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January 21, 2013

The Honourable Dwight Duncan, M.P.P.
Minister of Finance
Frost Building South, 7th Floor
7 Queen's Park Crescent
Toronto ON M7A1Y7

Dear Minister:

Re: Pooled Registered Pension Plans (PRPPs)

The Investment Industry Association of Canada (IIAC) is writing to convey our continued support for the federal and provincial governments' efforts to improve the retirement savings of Canadians. We know that a number of provinces are considering PRPP-type enabling legislation. PRPPs can fill an identified gap in retirement savings options by offering small businesses and self-employed Canadians an alternative retirement savings vehicle that offers the potential for economies of scale and lower costs. We believe, however, that PRPPs, as structured, will not provide for optimal retirement financial preparedness.

We share a number of the concerns, articulated in your 2012 Budget, regarding the federal model. **After examining the federal PRPP legislation and regulations, we remain persuaded that if Ontario were to introduce legislation equivalent to federal PRPP rules, it should better meet the criteria below:**

- 1) Target Canadians who are not currently saving for retirement and who will benefit from additional savings.
- 2) Allow a disclosed fee-in advice-inclusive option to offer Canadians choices that could lead to better financial and life outcomes.
- 3) Ensure that tax-exempt benefits given employers offering and employees in pension plans (and PRPPs) are available equally to Ontarians in Group RRSPs.

To achieve the policy goal of bolstering the retirement savings of Canadians, provincial PRPP equivalents (if enacted) should be designed to complement existing retirement savings plans (defined benefit and defined contribution plans (DBs and DCs)), registered retirement savings plans (RRSPs, including Group RRSPs), registered retirement income funds (RRIFs), tax-free savings accounts (TFSA), etc.). ***The federal PRPP legislation (and associated Income Tax Act changes have created a program that does not meet the criteria, will not achieve the intended policy goal and, in fact, could create an incentive to encourage Canadians and Canadian employers to shift from programs that are currently meeting, and we believe will better in the long run meet, their needs.***

The IIAC represents 175 investment dealers in Canada that provide comprehensive investment services and advice to Canadians. Our members manage over \$950 billion in investments, with almost a third invested in registered retirement plans through millions of accounts across the country. The success of the PRPP or equivalent program would benefit from leveraging relationships between financial institutions and clients through investment dealers' distribution network. **However, provincial regulation of this channel demands suitability reviews and other components of advice that cannot easily be part of at least the federal PRPP program.** Prohibiting disclosed fee-inclusive service options runs counter to the recommendations of the federal government's Task Force on Financial Literacy, which identified the importance of qualified professional advice in helping Canadians to save more and make better financial choices, as well as Ontario's budget intention to expand financial literacy.

During consultation with the federal government, our members recommended a PRPP program that can accommodate the profiles and needs of self-employed individuals and small business owners who are the target PRPP market. **Unfortunately, the federal PRPP legislation and regulations do not provide this flexibility, discourage personalized advice and active investment, and do not allow equal transferability between PRPPs and RRSPs.** While this design may benefit segments of the financial services industry that already administer large DB and DC pension plans, we believe that it will not, in the long run, be optimal for the intended target of the PRPP program – individuals and small business owners who would benefit from more than a “one-size fits all” approach to retirement planning.

We respectfully recommend that, if your officials are proceeding further with drafting legislation to create PRPPs in your province, the Ontario government:

- 1) Strongly urge the federal government to remove Canada Pension Plan (CPP) and Employment Insurance (EI) tax withholding on company and employee contributions to Group RRSPs or employer contributions to individual Ontarian RRSPs. This will be an immediate benefit for both key target audiences – lower- to medium-income people and small businesses using Group RRSPs that will be able to turn saved taxes to new products and services, new jobs and growth.
- 2) Ensure that any PRPP-equivalent legislation provide for equal transferability between PRPPs and RRSPs. At present, over-contributions must be removed from an RRSP even if made into the PRPP and transfers into PRPPs are made easily, while transfers out (e.g., to buy a house or to move to an advised RRSP) are not.
- 3) Require that employers and administrators offering such plans advise low-income earners whose contributions are not matched by an employer contribution that they should likely put their savings into TFSAs rather than a PRPP-equivalent for optimal after-tax outcomes.

- 4) Eliminate aspects of the federal PRPP program that limit the range and type of PRPP funds that can be offered, by introducing legislation that allow more flexibility for financial institutions to offer at least one PRPP option that includes built-in advice and service components for employers and employees, permitting PRPP participants to make choices based on their own needs and requirements.

We appreciate the opportunity to provide our feedback on the retirement savings challenge and would be pleased to provide further input on this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read "I. Russell", with a long horizontal flourish underneath.

c.c.: Steve Orsini, Deputy Minister
Blair Stransky, Senior Policy Analyst