

Closing the Pension Coverage Gap The Canada Story.....Thus Far

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Presentation to Georgetown Center for Retirement Initiatives:
June 15, 2016



Canadian Pension Facts

Old Age Security: \$7K/yr...Guaranteed Income Supplement: \$9K/yr.

Maximum Canada Pension Plan/Quebec Pension Plan pension:
\$13K/yr.

Private sector workers without a Workplace Pension Plan: 76%

Workers making Registered Retirement Savings Plan/Tax Free Savings
Account contributions: 32%



Pension Reform in Canada

Rowan Task Force (1986-1988): established principle of risk-sharing in public sector Defined Benefit plans and the 'Canada Model' pension organization through creation of Ontario Teachers' Pension Plan.

Martin Task Force (1995-1997): stabilized Canada Pension Plan/Quebec Pension Plan funding, created Canada Pension Plan Investment Board.

The Workplace Pension Plan coverage debate started 10 years ago, and continues to this day.

Material post-work standard-of-living decline projections: 20% for total workforce, 50% for young private sector workers.

Expanding Workplace Pension Plan Coverage Proposals/Initiatives

Increase Canada Pension Plan/Quebec Pension Plan benefits (would have to be fully prefunded)

Create new longevity pension on top of current Canada Pension Plan/Quebec Pension Plan benefits (to start at age 75)

Build retirement savings layer on top of current Canada Pension Plan/Quebec Pension Plan benefits (2008 Canada Supplementary Pension Plan paper)

Promote increased retirement savings through new Pooled Registered Pension Plans (mandatory/ voluntary?)

The Ontario Retirement Pension Plan (ORPP)

Proposed in 2014, legislation passed in 2015, target start date January 1, 2018.

Collective target benefit plan (15% income replacement after 40 years of work, contribution rate 3.8% of pay with 50/50 employer/employee split)

Example for \$60K/yr worker. Total pension= \$7K+\$13K+\$9K=\$29K/yr, which is a 48% replacement rate

Mandatory participation unless employer offers 'comparable' plan

'Canada Model' pension organization under construction

Two current questions: 1. Will insurance companies offer 'comparable' plans? 2. Will the Ontario Retirement Pension Plan concept go national?