



Consultations on a Voluntary Supplement to the Canada Pension Plan

Submission to the Federal-Provincial
Relations and Social Policy Branch,
Department of Finance

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The federal government, through the Hon. Joe Oliver, Minister of Finance, has invited stakeholders to share their views on its proposal for a voluntary supplement to the Canada Pension Plan. As a pension administrator of a well-governed, jointly sponsored and fully-funded pension plan, the CAAT Pension Plan is pleased to have this opportunity to provide comments on the government's proposal.

About the CAAT Pension Plan

Created at the same time as the Ontario college system in 1967, the CAAT Pension Plan assumed its current jointly-sponsored governance structure in 1995. The CAAT Plan is a contributory defined benefit pension plan with equal cost sharing between members and employers. Decisions about benefits, contributions, and investment risk are shared equally by members and employers. The Plan is sponsored by Colleges Ontario, OCASA (the Ontario College Administrative Staff Association), and OPSEU (the Ontario Public Service Employees Union).

With assets of \$8 billion, the CAAT Pension Plan currently serves over 40,000 members in the college system and 37 employers. In its last actuarial valuation filed as at January 1, 2015, the CAAT Plan is 107.2% funded on a going concern basis with a funding reserve of \$773 million. In 2014, the Plan returned 11.5% net of expenses, and the Plan's 5-year annualized net return is 10.5%.

The CAAT Pension Plan supports retirement income adequacy for all Canadians

The environment today is quite different than that predicted when CPP benefits were first introduced.

Canadians are living longer and this presents challenges for both society and individuals who have not properly prepared for retirement. With an aging population, seniors with adequate and predictable retirement income are less reliant on social programs, such as the Guaranteed Income Supplement. These seniors also stimulate economic activity through their spending and are an important source of tax revenue for governments. Ensuring seniors can retire with adequate income is a worthwhile policy objective that benefits all Canadians.

Providing efficient ways of saving for retirement (like CPP) is also a policy issue worth exploring. The benefits of pooling investment risk, longevity risk, and timing risk have significant benefits to employees, employers, and government. The longer term and stable nature of the country's larger pension funds also benefit the economy and investment markets by funding infrastructure, real estate, and private equity.

Respect existing pension plan arrangements

Defined benefit plans provide members with predictable income in retirement. They also pool investment and longevity risks among their members and offer administrative efficiencies through economies of scale. Defined benefit plans – particularly jointly sponsored, multiemployer plans such as the CAAT Pension Plan – are an efficient and cost-effective way to deliver retirement income.

The CAAT Pension Plan supports initiatives to enhance retirement security provided they are designed with sustainability and intergenerational equity in mind and provided they do not hamper the ability of existing plan

sponsors to maintain or develop their own plan design features to meet their unique needs. Accordingly, we ask that the government ensure that any voluntary supplement to the CPP would not impair or hamper existing defined benefit pension plan arrangements. The government's proposal for a voluntary supplement to CPP, while not providing the same efficiencies as a defined benefit plan, would meet the government's offer of giving Canadians another choice when planning for their retirement.

The CAAT Plan thanks the government for the opportunity to comment on this proposal. Representatives of the CAAT Pension Plan would be happy to answer any questions you may have on our submission.