

Retirement Security for Everyone Event



St. Catharines, Ontario
December 4th, 2014

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Social and Economic Policy Department



Canadian Labour Congress

Congrès du travail du Canada

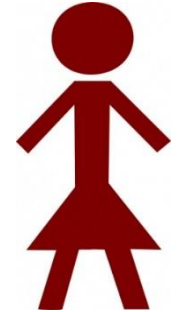
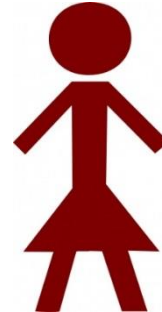
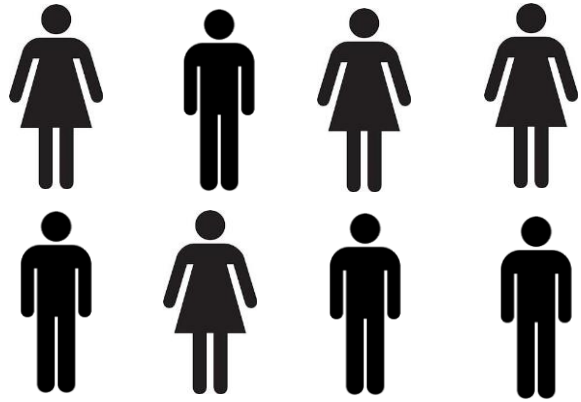
Canada's population is aging



Number of seniors will double by 2036

By 2041, 1 in 4 Canadians will be over age 65





1973

7.8 working-age individuals per senior

2013

4.5 working-age individuals per senior

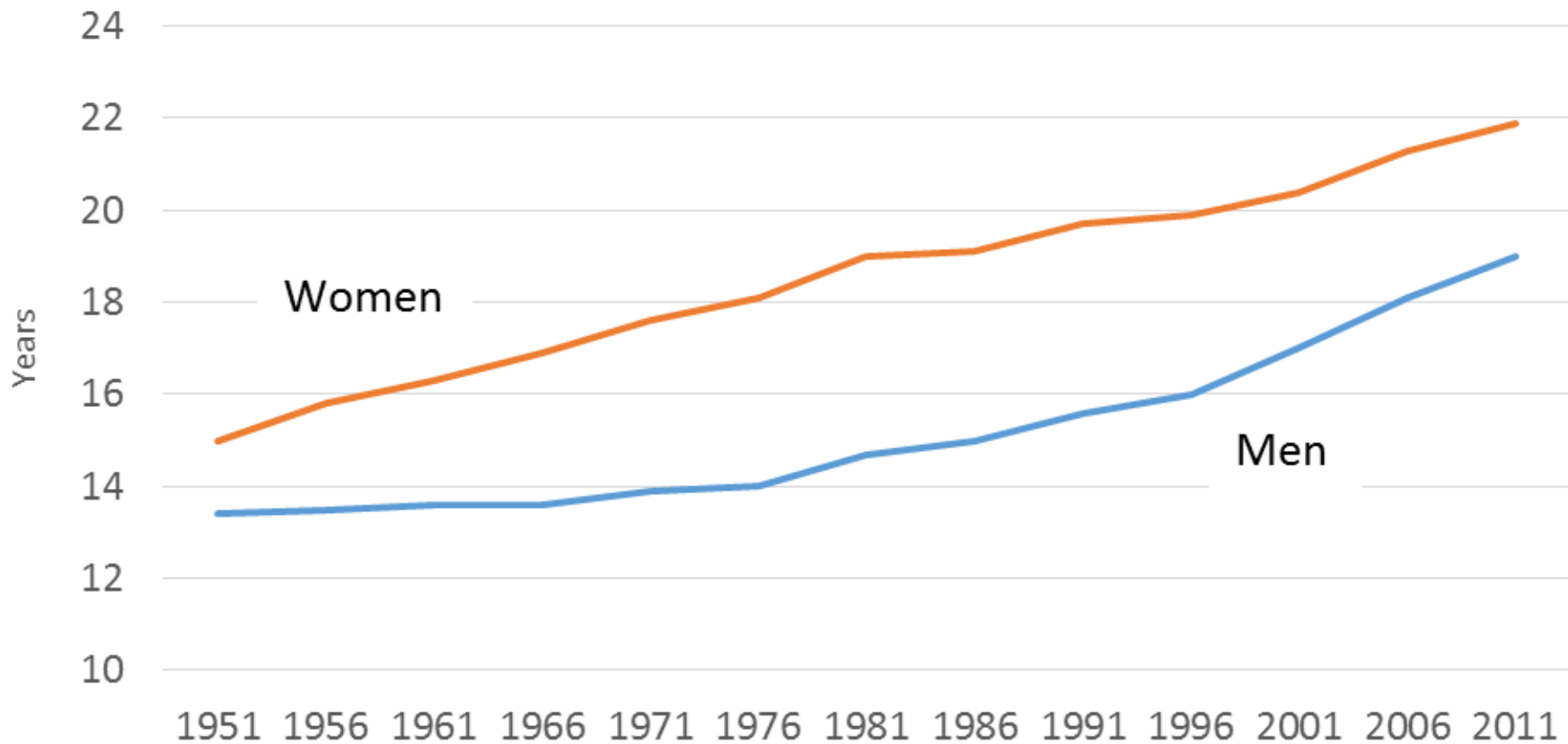
2058

2 working-age individuals per senior

Canadians are living longer



Life Expectancy at Age 65

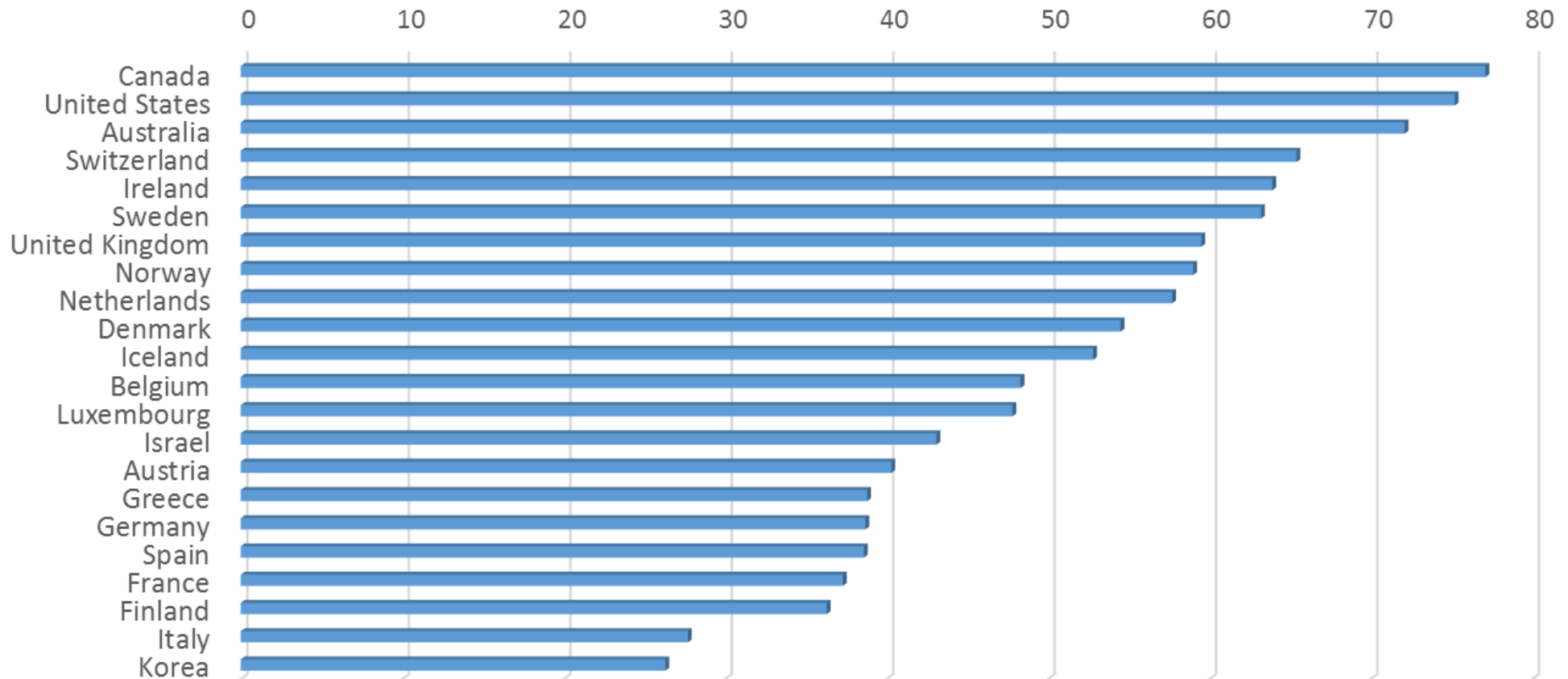


Source: OSFI, *Mortality Projections for Social Security Programs in Canada*, 2014.

Seniors are healthier than ever



Percent reporting perceived health as good or better, 65 years old and over, 2011

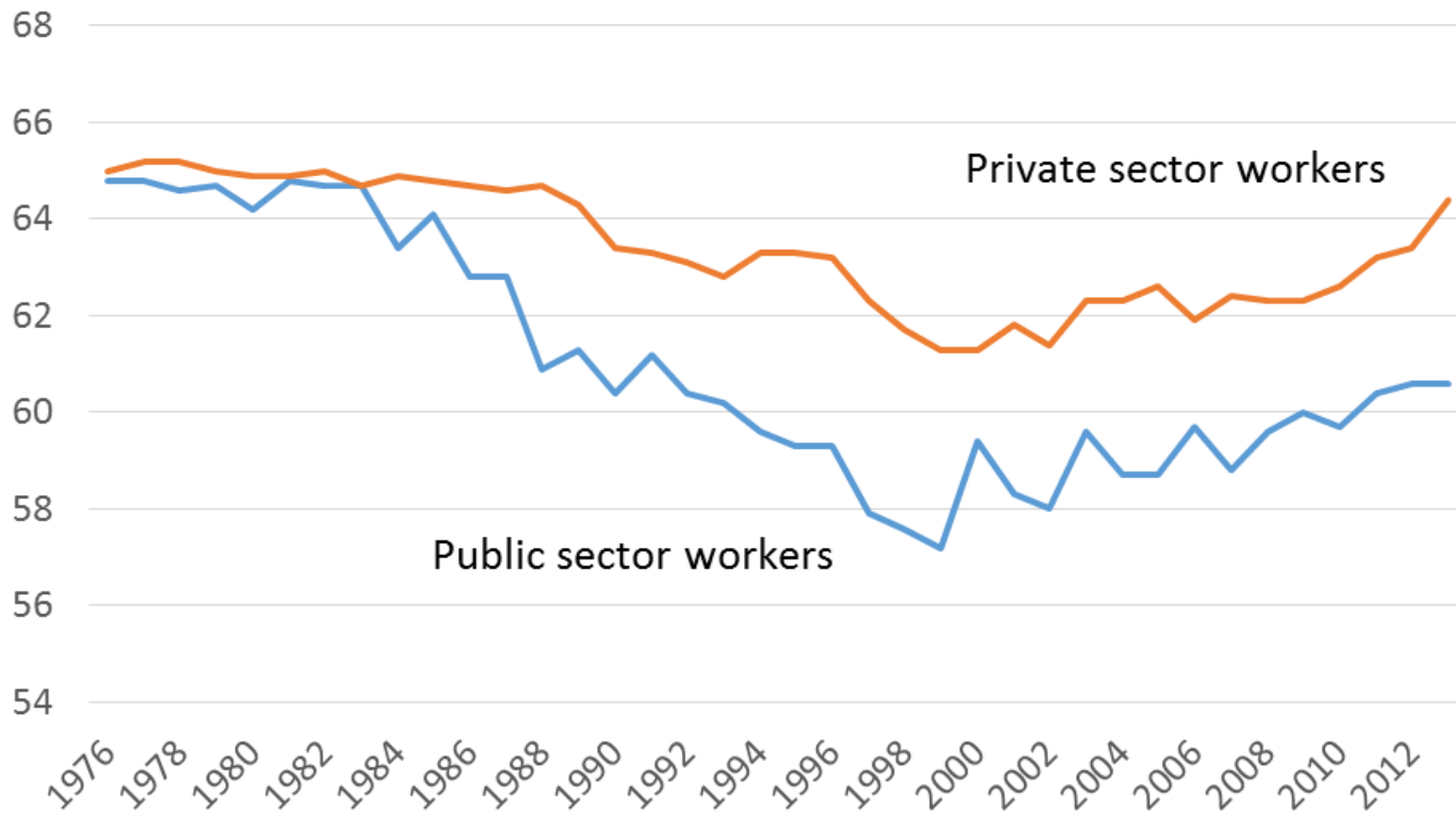


Source: OECD

Canadians are working longer



Median Age of Retirement



Source: Statistics Canada, CANSIM 282-0051

But working longer is not a solution to the retirement income crisis



- A quarter of fully-retired seniors left the workforce due to poor health or disability (Statistics Canada 2011)
- Seven in ten (69%) retired Canadians did not finish their working career as planned or expected
 - Among those who did not retire as planned, 41% said health reasons were the primary reason for retiring early (Ipsos Reid survey, Oct 21, 2014)

A lot of retirements are coming



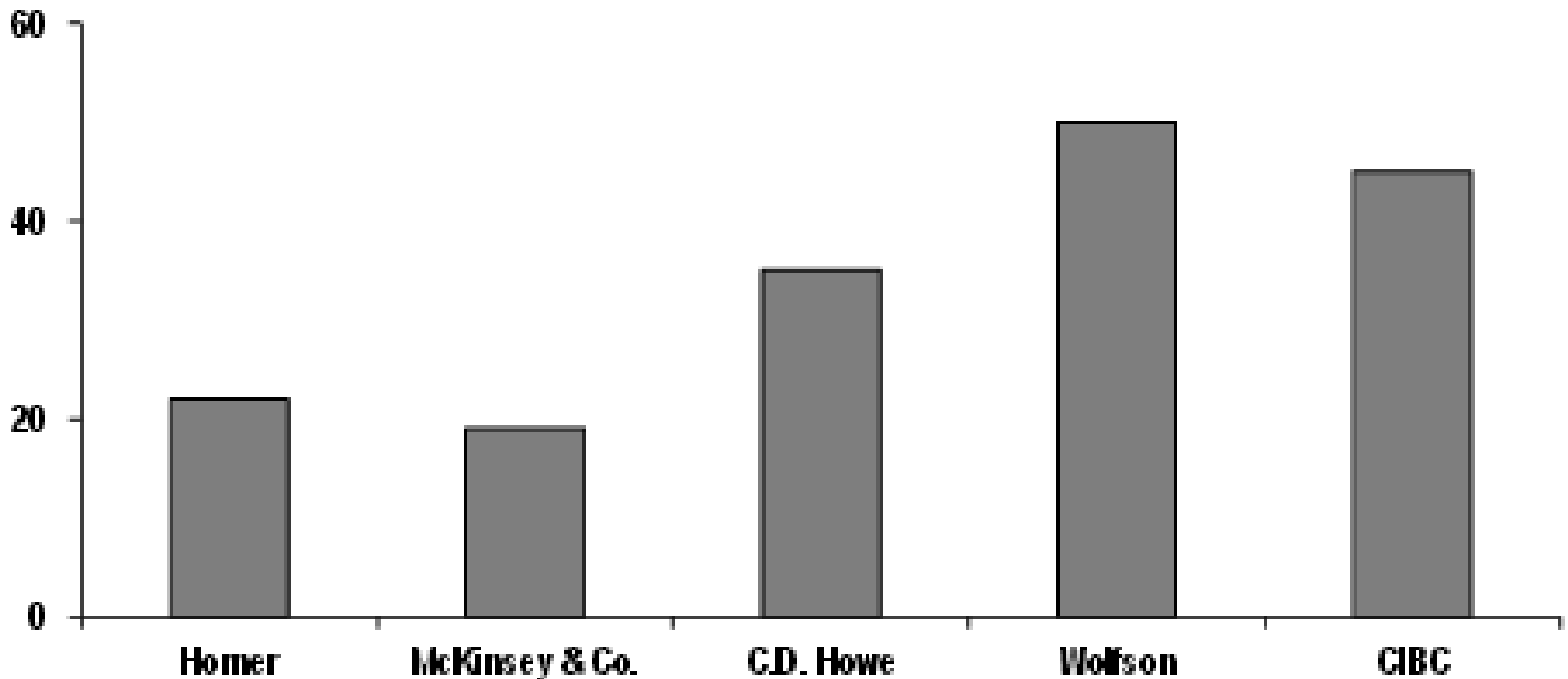
- 3.6 million retirements are expected over the 2013-2022 period (Canadian Occupational Projection System 2013 Projections)
- But one in three Canadian adults (33.8%) are not preparing financially for retirement either on their own or through an employer pension plan (2014 Canadian Financial Capability Survey)

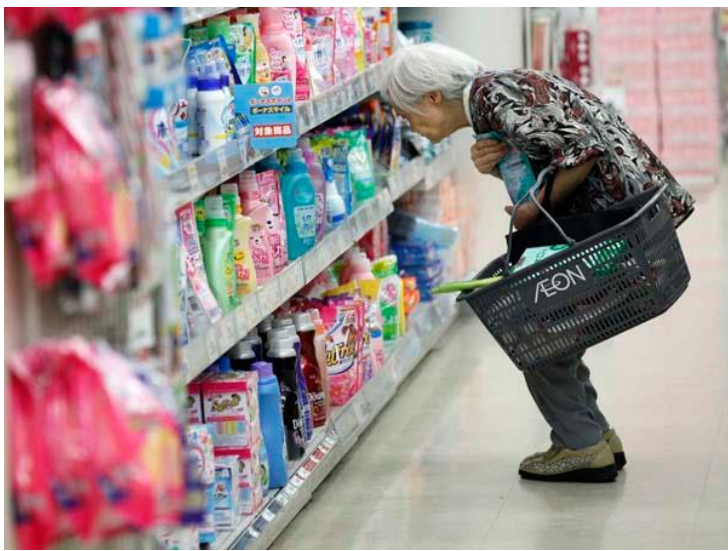


A significant number of households are facing a big drop in living standards in retirement



Per Cent





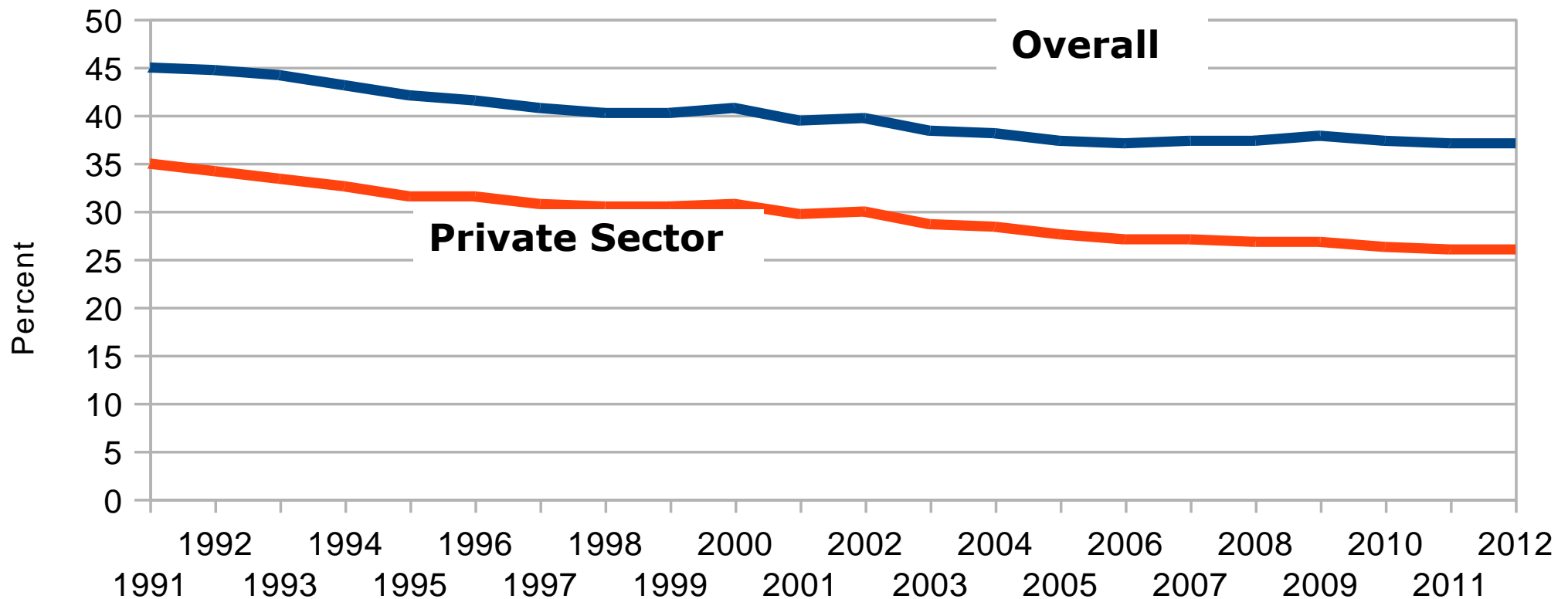
Why are Canadians unprepared for retirement?



Fewer workers have access to a pension at work



Share of Ontario Workers with a Workplace Pension Plan



Source: Statistics Canada, Pension Plans in Canada survey



Public pensions are too low



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Old Age Security



- Residency-based benefit payable at age 65
 - Age 67 starting in 2029
- Must have lived in Canada minimum of 10 years after age 18
 - Maximum benefits for 40 years residency after age 18
- Paid for through general revenue
- \$31.9 billion in OAS benefits (2013-14)
- Maximum benefit: \$563.74 per month
- Average benefit in Ontario (Oct 2014): \$529.42



Guaranteed Income Supplement



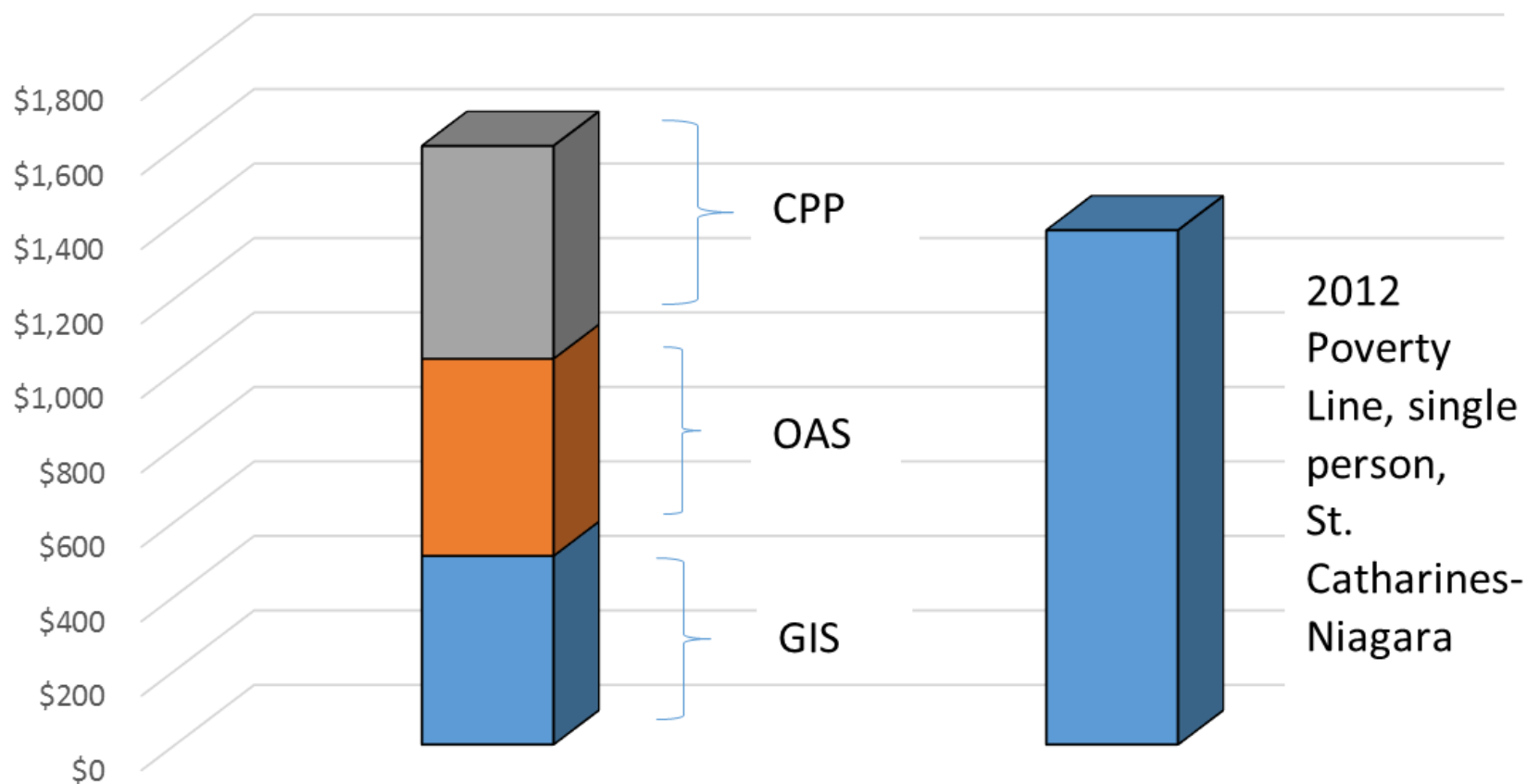
- Income-tested benefit -- \$17,088 cut-off (single person)
- Payable at age 65
 - Age 67 beginning in 2029
- Paid for through general revenue
- \$9.4 billion in benefits (2013-14)
- Maximum benefit (single person): \$764.40 per month
- Average benefit in Ontario (Oct 2014): \$506.65



Public pensions are too low



Monthly Average Benefit, Single Pensioner

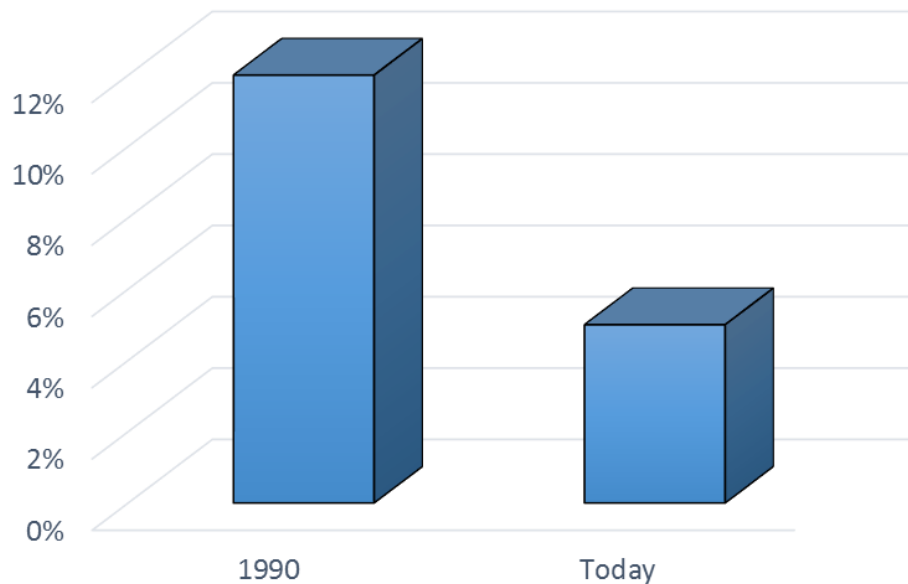


Note: 2012 low-income cut-off (LICO) after tax, single person, city with between 100,000 and 499,999 inhabitants
Source: Statistics Canada, *Low Income Lines 2011-2012*, Service Canada

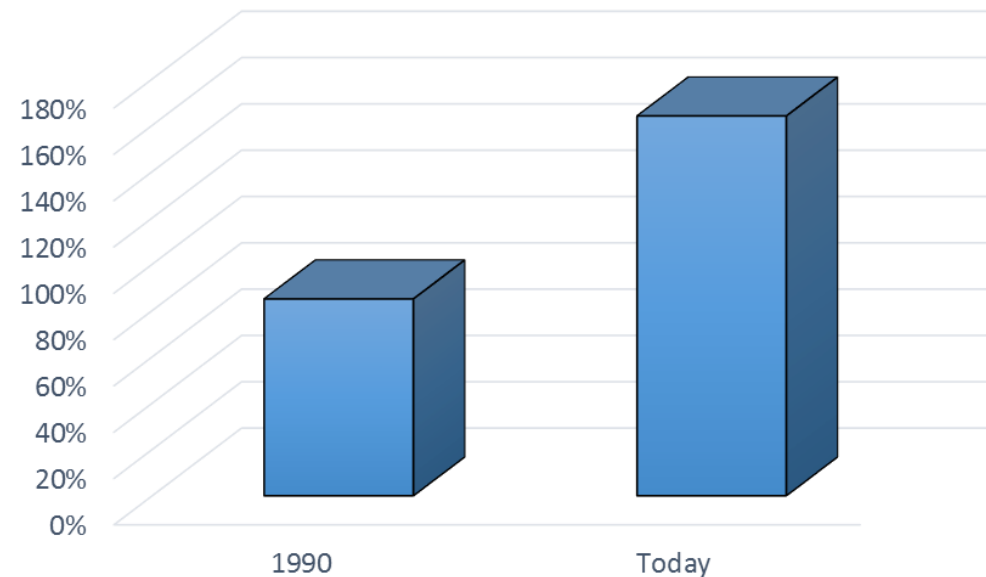
Our savings rate is half what it was 25 years ago and our indebtedness has doubled



Saving Rate



Household Debt as a Share of Disposable Income



We can achieve retirement security for everyone



- Phased-in fully-funded doubling of future CPP benefits
- Restore OAS and GIS at age 65
- Use a portion of the federal surplus to increase GIS benefits for our poorest seniors



The Canada Pension Plan



- The only workplace pension plan for 62% of Canadians
 - 11 million workers have no savings plan at work other than CPP
- The Canada Pension Plan is:
 - Completely portable
 - Safe, secure and dependable
 - Predictable
 - Inflation-protected
 - Paid until death – you can't outlive your CPP benefit
 - Provided at very low cost

What doubling future CPP benefits would mean



- WITH LABOUR'S PLAN, a 25 year-old worker earning the average wage and salary and paying into the CPP from now until retirement at age 65 (40 years of expanded contributions) would earn a monthly CPP pension of about \$2,077.
- Without labour's plan, the same worker's monthly CPP payment would only be about \$1,038.



What doubling future CPP benefits would mean



- WITH LABOUR'S PLAN, a 45 year-old worker earning the average wage and salary and paying into the CPP from now until retirement at age 65 (20 years of expanded contributions) would earn a monthly CPP pension of about \$1038.
- Without labour's plan, the same worker's monthly CPP payment would only be about \$519.



What would it cost?



- An Ontario worker that earned an average of \$30,000 over his or her lifetime would save an additional \$1.86 per week in each year of the 7-year phase-in.
- That means about 7.5 Timbits more each week in the first year, then 7.5 Timbits more each week in the second year, and so on, for 7 years. In return, your CPP benefit will be twice as high when you retire.
- A similar worker earning an average of \$50,000 over his or her working career would put aside an extra \$3.27 each week -- about 13.2 Timbits -- in the first year.



1997 Reforms to CPP



- CPP contributions rose from 6.0% in 1997 to 9.9% in 2003
- During the same period:
 - ✓ Real GDP rose 23%
 - ✓ Real investment rose 19%
 - ✓ Employment grew 14%
 - ✓ The unemployment rate fell from 9.1% in 1997 to 7.6% in 2003 -- and kept falling to 6.0% in 2007



Expanding CPP makes good economic sense



Internal Finance Department study finds economic benefits to CPP expansion

DEAN BEEBY

OTTAWA — The Canadian Press

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The debate is settled – it's time to expand CPP



Benefits

Why CPP expansion is inevitable



Greg Hurst | November 13, 2013

GLOBE EDITORIAL

Bigger CPP would be better

The Globe and Mail

Published Friday, Oct. 18 2013, 7:30 PM EDT

Last updated Friday, Oct. 18 2013, 7:30 PM EDT



CPP Expansion: a critical part of the solution

Prepared by the Tax Committee FEI Canada Policy Forum

May 1, 2014

An expanded CPP gains broad acceptance from employers surveyed by Morneau Shepell

Dec 9, 2013

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