Submission to the Special Senate Committee on the Charitable Sector

Brief Submitted by:
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April 1, 2019
Thank you to the committee for inviting me today. My name is Alex Mazer. I am one of the cofounders of Common Wealth, a mission-driven business focused on expanding access to retirement security.

For nearly two years, our firm has had the privilege to support a growing national coalition of charitable sector leaders to address the problem of retirement insecurity among Canada’s not-for-profit workers. This collaborative effort is known as the Common Good Retirement Initiative. Its primary goal is the creation of a national, collective retirement plan for not-for-profit sector workers that is portable from job to job, broadly accessible, and governed by the sector itself.

To date, partners in this initiative include five leading foundations, 73 not-for-profit employers, English Canada’s largest credit union, a Champion’s Council of 20 sector and social policy leaders, and some of Canada’s leading pension experts. Common Good is overseen by a Steering Committee chaired by Alan Broadbent of Maytree, and our firm serves as the technical and operations partner.

On behalf of Common Good, I am pleased to share what we have learned through this work. The bottom line is that, by working together -- and that includes a critical role for government -- we have an opportunity to close the retirement security gap in the sector, improve the financial security of its workers, and ultimately strengthen the sector’s ability to serve Canadians.

The Problem: Retirement Insecurity in the Canadian NFP Sector

Approximately 850,000 not-for-profit employees across Canada – representing about half the sector – do not have access to any workplace retirement plan.
Uncovered workers in the sector share a number of characteristics:

- About 60% work for organizations with fewer than 100 employees
- Many have lower or moderate incomes
- A large and growing share are not full-time. About 47% of the not-for-profit workforce is part-time or contract
- The large majority are women

Canadians benefit from a strong public retirement system consisting of Old Age Security (OAS), the Guaranteed Income Supplement (GIS), and the Canada Pension Plan / Québec Pension Plan (CPP/QPP).

However, to maintain their standard of living post-retirement, most Canadians need more than these public programs. They rely on a combination of workplace retirement plans and private savings.

The share of Canadians with a workplace retirement plan is declining, especially in the private and not-for-profit sectors. A recent study by statistician and Common Good Champions' Council member Richard Shillington illustrates the impact of the lack of access
to a workplace pension. His study found that the median retirement assets of Canadian families age 55-64 without workplace pensions was a meagre $3,000.¹

Evidence shows that collective retirement plans tend to be far more efficient than individual approaches. A recent study that our firm conducted with the Healthcare of Ontario Pension Plan and the National Institute on Ageing found that a collective approach to retirement security could be up to four times more cost-effective at turning savings today into retirement income tomorrow, amounting to a lifetime difference of nearly a million dollars for a typical worker.²

The Opportunity: A Collective Retirement Plan for the Not-for-Profit Sector

Informed by extensive consultations with the sector, Common Good would be a nationally portable, collective retirement plan that combines the principles of the world’s best pension plans with a more flexible design to reflect the unique needs of the not-for-profit workforce.³

Common Good would have the following features:

- It would be established as a not-for-profit entity where profits accrue to plan members
- A board of directors with a legal duty to put plan members’ interests first would oversee the plan
- It would be established as a Group TFSA / Group RRSP. The TFSA element is especially important for lower- and moderate-income workers, as it protects them against the “clawback” of GIS benefits while also allowing them to build emergency savings
- The plan would be open to sector employees, freelancers, and spouses

³ For more detail on the proposed plan design of Common Good, see the consultation paper hyperlinked in the Appendix.
Workers’ contributions would be flexible, and employer contributions optional

It would use a pooled, low-cost approach to investment management, overseen by an expert investment committee

The plan would provide post-retirement options to turn savings into a secure stream of income, helping members to manage the risk of outliving their money.

Progress to Date

Since officially launching the Common Good initiative last spring, we have made significant progress:

- We conducted a national survey of employers and workers in the sector, which found that 94% of workers, and 92% of employers were interested in joining Common Good.
- So far, 73 not-for-profit employers from 12 provinces and territories have endorsed Common Good and publicly committed to offering the plan if it were to be made available.
- We have conducted 9 roundtables with employers and other stakeholders in places from St John’s to Vancouver.
- Common Good has already received international recognition. It was a finalist for the UK’s Royal Society of Arts “Future Work” awards and has been highlighted as a promising innovation by such respected organizations as the UK’s NEST pension plan, the Aspen Institute, and the Public Policy Forum.

The initiative requires sufficient funding to cover implementation costs and costs associated with scaling the plan, including a robust education and engagement campaign. The coalition behind Common Good continues to engage potential funders about providing this seed funding.

Recommendations to the Committee

We believe that Common Good is an essential missing piece of the social infrastructure for the sector. Other public-purpose sectors have their own pension plan -- municipalities, health care workers, educators, federal civil servants. Not-for-profit workers should too.

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4 The federal government’s 2019 budget proposed changes to make it easier for group retirement plans to pool longevity risk for their members. Common Good would explore the best way to take advantage of these reforms for the benefit of not-for-profit sector workers.
The good news is that sector leaders have already come together to design and build a broad-based coalition of national support for Common Good as an institution.

There is, however, an important role for the federal government in strengthening retirement security in the sector. No jurisdiction in the world that we know of has made real progress on retirement plan coverage for lower- and moderate-income earners without a significant role for government.

We recommend that the government do three main things:

- First, become an official partner of Common Good by contributing to its start-up funding
- Second, review its funding agreements and funding framework with not-for-profit entities to ensure they do not discourage (and ideally encourage) the provision of retirement benefits by not-for-profit employers
- Third, collaborate with the Common Good coalition in educating employers and workers in the sector about the public pillars of Canada’s retirement system, including the CPP, OAS, and GIS

Retirement insecurity in the not-for-profit is the kind of complex social and economic problem that the private market cannot solve on its own, but that can be solved if all three sectors work together.

On behalf of the Common Good project, thank you for your interest in this issue. I look forward to your questions.
Appendix

About Common Wealth

Common Wealth is a mission-driven business focused on expanding access to retirement security and reinventing pensions for a 21st century workforce.

Founded in 2015 and based in Toronto, Common Wealth designs and manages collective, portable, fiduciary retirement plans for communities of workers. It has partnered with unions, associations, foundations, employers, and member-focused financial institutions to do this work. The plans that Common Wealth has created with its partners have received international recognition for their innovation. Recently, the firm partnered with SEIU to create the first retirement plan in Canada for lower- and moderate-income workers. It is currently working with a coalition of foundations and charitable sector leaders to create a nationally portable retirement plan for Canadian not-for-profit workers.

Common Wealth has partnered with pension funds, governments, think tanks, and international organizations on strategic, research-based projects that aim to strengthen retirement systems. Recent collaborations include a report on the “Canadian model” of pension plan for the World Bank, a blueprint for creating portable retirement benefits in the US in collaboration with the Aspen Institute, and a proposal to create a “Canada Saver’s Credit” to help lower- and moderate-income Canadians build financial security.

The Common Good Retirement Initiative Coalition

Steering Committee
- Alan Broadbent (Chair), Maytree
- Owen Charters, Boys & Girls Clubs of Canada
- Rahima Mamdani, United Way Greater Toronto
- Elizabeth Mulholland, Prosper Canada

Expert Advisors
- Keith Ambachtsheer
- Edward Waitzer

Champions Council
- Colette Murphy (Chair), Atkinson Foundation
- Alison Brewin, Vantage Point
- Peter Chapman, SHARE
- Adil Dhalla, Centre for Social Innovation
- Debbie Douglas, OCASI
- Franca Gucciardi, McCall MacBain Foundation
- Tim Jackson, SHAD
Common Good Retirement Plan Consultation Paper (2018)

A consultation paper on the proposed design for a national, portable retirement plan for the Canadian not-for-profit sector.


Pollara Survey for the Common Good Retirement Initiative (September 2018)

Retirement Benefits and Security in the Non-Profit Sector: Survey Results, conducted by Pollara Strategic Insights for the Common Good Retirement Initiative.

https://www.commongoodplan.org/pollara-report-for-common-good
Letter of support from the Right Honourable David Johnston, former Governor General of Canada


Testimonials

From committed employers: https://www.commongoodplan.org/employers/#testimonials

From Champions: https://www.commongoodplan.org/our-team/#testimonials