



Now and Tomorrow
Excellence in Everything We Do



Overview of Canada's Retirement Income System

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Canada's Retirement Income System

A multi-pillar system

Public

Old Age Security
Program

Universal
non-contributory

Canada Pension
Plan - QPP

Mandatory
contributory

Private

Registered
Pension Plans,
RRSPs, etc

Voluntary

Pillars of the RIS

	Resource	Expenditures/ Contributions	Number of beneficiaries/ Contributors
PILLAR 1 Universal	Old Age Security (1952)	• \$24.0 billion in expenditures (2007/08)	<ul style="list-style-type: none"> ▪ Approx 4.4 million beneficiaries ▪ Avg. monthly benefit is \$456 (2007/08)
	Guaranteed Income Supplement (1967)	• \$7.4 billion in expenditures (2007/08)	<ul style="list-style-type: none"> ▪ 1.6 million beneficiaries ▪ Avg. monthly benefit is \$388 (2007/08)
PILLAR 2 Mandatory	Canada Pension Plan (1966)	• \$27.4 billion in expenditures and \$33.6 billion in contributions (2007-2008)	<ul style="list-style-type: none"> • 12.2 million contributors (2006) • 4.3 million beneficiaries • Avg. monthly benefit at age 65 is \$490.13 (Mar. 2008)
	Quebec Pension Plan (1966)	• \$8.1 billion in expenditures and \$9.4 billion in contributions (2007/08)	<ul style="list-style-type: none"> • 3.8 million contributors (2006) • 1.5 million beneficiaries
PILLAR 3 Voluntary	Registered Pension Plans (RPPs) (1917)	• \$34.4 billion contributed in 2005	• 5.7 million Canadians were enrolled in RPPs in 2005
	Registered Retirement Savings Plans (RRSPs)(1957)	• \$30.6 billion in contributions in 2005	<ul style="list-style-type: none"> • 6.1 million contributors in 2005 (31% of eligible taxfilers) ▪ Median contribution - \$2,630 (2005)
	Other Assets	<ul style="list-style-type: none"> • 71% of all households headed by a senior were homeowners in 2001 and 85% of these were mortgage free • Over 350,000 working seniors in Canada (2005) • 2.4 million seniors claim the pension credit 	

First pillar: the Old Age Security (OAS) Program

- The *Old Age Security Act* came into force on January 1, 1952.
- Universal, non-contributory program financed entirely from general tax revenue.
- Benefits are based on residence in Canada and include:
 - the basic Old Age Security Pension
 - an income-tested top-up: the Guaranteed Income Supplement (GIS)
- Indexed quarterly to Price Index.
- The OAS/GIS has played a crucial role to reduce the low-income rates among seniors from 21.4% in 1980 to 4.8% in 2007.

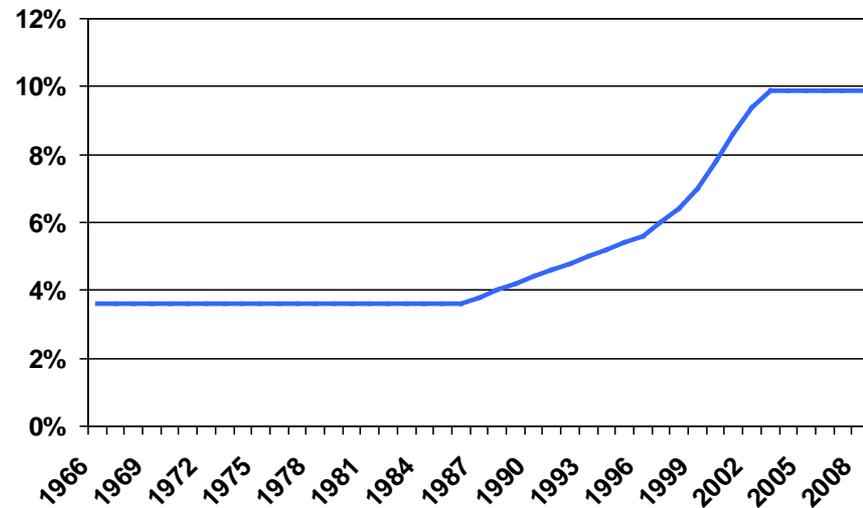
Second pillar: the Canada Pension Plan (CPP)

- Implemented in 1966 and jointly managed between the provinces and the federal government. Changes to the Plan require approval of 2/3 of the provinces with 2/3 of the population.
- Applies throughout Canada except in Québec, which administers its own plan.
- Objective is to replace 25% of average career earnings up to the average wage at retirement - currently at \$46,300 in 2009. Ancillary benefits: disability, survivor, children's and death benefits.
- The contribution rate is 4.95 percent each for employees and their employers (9.9 percent for the self-employed). Collected by Revenue Agency
- Indexed to price annually.

1998 Reforms

- Demographic trends in the 1990's began to exert pressure on the contribution rate.
- Challenge was addressed through 1998 reforms which featured:
 - Contribution rate increases
 - Introduction of arms-length CPP Investment Board
 - CPP reviewed every three years (Triennial Review Process)

Employee/Employer
Combined Contribution Rate



1998 reforms achieved long-term affordability and sustainability

- CPP is financially sound for the next 75 years.
- 23rd Actuarial Report (released October, 2007) indicates:
 - Contributions are expected to exceed expenditures until 2019
 - Total assets are expected to grow to \$235 billion by the end of 2015
 - Assets are projected to be \$1,432 billion or 6.0 times the annual expenditures in 2050
 - Current 9.9% contribution rate will sustain the CPP and will allow the Plan to be well prepared for any economic or social change.

2009 Triennial Review Modernizing the CPP

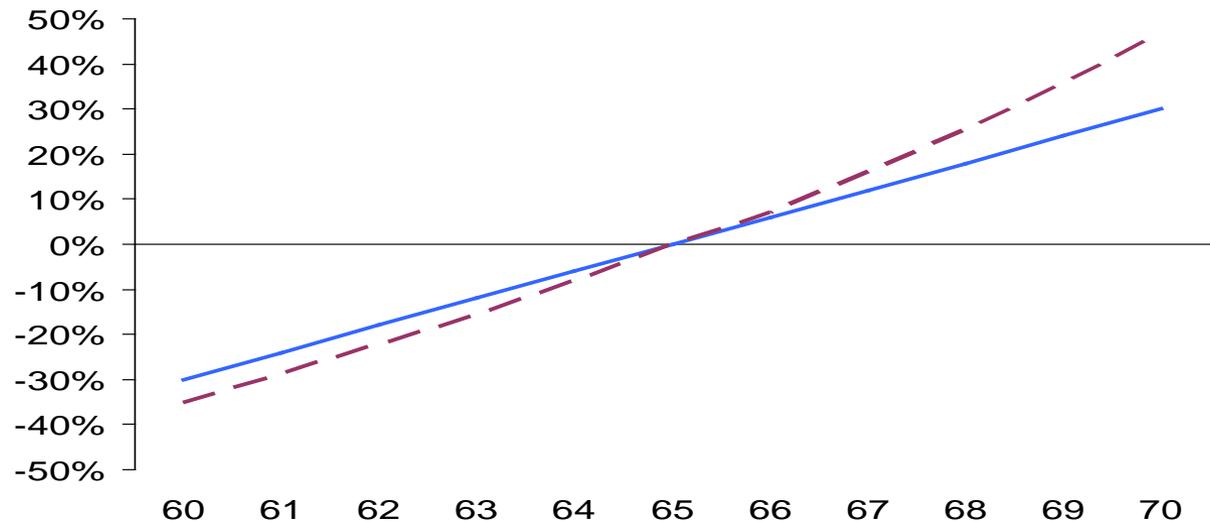
- 1. Restoring adjustment factors neutrality:
 - Ensures equity between early and late retirees
 - Rewards additional years of work
 - Ensures financial neutrality to Plan regardless of age of CPP take-up

- 2. Removing the Work Cessation Test:
 - Improves flexibility and equity in the Plan with regards to benefit take-up
 - Removes administrative irritant and lessens older worker/applicant confusion
 - Removes impediment to continued labour market participation

- 3. Allowing working beneficiaries to contribute:
 - Ensures equity and a level playing field for all workers
 - Allows working beneficiaries to continue accruing pension benefits in an environment where many don't have other pension coverage

The Actuarial Adjustment Factors

Pensions are reduced/increased for early/late commencement by an adjustment factor of .05 percent per month (6 percent per year) if the pension is taken before/after the applicants 65th birthday.



— Current Adjustment
 - - - Neutral Adjustment

Current Factors:
 Age 60: reduced by 30%
 Age 70: increased by 30%

New Factors (phased-in):
 Age 60: reduced by 36%
 Age 70: increased by 42%

In 2007, 46% of retirement applicants were 60 years of age.

20% were between 61 and 64 years of age

31% were 65 years of age

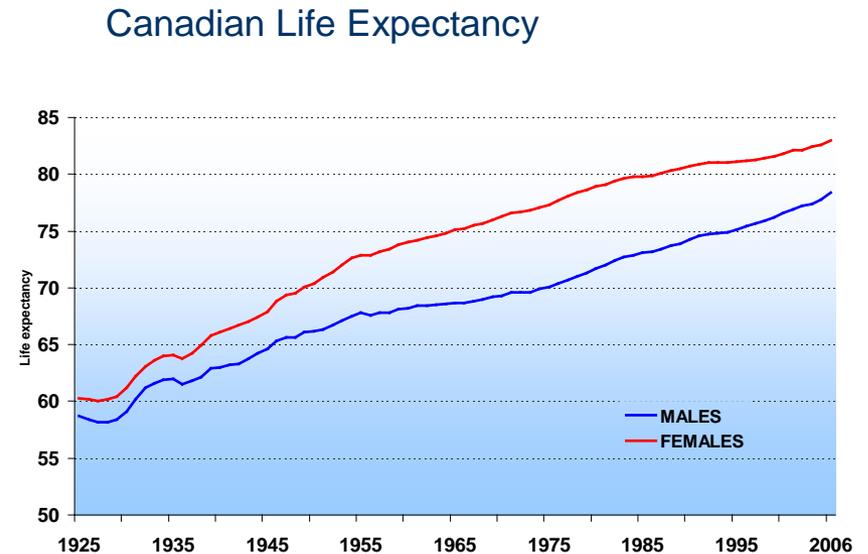
3% were over the age of 65

Third Pillar: Private Pensions and savings

- The 3rd pillar is 'voluntary' (although contributions to a workplace pension plan are usually mandatory where such plans exist) and 'contributory' in nature
- Comprised of private retirement savings including registered (workplace) pension plans (RPPs) and registered retirement savings plans (RRSPs)
- Contributes to the income replacement objective of the RIS

General trends

- Ageing population
- Increased longevity
- Decline in workplace coverage
- Risk shifting to individuals:
From DB to DC



Public Pension Challenges

- Lack of knowledge of public pensions:
 - A 2007 study found that a quarter of non-retired respondents age 45-59 did not understand Canada's public pensions at all.
- Uptake of public pensions among certain groups:
 - Administrative barriers, such as ineffective information and complex claim forms, may hinder access to information and benefits.
 - Barriers that reside within the population, include low literacy, homelessness, mental illness and physical disabilities.
- Demographic changes translate into heavy workload pressure
- Disability benefit is a particular challenge

Action: Transforming Service Delivery

Service Canada is:

22,000 staff

590 points of service

56 million calls per year

Online services: servicecanada.gc.ca

1. Deliver seamless citizen-centred service...

...by providing integrated, one-stop service based on citizen needs and helping to deliver better policy outcomes.

2. Enhance the integrity of programs...

...by building trust and confidence in the integrity of government programs and by achieving significant savings in program payments.

3. Work as a collaborative, networked government...

...by building whole-of-government approaches to service that enables information sharing, integrated service delivery and strategic investment for the benefit of Canadians.

4. Demonstrate accountable and responsible government...

...by delivering results for Canadians and government, savings for taxpayers and transparency in reporting.

**Service
Transformation
Goals**

Opportunities

- Improving Communication
 - Simple, coherent, targeted & lifelong
 - Outreach Activities and Partnership
- Simplifying the Application Process
 - Automate – Policy Issue is Privacy
- Updating our Tools
 - Multi-Channel integration
 - Pension Calculator, etc.
- Integrating behavioral factors into policy and program design

Canada

Information on OAS and the CPP, including the CPP annual report can be found at www.hrsdc.gc.ca/en/oas-cpp/index.shtml

Information about the CPP Investment Board can be found at www.cppib.ca

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