

# CUPE PENSION FACTS

## Top 10 reasons to expand the Canada Pension Plan

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Finance Ministers from across Canada are debating whether or not to expand the Canada Pension Plan (CPP). An overwhelming majority of the Canadian public support CPP expansion, as does an ever-growing body of seniors groups, pension experts, academics and even financial industry leaders.

The Canadian Labour Congress (CLC) plan would gradually phase-in a doubling of CPP benefits, which currently provide retirees with a maximum of about \$1,000 per month (though the average retiree receives just over \$500 per month). The CLC plan would see these amounts double.

CPP expansion is an efficient, well supported, affordable and much-needed way to ensure that all workers can retire with dignity and security. Here are ten reasons why expanding the CPP is the best way to ensure retirement security for all Canadians.

### 1. Expanding CPP would benefit all workers.

As participation in the CPP is virtually universal, private sector, public sector, unionized and non-unionized workers would all benefit from an expanded CPP. However, the workers who would benefit most from CPP expansion are the two in three Canadian workers (more than 11 million in total) who currently lack a workplace pension plan.

### 2. Canadians are unable to save enough for retirement in our current system.

Fewer than one in four Canadian tax filers contributed to an RRSP last year. Membership in good workplace pension plans has been on the decline for decades. Study after study shows that most Canadians cannot save enough for a decent retirement. A recent CIBC study demonstrated that this problem will worsen as each future generation of workers enters retirement. Expanding the CPP would ensure that Canadians have a better chance for a dignified and secure retirement.

### 3. CPP provides the security of a defined benefit pension plan.

The risk-pooling and defined benefit characteristics of a large pension plan like the CPP ensures that individual retirees will know the amount of their monthly retirement pension in advance. This relieves individuals from having their quality of life in retirement tied entirely to the ups and downs of the market. Within the CPP, investment decisions and risk tolerance assessments can be made by qualified investment professionals, relieving Canadian workers from having to make these difficult decisions. CPP benefits are also fully indexed, so your purchasing power will be preserved throughout your retirement.

### 4. CPP benefits are portable across jobs and provinces.

With CPP lifetime contributions all flow into one CPP payment (or benefit), even across a career of different jobs in different jurisdictions in Canada. With an increasingly mobile labour market, the importance

of portable public pension plans like this will only grow.

### 5. CPP expansion would further reduce poverty among seniors, which would relieve pressure on the public purse.

Too many Canadian seniors are living under or near the poverty line. One in three Canadian seniors currently receives payments from the Guaranteed Income Supplement (GIS) – the means-tested federal pension only available to low-income seniors. This program will cost the federal government nearly \$10 billion this year alone. Allowing Canadian workers to save more for their own retirements through CPP expansion would relieve fiscal pressure from this federal program and similar programs at the provincial and municipal levels.

### 6. Low management expenses for CPP mean more of your hard-earned pension contributions will be used to fund your retirement.

Canadians pay some of the highest mutual fund fees in the world. Over the years, these high fees mean a significant portion of your potential retirement nest egg is going to banks and money managers. The CPP's extremely low fees ensure that your CPP contributions will be more efficiently used to fund your retirement.

### 7. CPP expansion is affordable and will bring economic benefits.

Some business groups and right-wing think tanks argue that we can-

not afford to expand CPP, citing potential negative impact on employers. However, the last time CPP contribution rates were increased, in the late 1990s and early 2000s, the national unemployment rate actually fell. The contribution increase needed to fund a full doubling of CPP benefits is modest and affordable and would be phased-in gradually, leaving workers and employers ample time to adjust. The Finance Ministers' own research is clear that CPP expansion will bring long-term economic benefits to Canada, as retirees would have more money to spend in our economy.

### **8. A few short years after the financial crisis, the CPP remains entirely sustainable.**

Though Finance Minister, Jim Flaherty is blocking CPP expansion, even he can't deny that is fully sus-

tainable. Federal pension actuaries, the OECD and numerous pension experts all say the same thing. The CPP has weathered the financial crisis, has a \$173 billion investment fund, and is projected to be able to fully meet its obligations over a long 75 year projection period. Any expansion of CPP would be fully pre-funded by increased contributions before the expanded benefits begin to be paid out, ensuring ongoing sustainability of the CPP.

### **9. Canada's public pension system is modest by OECD standards.**

We currently pay much less into our public pensions than most OECD countries and our public pension system replaces less pre-retirement income in retirement as well. A modest expansion would bring Canada more in line with other advanced countries.

### **10. Canadians want an expanded CPP.**

Polling data shows that 75 per cent of Canadians support CPP expansion, even when they are presented with figures on the increased contributions required from them to double CPP benefits. Eight in ten provincial governments have indicated they are supportive of CPP expansion. Despite these high levels of public support, several provincial governments are yet to commit to expansion and the federal government has hinted at additional, unnecessary roadblocks it may introduce in the way of CPP expansion. These governments stop obstructing and should listen to Canadians by implementing CPP expansion without delay.

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