POLICY BRIEF

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CANADIAN CENTRE
for POLICY ALTERNATIVES
CENTRE CANADIEN
de POLITIQUES ALTERNATIVES

October 2009

What Can We Do About Pensions?

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This is a revised version of a paper commissioned by the Tommy Douglas Research Institute which kindly agreed to its publication here.

Pensions have been near the top of the policy agenda for some time now as the baby boom generation gets set to retire. The first wave of boomers (Canadians born between 1947 and 1966) has already entered their sixties and their peak retirement years are fast approaching. In the past few years, we have heard some people ask if we can "afford" our aging population. The question implies older people could simply be left to fend for themselves. Major changes were made in the Canada Pension Plan in 1996 to deal with what some people called "the demographic time bomb." But much more now remains to be done.

The stock market meltdown, combined with the current economic recession has brought the question of pensions into much sharper focus. The value of pension fund investments has dropped so that many workplace pension plans are underfunded—that is they don't have enough money to pay all the promised pensions. Companies that continue in business may have time to make up the shortfall before they have to pay out to retirees. But what if the company goes under? Workers may lose their pensions or find they get only a portion of what they had expected. Even employers whose business is ongoing may decide to get out of the pension business or to offer less in the way of benefits to their workers—especially to younger workers who have been hired more recently.

Canadians who have been saving for retirement through RRSPs have found the value of their savings has dropped sharply. And if they are close to retirement age, they may have no time left to wait for the market to bounce back again. They may now be faced with having to go on working because they can no longer afford to retire. In fact, recent changes to the CPP are designed to encourage them to do just that.

The situation has now become so urgent that people are calling for a pensions summit to discuss what can be done. So far the government has not responded. But changes are underway and some provinces are already taking action. Workplace pensions have been getting all the media attention lately. But they are only one part of the pension system and most people don't have a pension at work. Only 38% of paid workers have these pensions. That's down from 45% in 1992. Everyone else must rely on public pension programs supplemented by their own savings. And that raises other issues that need to be addressed.

This paper sets out some of the problems with Canada's pension system and outlines some of the options that have been proposed to deal with them. Some of these are long-term solutions that would have to be phased in; others are things that could be done relatively quickly to ease the current situation. There is probably no one "magic bullet" that will fix everything. But it's important that we consider what can be done and that we actually start doing it.

Canada's pension system

Canada's pension system, has received kudos from international bodies like the OECD for the good balance it has between public and private arrangements. In fact, it's a three-tier system. The basic building block is Old Age Security and the Guaranteed Income Supplement. Together, they provide a guaranteed annual income for seniors and do not depend on participation in the work force. The Canada Pension Plan (or Quebec Pension Plan in Quebec) constitutes the second tier. These provide earnings-related pensions for people in the paid work force when they retire or become disabled and benefits for the dependants of disabled or deceased contributors. The third building block consists of private arrangements — workplace pension plans and RRSPs — that receive tax subsidies. There are issues raised in each of the three tiers that need to be addressed. Changes to any part of the system will likely require adjustments to other parts.

Old Age Security and the Guaranteed Income Supplement

Old Age Security (OAS) pays a flat rate monthly benefit at age 65 (individuals must apply for the benefit) to those who have been resident in Canada for at least 10 years after age 18. Only those who have been residents for 40 years after age 18 are entitled to the full OAS benefit, currently $516.96 a month or $6,203 a year. Those who can't meet the residency requirements get a pro-rated benefit, depending on how long they have been in Canada. However, low-income immigrants who get a pro-rated benefit may receive an enhanced GIS benefit to bring them up to the total OAS/GIS amount a long-time resident would get. Canada has signed social security agreements with some countries that allow immigrants from those countries to combine periods in their countries of origin with periods in Canada so as to qualify for Canada's program.

Almost 4.6 million seniors are currently receiving OAS. OAS benefits are indexed for inflation and are taxable. They are also "clawed back" from high-income recipients. Individuals whose net income in 2009 exceeds $66,335 will find part of their OAS benefit will be withheld. Amounts withheld from the benefit are gradually increased so that individuals whose net income exceeds $107,692 would not receive OAS at all.

OAS and GIS (described below) are financed from the general tax revenues of the federal government, so the federal government alone can make changes to the program. In fact, in its budget of 1996, the federal government proposed to combine OAS and GIS along with certain tax credits into one Seniors Benefit, to be income-tested, based on family income. The proposal met with strong opposition and was eventually abandoned.

The Guaranteed Income Supplement (GIS) is also a monthly benefit paid to low-income seniors in receipt of OAS. The amount of the benefit depends on the income received by the individual or couple, not counting OAS. Maximum GIS for a single individual is currently $652.51 a month or $7,830.12 a year. For married or common-law couples (including same-sex couples) the amount of GIS is based on the joint income of the couple. The maximum benefit for each spouse or partner of a couple is currently $430.90 a month. In 2007, about 36% of OAS recipients were also receiving some GIS, but only 4% of all OAS recipients received the full GIS benefit. Like OAS, GIS is also indexed for inflation, but is not taxable.

While this part of the retirement income system is generally regarded as an anti-poverty program it should be noted that OAS also serves partly as an income replacement vehicle. For example, for someone whose earnings are equivalent to the average wage — roughly $46,300 in 2009 — OAS at $6,203, provides about 13% of pre-retirement earnings. Retirement benefits from the CPP (described below) provide another 25% for a total of 38%. In theory, at least, that leaves another 32% of pre-retirement earnings to be provided by workplace pensions or private savings to end up with 70% of pre-retirement earnings in retirement — 70% being the usual rule-of-thumb target replacement rate for seniors to maintain their pre-retirement standard of living.

The maximum amount a single individual can receive from OAS and GIS combined is currently $14,033. In contrast, the poverty line (based on Statistics Canada's after-tax low-income cut-off) for someone living in a large metropolitan area is $18,373. It's worth noting that more than 14% of senior women on their own are living in poverty, according to this measure. Their poverty rate is higher than the so-called child poverty rate that has caused concern among policy-makers.

An increase in OAS/GIS is urgently needed to address the unacceptably high poverty rate of older women on their own. Even if improvements are made to the CPP (the earnings-related part of the retirement income system) increases in OAS/GIS will still be needed. Women's low earnings mean their CPP pensions are also very low. For example, the average monthly CPP retirement pension paid to women who retired in May 2009 was only $391.29, compared with an average $564.23 for men. The maximum monthly CPP retirement pension in 2009 is $908.75.

It should also be noted that OAS and GIS are indexed to inflation and not to wages. Over the long-term, wage increases generally exceed the rate of inflation. The result will be that over time, older people who must rely on these public pensions will find themselves falling further and further behind the rest of the population. Indexing the program to wages rather than to inflation would address this problem.

Another program falling under the Old Age Security Act is the Allowance — a monthly benefit paid to low-income near seniors in the age group 60–64. Amounts are income-tested and are equivalent to OAS and GIS combined for those who qualify. However, the benefit discriminates on the basis of marital status. Only low-income people aged 60–64 who are married to a low-income pensioner or who are widows/widowers who have not remarried are entitled to benefits. Low-income people aged 60–64 who are single, divorced or separated, or married to someone who has not yet reached age 65 are excluded from the program. Although a case was brought under the Charter of Rights and the federal court agreed the program was discriminatory, it ruled it would be too expensive to extend the program to everyone who qualified on the basis of income regardless of marital status.

The Canada Pension Plan

As mentioned earlier, the Canada Pension Plan (and Quebec Pension Plan in Quebec[1]) — the second tier of the retirement income system — is an earnings–related plan providing benefits for people in the paid work force when they retire or become disabled and benefits for the dependants and spouses or partners of disabled or deceased contributors. Retirement pensions may be claimed at any time between age 60 and age 70. Those retiring early receive an actuarially reduced benefit while those retiring after 65 receive an enhanced benefit. The amount of the benefit depends on contributions made during the individual's contributory period. The maximum monthly retirement pension for someone retiring at age 65 in 2009 is $908.75 or $10,905 a year. The benefit is indexed for inflation and is taxable, although a tax credit is given for contributions.

The CPP is funded by contributions from workers and their employers, who jointly contribute 9.9% of earnings above $3,500 a year up to a maximum of $46,300 (for 2009). Self-employed individuals must contribute both the employer and the employee share. No government funding is involved — essentially it is a pay-as-you-go plan, where contributions from the current work force are used to pay pensions to workers who have retired, although the plan became partially funded when changes were made in the late 1990s.

It's important to note that the CPP is not a federal government program. It is administered jointly by the federal government and the provinces and any changes must have the approval of two-thirds of the provinces having two-thirds of the population. Changes proposed by the federal government, such as those in the 2009 federal budget, cannot be implemented until they receive that approval. Federal and provincial finance ministers meet every three years to review the plan. As well, the legislation governing the plan requires that any further changes must be fully funded. In other words, a proposal to increase the retirement pension would require an increase in contribution rates to fully pay for it.

Major changes were made in the financing of the plan in 1996, when a significant increase in contribution rates was phased in over a relatively brief period of time. The action was taken to accommodate the coming retirement of the baby boom generation and to avoid significant increases in contribution rates that would have been needed as fewer workers would have been required to contribute to the pensions of a growing number of retirees. Contribution revenue not needed to pay benefits was used to establish the CPP Investment Fund which has been invested in the capital markets. At March 31, 2009, the end of its 2009 fiscal year, the fund totaled $105.5 billion—a drop of $17.2 billion from the year before. Like most other pension plans, the CPP fund had a negative rate of return in the 2008/2009 fiscal year as result of the market meltdown, but it was not out of line with the kind of losses experienced by other major pension funds in the current market.

However, there are significant differences between the CPP and other pension plans. Unlike workplace pension plans the CPP is only partially funded. Returns on the investment fund will not be needed to pay benefits for about the next 12 years—when the retirement of the baby boomers is at its peak. As well, at that time, only a portion of the investment earnings will be used to supplement contribution revenue and pay the pensions. In other words, contrary to what seems to be widespread public misconception, negative returns on the investment fund this year are not likely to affect retirement pensions that won't be paid until 2020.

As well, the Chief Actuary of the CPP has given the plan a clean bill of health. He said that in spite of the projected substantial increase in benefits paid as a result of an aging population, the plan is expected to be able to meet its obligations throughout the projection period—that is until 2075. He also confirmed that indicators showed the CPP is sustainable over the long term, "as it is projected that there will be more cash inflows than outflows over the entire projection period."

Retirement pensions from the CPP are based on replacing 25% of the average annual earnings of a contributor up to a maximum roughly equivalent to the average annual wage. When the plan was established in 1966, the replacement rate was deliberately set at a very modest level in the expectation that private arrangements, such as workplace pension plans and individual savings would be used to supplement benefits from the public plans to provide an adequate retirement income for Canadians. Clearly that has not happened. As a result there are now increasing calls for an expansion of the public pension programs.

Workplace pension plans and private savings

As we have noted earlier, coverage of workplace pension plans has been steadily declining over the past decade or so. Only 38.3% of paid workers belong to a workplace pension plan. But while 84% of public sector workers have a workplace pension plan, only 25% of paid workers in the private sector have pension coverage. Pension coverage is closely related to union membership. For example, almost 80% of workers in unionized jobs have pension plan coverage compared with only 27% in non-unionized positions. Coverage is also related to firm size, with smaller employers less likely to provide a workplace pension plan.

Most pension plan members belong to defined benefit plans where the pension is specified in terms of earnings and years of service and the plan sponsor—generally the employer—guarantees the benefit. Statistics for 2008 indicate about 76% of pension plan members belong to defined benefit plans while 16% belong to defined contribution plans. The rest are members of hybrid plans or combinations of various types.

But more and more employers are abandoning their defined benefit plans in favour of defined contribution plans or group RRSPs. Such plans shift the risk of providing a pension from the employer to the employee. The amount available to provide a pension depends on the investments selected by the employee and how well they perform as well as the state of financial markets when the worker retires.Some employers with defined benefit plans have established a two-tier pension system by putting new employees into a defined contribution plan while keeping existing workers in their defined benefit pension plan. As well, members of defined contribution plans have seen the value of their investments drop precipitously, while members of defined benefit plans face problems if their employers go under while their pension plans are underfunded.

Tax-assisted private savings for retirement have not fared well either. Subject to certain rules and guidelines, taxpayers may contribute up to 18% of their previous year's earnings to a Registered Retirement Savings Plan up to a maximum of $20,000 in 2008. The dollar contribution limit for RRSPs is scheduled to increase to $21,000 in 2009 and to $22,000 in 2010. It should be noted that anyone wishing to make a maximum contribution of $22,000 in 2010 would require an earnings level of around $122,000—about 2.5 times the average wage. Unused contribution room may be carried forward and used in subsequent years.

Statistics Canada reports that 88% of taxfilers were eligible to contribute to an RRSP in 2006, but only 31% actually made contributions. They used only 7% of the total contribution room available to them. In other words there is now almost $500 billion in unused RRSP contribution room being carried forward.

Addressing the pension problem

A wide range of proposals has been put forward to address pension problems. In many cases, changes to one part of the system would have to be integrated with changes to the other parts. For example, changes to the CPP would have an impact on workplace pension plans, many of which are integrated with the CPP. As well, if coverage provided by the third tier of the system can't be improved, we would need to expand the first two tiers of the system.

We outline some of the proposals here:

Increasing the age of retirement—working longer

Increasing the average age at which people retire would allow governments and pension plan sponsors to postpone pension payouts and keep boomers working longer. Some observers suggest a gradual increase in the retirement age—say by one year every three years—to reach age 70 eventually. Canada has been urged by the OECD to increase the age of retirement by getting rid of early retirement provisions in pension plans, abolishing mandatory retirement, and increasing the age of eligibility for public pensions. Those who advocate increasing the retirement age say other countries have already done this. However, while the United States is increasing its age of retirement to 67, many other countries had lower retirement ages to begin with and have simply brought their retirement age up to 65, matching Canada's traditional retirement age. (In fact, Canada's average retirement age is around 61).

In the UK, seniors can put off claiming their state pension when they reach the age of eligibility (currently 60 for women and 65 for men, but being increased to reach 68 for both between 2024 and 2046) and earn either extra state pension when they choose to claim the benefit, or a one-off taxable lump sum payment.

However, it's important to note that increasing the age of eligibility for public pensions like OAS/GIS and the CPP would have an adverse impact on lower-income earners who must rely on public pensions as their main source of retirement income. Higher-income workers who have additional sources of retirement income will always have a choice about when to retire.

Increasing OAS and GIS

Advocates of this approach suggest the maximum amount of OAS and GIS combined should be increased at least to bring it up to the after-tax low-income cut-off. The 2005 and 2006 federal budgets increased GIS benefits by 7%, but this amounted to just $39 a month for individuals and $58 a month for couples. The 2008 federal budget allowed GIS recipients to earn more in paid employment without triggering a reduction in benefits. The Alternative Federal Budget of the Canadian Centre for Policy Alternatives proposed an increase in GIS benefits of 15%, which it calculated would cost approximately $1.2 billion. But it also pointed out that since GIS is targeted to low-income individuals, an increase in the benefit could be an ideal way to stimulate the economy.

In a recent *Globe and Mail* article, Tom Kent, who served as principal assistant to Lester Pearson and played a leading role in the development of the retirement income system in the 1960s, advocated increasing the amount of OAS from the current $6,000 a year to $10,000. He also suggested a bonus of $100 a month for each month after the person's 65th birthday that they continued working. He suggested delaying retirement to age 70 would result in OAS of $16,000 a year. Kent also said the subsidization of private pensions should be "cut to a fraction of its current level, with the tax savings put to fair encouragement of productive work."

Expanding the CPP

The recent report of Ontario's expert commission on pensions said many of those who submitted briefs and appeared at hearings—from labour groups to the Canadian Federation of Independent Business—had advocated expanding the CPP, even though consideration of the CPP was not part of the commission's mandate. It recommended that serious attention be given to this issue. As noted earlier, it must be emphasized that changes to the CPP require the approval of two-thirds of the provinces having two-thirds of the population. Some provinces, such as Alberta and British Columbia, have already indicated they plan to address the lack of pension coverage by developing centrally administered defined contribution plans to cover those who have no workplace pension. That could make it difficult to achieve the requisite approval for expanding the CPP.

A number of proposals for CPP expansion have been put forward:

- **Increase the replacement rate**

During the so-called "Great Pension Debate" at the beginning of the 1980s, the Canadian Labour Congress, women's groups and others advocated a doubling of the CPP replacement rate from 25% of covered earnings to 50%. Although that proposal seemed to have dropped by the wayside in the intervening years, it has now been reactivated and is being suggested by a number of groups and organizations, including the CLC.

Such a move, might of course, require an increase in contribution rates. The CLC's proposal would see contribution rates rise from 4.95% of covered earnings in 2009 (with a matching employer contribution) to 7.70% in 2016. The maximum CPP retirement pension then would be $1,635 a month, compared with $908 a month in 2009. The CLC is also proposing measures to offset the impact of a premium increase on lower-income workers by doubling the year's basic exemption for contributions so that no contributions would be made on the first $7,000 of earnings, instead of the first $3,500 as it is now. The Congress also points out that since it will take longer than seven years to qualify for a doubling of maximum CPP benefits, this particular reform would primarily benefit younger workers.

Some advocates of CPP expansion suggest increased replacement rates could be accommodated by increasing the limit on contributory earnings from the current $46,300 (the Year's Maximum Pensionable Earnings or YMPE) roughly equivalent to the average wage. The upper limit might be twice or 2.5 times the average wage. Americans contribute 12.4% of covered earnings (compared with Canada's 9.9%) on earnings up to US$106,800—equivalent to about $116,000 at current exchange rates—or 2.5 times Canada's limit. Tax assistance to private retirement savings in Canada is based on 2.5 times the average wage.

- **The Universal Pension Plan (UPP)**

A proposal for a "Universal Pension Plan" (UPP) is being spearheaded by Bernard Dussault, former Chief Actuary of the CPP and now senior research and communications officer in the national office of the National Association of Federal Retirees (FSNA). It is supported by CARP and others. While the name may be confusing—Canada already has a universal pension plan in the form of the CPP—in effect the UPP would be a fully-funded expansion of the CPP that would be phased in over a period of 40 years. (There would be no 10-year phase-in period as there was with the CPP when it was implemented in 1966). Dussault refers to the UPP as a "vertical expansion" of the CPP. When fully phased in, the UPP, in combination with the existing CPP, would provide a pension equivalent to 70% of the contributor's pre-retirement earnings up to about $160,000 of earnings. (Conceivably, there would then be no need for workplace pension plans). There would be no cost to the government of the UPP.

Contribution rates to the proposed UPP would be 10% of covered earnings (half paid by the employer and half by the employee). Together with existing CPP contributions the total would be a combined employer/employee rate of 20% of covered earnings. Dussault explains that the expanded portion of the CPP would be fully funded (100%) as required by the CPP Act. The existing CPP retirement benefit would not be increased and existing accrued benefits of existing contributors would not be increased. Only future accruals of benefits would be increased consistent with and provided the additional fair (full cost) contribution rate. Dussault notes today's older generations—those already in receipt of CPP benefits—would not benefit at all from the expansion.

Like the CPP, the proposed UPP would be a mandatory enrolment plan. And the existing CPP investment board would invest surplus contribution revenue as it does now. However, because of the very long-term phase-in it would do nothing to address the needs of Canadians facing retirement in the very near future.

Adding another layer to the system

Several proposals have been made to try to address the inadequacies of the third tier of the retirement income system — in effect proposing ways to supplement benefits from tiers one and two.

• **The supplemental pension plan**

The supplemental pension plan proposal should not be confused with the UPP option described above. The supplemental pension plan option has apparently been generated as a result of proposals by Alberta and British Columbia for a government-sponsored supplemental pension plan (the ABC Plan) to cover residents in the two provinces who have no workplace pension coverage. Alberta's minister of finance has reportedly said that with other provincial finance ministers collaborating, "a national supplemental pension plan could be a reality in the next two or three years."

The ABC Plan was intended as a multi-employer, defined contribution pension plan available to all workers in Alberta and BC. There would be no guarantees on benefits to be provided from the plan, but contribution levels would be flexible, with employee contribution levels set at 3%, 6% and 9% of earnings. Employers would make matching contributions and could select what level of contributions they wished to make. All employers and employees would be automatically enrolled in the plan, but employers would be allowed to opt out, in which case, employees could also opt out, or could continue contributing without the matching employer contribution.

The plan would be administered by an institution — perhaps a Pension Society — operating at arm's length from the government — and a board of governors would direct the investment of the assets. In other words, it would be similar to the CPP Investment Board, with the major difference that unlike the CPP, where retirement benefits are based on earnings and years of contributions, the pension at retirement would depend on investment returns and the state of markets when the employee retires.

The plan has been criticized by union leaders who say "the answer isn't to introduce a meagre supplemental program that employers can simply opt out of and which shifts all the risks onto the shoulders of individual Canadians."

• **The Canada Supplementary Pension Plan (CSPP)**

This proposal has been developed by Keith Ambachtsheer, director of the Rotman International Centre for Pension Management and adjunct professor of finance at the Rotman School of Management at the University of Toronto. He says the proposed CSPP would address the fact that the majority of Canadian workers do not have a workplace pension plan and that those who save through RRSPs "currently have their retirement assets invested in retail products with high sales and management costs, which make it difficult for many of these 5.5 million households to generate adequate pension income at affordable retirement savings rates."

All workers without a workplace pension plan would automatically be enrolled in the CSPP, but opting out by employers and/or employees would be permitted. Ambachtsheer believes more participants would be in the plan if it were based on automatic enrollment with permitted opting out than if it were set up as a voluntary plan requiring people to opt in.

Contributions would be made by payroll deduction in the same way as contributions to the CPP. Contribution rates would be calculated to produce a pension replacing 60% of pre-retirement earnings and contributions would be directed into personal retirement savings accounts. The CSPP would operate at arm's-length from government as an expert entity similar to the CPP Investment Board. It would offer a risk-optimizing portfolio in which each personal retirement savings account could participate and would have sufficient scale to operate at low unit costs — possibly at or even below 0.3% per year of assets. In other words, the choice of investments would be made by the institution and not by the individual and costs would be minimized by having a large scale fund. Ambachtsheer says creation of this "new pension vision for Canada" can't be left to private-choice market forces alone, but would require intervention by federal and provincial governments

Measures to protect members of workplace pension plans

While most of the options outlined above would require time to phase in, members of workplace pension plans face immediate difficulties that need to be addressed. Several options have been proposed to deal with these problems.

- **A national pension insurance fund**

Ontario is the only jurisdiction to have a Pension Benefits Guarantee Fund (PBGF). If an employer goes under without enough funds to pay worker pensions, the PBGF guarantees the benefits up to a maximum of $1,000 a month. The fund has been built up through levies on pension plan sponsors. The recent report of the Ontario expert commission on pensions recommended the monthly guarantee should be increased to $2,500.

However, the PBGF itself no longer has funds available. In some past corporate bankruptcies, the Ontario government stepped in to make up the PBGF shortfall so it could meet its obligations. In light of growing potential claims on the fund, this is no longer happening.

It has been suggested that a national pension insurance fund should be established, with adequate funding to guarantee workers' pensions in the event of corporate bankruptcy. The fund would be self-financing and employers or provinces could opt in. A national fund already exists in the United States.

- **A national investment and pension fund**

The Communications, Energy and Paperworkers Union of Canada (CEP) is proposing the creation of a National Investment and Pension Fund (NIPF)—a permanent program whose objective is to guarantee a better retirement income to people ending their membership in a pension plan, regardless of whether it is the result of the termination of a pension plan or termination of employment before retirement,.

Rather than purchasing annuities for plan members when a pension plan is terminated, the value of deferred or immediate pension rights of terminated plans would be transferred from the original pension plan to the proposed NIPF. The union says this would immediately permit an increase in deferred and pension benefits in pay by 15% to 20% for a typical pension plan that is not fully funded on wind-up compared with the current situation. No injection of government funds would be required to establish the program, other than the administrative costs.

The Research Working Group on Retirement Income Adequacy

Meanwhile, federal and provincial finance ministers have established a research working group on pension coverage and retirement income, based at the University of Calgary. Although the group only started work in July, federal finance minster Jim Flaherty is scheduled to meet with his provincial and territorial counterparts in Whitehorse in mid-December to receive the working group's report.

According to officials, the mandate of the working group is "to expand our understanding of retirement income adequacy rather than to consider options. We expect the research working group to table a research paper, not a policy paper. It is beyond the scope of the research working group to consider policy options." Only finance ministers from British Columbia, Alberta, Manitoba, Ontario and Nova Scotia are taking part.

A pensions summit

Provincial premiers, through their Council of the Federation, have called on the federal government to host a national summit on retirement income by 2010. According to the premiers, the summit "should bring together provinces and territories, the federal government and interested stakeholders and experts to discuss possible options to improve saving options for Canadians and to encourage greater savings." So far there's been no response from the federal government, but many of those involved in the current debate about pensions have also called for a national pensions summit at which all stakeholders would be able to discuss reform options for all parts of the retirement income system. Among other things, such an event would make it possible to look at how changes to one part of the system would interact with other parts and to determine what can be done to address the problems Canada's retirement income system is now facing.

Notes

1. For the sake of convenience we will refer only to the CPP in the rest of this paper, although the features of the two plans are generally equivalent.

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