

CLC

Retirement Security for Everyone!

Over the past year, Canada has been hit hard by the deepest economic downturn the world has seen since the 1930s. Hundreds of thousands of good-paying jobs have been lost and the retirement savings of countless Canadians put at risk by the financial meltdown and corporate bankruptcies.

Many today, even those with jobs are wondering if and when they can ever retire. They have good reason for concern.

Recent events have exposed major faults in our pension system. Our public pensions – Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) plus the Canada Pension Plan - provide a secure income in retirement. But even the maximum value of those pensions falls far short of what people need to maintain a decent standard of living after retirement.

The private portion of our pension system is in deep trouble

About one in five private sector workers belong to a private pension plan. Very few non-unionized workers, with the noted exception of managers and professionals, are covered by plans. Many of the plans which do exist are on shaky financial ground because of low interest rates and the recent collapse of stock markets. Some workers have discovered that when their plans get into financial trouble, there is little help available.

RRSPs have failed to deliver

RRSPs are often billed as the solution to our pension woes. They are supposed to fill the gap left for those not covered by private pension plans – but RRSPs have failed us. The average worker approaching retirement today has saved only enough to buy a monthly pension of about \$250 per month.

RRSPs have not worked because many Canadians cannot save enough to overcome the built-in hurdles of high administrative fees (which in Canada are among the highest in the world) and highly variable and uncertain financial returns.

It's time for change

Decision-makers can hear the growing calls for pension reform in Canada, despite the strong and loud opposition from vested interests in the financial industry. Employers who sponsor pension plans also recognize that supporting decent pensions through public rather than private arrangements would lower their costs and help level the competitive playing field between them and businesses who have offered no pension plans for their workers.

People should not be left to fend for themselves in retirement. It's time for a change in emphasis toward public pensions and toward greater security for people who belong to existing employer plans.

That's why the Canadian Labour Congress is proposing three key reforms that would benefit all workers, improve retirement income security, and gear Canada's pension system to better fit the needs of a changing economy.

The CLC Plan: Retirement Security for Everyone

Double benefits for the Canada Pension Plan (CPP). We propose to phase-in a doubling of the proportion of average earnings replaced by CPP from 25% to 50% over seven to ten years, to \$1,635 per month. This would be financed by a modest increase in worker and employer premiums (3% spread over several years).

The benefits of investing in a stronger Canada Pension Plan are clear:

- The CPP already covers 93% of working Canadians and offers an accurate sense of the income they can expect in retirement.
- The CPP is highly risk tolerant because of its size and it has the lowest administration fees of any pension plan in the country.
- The CPP is highly portable – no matter how many times they change jobs, workers will still be covered. Why shouldn't we build on this successful model?

Increase low-income (GIS) pensions by 15%. This would give low-income seniors up to an additional \$110 per month, enough to move virtually all seniors above the poverty line.

Introduce a national system of pension insurance. An insurance floor should be set for defined pension plan benefits through a system funded by contributions from pension plan

sponsors. This would be a federal initiative covering federally-regulated pensions but Ottawa should enter into negotiations with the provinces to create a national system.

The Choice: “Move Forward Together” or “Fend For Yourself”

In making these proposals, we are championing the same progressive values which changed our health care system with the advent of Medicare more than forty years ago. We can make a similar choice for pensions today and create a system where no Canadian is left behind.