



February 8, 2011

Mr. Mike Wallace, M.P.
Room 115, East Block
House of Commons
Ottawa ON K1A 0A6

Re: Estimated Cost of Bill C-574

Dear Mr. Wallace:

Further to my earlier correspondence of October and December 2010, I am pleased to provide you with a response regarding the cost estimate¹ of Bill C-574: *An Act to promote and strengthen the Canadian retirement income system* (short title *Retirement Income Bill of Rights*).

Briefly, Bill C-574, at its 1st reading stage in the 40th Parliament, 3rd Session proposes to introduce the following main changes²:

- 1) To create a **Bill of Rights** for a retirement income system that promotes the goals of adequacy, transparency, affordability, equity, flexibility, security and accessibility for all Canadians;
- 2) To allow every individual the right to accumulate **sufficient** pension income in a retirement income plan³, with equal opportunities without regard to age, sex, national origin or occupation;
- 3) The right to timely receipt of any material risks to the individual under the said retirement income plan, including risk of non-payment or reduction of benefits;
- 4) Right to receive investment advice from an advisor who either has no conflict of interest, or with full disclosure of any conflict of interest;
- 5) Entitlement of an individual to receive in clear concise language all the information required to understand his or her rights, obligations, and choices under the retirement income plan.

My office has carried out background research into the intent and potential financial implication of the proposed legislation by consulting with the initiating Member of Parliament, consulting with officials with the Department of Finance, and by seeking a legal opinion with the Library of Parliament.

¹ PBO costing estimates tend to focus on *material* costs of a proposed or actual measure. Administrative costs are generally not considered to be material in such a context.

² http://www2.parl.gc.ca/content/hoc/Bills/403/Private/C-574/C-574_1/C-574_1.PDF

³ Definition of "retirement income plan" means "means a pension plan, a retirement savings plan, a plan of insurance or a savings vehicle, whether funded or not" implies that there are multiple facets to the proposed changes than just modifications to the RPP/RRSP/RRIF system;

With regards to our findings, while the legislative intent of the proposed bill is to create a *Bill of Rights*, we found that the specific wording of the proposed legislation lacked sufficient detail to carry out a financial analysis with regards to its cost impact on the fiscal framework, if any.

Specifically, the bill is unclear regarding any proposed changes to the RPP/RRSP/RRIF mechanism as it stands, with no specifics or proposed changes regarding either the set contribution limits or the contribution window (time).

Furthermore, any proposed change to the RPP/RRSP/RRIF system would require not only a significantly higher level of detail (if any intended) with regards to the new proposed limits and contribution window, the changes to relevant laws and regulations, but also a significant analysis with regards to the impact on the retirement system on account of:

- 1) The impact of marginal income tax rates (juxtaposed with specific provincial income tax rates) on the annual RRSP contributions, and its subsequent impact on the revenue side of the annual federal budget;
- 2) The impact of propensity of the eligible population to save for retirement;
- 3) The impact of the economic environment on the retirement savings contribution framework (recessionary periods may have a different impact on retirement contributions when compared to economic boom periods);
- 4) The impact of recent modifications to the personal income tax structure as introduced by the Tax-Free Savings Accounts (TFSA's).

Consequently, the PBO believes that the proposed Bill C-574 may or may not have an impact on the fiscal framework in terms of costs to the federal treasury and an estimate would depend on *significant details* and *clarifications* with regards to all the aforementioned items, and the legal interpretation thereof. This would also assume that there was a legislative intent on behalf of the Member of Parliament to introduce a measure that was more than a Bill of Rights.

For your reference, I am also attaching the response by Department of Finance with regards to our consultations regarding Bill C-574 with this letter.

Please do not hesitate to contact my office at 613-992-8026 if you have any further questions or require clarification.

Sincerely,



Kevin Page
Parliamentary Budget Officer

C.C.: James Rajotte, M.P.; Kelly Block, M.P.; Bernard Généreux, M.P.; Russ Hiebert, M.P.; Ted Menzies, M.P.

Attachments