

\$ \$

\$

\$

\$ \$ \$ \$ \$ \$ \$

\$ \$ \$ \$ \$ \$ \$

\$

\$ \$ \$ \$ \$ \$ \$

\$ \$

\$ \$

Canadian Pensioners Concerned, Ontario Division, was founded in 1969, part of a national voluntary organization of seniors committed to promoting issues such as pensions, health care, housing and transportation. We are concerned not only about those matters which involve older citizens but about all of the factors which make for a just, caring, compassionate, civil society for all age groups.

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$

\$ \$ \$ \$ \$ \$ \$

If we are to look at "pensions" from the perspective of an older person, they need to replace 70 percent of their pre-retirement income if they hope to retain their standard of living in their retirement. We will look at the existing programs and evaluate the extent to which they reduce the poverty level of older persons. It is important to note that while the poverty rate of older persons has declined rapidly since the 1970s, that decline is based to a significant degree on the rapid growth of women's participation in the labour market and the increase in two-income families. Finally, there has been a reversal in the steady decline in the poverty rate since the mid-1990s where there has been a slow increase. There is little doubt that the serious unemployment rate and economic near collapse in the last two years will have a serious deleterious impact on the income of older persons in both the short and term.



\$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

The Guaranteed Income Supplement is an income based non-taxable program paid to eligible older persons who have little or no other income beyond the OAS. Increases are determined by the government when it chooses to do so. The payments are on a monthly basis with different amounts paid to those who are single as opposed to those deemed to be married. (The married allowance is not double that of the single person). Most provincial governments provide a modest top up to this program.

\$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

The allowance is also an income-tested benefit paid to those between the ages of 60-64 but it discriminates in that it is only eligible to those who are married or not re-married widows or widowers of low-income pensioners. Those who are separated or divorced are not eligible.

\$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

A single, unattached older person who is dependent on the benefits from OAS and the GIS is doomed to live below the poverty level measured by the after-tax Low Income Cut-Off (LICO) as measured by Statistics Canada. A married couple would be marginally above the LICO. What is clear from this is that someone who has always held low paying jobs may be, if married, in a similar income level in their older years whereas a single, unattached older person will be below the poverty level (LICO). Single unattached older women have a poverty rate that is 13 times that of seniors living in families. Their poverty rate is currently higher than that of children.





The introduction of Old Age Security (OAS), the Canada Pension Plan (CPP), Guaranteed Income Supplement (GIS) and the provincial Guaranteed Annual Income System (GAINS) has significantly reduced the poverty rates among older persons. However, a significant factor in the lowering of poverty levels among older Canadians has also been the existence of Defined Benefit Pensions Plans. These plans have enabled workers to retire with pensions that have helped to keep them out of poverty and enabled them to contribute to the economy of the country.

We have particular concerns over the steady decline in Defined Benefit Plans, the rise of Defined Contribution Plans, (DCP) the threat to pensions by the collapse of broad sectors in the economy that previously had pensions and the growing number of marginal and contract workers who will never have an opportunity to participate in workplace pensions. There is a correlation between the loss of Defined Benefit Plans funded and administered by single employers and the loss of large single employer unionized jobs. This is a clear example of the changing nature of our economy and the nature of work and it highlights the need that the issue of worker pensions is brought into line with the changes in the workplace and the nature of employment. We need to focus on improving conditions for the accessibility and stability of Defined Benefit Plans for all workers. Furthermore, a Research Study on the Canadian Retirement Income System, by Bob Baldwin, November 2009 prepared for the Ministry of Finance, Government of Ontario reports that the benefits of DBP outweigh those resulting from DCP.

The increased number of corporate bankruptcies has led to clear threats to existing pension plans of retirees, those living on disability pensions as well as those currently working for such companies. Downsizing and corporate closures have severely threatened the retirement plans of thousands of Canadians and increased the certainty of many thousands of older workers living in poverty.

Another issue that also concerns us, the risk that the current workers face in the future when a combination of circumstances - low savings rates, little if any access to employment pensions, marginal employment over their lifetime, conditional work history – will lead to inadequate income in their older years.

The fiscal cost to government and the impact on the provision of services to persons is rarely taken into account in discussions on pensions. The cost to governments would rise with the fall in personal pension amounts. There would be pressure on GIS and GAINS to supplement what private plans have lost. Tax revenues would also drop as the expenditures by pensioners would drop along with their drop in incomes. Studies





has to be another policy option to help people save for their retirement that will fill the gap between the current payments under OAS and CPP.

s

s

s

As we have noted, there are many workers who are precluded from joining pension plans through their employment and who lack the resources to take advantage of the tax incentives to invest in RRSPs. This would include people who comprise the contingent labour force, part-time workers and those who work at the minimum wage. In particular, we support the proposals presented by the Expert Commission on Pensions led by Commissioner H.W. Arthurs, (*A Fine Balance: Safe Pensions, Affordable Plans, Fair Rules*) presented to the Ontario Minister of Finance, Dwight Duncan, October 31, 2008. In Chapter Nine, *Innovation in Plan Design*, the Report makes a number of recommendations that we fully support. The Report calls for the promotion and facilitation of innovative plan design and calls for legislative and regulatory changes that could facilitate this. (Recommendation 9.1 p.183) In addition, the Report also calls for the enabling and promotion of the formation of “...large commingled target benefit plans that might provide affordable pension coverage to Ontarians who do not presently have pensions or for whom the costs of obtaining a pension are unnecessarily high. (Recommendation 3.p.187)

We are interested in the further suggestion that when there is a pension plan available in the place of work, membership should be required but that there should be an opting out provision. (The Report p.187) The concept behind this is that it would lead to more people participating in pension plans. The idea is an interesting one but we have two special concerns. One concern would be pressure on all workers to not opt out. Two, related to our previous comment, we must not place undue pressure on workers who are living at or below the Low Income Cut Off (LICO) who need every penny they are earning to live on and cannot afford to pay into a pension plan. On the other hand, the use of a “reverse onus” might encourage people to join, leading to a larger accumulation of funds in the plan with the resulting opportunity for better management and investment of the funds and better pensions in the longer term.

Finally, we know that there is strong interest across the country in looking into the possibility of expanding “the mandate of the Canada Pension Plan, or creating a comparable provincial plan, so as to enhance pension coverage, control costs and improve benefit portability”. (The Report, Chapter Nine, Recommendation 9.4, p.188) We strongly support this recommendation of the Expert Commission on Pensions.



Far too many Canadians are ageing with inadequate retirement incomes and we see a strong possibility that this problem will grow in the coming years. We have noted the shortfall in income support from OAS, GIS and the provincial support programs modeled on the latter program. We have also drawn attention to the inequities and problems that exist with respect to special populations within Canadian society. The recommendations we have made may go some way to addressing these concerns but we believe that there is more that can be done and must be done. We are heartened by the fact that policy makers, the media and the public are becoming engaged in this issue. However, we remain deeply concerned that the particular needs of groups of citizens, who have special needs and challenges, will not be fully addressed.

