



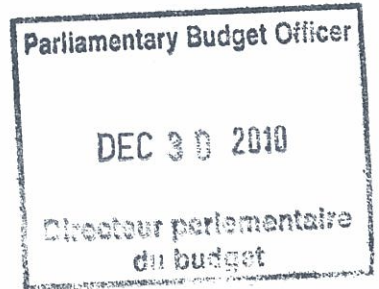
Department of Finance
Canada

Ministère des Finances
Canada

Deputy Minister

Sous-ministre

Ottawa, Canada
K1A 0G5



DEC 23 2010

Mr. Kevin Page
Parliamentary Budget Officer
Office of the Parliamentary Budget Officer
Ottawa, ON K1A 0A9

Dear Mr. Page:

Thank you for your correspondence of December 7, 2010 regarding Private Member's Bill C-574: *An Act to promote and strengthen the Canadian retirement income system* in which you request any data, information, analyses, and pre-determined fiscal impacts regarding the legislative amendments proposed in the Bill.

Bill C-574 proposes to create rights for a retirement income system that promotes the goals of adequacy, transparency, affordability, equity, flexibility, security and accessibility for Canadians. Since the Bill would essentially establish an unrestricted right to accumulate pension income, it could have significant revenue cost implications. This is because it would potentially eliminate the Government's ability to maintain or establish reasonable limits on tax-deferred pension and retirement savings. The Bill could thereby significantly increase deferrals of tax on retirement savings, with a corresponding increase in government revenue costs.

Given that the language in the proposed Bill is broad in nature and the effects of the rights it would create are somewhat uncertain, we have not attempted to quantify its potential fiscal impact. For example, an unrestricted right to accumulate pension income could, depending on how this were interpreted by the courts, prevent the government from imposing any limits on Registered Pension Plan (RPP) and Registered Retirement Savings Plan (RRSP) contributions. It is also possible that the courts might decide that the limits are reasonable, but should be higher than the current limits. Given these uncertainties, we did not develop an estimated cost since the fiscal impacts are not readily quantifiable.

That said, two sources of information could be of assistance to you in analyzing the potential fiscal implications of the bill:

- Since any fiscal costs would arise from what would effectively be an increase in, or removal of, the existing RPP/RRSP limits, the forgone revenue

estimates associated with the RPP/RRSP limit increases in Budgets 2003 and 2005 provide a reference point for costs associated with increasing the RPP/RRSP dollar limits. While we would not recommend simply extrapolating these estimates for larger increases in the limits (because the costs per successive \$1,000 increases would generally decline, since fewer people would be affected, and because the Tax-Free Savings Account was not in place when these estimates were produced), they could nonetheless serve as a rough guidepost. Copies of the relevant pages from Budgets 2003 and 2005 are attached.

- A second source of potentially useful information would be publicly available statistics produced by the Canada Revenue Agency (CRA) on RPP/RRSP contributions by income level. These statistics are available on the CRA's website at <http://www.cra-arc.gc.ca/gncy/stts/gb08/pst/fnl/tbls-eng.html>.

Thank you for writing to me on this important issue and I trust this information will be helpful.

Yours sincerely,

A handwritten signature in cursive script that reads "Michael Horgan". The signature is written in black ink and is positioned above the printed name.

Michael Horgan