



## Backgrounder: Common Good Retirement Plan

### The problem

About two million people work in Canada's non-profit sector, working every day to serve Canadians, and strengthen our communities.

Yet roughly 850,000 non-profit sector workers have no access to a workplace retirement plan. A significant portion of these uncovered workers are women and lower- and moderate-income Canadians. The fastest growing parts of the non-profit workforce – part-time and contract workers – are especially likely to lack coverage.

Lack of access to a workplace retirement plan puts workers at risk of living in poverty in retirement. Canadian families without pensions have median retirement savings of just \$3,000 when they are within 10 years of age 65.

### The solution

The Common Good Retirement Initiative is a project to create a national, portable, collective retirement plan to address the dearth of adequate savings for workers in Canada's non-profit sector.

Common Good offers a new model to provide people in the non-profit sector a high-quality workplace retirement plan. It combines the principles of the world's best pension plans with a more flexible design to reflect the needs of today's workforce. Common Good would be the first plan of its kind in Canada – a truly portable, national, sector-wide plan tailored to the needs of lower- and moderate-income workers and open to “non-standard” workers as well as employees. Established as a non-profit corporation, Common Good would be overseen by a board of directors with a legal duty to put plan members' interests first.

To ensure that Common Good is able to launch on a path to self-sustainability, the initiative needs confirmed support from employers who are publicly committed to offering the plan to employees, should it proceed.

To date, 67 employers have committed to offering the plan if it were made available. These organizations range in size, sub-sector, and geography, representing over 12 provinces and territories. A recent national survey found that 94 per cent of employees, and 92 per cent of employers, would be interested in joining Common Good.

With the government seeking ways to strengthen retirement security for Canadians, a major consideration should be how it can help all workers access high-quality, collective workplace retirement plans, to keep the cost of retirement low for individuals, employers, and government. Support from governments can foster more efforts like Common Good. By encouraging greater

access to collective retirement plans, governments have the opportunity to make life more affordable for Canadians, both while they work, and when they retire.

## The details

For most Canadians, preparing for retirement on one's own can be confusing, overwhelming, and expensive. Common Good would address the main challenges non-profit workers face when preparing for retirement on their own by:

- Making savings easy or automatic
- Promoting sensible investment decisions by providing a highly curated, expertly selected set of options, setting smart default choices, and professionalizing decisions about asset allocation
- Lowering cost by using the power of the group to deliver the plan for several times less than the cost of an average retail investment product
- Helping members navigate the post-retirement phase by allowing them to stay in the plan post-retirement, helping them access and maximize government benefits, turn their nest egg into retirement income, and protect them against the risk of outliving their money
- Delivering the plan under a structure members can trust; a good collective plan has a true fiduciary duty to members – a legally binding duty to act in their best interests
- For non-profit employers, Common Good would provide a high-quality retirement plan for employees without requiring employers to shoulder significant risk or administrative burden. Contributions to Common Good would be flexible, allowing employers with unpredictable or intermittent funding to adjust according to their needs.

The Common Good Retirement Plan would have the following key features:

- Structured as a non-profit and governed by an arm's-length board with a duty to put the interests of plan members first and comprised of a mix of nonprofit sector leaders and experts in pensions and investments
- National in scope and inclusive, open to all non-profit sector workers including employees, freelancers, and spouses of sector workers
- Portable from job to job and into retirement, including decumulation features to help members turn their nest eggs into dependable retirement income
- Flexible contribution levels for both members and employers
- Set up as a hybrid Group Tax-Free Savings Account (TFSA) / Group Registered Retirement Savings Plan (RRSP) – the TFSA component is especially appropriate for lower- and moderate-income workers because withdrawals from a TFSA do not affect GIS benefits.

More information about the Common Good coalition and the plan's proposed design can be found on the Common Good website at [www.commongoodplan.org](http://www.commongoodplan.org).