



## A NEW VISION OF AGING FOR CANADA

13 December 2011

Dear Finance Ministers,

CARP's 350,000 members are among those older Canadians who are anticipating your leadership on the reform of our pension and health care systems. Your meeting on December 18-19, 2011 is an opportunity to overcome the jurisdictional differences to improve the options to help Canadians better save for our retirement and to ensure that health care spending adequately addresses our needs as Canadians age. Canadians are willing to do their part and the role of governments at all levels is to present viable and forward looking strategies that will help all Canadians attain financial and health security as we age.

### **Pension Reform**

Pooled Registered Pension Plans (PRPPs) recognize the need to address the retirement savings gap but, as currently proposed, will not adequately provide retirement security for the more than eight million low and middle income Canadians without workplace pension plans. Since there is no proposal to regulate fees and the proposed defined contribution arrangement does not offer any certainty as to retirement income, PRPPs will be just one more savings and investment vehicle in an already crowded and under-utilized market and not a true pension plan that is necessary for retirement security.

To provide adequate retirement security, the PRPPs should be improved to include:

- legislated fee caps
- open competition that allows public sector pension fund managers to administer them
- requirement of target or defined benefits, and
- a fiduciary structure that protects the interests of investors and retirees

Another drawback of the proposed PRPPs is that it is entirely voluntary and there is no requirement for employers to participate or to contribute. The industry associations which expect to offer the PRPPs have themselves suggested auto-enrolment with an opt-out in order to reach a critical mass of participation to make the plans viable. CARP also supports auto enrolment to expand coverage as broadly as possible but only if the potential benefits to retirement security warrant it. Without regulation of fees and reasonable certainty as to the adequacy of the retirement income, auto enrolment would not be justified.

Mandatory enrolment and contributions are essential features of the Canada Pension Plan and contribute to its success in providing an affordable and reliable source of retirement security for the broadest reach of Canadians. However, the level of CPP benefits alone is inadequate and CARP has called for increasing CPP coverage and benefits. CARP members were encouraged when the Finance Ministers promised a modest CPP enhancement along with the PRPPs after your June 2010 meeting. There has been no further mention of CPP enhancement since that time except some high profile withholding of provincial consent in the run up to your December 2010 meeting. Nevertheless, with some of the changes in the provincial governments offering a fresh start, CARP is calling on the Finance Ministers to act on enhancing the CPP.

**A** DVOCACY

**B** ENEFITS

**C** OMMUNITY

To further assist in your deliberations, we are attaching a rough calculation of the dollar amounts that would be required to increase CPP benefits by a modest 10 percent. Subject to verification by your officials, we estimate that employers and employees would each pay \$45 more per month and for a low income earner, \$18 more per month, which we would argue is not the “job killer” that some have claimed the CPP enhancement to be.

### **Health Accords – Aging at Home**

Health care remains a top priority for our members, like it is for all Canadians, but it matters more as we age – despite the fact that today’s generation of older Canadians are living longer, healthier lives. Moreover, CARP Polls indicate consistently that older Canadians want to stay in their own homes as long as possible even with medical and mobility challenges.

The Canadian health care system serves Canadians well for acute care but is not mandated to provide continuing care for those with chronic diseases - for which medicine has no cure. That responsibility falls to informal caregivers and the home care sector which is at best a patchwork across the country.

The 2003 Health Accords designated post acute home care as the next essential service but were silent as to continuing care. Almost a decade later, home care remains a patchwork of funding and policies from one region to another, despite the potential for billions of dollars to be saved from the health system each year. Some 2.7 million Canadians provide informal care for older loved ones and their unpaid services are worth an estimated \$25 billion each year and divert equal magnitudes of demand from the formal health system. Spending on home care is good fiscal policy since home care costs are estimated to be 45 to 70 percent less expensive than institutional care.

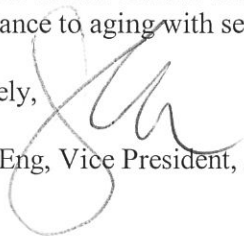
CARP is calling for a comprehensive national home-care and caregiver support strategy with adequate stable funding and accountability to fulfill the promise of aging at home including:

- Establishing a new designated federal home care transfer to guarantee a basic level of home care services to all Canadians wherever they live;
- Exploring the feasibility of a national long term care insurance scheme or other method of stable funding for continuing care;
- Developing and investing in programs that allow more Canadians to age at home;
- Supporting informal caregivers, by:
  - Providing targeted financial support, especially to caregivers providing heavy care;
  - Providing workplace protection and work-leave;
  - Integrating support for informal caregivers with the formal health system, through training and respite care.

Now is the time to act on retirement security and to prepare for the 2014 Health Accords. CARP members across Canada are looking to your leadership to make progress on two issues of central importance to aging with security and dignity.

Sincerely,

Susan Eng, Vice President, Advocacy



## CPP Proposals - Impact on Contribution Rates and Amounts

### Modest Increase to 35% of YMPE

To increase the CPP by 10%, employers and employees would each pay \$45 more per month. For a low income earner, the cost is \$18 more per month each.

#### MAXIMUM

		Contributions			Benefit -
		Employer	Employee	Self- Employed	Pension
<b>YMPE</b>		<b>\$48,300.00</b>			
CURRENT PENSION	PERCENTAGE	4.95%	4.95%	9.90%	25.00%
	AMOUNT	\$2,217.60	\$2,217.60	\$4,435.20	\$12,075.00
<b>Proposal - increase pension to 35% of YMPE</b>					
PENSION	PERCENTAGE				35.00%
	AMOUNT				\$16,905.00
CURRENT CONTRIBUTION	PERCENTAGE	4.95%	4.95%	9.90%	25.00%
	AMOUNT	\$2,217.60	\$2,217.60	\$4,435.20	\$12,075.00
ADDITIONAL	PERCENTAGE	1.10%	1.10%	2.20%	10.00%
	Annual	\$531.30	\$531.30	\$1,062.60	\$4,830.00
	Monthly	\$44.28	\$44.28	\$88.55	\$402.50
<b>TOTAL</b>	PERCENTAGE	6.05%	6.05%	12.10%	35.00%
	AMOUNT	\$2,748.90	\$2,748.90	\$5,497.80	\$16,905.00

#### LOWER INCOME

		Contributions			Benefit -
		Employer	Employee	Self- Employed	Pension
		<b>\$20,000.00</b>			
CURRENT PENSION	PERCENTAGE	4.95%	4.95%	9.90%	25.00%
	AMOUNT	\$816.75	\$816.75	\$1,633.50	\$5,000.00
<b>Proposal - increase pension to 35% of YMPE</b>					
PENSION	PERCENTAGE				35.00%
	AMOUNT				\$7,000.00
CURRENT CONTRIBUTION	PERCENTAGE	4.95%	4.95%	9.90%	25.00%
	AMOUNT	\$816.75	\$816.75	\$1,633.50	\$5,000.00
ADDITIONAL	PERCENTAGE	1.10%	1.10%	2.20%	10.00%
	Annual	\$220.00	\$220.00	\$440.00	\$2,000.00
	Monthly	\$18.33	\$18.33	\$36.67	\$166.67
<b>TOTAL</b>	PERCENTAGE	6.05%	6.05%	12.10%	35.00%
	AMOUNT	\$1,036.75	\$1,036.75	\$2,073.50	\$7,000.00

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