terms of allowing individuals access to accumulated capital prior to retirement.[34] Withdrawing funds from an RRSP not only results in the early payment of tax, but the loss of tax-deferred accumulation on the withdrawn capital.

With the introduction of the TFSA and other initiatives relating to financial literacy, it can be anticipated that in the future fewer Canadians will need to make withdrawals from their RRSPs for purposes other than funding retirement income.

However, there may be value in introducing a form of contributory "locked-in" RRSP or Group RRSP. The features of such a plan would include the following:

[34] According to a recent Leger Marketing Poll conducted for BMO Financial, approximately 40% of Canadians with an RRSP admit to making withdrawals from their RRSP before reaching retirement. The poll indicates that withdrawals are made primarily to cover emergency expenses and credit card debt, followed by the purchase or renovation of a home.

- It would be subject to the same contribution limits governing a DC RPP.
- It would be subject to the same qualified investment rules governing a RRSP (with the exceptions noted below).
- Direct employer contributions would be permitted and would not be subject to payroll deductions but would be fully locked-in under the plan.
- There would be no ability to withdraw funds on a tax-free basis to purchase a home, for educational purposes or to invest in shares of a private corporation.
- Before maturity of the plan employee contributions (but not employer contributions or any accumulated income) can be transferred to a regular RRSP or used to purchase an annuity or RRIF without penalty or locking-in requirements.
- Employee withdrawals or retirement income after turning 60 years of age qualify for pension splitting and the pension income credit similar to an RPP.

This would create a form of "hybrid" registered plan that combines the attributes of an RPP and RRSP while allowing the individual members to access advice in a member's development of a retirement plan and selection of investments.

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