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PRESENTATION TO THE  
PARLIAMENTARY TASK FORCE ON PENSION REFORM  
BY  
THE ONTARIO COMMITTEE ON THE STATUS OF WOMEN

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## 1. INTRODUCTION

The Ontario Committee on the Status of Women welcomes this opportunity to present a brief to the Parliamentary Task Force on Pension Reform. We commend the Government of Canada for producing the Green Paper "Better Pensions for Canadians" and for including the separate booklet "Focus on Women".

However, we deplore the fact that no action was taken to remedy the plight of the present elderly. This plight has long been recognized and action is long overdue. We strongly urge that "resources permit" (p25) in the immediate future.

## 2. THE ONTARIO COMMITTEE ON THE STATUS OF WOMEN

### i) Organization

The Ontario Committee on the Status of Women is a volunteer organization which was founded in 1971 to press for improvement in the status of women in Ontario. Our membership is comprised of more than 400 individuals and groups throughout the province. We are funded by membership dues.

The women who make up our membership are a microcosm of women in our society today. Their ages range from 18 to 80. Some are married, others are not. Some are single parents, others are widowed or divorced. Most work in the paid labour force in a variety of occupations. Several work as professionals in the field of employee benefits and several are well known lawyers, writers and academics who speak out on women's issues.

### ii) Work on Pensions

Pensions and benefits have always been an important issue for The Ontario Committee on the Status of Women.

- In 1973, we presented a brief to the Ontario Task Force on Employee Benefits and in it, addressed the question of discrimination in fringe benefits.
- In 1977, we presented a brief to the Royal Commission on the Status of Pensions in Ontario.
- From 1980 to 1982, members of the Ontario Committee on the Status of Women worked on the National Action Committee on the Status of Women's Pension Committee.
- In 1981, we presented a brief to the Ontario Select Committee on Pensions (formed to review the recommendations of the Royal Commission).

- In 1981, we sponsored a public seminar on Pensions for Women in Toronto.
- In 1982, we co-sponsored a public forum on Pensions at the St. Lawrence Centre in Toronto.

In addition to these activities, our Pension Committee has spoken to many groups in Ontario on Pension Reform for Women.

We have also issued news releases, made comments to the media, appeared on radio and television, and written articles on the subject of pension reform.

From 1977 to 1983, the Ontario Committee lobbied the Ontario Government to change its position on the drop-out clause in the Canadian Pension Plan.

We did this through meetings with Premier Davis and his cabinet, through meetings with women's groups in the province and through speeches, articles and news releases.

Although we are relieved and pleased that the Ontario Government has dropped its veto to this provision in its May, 1983 Budget, we must confess to a degree of frustration that the positive change to the Canada Pension Plan was so long in coming.

### 3. COMMENTS ON "HIGHLIGHTS OF PROPOSALS FOR REFORM"

Our membership consists mainly of women in the paid labour force. For this reason, we have chosen to concentrate our comments on pension reform from the viewpoint of women who are in the paid labour force on the same basis as men. That is, they expect to work for 40 to 47 years between the ages of 18 and 65. However, some of our comments will refer to issues of greater concern to women whose attachment to the paid labour force is full-time, but somewhat intermittent, to women who work part-time and and to women whose attachment to the paid labour force is minimal. Our comments on the "Highlights of Proposals for Reform" outlined in "Better Pensions for Canadians" are as follows:

#### Vesting

We recommend full and immediate vesting with locking in of contributions. However, we find two years acceptable for a phase-in period. We believe employers should be required to pay at least half the vested benefit for an employee who terminates her employment.

#### Portability

We support the introduction of a Registered Pension Account to facilitate portability.

#### Registered Pension Account

We would support the use of the Registered Pension Account by small businesses.

### Eligibility

We support one year of service and age 25 as employer sponsored pension plan entry requirements.

### Credit Splitting

We would like to see uniform provincial legislation that would allow for the splitting of employer sponsored pension plan credits between spouses on marriage breakdown.

### Joint & Last Survivor Annuities

We believe this should be the normal form of annuity, and that the survivor should receive at least 60% of the initial benefit.

### Inflation

We believe in principle that incomes in retirement should be protected against inflation. However, we share some of the concerns being expressed with regard to the 'excess interest' method.

## 4. FUNDAMENTAL INEQUITIES IN WOMEN'S INCOME

We wish to stress that even if all of the above reforms were effected, women's pensions would still be considerably less than those of men. "Better Pensions for Canadians" points out, "the average female employee earns 58% of the average male's salary," and "women receive smaller pension benefits as a result." Unfortunately, the Green Paper fails to draw the obvious corollary that equal pay for work of equal value and equal opportunity would constitute a significant part of the solution. We are aware that up until now, those concerned with pension reform have consistently seen this matter as an issue outside of their terms of reference. We realize that the issue of equal pay for work of equal value falls within provincial responsibility, and because of this, the Task Force is somewhat at a disadvantage. Nevertheless, we wish to go on record as urging you to acknowledge the relationship between these issues.

In our opinion, if you fail to do this, you should consider the principles presently underlying the legislation on pensions, i.e.:

- a reasonable level of income;
- fair opportunities to provide for retirement;
- avoidance of serious disruption of pre-retirement living standards;

in terms of different replacement ratios for men and women. By this we mean one level for men and another higher level for women

The argument put forward by the pension industry (i.e., plan sponsors, insurance companies and consultants) that income needs in retirement tend to be less, cannot be truly applied to women, for example, the assumption that most people have acquired property by retirement age. Because women work for low wages all of their working lives, women have less opportunity to save and invest. Also, the necessities of life in retirement have similar costs for both sexes, but these costs for women represent a higher proportion of a lower pension.

## 5. SEX DISCRIMINATION IN PENSION BENEFITS/UNISEX TABLES

In our opinion, the fundamental inequity in women's earnings and opportunity has given rise to the demand for unisex tables. Women view the use of separate mortality tables as further discrimination against them, making already low and sometimes inadequate private pensions even lower.

Those of us who work in the life insurance industry are familiar with the objections to unisex tables. We are also aware that some actuaries are suggesting that the industry will develop annuity tables based almost totally on female mortality rates if the industry is forced to use unisex tables. Such tables would not improve the level of women's pension income, would increase the cost of men's pension income and would, presumably, add to the insurance companies' surplus income.

We understand also that, if genuine unisex tables were developed (that is, tables that assumed a realistic split between males and females), they would, apart from anything else, complicate the administration of pension plans during the fund accumulation periods. In order to avoid this and the use of unisex tables in employer sponsored Money Purchase plans, we would like to suggest that the employer picks up the cost of the mortality differential when the employee leaves or retires. If the employer were responsible for this cost under a Money Purchase plan, it would be consistent with the employer assuming responsibility for the cost of the mortality differential under a Unit Benefit plan. It seems to us that, from an administrative point of view, the Money Purchase plan could continue to function as at present, except that the employer would establish a separate interest-bearing "savings" fund. Each time an annuity purchase was required for a retiring female employee, or she was credited with vested contributions when leaving, the mortality differential to equalize the benefit to the amount a male would receive at a similar age with similar contribution accumulations, could be taken from the "savings" fund as a lump sum.

## 6. EXPANDED EMPLOYER SPONSORED PLANS VERSUS AN EXPANDED CANADA PENSION PLAN

As the Task Force is aware, a large number of women work part time and/or for businesses with no employer sponsored plans. Also the proportion of women in this environment is higher than the proportion of men. In spite of discussions on pension reform that have taken place over the last few years, the private sector has not responded positively to this situation to any significant extent. Although much of the reform should perhaps be left to

the private sector because of its ability to exercise more flexibility and control, the private sector seems to lack the inclination to reform. Legislated pension plans would appear to be necessary and for this reason, many women favour an expansion of the Canada Pension Plan to insure that they would have greater access to better pension benefits.

We are pleased, as we have stated, that Ontario has withdrawn its veto to the child rearing drop-out provision in the Canada Pension Plan. We would like to suggest that provincial legislation with regard to periods of maternity leave of absence be extended so that the employer not only has to keep the employee's job open for her, but also has to maintain contributions to her employer sponsored pension plan. Again, this is not a provision we see evolving of itself in the private sector.

## 7. COST OF PENSION REFORM

If reforms to the pension system are introduced, we recognize that there will be an additional cost to the country. Increased contributions to either the Canada Pension Plan or to employer sponsored plans will presumably be reflected in higher costs for goods and services. However, if reforms to the pension system are not introduced, we believe that there will still be an additional cost to the country, in as much as provincial supplements and welfare payments will have to be available to support the women unable to achieve financial independence under the current social economic system.

We do not share the apparent fear of the private sector in the event that too much capital should flow to the control of government. If pension reform results in the major portion of future pension fund accumulations flowing to government, we would recommend a body consisting of government, industry and labour representatives to direct the investment of such capital. In any event, we believe some consideration should be given to directing pension fund capital to the development of secondary industry in this country.

## 8. HOMEMAKERS IN THE CANADA PENSION PLAN

The question of homemakers' contributions to the Canada Pension Plan is a complex one, and we appreciate the analysis of this question in the booklet "Focus on Women".

As we stated earlier in this brief, the majority of women whom we represent are in the paid labour force. They are doing work both in that force and at home.

Furthermore, 72% of women in Ontario are now in the paid labour force and there are no indications that these numbers will decrease; indeed, they may increase. In view of this, we set as a priority, better pensions for women in the paid labour force.

We agree with the principle of pensions for homemakers in their own right, but we support the idea in the booklet "Focus on Women", that this can be achieved by Better Pension Splitting proposals for public and private plans, by recognition of pensions as family assets and by restructured benefits in the Canada and Quebec Pension Plans.



We are concerned that the issues of homemakers' pensions could stall many of the other issues of pension reform for women. We urge the Task Force to give serious consideration to the issue of homemakers in the Canada Pension Plan, but not to let this issue detract from urgent pension reform in general.

## 9. PRIVATE SECTOR ATTITUDES

We have some concern with private industry's oft repeated position that the employee should assume more responsibility for his/her own pension fund accumulation. Given the present high level of unemployment, and the fact that the average woman earns 42% less than the average man, we do not find this a very realistic stance. Similarly, private industry needs to be reminded that there are more women's issues than unisex tables, survivors benefits and participation of housewives in the Canada Pension Plan.

## 10. CONCLUSION

As we mentioned in the Introduction, we are pleased to see that women's issues finally received particular attention in the Green Paper. However, we regret that the necessity for this focus and the fact that we have to constantly remind governments and business that women make up 51% of the population and 41% of the paid labour force. It is not appropriate to view the world from the male perspective only. Women's issues should not be considered as an afterthought. We look forward to recommendations on pension reform from the Task Force that integrate our issues and concerns.