



THE INVESTMENT FUNDS INSTITUTE OF CANADA
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

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February 28, 2012

Mr. James Rajotte, Chair, and Members
House of Commons Standing Committee on Finance
c/o Mme. Guyanne L. Desforges, Clerk
Sixth Floor, 131 Queen Street
House of Commons
Ottawa, Ontario K1A 0A6
Tel: (613)992-9753

Dear Mr. Rajotte:

Re: IFIC Comments for Proposed Pooled Registered Pension Plans (PRPP)

I am writing to provide our industry's comments on the government's legislation to introduce the PRPP program for consideration by the House of Commons Standing Committee on Finance. As we have noted in previous submissions to you, IFIC supports the policy objective of expanding retirement savings options for Canadians and provide the following recommendations to help achieve that goal:

1. Put GRRSPs and PRPPs on a more equal footing by;
 - a. removing the payroll tax from employer contributions to a GRRSP, and
 - b. treating GRRSPs as qualified retirement savings plans, if employers are mandated to provide access to a PRPPs;
2. Allow PRPP participants to make better retirement savings decisions by encouraging Administrators and Employers to provide access to financial advice.

We discuss each of these recommendations below:

Put GRRSPs and PRPPs on an Equal Footing:

The introduction of the PRPP provides the government an opportunity to put all retirement savings products on an equal footing so that Canadians may take full advantage of the retirement savings

programs that are best suited to their individual needs. One such program is GRRSPs – these have been providing a viable retirement savings option to both employers and working Canadians for many years. It is estimated that over \$40 billion has been accumulated in the plans. When PRPPs are eventually made available to the market, GRRSPs will be immediately disadvantaged in two critical ways:

First, employer contributions into PRPPs plans will not be subject to payroll taxes, while contributions into GRRSPs will continue to bear those taxes. Employer contributions made into GRRSPs, therefore, should be exempted from paying payroll taxes, otherwise Canadians in GRRSPs are penalized and those in PRPPs gain an advantage.

A second problem arises if employers are mandated to provide access to PRPPs, without recognizing GRRSPs as legitimate retirement savings vehicles. This may cause employers who offer GRRSPs to unwind those programs and move employees in a wholesale manner into PRPPs. We believe this would cause harm to individuals who participate in GRRSPs, and promote the disappearance of group plans as a viable and flexible retirement savings option for Canadians.

Good public policy dictates that all government-created retirement savings vehicles should operate on a level playing field – this will ensure a wider set of retirement savings options is available, and will encourage broader participation.

Encourage Administrators and Employers to Make Advice Available to PRPP Participants:

We note that Bill C-25 allows for the provision of a ‘low cost’ retirement savings option. This does not appear to be encouraging employers or administrators to provide advice to employees. The benefits to savers from working with a qualified advisor are well documented. IPSOS Reid research has shown that Canadians who work with a financial advisor derive durable economic value from their relationship – they save more, make better use of tax efficient savings vehicles, and are more financially literate. An individual who participates in a PRPP will also be in need of advice – including choosing the right investment option for them while in the plan, and weighing all of the options open to them when they are about to retire, or are moving to another employer. It is, we believe, a false economy to focus on ‘low cost’ options as it discourages the provision of advice and leaves individuals with limited information and no guidance, when research clearly demonstrates the benefits of advice. The PRPP program should recognize the value, and encourage the delivery of financial advisory services.

Mr. James Rajotte
House of Commons Standing Committee on Finance
IFIC Comments for Proposed Pooled Registered Pension Plans
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I hope the Committee will take these recommendations into consideration as you discuss this legislation, as we believe they will increase participation in retirement savings programs. If you have any questions or would like additional clarification of our views, please contact me directly or James Carman at 416-309-2323 or by email (jcarman@ific.ca).

Yours truly,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

A handwritten signature in blue ink, appearing to read "Flamentis".