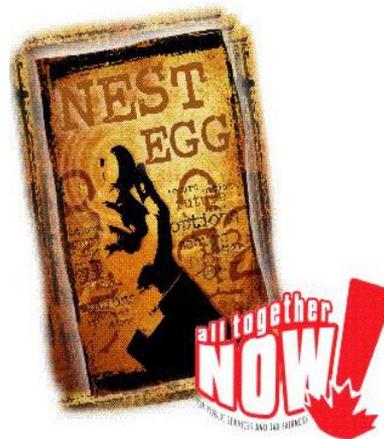




PENSIONS

Canada's Retirement Security Crisis



Presentation

by

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to the

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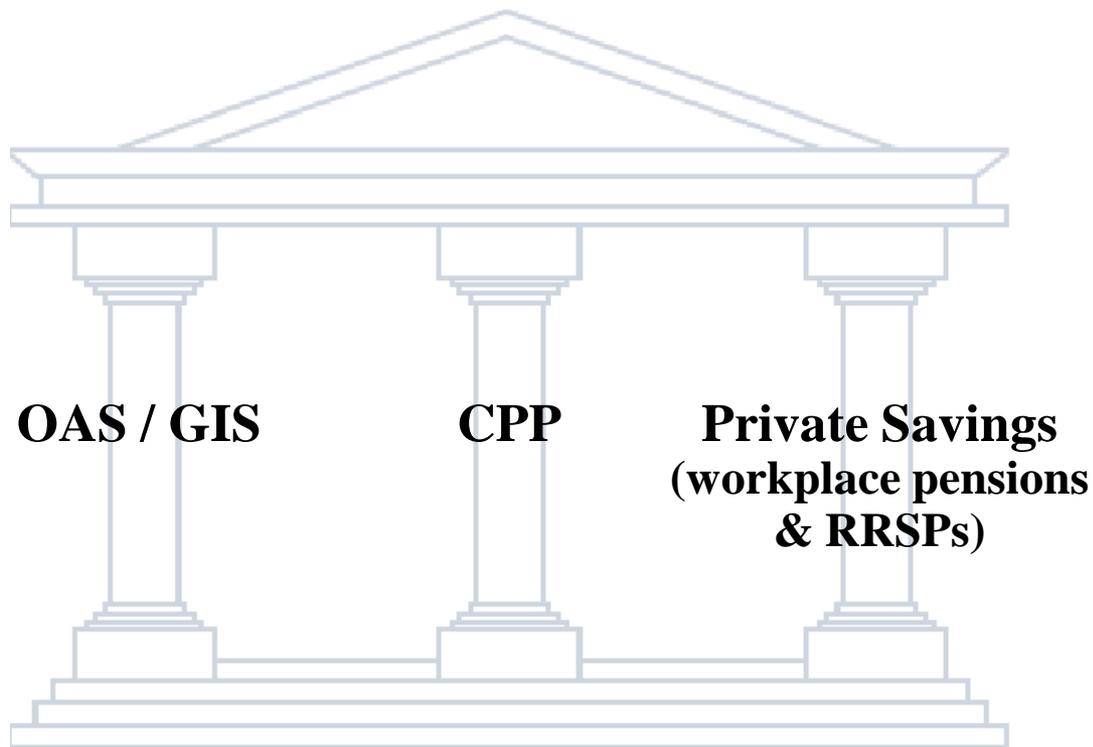


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The Three Pillars of Canada's Retirement Income System



The combination of all three pillars should provide a healthy retirement income for working people (generally recognized as 70% of one's pre-retirement income).



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Each of the pillars of Canada's retirement income system have major weaknesses:

- **In Pillars 1 (OAS / GIS) and 2 (CPP), the benefits are low and need to be increased.**
- **Pillar 3 (private savings) fails to provide any retirement income for the majority of Canadians:**
 - Only 38.8% of the Canadian labour force belongs to a pension plan; and
 - Only 31% of Canadian tax filers contribute to an RRSP.



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Other factors contributing to Canada's retirement security crisis:

- **Aging of the population** – Percentage of Canadians over 65:
 - 7.7% in 1966
 - 14.8% in 2011
 - 25.5% expected in 2061

- **Slower labour force growth** – Less workers supporting more retirees

- **Shift from defined benefit (DB) to defined contribution (DC) plans** – the primary concern about the shift to DC is the lack of predictable retirement income



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The biggest obstacle we face as an aging nation – a majority of Canadians don't have a pension plan and are unable to adequately save for their retirement.

We must address the private sector's failure to provide decent pensions for Canadians.

If not, more and more Canadians will be living in poverty in their retirement years.

But the economic consequences are much greater!



Workplace pension plans – a key component to building a healthy and sustainable economy

- **A huge pool of investment capital in the Canadian economy:**
 - Canadian pension funds have over \$1 trillion of assets – second largest source of capital after the chartered banks;
 - 70% of all pension fund assets are invested in the Canadian economy; and
 - Pension plans are important contributors to Canada's economy.



Workplace pension plans – a key component to building a healthy and sustainable economy

- **Increase the purchasing power of retirees:**
 - Workplace pensions help workers maintain their standard of living when they retire;
 - They account for about 20% of the overall purchasing power of all retirees in Canada; and
 - Income from workplace pensions amounts to some \$40 billion a year – an important economic stimulus that supports jobs and local economies.



Workplace pension plans – a key component to building a healthy and sustainable economy

- **A positive influence on labour markets:**
 - Workplace pensions enhance the ability of employers to attract and retain qualified employees; and
 - Workers with pensions are less likely to quit and more likely to have longer job tenure.

- **A positive influence on government finances:**
 - Workplace pensions reduce the cost of publicly funded income support systems; and
 - They increase federal and provincial revenue – income taxes and sales taxes.



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Rebuild and Reform Canada's Public Pension System

It's time that our federal government to focus on public and universal solutions.

It's not acceptable to offer Canadians more of the same "fend for yourself" approach to retirement security.

Offloading our collective responsibility onto individual workers for their financial security in retirement is not a solution.

Here are **three proposals** that provide a realistic, affordable and effective plan **to rebuild and reform Canada's pension system:**



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Rebuild and Reform Canada's Public Pension System

1. Increase Old Age Security (OAS) and the Guaranteed Income Supplement (GIS)

- We need to immediately strengthen Canada's public pensions for the most vulnerable seniors.
- But benefit levels for OAS and the GIS are inadequate, despite that many Canadian seniors depend on them as their sole source of income.
- Let's begin with an *immediate 15% increase to the GIS*, which would cost \$1.1 billion. This is a small fraction of what's currently spent on tax subsidies for RRSPs.



Rebuild and Reform Canada's Public Pension System

2. Expand the Canada Pension Plan

- Our CPP is the envy of the world: it's secure, funded on a sound basis and well managed by professional staff.
- The only problem with CPP is that benefit levels are too low to provide Canadians with adequate income security in their retirement.
- We need to double CPP benefits to ensure a better minimum pension for all Canadians.



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Rebuild and Reform Canada's Public Pension System

Why expanding CPP is the best solution to providing Canadians with adequate retirement income:

- CPP already covers virtually all Canadian workers.
- CPP offers a guaranteed income to all Canadian retirees.
- CPP provides a number of benefits in addition to a monthly pension.



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Rebuild and Reform Canada's Public Pension System

Why expanding CPP is the best solution to providing Canadians with adequate retirement income:

- CPP is the most portable pension plan in Canada.
- CPP benefits rates are increased annually to the rate of inflation.
- CPP compensates employees for periods of low earnings.



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Rebuild and Reform Canada's Public Pension System

Why expanding CPP is the best solution to providing Canadians with adequate retirement income:

- CPP provides Canadians with a risk-free investment.
- CPP is well managed with low administration costs.
- CPP is secure, stable and sustainable for generations to come.
- CPP plays a significant role in Canada's economy.



Rebuild and Reform Canada's Public Pension System

3. Better regulation of Canada's private retirement savings system

- Federal & provincial legislators need to strengthen the regulatory system governing those financial institutions responsible for managing the retirement savings of millions of Canadians.
- Governments must ensure greater transparency and better labelling of financial products the mutual fund and insurance industries sell.
- There should be reasonable limits set on administration costs for pensions as well as the management fees the mutual fund industry charges on RRSPs.



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Rebuild and Reform Canada's Public Pension System

A secure and adequate income during retirement should be the right earned by workers for decades of contributions to one's community and Canada's economy.

It's one of the key cornerstones for a strong and sustainable Canadian economy.

For more information and to sign the *Champions 4 Pensions* pledge go to:

<http://alltogethernow.nupge.ca/champions-4-pensions>



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And feel free to e-mail or call me if you have any questions regarding this presentation

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THANK YOU!