ONTARIO PROVINCIAL ELECTION

SPECIAL EDITION

ELECTION DAY IS ON OCTOBER 6TH, 2011

Labour's Plan for an improved
Canada Pension Plan:

How it works
for Ontario

RETIREMENT SECURITY
for everyone
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Ontario's Future and Labour's Plan to Improve Retirement Security for Everyone

Canada is at a crossroads, just like it was fifty years ago when it was time to do something about our health care system. Our population is aging and a large portion of that population hasn't managed to save enough money to live out our days in dignity. Furthermore, our current public pension plan isn't going to be enough, so we need to act now and make the changes we need for our future.

Today, we have an impasse in Ottawa between the federal government and the provinces. The CLC's "Retirement Security For Everyone" campaign to expand the Canada Pension Plan has earned the support of a majority of provinces. In 2010 it was endorsed by mayors and municipal councillors at the Canadian Federation of Municipalities annual convention. Weeks later Canada's finance ministers met and announced that they would modestly expand the CPP as an initial attempt to deal with the future of Canada's retirement security system. Our campaign had momentum and looked like it would succeed.

Then, in December 2010, just days before the finance ministers met again, Prime Minister Harper proclaimed "now is not the time for CPP premium increases" (Globe and Mail, December 16, 2010). Ontario's finance minister was quoted saying that only Alberta was firmly opposed to CPP enhancements. Despite the consensus among a majority of the finance ministers going into the meeting, federal Finance Minister Flaherty shelved any CPP enhancements in favour of a new, privately run Pooled Registered Pension Plan (PRPP).

Today, the federal government is promoting the scheme, while not being able to offer any details about how the plan will work. Run by insurance companies and the financial industry, PRPPs will look a lot like group Registered Retirement Savings Plans (RRSPs), which have failed for over 50 years to prepare Canadians for retirement.

What's the point of offering more Canadians yet-to-be-invented workplace pension plans without any guarantee those plans will deliver improved retirement income security? Why now? Well, because there are other provincial elections on the horizon in addition to Ontario (Manitoba, Saskatchewan, Newfoundland & Labrador, P.E.I., and possibly B.C). Among the provinces, Ontario is critical to this equation – and its government has consistently been a strong advocate for our position.

The Ontario provincial election is our chance to make CPP expansion a vote-determining issue. We've done the research, we've crunched the numbers and the pension experts agree: the best vehicle to help all Canadians save more for retirement is an expanded CPP.

The CLC continues to advocate for a phased-in doubling of future CPP benefits as the best solution to Canada's retirement income crisis. On October 6th, 2011 you have the chance to get out and vote for candidates who support "Retirement Security for Everyone."

In solidarity,

Ken Georgetti
President, Canadian Labour Congress

The Challenge of Growing Old – Shifting Demographics

Ontario's population is growing older. Between 2011 and 2036, the number of persons aged 65 and over will increase by 114% to over four million, and the proportion of seniors in Ontario's population will rise. Ontario's old age dependency ratio (the ratio of individuals aged 65 and over to those aged 18 to 64 years), currently about 20%, is projected to increase to approximately 38% by 2036. In other words, today there are 20 seniors for every one hundred working-age Canadians (18 - 64 year-olds), but this will rise to nearly 40 seniors per 100 working-age individuals 25 years from now (Table 1).

Table 1

Ontario is growing older: Population Projections 65+ (2011 and 2036)

	Persons Aged 65 and Over (000's)		Increase	Dependency Ratio 65 and over as % of working age population	
	2011	**2036**		**2011**	**2036**
Canada	4,974.4	10,378.1	108.6%	20.8	39.1
Ontario	**1,890.4**	**4,040.8**	**113.8%**	**20.3**	**37.9**

Source: Statistics Canada Cat. 91-520 – X. Population Projections. Table 14 (M4 Scenario.)

As the Ontario population ages, so too does the population of Ontario's cities. Thunder Bay, Peterborough, and Barrie are ageing fastest, but the median age of residents in all of Ontario's major urban centres is increasing. The median age in many Ontario cities is already higher than the median for all Canadian metropolitan areas (Table 2).

Table 2

Increasing Age of Ontario's Municipalities (by Census Metropolitan Areas)

	Median Age	Median Age Increase 2001 - 2010	Population aged 65 years and over	Dependency Ratio**
All Census Metropolitan Areas	**38.7**	**2.0**	**13.3 %**	**19.9 %**
Barrie	41.2	4.3	15.5 %	24.3 %
Brantford	39.3	2.4	14.4 %	22.7 %
Greater Sudbury	41.3	2.9	15.4 %	23.4 %
Guelph	38.7	2.8	13.7%	21.2%
Hamilton	40.0	2.8	14.6 %	22.5 %
Kingston	41.2	3.3	16.2%	24.7%
Kitchener-Cambridge-Waterloo	36.9	2.0	11.9 %	17.9 %
London	38.8	2.5	14.1 %	21.4 %
Oshawa	38.3	2.8	11.4 %	17.3 %
Ottawa-Gatineau (Ontario)	38.7	2.4	12.8 %	18.9 %
Peterborough	44.7	4.3	19.4 %	30.7 %
St. Catharines-Niagara	42.8	3.5	17.8 %	28.3 %
Thunder Bay	42.9	4.7	15.7 %	24.0 %
Toronto	37.9	2.1	12.2 %	18.2 %
Windsor	39.3	3.6	14.4 %	22.5 %

Source: Statistics Canada, Annual Demographic Estimates: Subprovincial Areas cat. 91-214

** Old age dependency ratio is the ratio of individuals aged 65 and over to those aged 18 to 64 years

The Retirement Savings Gap:
Too many people don't have enough to get by

Inadequate Retirement Savings

As Ontario society ages, Canada's retirement income system is becoming less and less able to ensure a secure, adequate retirement income for retirees. Once considered a pillar of the Canadian system, workplace pension plans are in retreat, and public sector pension plans, in particular, have come under attack. There has been a marked drop in workplace pension plan coverage, with employer plans now covering only 38% of the workforce, down from 46% in 1977.

In Ontario, just 34% of workers were covered by a workplace pension plan in 2010.

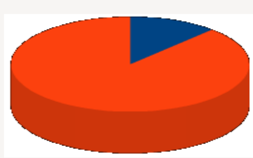
The decline in coverage, coupled with the transfer of responsibility for saving for retirement to individuals, is increasing the level of financial insecurity of elderly Canadians. The shift from employment to pension income will have serious implications for Ontario. Half of baby boomers born between 1945 and 1970 with average career earnings between $35,000 and $80,000 are likely to face a drop in their post-retirement standard of living of at least 25%.

The Failure of Private Savings

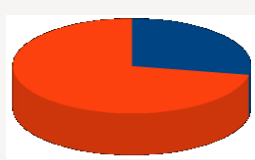
Private savings, a second pillar of Canada's retirement system, are also failing to meet the challenge of an ageing society. RRSPs are much more costly than big pension plans. Most mutual funds have management expense ratios of between 2% and 3%, much higher than the CPP management cost of less than one-half of one per cent.

Only about one-quarter of tax filers contributed to an RRSP in 2009, and the median RRSP contribution amounts to just about 6% of available contribution room. **In 2009, 7.8 million Ontarians had $229 billion in unused RRSP contribution room.** RRSPs tend to benefit high income earners the most (Figure 1); in fact, the highest-earning 12% of Ontarians contribute more to RRSPs than the bottom 88% of tax filers.

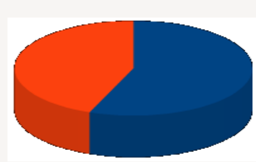
Figure 1:



Individuals with income of $80,000 or more make up 12% of Ontario tax filers...



...but they account for 28% of all Ontarians contributing to an RRSP...



...and 56% of total contributions to an RRSP...

Table 3

RRSP Contributors & Contributions (in 2009 by Census Metropolitan Area)

	Share of all Taxfilers with RRSP Contributions	Median RRSP Contribution	Share of RRSP Contributors with **$80,000+** total income	% of RRSP Contributions from those with **$80,000+** total income
	%	**$**	**%**	**%**
Barrie	24.9	2,110	25	53
Brantford	23.2	2,180	21	46
Greater Sudbury	22.7	2,340	28	55
Guelph	28.4	2,560	27	54
Hamilton	24.7	2,600	29	56
Kingston	24.4	2,240	27	55
Kitchener-Cambridge-Waterloo	27.5	2,600	25	51
London	24.9	2,400	25	53
Oshawa	26.0	2,400	31	64
Ottawa-Gatineau (Ontario)	28.3	3,000	38	64
Peterborough	22.4	2,260	24	56
St. Catharines-Niagara	21.5	2,160	22	56
Thunder Bay	23.4	2,330	24	52
Toronto	25.8	3,240	31	57
Windsor	21.4	2,400	26	63

Source: Statistics Canada CANISM Table 111-0039

This inequality is even more stark when you break the numbers down by city.
In cities like Ottawa, a small minority of high earners account for nearly two-thirds of RRSP contributions (Table 3).

Today's Public Pensions Are Also Not Enough

Canada's public pensions, the Canada Pension Plan/Quebec Pension Plan (CPP/QPP) together with the Old Age Security (OAS) and Guaranteed Income Supplement (GIS), have been vital to supporting and stabilizing Canadians' incomes in retirement. The introduction and maturation of the CPP/QPP system after 1966 played a leading role in reducing old-age poverty in Canada. As Canadians began to retire with longer work histories and more years of pensionable earnings, a dramatic drop in poverty among seniors occurred. Canadian seniors saw a decline in the poverty rate after taxes and transfers from 28.4% in 1973 to 5.4% in 1997. Old-age poverty in Canada today is half the Organisation for Economic Co-operation and Development's (OECD) average, a major achievement.

However, public pensions provide only a low maximum benefit and many seniors live on low incomes just above the poverty line, so that economic recession can lead to a spike in old-age poverty. Recently, the number of poor seniors has begun to increase.

There is a significant proportion of seniors living in low income in Ontario's cities, and seniors living alone in Ontario cities (especially women) face a much higher risk of poverty than Ontarians as a whole (Table 4).

Table 4
% of Ontarians with Low Income (in 2009)

	Single People aged 65+	All Ontarians
Ontario	**18.5**	**13.1**
Hamilton	31.9	11.0
Kitchener-Cambridge-Waterloo*	19.7	13.6
London	23.5	12.2
Oshawa	21.6	11.0
Ottawa-Gatineau (Ontario/Quebec)	17.6	9.7
St. Catharines-Niagara	19.7	10.5
Toronto	19.7	13.2
Windsor**	23.4	12.1

Source: Statistics Canada CANISM Table 202-0802
*Data from 2008 ** Data from 2007

Seniors with low incomes (under $16,176) qualify for a public pension top-up through the GIS. But the total amount falls short of raising them to a decent standard of living. The maximum amount of OAS plus GIS is only $1,257 for a single person, or $15,088 per year. Ontario's Guaranteed Annual Income System (GAINS) provides a small top-up to the GIS, but not enough to lift the maximum monthly benefits for a single recipient living in Toronto, Ottawa, or Hamilton above the poverty line.

Table 5

Maximum Monthly Benefits (July 2011)

	Single Person	Qualified Couple	
BENEFIT PROGRAM	**EACH**	**EACH PERSON**	**COUPLE**
Old Age Security	$533.70	$533.70	$1,067.40
Guaranteed Income Supplement	$723.65	$479.84	$959.68
Ontario Guaranteed Annual Income System	$83.00	$83.00	$166.00
TOTAL	**$1,340.35**	**$1,096.54**	**$2,193.08**

Source: Ontario Ministry of Revenue

Table 6

Maximum Ontario Retirement Benefits (compared to the "Poverty Line")

	Single Person
Maximum annual benefits	$16,084.20
Low Income Cut-off (1992 base) (community of 500,000, after tax, 2010)	$18,759.00

Source: Statistics Canada, Low Income Lines, 2009-2010

Table 7

Canadians Agree: CPP payments are not enough

	RESULTS	
QUESTION	**response**	**%**
Today, the average CPP benefit paid to Canadians is $503/month, or $6000/year.* For you, is this enough money to retire comfortably?	yes	2.1%
	no	93%
	not sure	4.8%

Source: CLC-STRATCOM Public Opinion Survey, October 2010
*based on 2010 CPP benefits

Cities Are Picking Up The Financial Slack

As Ontario's population ages, who will pay the cost of our inadequate retirement savings? In the first instance, cities have to meet the needs of seniors living in poverty and near-poverty. Municipal governments are responsible for providing a very wide range of services to seniors, including housing, public transit, senior centres, libraries and cultural and recreation services.

In addition to delivering provincial financial assistance programs available to low-income seniors, many municipalities provide property tax assistance programs, including full or partial tax deferral (Table 8). There are also municipal water rebate programs, public transportation subsidies, homeowner grants, and medical, dental, and vision subsidies to low-income seniors.

If future seniors can expect better pensions than they will receive under current arrangements, the pressures on municipal budgets arising from population ageing will be significantly reduced.

On top of the various municipal supports for low-income seniors, Ontario taxpayers also pay for provincial programs such as the Senior Homeowners' Property Tax Grant and the Reduced Ontario Drug Program Co-Payment for Seniors.

Without urgent action, cities and the Ontario government will increasingly bear the brunt of the costs of our ageing population. Already, the cost of providing the federal GIS benefit and the allowance for low-income seniors is projected to rise from $9.2 billion in 2011 to $23.6 billion in 2030, and the cost of Ontario's Guaranteed Annual Income can be expected to rise as well. That will represent a huge burden on the public purse.

Table 8

Local Government Subsidies for Low-Income Seniors

(selected Ontario communities)

MUNICIPALITY	Public Transit Subsidy	Property Tax & other Financial Assistance
Brampton	yes	• Property Tax Assistance Program for Eligible Low-Income Seniors
Hamilton	yes	• Low-Income Senior Tax Deferral • Seniors Tax Rebate Program • Dental Services • Special Supports Program Funding for Assistive Devices
Kitchener	yes	• Seniors Tax Deferrals
Kingston		• Tax Deferral Program • Seniors Property Tax Credit Program • Tax Increase Deferral Program
Mississauga	yes	• Low-Income Seniors Tax Deferral Program
Ottawa	yes	• Full Property Tax Deferral Program • Partial Property Tax Deferral Program • Dental & Eyeglasses subsidies • Medical Supply Subsidies
Toronto	yes	• Property Tax Increase Cancellation Program • Property Tax Increase Deferral Program • Water Rebate Program
Windsor	yes	• Tax Relief Program Pilot

Source: Ontario municipal government web sites

Ontario Workplace Pension Plans

Like most pension plans, workplace pensions in Ontario were hit by the 2008 financial crisis. Many defined-benefit plans continue to struggle with unfunded liabilities, and employers and plan members have subsequently been faced with special payments to address funding shortfalls, contribution rate increases, benefit cuts, or a combination of these steps.

Expanding the CPP will reduce pressure on defined-benefit pension plans, at no extra cost to employers (including the provincial and municipal governments) that already have decent pension plans. Most workplace pension plans are integrated with the CPP. In other words, CPP benefits are included as part of the replacement income which the defined-benefit plan is designed to replace. Thus, as the CPP is expanded, the employer and employees would be able to negotiate adjustments to workplace pension contributions and benefits in light of improved CPP benefits. This would allow for no net increase in costs for most employers with existing DB plans.

Ontario Pension Plans are integrated with the CPP and could benefit from CPP expansion

Ontario Pension Plan	Integrated with CPP
Ontario Municipal Employees Retirement System (OMERS)	√
Ontario Teachers Pension Plan	√
OPSEU Pension Plan	√
Ontario Public Service Pension Plan	√
Multi-Sector Pension Plan	√

Unlike the CPP, many workplace pensions aren't protected against inflation, nor are they portable across jobs. In the private sector, unions face the constant fear of losing pensions through employer under-funding or bankruptcy – something that would never happen to the CPP. Increasing the public side of pension plans boosts their stability, which is good for everyone.

The added bonus for union members is that the CPP requires smaller contributions (due to low administration costs) to produce the same return for retirement income. This makes the extra money required to support the private side of the pension formula available for other investments, which is welcome news for unions at the bargaining table.

A phased-in increase in CPP premiums would not have significant impacts on economic growth or employment. Past experience shows that a gradually phased-in and modest increase in CPP premiums would not have negative impacts upon growth or employment. Between 1997 and 2003, the federal government phased in, over five years, an increase in CPP contributions for both workers and employers from 2.5% to 4.95%. Over the same period, unemployment fell from 9.1% to 7.6%, and continued to fall for another five years.

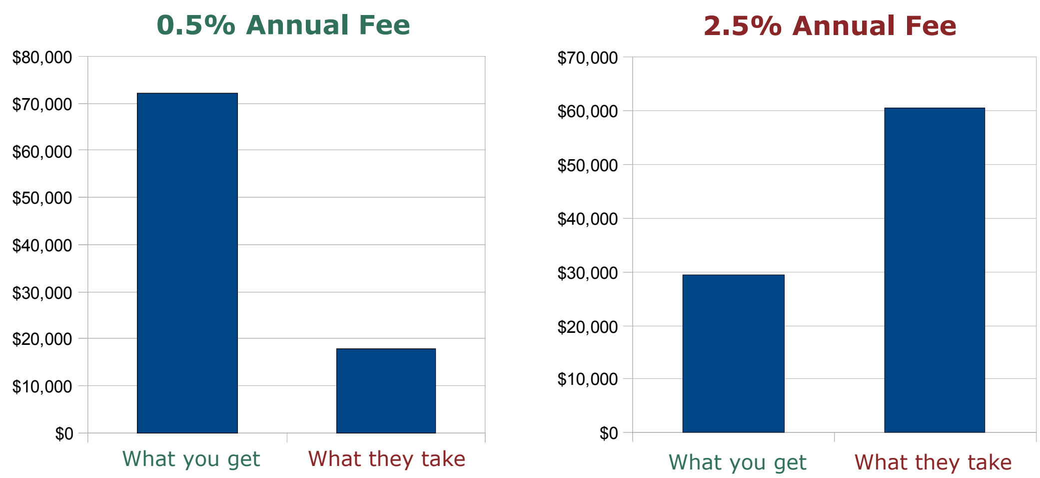
Pooled Registered Pension Plans - The Challenges

The federal government's response to the retirement challenge, its proposed PRPP, is not even a pension - it is yet another voluntary savings plan. Employers will likely not be required to offer PRPPs to workers, much less contribute to them. RRSPs have failed for 50 years to bridge the retirement saving gap, and PRPPs are far too flimsy to seriously address our inadequate retirement savings. Rather, they are another way for banks, insurance companies and financial institutions to skim more profit from workers' savings.

To understand just how much money is at stake, consider the following. If you invested $10,000 in a fund with a 5% annual rate of return and a management fee of 0.5%, after 45 years you would get $72,066.60 back and the management fee would be $17,783.48. Meanwhile, $10,000 invested in a fund with a management fee of 2.5% (a common fee for a mutual fund) you would get just $29,493.18 and pay $60,356.90 in fees.

Figure 2:

$10,000 invested for 45 years at a 5% annual compounded rate of return



Instead of the guarantee of a decent retirement income after a lifetime of work, workers with PRPPs will be left trying their luck with the stock-market roller-coaster, retiring with either a pension or a pittance.

Canada already has a low-cost, secure, fully-portable defined-benefit pension plan that pays inflation-protected benefits to all Canadians until death and is in a position to do so, without fail, for the next 75 years. That's the Canadian Pension Plan.

Why accept a lemon when you've already got the real deal?

Double Canada Pension Plan (CPP) Benefits - The CLC Plan

Our retirement income system should give workers an income they can count on through the years they spend after leaving paid work. Most experts believe this means that they should get 60 to 70% of their previous earnings for life, fully indexed to inflation. Public pensions — CPP and OAS — provide secure pensions which are fully indexed to inflation. Virtually all citizens (except recent immigrants) get OAS, paid for from taxes, and all workers (including self-employed workers) contribute to the CPP over their working lives. The CPP provides a fully portable, secure, inflation-indexed, defined benefit pension at a very low cost.

The CLC proposes to phase in a doubling of CPP benefits from 25% to 50% of average earnings on a pre-funded basis. Additional contributions from workers and employers would be invested to pay for higher pensions in the future. This plan has been costed, verified – and endorsed – by the former Chief Actuary of the CPP, Bernard Dussault. It is also supported by dozens of pension and financial experts as the best option for workers and the most viable solution to the looming retirement income crisis.

While the maximum CPP retirement benefit is currently $960 per month, this goes only to those who have consistently earned above the average over their entire working life. The average monthly CPP retirement benefit in March, 2011 was just $509.95. Our proposal would increase the average benefit each year, and double the average benefit when fully implemented. In fact, future benefits will be higher since they will be boosted by any increase in real wages in the future.

A 100% increase in future CPP benefits can be financed by raising CPP premiums by only 60% over seven years. It would take approximately 40 years for the new system to be fully mature, but a higher pension credit would be earned in each year following a decision to expand the CPP. Partial benefits would be earned while the premium increase is being phased-in over seven years.

Increase the Guaranteed Income Supplement by 15%

Hundreds of thousands of Canadian seniors live in financial insecurity. The GIS helps support 1.7 million low-income seniors, but the average benefit (less than $460 in March 2011) is too low to lift many out of poverty. In the June, 2011 budget, the federal government introduced a small monthly top-up of $50 for single seniors and $70 for couples with especially low incomes. But the top-up does nothing for the majority of GIS recipients, many of whom live in poverty or financial insecurity.

The CLC's plan to boost the incomes of poor seniors through an immediate 15% increase in the GIS has several benefits. First, we ensure that no senior, current or future, will ever retire into poverty (since public pensions are adjusted for inflation). Secondly, money put into the GIS will be spent locally by seniors for their essential needs. Such direct spending into the local economy represents an important and effective form of economic stimulus at a time when it is badly needed.

Finally, workers who worry about looking after their parents in retirement can rest assured their parents will be able to provide themselves with the basics. This is especially true for workers facing their own retirement years with elderly parents and loved-ones to care for.

Improving the Retirement Security of ALL Canadians

Labour's plan for retirement security for everyone will help everyone, including average Canadian workers without union protection.

Don't believe the critics who say it's only about protecting "union" pension plans.

Our plan to double CPP benefits would raise the floor of our pension system for everyone. This benefits the 93% of Canadians who are covered by the CPP, but it especially benefits non-union workers who have no pension plan. It also offers a source of retirement income that is portable across jobs, portable across provinces, insured against inflation, and backed up by the government. Few workplace plans can match what the CPP delivers today.

The Ontario provincial election campaign starts on September 7 and ends with Election Day on October 6.

Your active support of our plan to expand the Canada Pension Plan is critical throughout the entire campaign period.

Get Active – You Can Make A Difference!

We need to support and elect candidates who support expanding the CPP. We need to elect a government that will continue to support our plan to expand the CPP.

Here's what you can do in your community:

1. **GO TO** the "All Candidates Meetings" and ask questions. Where do the candidates stand on the expansion of CPP? Will they support our campaign?
2. **PHONE, WRITE, AND EMAIL** the candidates in your riding and ask them if they support the expansion of the CPP. Make sure to remind them you are a constituent, you vote and this is a vote-determining issue for you. Send them to our website if they require more information: **www.canadianlabour.ca**/action-center/retirement-security-for-everyone
3. **VOLUNTEER** for a candidate who openly advocates and whose political party supports expansion of the CPP (check the party platforms to find out).
4. **TALK** to your family, friends, and co-workers and urge them to get out and vote for the expansion of the CPP. Use your Facebook and Twitter networks to get the word out.
5. **VOTE** on October 6 (or earlier, if you choose) for expanding the CPP. Your future, your family's future and your community's future depends on it.

RETIREMENT SECURITY *for everyone*

Get the job done!

overwhelmingly

Canadians agree

it's time to put the security back into retirement!

Canadians want stability and security in retirement.

There is no easier, or more effective option than expanding the Canada Pension Plan (CPP), on a fully funded go-forward basis starting now.

In January 2011, an Environics poll found **76% of Canadians support increasing CPP benefits** while 51% oppose the federal government's plan to delay CPP reform.

Three stock market failures in fifteen years have made average Canadians unwilling to risk their future on Wall Street or Bay Street.

Most of us continue to be nervous about our retirement. An earlier Environics poll (from October 2010) showed **only 25% of Canadians feel confident** they will save enough to support themselves in retirement - with 4 in 10 saying they simply can't save more because they can't afford to save more.

Twenty-five years of stagnant wages for middle-income earners, and real wage decreases for lower income earners have made it more difficult for people to save.

Canadians agree - it's time to put the security back into retirement by expanding the Canada Pension Plan!

RETIREMENT SECURITY *for everyone*

Get the job done!

Canadian Labour Congress

Congrès du travail du Canada

Join the campaign. Invite your friends.

Let's get the job done!

login to **www.facebook.com** then
search for "Retirement Security for Everyone"

Like everybody likes this.

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