ENHANCING THE

Canada Pension Plan

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Canadian Labour Congress

Congrès du travail du Canada

What are we asking for?

We are asking the federal government to **double the Canada Pension Plan (CPP) retirement benefit for Canadians** so that it replaces 50% of a Canadian's pre-retirement employment earnings up to a maximum amount.

Today, the CPP retirement benefit replaces about 25% of a Canadian's average pre-retirement employment earnings.

We are calling on the government to **phase in a universal expansion of the Canada Pension Plan that includes every working Canadian**, including those who are self-employed.

Who will benefit?

The CPP is not just the main way in which most workers save for retirement out of their employment earnings. It is the only way that millions of Canadian workers put aside a portion of their wages for retirement.

CPP benefits offer retirement income that is secure, predictable, and protected atainst inflation—for virtually all working Canadians.

The CPP is a cornerstone of retirement income

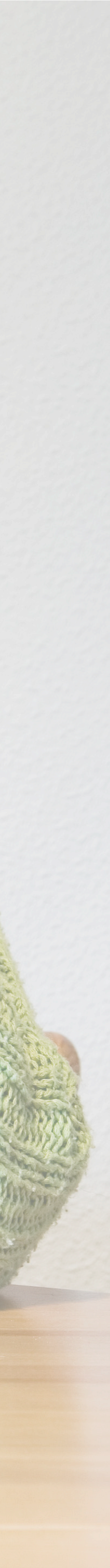
The Canada Pension Plan provides a monthly benefit to retired Canadians, and nearly everyone who works in Canada and their employers are required to contribute to it. Currently the maximum retirement benefits one can receive from the CPP is $1,092.50 per month. On average, Canadian retirees receive $640 a month.

The CPP is portable. It follows workers anywhere in Canada, no matter how many times they change jobs.

The CPP is cost-effective. Without the excessive management fees found in other retirement savings plans, the CPP keeps up with the cost of living (it is indexed to inflation) and pays out benefits for life. Canadians will not run the risk of outliving their CPP benefits.

The CPP is safe. The CPP is protected against the ups and downs of the stock markets, which makes it a secure and predictable source of retirement income.

The CPP is sustainable. The Chief Actuary of Canada, who monitors and reports on the health of the CPP, indicated in his last report that the CPP is well on track to pay benefits, as promised, for the next 75 years.



Why enhance the CPP?

Employers today are more resistant to providing or contributing to workplace pension plans for their employees. That's why **nearly two-thirds of Canadians don't have a workplace pension plan.** With a workforce of 19 million people, that works out to 11 million people.

In the private sector, 75% of employees are without a workplace pension plan today. The pension plans that are left are being squeezed — converted into plans with limited benefits that cost employers less, but also offer lower and unpredictable incomes in retirement.

Left on their own, **Canadians are saving less for retirement**.

Canadians are more and more in debt. In 2015, Canadians owed $1.64 for every $1.00 of disposable income — a debt-to-income ratio of 164%. In 2000, that ratio was below 110%.

Higher income Canadians contribute more to Registered Retirement Savings Plans (RRSPs). Canadians making $80,000 or more accounted for 62% of all RRSP contributions in 2013 but only represented 13% of all tax filers. Yet, governments continue to spend just over $13 billion each year on tax subsidies for RRSP contributors. As a result, Canadians are more likely to pay higher taxes to support wealthy RRSP holders than they are to save for their own retirement.

RRSPs and mutual funds are dependent on the stock markets and management fees erode retirement savings.

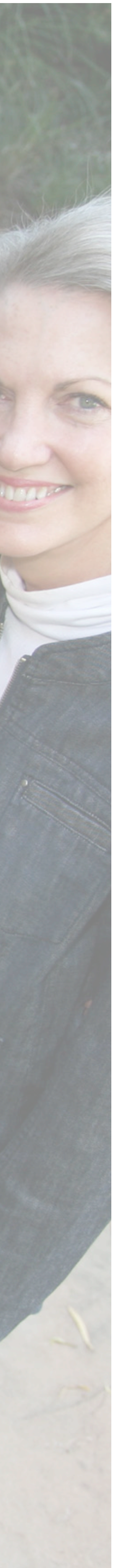
At the same time, Canadians have started to delay retirement and work longer, whether by choice or because they can't afford to stop working. But staying on the job and working longer isn't realistic for many workers and Canada can expect a lot of retirements — 3.6 million retirements in the next decade.

Canada's population is getting older. Forty years ago, there were about eight working-age persons (15-64 year-olds) for every person aged 65 or older. Today, there are fewer than 4.5 for every senior. In 20 years, that ratio could be as low as 2.5 to one.

What's brewing is a perfect storm of seniors' poverty: a large population of seniors with low retirement incomes, with a smaller population of working tax-payers capable of sustaining social programs for low-income seniors as they stand today.

The only way to steer clear of this problem is to increase the amount of retirement savings among workers today.

The best way to do that is by expanding the Canada Pension Plan.



Why does it have to be "universal"?

One of the reasons the CPP performs so well is because its administration costs are kept low. Low operating costs means more of the money Canadians contribute through their CPP premiums gets invested, which means higher returns, which means more money for retirement incomes.

The high administration fees charged by the retirement plans sold by the financial industry really eat into future savings. In fact, an extra fee of 1% can cut into your lifetime savings by as much as 25%. The typical fee charged for mutual funds in Canada (2.3%), for example, can slash your returns in half.

The CPP was created to be a "universal" pension program, meaning it belongs to everyone. Everyone pays into it when they work. Everyone gets a pension from the CPP when they retire. Fair and simple.

Creating exceptions for certain workers or special arrangements for some employers, rather than offering the same plan to everyone, would make it more complicated to operate the CPP. More of the money Canadians contribute would get used to pay administrative costs and not get invested toward retirement income.

The result would be a more expensive, less efficient CPP for everyone, just because a few employers don't want to pay their fair share. It's hardly fair.

Ontario's government has chosen to abandon a universal approach to its new Ontario Retirement Pension Plan (ORPP). The result is a plan that's more expensive to run and unlikely to deliver the results they hoped for.

We can't let this happen to the CPP. The whole point of expanding the CPP is to help today's workers save more and have higher incomes when they retire. It makes sense to stick with the fair and simple universal approach that works best.

This is why we are calling on the federal government to enhance the CPP in a way that is universal and available to everyone who works, including the self-employed.

Doubling CPP benefits is affordable now

Doubling CPP retirement benefits is the most affordable way for Canadians to ensure they have a decent and reliable source of income after a lifetime of work. All it requires is setting aside an extra 3.2% of income to boost existing CPP savings.

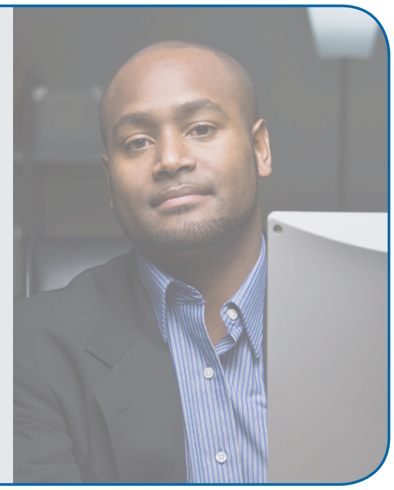
In these examples, the dollar amounts are expressed in 2016 terms, for comparative purposes.

Remember, CPP is indexed to inflation, so it won't lose its value over time.

Mohammed is a 25-year-old accountant in Oakville.

He has a decent job and good salary, earning $60,000 in 2016. At this rate, Mohammed is on track to receive the maximum CPP benefit in retirement, that's $1,092.50 a month.

With labour's plan to double benefits, the CPP would pay him twice this amount ($2,185 a month) — a predictable, secure monthly income that won't run out before he does.



Karuna is a hard-working and dedicated 29-year-old artist living in Kelowna.

Her earnings from occasional shows and a part-time waitressing job will add up to $21,000 in 2016. Karuna can look forward to scraping by on a low CPP benefit of just $427 a month in retirement.

Even at her current low wages, labour's plan would allow Karuna to retire with a more livable monthly CPP benefit of $803.11 (an additional $376.11).

Freya is a 37-year-old home care worker in Lethbridge who will earn $45,000 this year. With this level of earnings, Freya would receive a CPP retirement benefit of $917.70 a month.

With labour's plan, Freya would contribute more to the CPP for another 28 years and get $626.85 more each month, for a total of $1,544.55.

Jason is a 44-year-old maintenance worker in Gander earning $31,000 in 2016. When Jason retires at age 65, he can expect to receive a modest monthly CPP benefit of $655.50 under the current rules.

If Jason has an opportunity to save more through the CPP for the next two decades, based on labour's plan, he could count on a monthly retirement benefit of $979.37 ($323.87 more each month and a significant boost for someone on a modest income).

Nila is a 55-year-old support staff worker at a public school in Brandon. Over the course of her lifetime, Nila's annual earnings have averaged about $26,000.

When she retires in 10 years, she will receive a monthly CPP benefit that is close to the average ($524.40).

Under labour's plan, saving for just 10 more years at a higher rate, Nila's monthly CPP benefit would increase by $129.35, giving her a total of $653.75 (a small but welcomed improvement).

Myths and Facts

about the costs and benefits of expanding the Canada Pension Plan

Many of the common arguments made against expanding CPP benefits are not based on the facts. They are myths, repeated so often they get mistaken for the truth. In fact, the proposals being made to expand the CPP have all been shown to be fully funded and will benefit young workers the most.

Myth #1:

The economy is too fragile to increase CPP contributions.

FACT: The last time CPP contributions were increased was 1997. During the entire seven years the increase was phased in, employment rose and the economy steadily grew – and during that time, benefits to workers weren't even increased.

Myth #2:

The CPP is a job-killing tax.

FACT: CPP contributions are not a tax. They are savings put aside in return for a pension benefit in retirement. They are an investment by workers and their employers into a pension plan that is safe and sound. The savings in the CPP will eventually be spent in 10, 20, and 30 years, and will help create jobs in the future.

FACT: Employers can afford to contribute to expanding the CPP, which will provide greater future retirement benefits for today's workers. Outside the banking industry, companies have seven times as much cash in the bank today than they did the last time CPP contributions were raised. The income tax rate for business is also thirteen percentage points lower than it was in the 1990s.

Myth #3:

Millions of jobs will be lost if CPP premiums are increased.

FACT: Increasing CPP premiums has never cost us jobs. In fact, people with better pensions will have higher incomes and be able to spend more in their retirement—and that spending grows the economy and creates jobs.

Myth #4:

Small businesses are opposed to expanding CPP.

FACT: A Morneau Shepell survey of 200 employers in December 2013 found that support was greatest for expanding CPP as the most cost-effective way to improve Canada's retirement income system. The CLC's own polling has found strong support among small business for an expanded CPP.

FACT: Small and medium-sized business owners know that CPP is the best value for their money with its low management costs, portability, and security. Expanding the CPP gives small business owners the risk-free stability of a defined-contribution savings plan, and a guaranteed defined-benefit pension plan for their workers. And, as self-employed workers, owners contribute and benefit from CPP themselves.

Myth #5:

CPP is not sustainable and won't last into the future.

FACT: In the latest report, the Chief Actuary of Canada indicated the CPP is sustainable for the next 75 years. Simply put, the CPP is on track to provide a guaranteed pension income, for life, to even the youngest members of today's workforce.

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