



INTERNATIONAL FEDERATION OF PROFESSIONAL & TECHNICAL ENGINEERS AFL-CIO & CLC

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May 23, 2011

The Honourable James M. Flaherty,
P.C., MP, Minister of Finance
Department of Finance Canada
140 O'Connor Street
Ottawa, Ontario K1A 0G5

Dear Minister Flaherty,

As President of the International Federation of Professional and Technical Engineers (IFPTE), representing upwards of 90,000 workers, including over 15,000 Canadian workers, I am writing to add our support to the Canadian Labour Congress' (CLC) campaign to double future Canadian Pension Plan (CPP) benefits to provide retirement security to all Canadian workers.

IFPTE is disappointed that after your initial public declaration of support for CPP reform, you changed your position to endorse inferior private sector preferred, Pooled Registered Pension Plans (PRPP). IFPTE believes that while PRPPs offer a clear benefit to employers and financial service providers, they are of questionable value to Canadian workers. PRPPs would not only further endanger the retirement security of Canada's workers, but would also be a much more costly and inefficient alternative to the CPP.

The maximum CPP benefit is \$11,520 a year, causing most retirees to rely on other sources of retirement income such as Registered Retirement Savings Plans (RRSPs). However, RRSPs like other defined contribution retirement savings programs are risky and leave many retirees at the mercy of the "market" and without secure stable income in their old age. Three stock market failures in the past 15 years have proven that relying on the private sector to address the retirement needs of Canada's workers is unwise. Again, IFPTE believes that RRSPs may result in benefits for the financial services sector, but will further increase retirement insecurity for retirees. Canadian workers understand this, which is why 78% support increasing CPP benefits (October 2010 Environics Poll).

Further, many of the CPP changes implemented as a result of the passage of Bill-51, The Economic Recovery Act, are problematic. Bill C-51 increases the penalties for early retirement and forces older workers to stay in the workforce longer. Beginning in 2012 and phased in over five years, Bill C-51 mandates that if a worker collects CPP benefits prior to age 65, their monthly allocation will be reduced by 0.6%, compared to the current 0.5%. A worker who starts to collect CPP at age 60 could lose up to 36% of their allocation, compared to the 30% loss that would be experienced today. Given the impact of the recent recession on the Canadian job market and youth unemployment statistics, keeping older workers in the workforce longer is unsound economic policy.

IFPTE urges national and provincial lawmakers to adopt the following CLC proposals to enhance the CPP:

1) For Increasing the CPP Benefit, Federal and Provincial governments must:

- Phase in a doubling of payouts from the CPP and the Quebec Pension Plan (QPP), and;
- Immediately increase Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) for all retirees.

- Continued-

2) For RRSPs and Employer Defined Pensions, Governments must also:

- Create a national pension insurance fund to ensure that workers' defined benefit pensions are not at risk when employers go under or speculative bubbles go bust. The United States has a pension guarantee fund administered by the Pension Benefit Guarantee Corporation (PBGC), which is funded by employers;
- Regulate financial products to ensure that risks are reasonable and clear to all investors, and to ensure that rating agencies are truly independent;
- Regulate pension fund investments in risky financial instruments and prosecute any cases of fraud;
- Regulate pension funds for solvency in order to secure promised pension benefits, and;
- Provide any temporary solvency funding relief to employers in serious financial trouble on a case-by-case basis only. Applications must be approved by the workplace bargaining agent (the union) or a majority of pension beneficiaries (in a non-union workplace).

As the *Calgary Herald* noted on November 27, 2010:

“Private RRSPs and employer pension plans have proven much riskier than initially billed. Those who are in company pension plans are likely in a defined contribution scheme, where the amount that goes in is predetermined, but the payout is based on how well the fund is invested and ultimately performs. ... Those Canadians who want to retire in comfort will still need more to live on than the CPP. But by raising the standard of living for all retirees, today's taxpayers are saved from shouldering the burden of tomorrow's seniors living in poverty. In the long run, it ensures people pay their own way . . .”

As the Minister of Finance, IFPTE urges you to adopt the IFPTE supported CLC CPP reform proposals. Members of IFPTE stand ready to assist you toward this goal.

I thank you for your consideration. Should you have any questions, or to confirm a meeting, please contact IFPTE International Representative, Bill Fitzpatrick, at (416) 979-2709, extension 2260.

Yours sincerely,



Gregory J. Junemann,
President