



Federal Election 2011

PUBLIC PENSIONS

Canada's public pension programs – Old Age Security (OAS), Guaranteed Income Supplement (GIS), and Canada Pension Plan (CPP) – have been proven policy success stories. In combination, they form a crucial foundation for a secure retirement income for the large majority of Canada's current and future seniors. The problem is that the core benefit levels of these programs remain inadequate.

Particular attention must be paid to how these issues impact women, who are more likely to face poverty in retirement. Despite making up a majority of the paid workforce, women are disproportionately represented in low-wage, unstable and part-time employment, and are thus least likely to have a workplace pension plan.

The CLC's Retirement Security for Everyone campaign has attracted broad public support and focused significant attention on its principal demands for public pension reform: a doubling of the benefits from CPP, and an increase in the GIS that is sufficient to eliminate poverty among seniors. The Harper Conservatives initially indicated their support for the proposal from the CLC and CUPE of an expanded CPP. However, a close look at their record shows a fundamental lack of commitment to seniors and retirement security.

Harper Conservatives' Record

Since elected in 2006, the Harper Conservatives have delivered a singular and discouraging message to Canada's fast-growing and struggling population of seniors: "If you can't afford retirement, then get back to work!" They have pushed a 'fend for yourself' retirement system based on freezing the already inadequate public pension system, and relieving employers of their obligations to support a decent retirement system. They have done this by:

- introducing unfair "Tax Free Savings Accounts" (TFSAs) in the guise of a retirement savings system - in effect, yet another tax cut for the highest income earners and investors;
- increasing the earnings exemption for recipients of the GIS, rather than increasing the GIS entitlement itself;
- changing CPP rules (recently followed by QPP) to increase penalties for retirement before age 65, and increase financial incentives for those who continue to work after 65;
- after a June agreement with nine out of 10 provinces to support the expansion of the CPP, in December Finance Minister Flaherty reneged on his commitment to do so in favour of an insecure, insur-

ance company administered savings scheme (misleadingly called “Pooled Registered Pension Plans” or PRPPs);

2011 Federal Budget

The 2011 Budget introduced a miserly supplement to the GIS that would only be accessible by the very poorest seniors. The new entitlement would provide a maximum of \$600 per year to single seniors and \$840 for couples. But even that maximum amount would only go to those receiving less than \$2,000 in income other than from OAS and GIS. Above these income levels, the amount of the new benefit would be clawed-back at a rate of 25 cents for every dollar, and would be completely phased out at an income level (excluding OAS and GIS) of \$4,400 for singles, and \$7,360 for couples.

This very small additional benefit is projected to go to only 680,000 seniors (just 42 per cent of today’s 1.6 million GIS recipients). The budget allocation for this is \$300 million per year – an increase in total GIS expenditure of just 3.6 per cent.

The design of this “top up” benefit is not only minimal, it is also punitive. Given that current GIS benefits are already clawed back at a 50 per cent level, the effect of this additional 25 per cent claw-back will be to create what is effectively a 75 per cent “tax” rate on the non-OAS/GIS incomes of those seniors with some other income sources – CPP, earned income, etc. This flawed design could have easily been avoided through a more appropriate benefit level and changes to the GIS earnings exemption levels.

Better choices

The Harper Conservatives have blown a remarkable opportunity to fix Canada’s retirement income system. From 2009 to 2010, Finance Minister Flaherty led a consultation on the retirement income system which produced a remarkable near consensus among provincial governments that the CPP should be expanded. Even the high profile conservative economist Jack Mintz endorsed this idea in October, joining what polls indicate is an overwhelming majority of Canadians.

Doubling the benefits of the highly efficient, indexed, and fully portable CPP would be the best and most comprehensive means of ensuring the tomorrow’s generation of seniors will be able to retire with dignity and economic security.

Further, the final elimination of poverty among Canadian seniors was within reach for this government. A very affordable 15 per cent increase in the basic GIS benefit would actually eliminate poverty among the senior population.

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