

100 Mile House, BC
23rd July, 2011

Dear Honorable Cathy McLeod MP (Kamloops-Thompson-Cariboo)

Re. Canada Pension Plan.

Preamble.

Given the current uncertain economic investment climate for Canadians, the high unemployment numbers in the country, the far-reaching and devastating impact of the recession of 2008/9 and its domino effect upon the population; workers today, and especially young people in Canada, have been hit hard by the lack of well-paying long term work. Many can only find low-paying, part-time jobs which provide little or no benefits and no pension scheme other than the CPP. Many people, including families with children, have left this riding seeking work elsewhere. This has caused school closures, job lay-offs, business failures and a significant ripple effect in the local economy. With this in mind, I would therefore like to submit this series of proposals to 1) amend the existing Canada Pension Plan legislation and 2) provide steps that could be taken with current investment strategies which might benefit current and future generations of Canadian workers. The proposals hope to address the financial problems being faced by present day retirees and the burgeoning elderly population. Further, the proposals attempt to address the plight faced by the current generation of young people who have found little or no full-time employment for many years and consequently have been unable to maximize their CPP contributions.

Proposal 1.

Namely, a voluntary payment scheme which would enable eligible contributors to top-up their CPP contributions/credits and ultimately boost their benefits when it is time to retire.

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Existing legislation.**

Women during their child-rearing years have their CPP contributions/credits

“adjusted” during their “low earnings” up to 7 years (1).

At present there is no provision for workers who were involuntarily laid-off from work or cannot find full-time work to have their low earnings adjusted in the same way that child-rearing women can. Also, post-secondary students who were attending college or university are penalized. The current legislation might be viewed as sexist or discriminatory. Further, there is no vehicle for Canadian nationals who work overseas to be able to contribute to the CPP while they are resident in another country. For example teachers, nurses, oil/gas industry workers.

The new guidelines for the CPP do include dropout provisions for up to 17% of a contributor's lowest earnings or eight years of low earnings in 2014 (2), but eight years of low earning adjustments might not be enough to satisfy future pension requirements especially in today's economic climate. By enabling people to make supplementary and voluntary contributions to the CPP now or later in life, when they have hopefully secured a more lucrative and secure career, could work in conjunction with the dropout provisions.

Advantages.

Contributors to the CPP who maximize their contributions would require less Government assistance, such as the Income Supplement, and would derive a greater sense of direction and ownership of their individual financial well-being and self-sufficiency during their retirement years.

Proposal 2.

Feasibility Study for the establishment of a Federal Government, CRA office, to be located in 100 Mile House, BC. for the administration of the CPP top-up scheme.

Advantages.

With the establishment of a CRA office in 100 Mile House a number of fiscal advantages would arise.

- a) For the Federal Government the contribution of top-up funds from eligible CPP contributors would provide extra revenue to the fund on an on-going basis for many years to come. There would however be capital start-up costs such as renting or building office space, buying computer equipment and the initial hiring of approximately 40 staff members and assistants to set the program in motion.
- b) For the Provincial Government and Federal Government tax revenues would be gained from the increase in the number of tax-paying workers and spin-off taxes from their everyday expenditures and in derivative taxes from goods and services produced.
- c) For the Municipal Government there would be a much needed economic boost and diversification from the forestry, ranching and mining industries. The Federal Government employees would buy/rent homes, send their children to local schools, spend money at local retailers and thus add an element of stability to the community and economy. Graduates from colleges and universities could return home to find a rewarding and lucrative career. There would be growth in the community.

Proposal 3.

A significant incremental increase to the CPP rates over the next 5 years. The current maximum of \$960/month (3), does not reflect the spikes in the cost of living for the average Canadian today. Plus increase the yields on Government of Canada Bonds and on Canada Savings/Premium Bonds.

Rationale.

An increase in pensioners' benefits would have an immediate effect on business and the economy in general and provide an overall stimulus. Many low income seniors are barely getting by with the ever increasing cost of living brought on by higher food, transportation, heating and housing costs. The average monthly CPP benefit is \$512.38 (4). The figure speaks for itself.

Instability in US fiscal and monetary policy and a stagnant US growth period coupled with scepticism in the stock market and mutual funds, leaves the Canadian public and global investors seeking a stable and conservative investment option. This could be offered through a revitalized series of bonds with attractive interest rates. The public has been informed lately that they do not save enough. This is due in part to the considerably higher cost of living and lack of secure investment vehicles which yield worthwhile returns after taxes. If Brazilian Government Bonds yield 8.12% over 14 months (5), then Canadian Government Bonds ought to yield higher returns in order to attract foreign investment capital. Similarly, if Canada Savings/Premium Bonds offered higher rates of return Canadians would be encouraged to save again. This influx of revenue could help reduce the federal deficit and generate full-time jobs.

Summation.

By implementing the aforementioned proposals the Canadian public would see that the Federal Government is serious in its goal to assist its own citizens.

Given that Canadian troops will be returning from Afghanistan, the Canadian public will now want to see a new focus away from the excessive publicly-funded domestic and foreign policy initiatives of the last ten years involving military engagements overseas and the long gun registry. The general public needs to see a more effective and beneficial use of their tax money at home. Amendments to the CPP could provide that focus and give a sense of security to the public when it comes to their retirement standard of living.

The buy-back pension scheme offers hope to individuals to boost their monthly income when they need it during their retirement years, without being a burden on society and drawing on Social Assistance programs. The

implementation of the scheme in 100 Mile House, BC would offer sustainable job opportunities for years to come in what is now an economically depressed area with a high, 9%, unemployment rate (6). Recent post-secondary graduates, who possess the necessary training and skills could return home to a satisfying and rewarding career and help make this community prosper.

The infrastructure and personnel are available in this riding to make this a successful, viable and worthwhile endeavour.

Let the CPP buy-back scheme form part of Canada's Economic Action Plan. This could provide a safe and sound investment strategy for Canadians to use both at home and abroad to help create a secure and comfortable retirement. This in turn would reduce the number of seniors living in poverty now and in the future.

References Cited

Internet

1. Service Canada website 8 July 2011
2. ibid
3. ibid
4. ibid
5. investment-income.net website 8 July 2011
6. 100 Mile House Community Profile. 9 July 2011.

Sincerely,

Paul Waite