

FOR IMMEDIATE RELEASE

Impact of New CPP Enhancements for Canadian Workers and Seniors: A Step in the Right Direction

OTTAWA, June 20, 2018 – The Canadian Institute of Actuaries (CIA) and the Society of Actuaries are pleased to announce the release of the “New CPP Enhancements: What do they mean for Canadian workers and seniors?” research report.

The study, sponsored by the CIA and SOA, examines how the enhanced Canada Pension Plan (CPP) benefit will impact the financial well-being of Canadian seniors. These enhancements are similar to those that will be made to the Régime de rentes du Québec. The study was authored by Bonnie-Jeanne MacDonald, PhD, senior research fellow at the National Institute on Ageing (Ryerson University) and resident scholar at Eckler.

Up until now, research on the implications of the CPP enhancements on retirement financial outcomes for future Canadian seniors has been limited. It remains unclear how much the enhancements will improve the retirement preparedness of Canadians in general—let alone vulnerable populations, such as seniors without workplace pensions, and low-income Canadians.

Investigating these and other questions, the study uses the sophisticated LifePaths population microsimulation model, formerly supported by Statistics Canada, and finds the following:

- Overall, the CPP enhancements will eventually increase total CPP benefits across Canadians by approximately 44% when they are fully phased in by 2070.
- CPP enhancements should help young Canadians maintain their working-life living standards after retirement—particularly middle- and upper-income earners who do not have significant participation in employer pension plans during their working lives (40% of the Canadian population), dropping the proportion of this group considered unprepared for retirement from 46% to 34%.
- For every dollar of new CPP benefits that a worker earns, about \$0.62 will make its way into his/her pocket as a senior. This is fairly consistent across Canadians with varying earnings histories—although the dynamics vary greatly.
- Enhanced CPP for low-earnings workers in retirement will be offset by reduced Guaranteed Income Supplement (GIS) benefits and higher taxes.
- High-earning workers will lose nearly the same proportion due to higher taxes and lost Old Age Security (OAS) benefits.

- CPP enhancements will push 9% of Canadians to become overly prepared for retirement, particularly middle-income earners with workplace pensions.
- Nearly a quarter of Canadians are projected to be unprepared to sustain their living standards in retirement *despite* the CPP enhancements. And this ratio increases to over a third for Canadians without meaningful employer pension plan participation.

Until the enhanced CPP benefits are fully mature in 2070, a more immediate concern is the retirement financial prospects of today's older Canadians, for whom the CPP enhancements will do very little. And while the goal is retirement security for all Canadians, it will also be important to protect the financial welfare of the working-age population.

There are clearly challenges ahead to ensure retirement financial security for Canadians. The CIA places high value on authoritative and unbiased high-quality empirical evidence to inform public policy decisions that protect the public interest. This study suggests that the CPP enhancements are a step in the right direction.

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The Canadian Institute of Actuaries is the national, bilingual organization and voice of the actuarial profession in Canada. Its members are dedicated to providing actuarial services and advice of the highest quality. The Institute holds the duty of the profession to the public above the needs of the profession and its members.

About the Society of Actuaries

With roots dating back to 1889, the Society of Actuaries is the world's largest actuarial professional organization with more than 30,000 actuaries as members. Through research and education, the SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal challenges. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

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