

## **ACKNOWLEDGMENT OF THE BASE PRINCIPALS OF PENSION REFORM**

### **Statement of the Problem**

While some Canadians are prepared and will be sufficiently funded for retirement either through private or public service pension plans or through their own prudent planning, it is generally acknowledged that the many are not. Within the next decade Canada will see millions of baby boomers enter retirement, many without sufficient savings to sustain a reasonable standard of living.

Although the impact of this shortfall is unclear the risks to our economy and the stability of government funded old age benefits is so significant to warrant immediate action.

The Chamber agrees that the fundamentals of the retirement income system are strong. However, there are significant challenges that unless addressed, will challenge the viability of many retirees ability to live out their retirement in dignity. The Chamber believes that government must continue to engage business in developing recommendations to ensure that it can provide for seniors without putting stress on government budgets and forcing business and younger Canadians to carry the burden through increased taxes.

### **Details of the Problem**

Over the next two decades, Canada will see an unprecedented number of people enter retirement. Dealing with shortfalls for under funded senior citizens is a complex problem, and one that requires government attention immediately.

Not every Canadian has had an opportunity to participate in a private or public sector pension plan and the Canada Pension Plan will not meet the needs of many seniors. The stock market upheaval of 2008 saw many Canadians sustain heavy losses in their personal retirement portfolios.

Asking Canadians to endure a tax hike in order to close the gaps is rightly seen as unfair and represents an excessive burden to younger generations.

The Chamber congratulates the Federal Government for recognizing the importance of this issue and their efforts to solicit input through the Ensuring the Ongoing Strength of Canada's Retirement Income System.

The Chamber was particularly pleased to see that this consultation process was underpinned by a set of principles;

- "The system should remain affordable for individuals and businesses;
- Costs incurred by governments should be appropriate and affordable, as well as sustainable over the long-term;
- The system should function so that it does not transfer costs from one generation to another;
- There should continue to be an appropriate balance maintained between individual and government responsibility for retirement savings, and an appropriate level of individual choice; and
- The system should remain accessible to all Canadians."

The Chamber endorses these principles as the foundation of any recommendation for change and is also pleased to see that efforts are being made to find solutions on a partnership basis with the provinces and territories.

However, the Chamber is concerned that there is a lack of clarity regarding next steps and timelines. The Chamber believes it is critical that to ensure this process moves forward in an expeditious manner that a clear and binding timetable be developed for the publication of recommendations for change, that these recommendations be open for public and stakeholder input and that a timetable for legislative changes to be introduced.

There may be reforms related to the estate issues, or the employment insurance program or other initiatives to reduce government overhead that could mitigate the pension funding issues. There may be a need for a retirement education program to help Canadians prepare for retirement costs or there may be a need to create a mandatory individual retirement plan directed by accredited planners.

There may be some immediate reforms that can be made, and there may be some longer term solutions to be found. The important fact is that we begin to approach the situation.

#### THE CHAMBER RECOMMENDS

1. That the federal and provincial governments continue to work to create an affordable pension environment for the benefit of all stakeholders.
2. That the federal government create a balanced approach to the private sector options within the CPP environment
3. That the federal government create legislative measures to direct recommendations within one year that fall within the guidelines of the "Base Principles of Pension Reform".

SUBMITTED BY THE KAMLOOPS CHAMBER OF COMMERCE