



**Leading the Way  
to  
Retirement Security  
and  
Aging at Home**

**– CARP recommendations to British Columbia**

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## Leading the Way to Retirement Security and Aging at Home – CARP recommendations to British Columbia

British Columbians, like all Canadians, spend their working years building towards a secure and dignified retirement. As British Columbians age, they want to provide for themselves and their families and to stay in their own homes as long as possible. But for too many, this is a challenge they cannot meet alone. Government has a role to play.

This was recognized in recent policy changes by the federal government: the top-up Guaranteed Income Supplement (GIS) will help the poorest seniors and the caregiver tax credit is an important improvement in the support for the estimated 2.7 million Canadians caring for loved ones at home. Pension reform proposals reflect government willingness to help Canadians better save for their retirement, the promise to repeal mandatory retirement at the federal level will let people keep working if they prefer or must.

British Columbia, likewise, recognizes the importance of retirement security and home-based healthcare through programs such as the Seniors' Supplement, Home Support, Caregiver Respite/Relief, End-of-Life Care, and the BC Palliative Care Benefits Program. These programs indicate British Columbia's recognition of the importance of aging with dignity. Nevertheless, like all Canadian provinces, BC can do more to ensure that its citizens can age at home and with financial security.

The recent, massive, losses in retirement savings caused by the recession and concerns over the sustainability of the healthcare system require further government action to help Canadians help themselves – to save for and maintain their standard of living in retirement and to look after their own health and well-being in dignity. The government of British Columbia can be a leader among provinces in working with and pushing the federal government to take the steps necessary to increase retirement security and access to high quality healthcare.

**CARP, therefore, recommends that the B.C. government target:**

**1. Retirement Insecurity:** The economic downturn has exacerbated fears of outliving our money. Hard-earned retirement savings have already been eroded in the market crash and forced RRIF (LIF) withdrawals limit participation in the modest recovery. Claw back rules punish those who try to help themselves – especially the most disadvantaged. Income inequality in Canada has increased over the past twenty years.<sup>1</sup> A recent Conference Board of Canada report on poverty identified seniors, especially women, as most at risk of living in poverty.<sup>2</sup>

**CARP recommends that the BC government:**

- **Work with the federal government to comprehensively review and readjust the tax and income support policies to facilitate, and remove barriers to, retirement security including mandated RRIF (LIF) withdrawals, certain OAS clawback rules, GIS eligibility rules and provide an equivalent to spouse allowance for single seniors.**
- **Increase the BC Seniors' Supplement to reflect better the financial needs of the province's financially insecure seniors.**

**2. Retirement Savings Gap:** Millions of Canadians without a workplace pension need access to universally accessible and affordable retirement savings vehicles which will provide a reliable and adequate retirement income. The federally proposed Pooled Registered Pension Plans (PRPPs) acknowledge the need and improve on the status quo but lack the safeguards that will ensure an adequate retirement income. There is time and opportunity to learn from the negative experience of a similar system in Australia and the positive example of the Canada Pension Plan (CPP).

**CARP recommends that the BC government ensure that all Canadians have the best possible options to provide adequately for their own retirement by:**

- **Working with the federal government to implement legislated safeguards for the PRPPs, such as fee caps, and further**

**consideration be given to providing target or defined benefits**

- **Working with provincial, territorial, and federal governments to provide a modest enhancement to the CPP.**

**3. Aging at Home:** Comprehensive national homecare and caregiver support is essential to addressing the health and social effects of chronic conditions in Canada, now and for the coming decades. With longer and increasing life expectancy, older Canadians may live many years or decades with the effects of one or more chronic conditions. Hospitals and institutional care are not the answer for most people. Most Canadians prefer to remain at home as long as possible as they age even if they face medical, physical or cognitive challenges. With proper supports such as home care workers and support for the family caregivers, an Aging at Home strategy will help people age gracefully and safely in their homes while supporting the caregivers that perform the bulk of the work.

**CARP recommends that the BC government:**

- **Work with provincial, territorial, and federal governments leading up to the 2014 Health Accords to promote a nationally coordinated homecare strategy that ensures national standards of care, stable and sufficient funding, and supports the work of informal caregivers by:**
  - **Establishing a new designated federal home care transfer to guarantee a basic level of home care services to all Canadians wherever they live;**
  - **Developing and investing in programs that allow more seniors to age at home;**
  - **Building upon recent recognition of the value provided by informal caregivers, by providing targeted financial support, especially to caregivers providing heavy care, workplace protection, respite, and work-leave, and integrating support for informal caregivers with the formal health system, through training and certification.**

**Who We Are:** CARP is a national, non-partisan, non-profit organization with over 300,000 members across the country. CARP is committed to advocating for social change that will enhance the quality of life

for all Canadians as we age. Retirement security and homecare are principal concerns for our members and our advocacy. These are our recommendations to help older Canadians weather the economic storm and age in health.

### **1. RETIREMENT INSECURITY**

Financial concerns for older British Columbians take many forms. For some, the worry is insufficient retirement income to maintain their standard of living after retirement and for others it is the inability to make ends meet on a daily basis.

#### **Poverty among BC seniors is significant and rising**

After decades of improvement, the percentage of seniors in Canada living near or in poverty rose by 25% from 2007 to 2008.<sup>3</sup> In BC, 7.3% of people over 65 live below the after-tax low-income cut-off line (LICO), amounting to 40,000 individuals. The poverty rate among seniors in BC is higher than the national average of approximately 7%. The poverty rate for 55 to 64 year olds in BC is higher still. Of that age group, 11.9% fall below LICO, amounting to over 58,000 individuals.<sup>4</sup>

A more instructive measure is the 1.7 million Canadians who receive GIS, or nearly 35% of all Canadians over 65, who by being eligible for GIS can be considered to be financially insecure. In British Columbia, 632,000 seniors were receiving OAS of whom 192,000 were receiving GIS.<sup>5</sup>

If nothing is done to address financial insecurity among seniors, by 2031 there could be well over 600,000 seniors in Canada officially living in poverty and millions more facing financial insecurity. As one of Canada's older provinces with higher than average poverty rates, BC must act to increase financial stability among its older citizens.

#### **Depth of poverty is under-appreciated**

After-tax LICO for 2010 was \$ 12,271 for a single person living in a rural community and \$18,759 for a person in a city with a population of 500,000 or more.<sup>6</sup> But, it would be a mistake to think that the 40,000 BC seniors living under LICO all have these levels of income. In fact, the average is closer to \$15,000 and the worst off are living on \$3,600 to \$9,500.

## Seniors Most at Risk of Poverty

A recent report from the Conference Board of Canada shows that income inequality in Canada has increased over the past twenty years.<sup>7</sup> Middle and lower income Canadians are experiencing shrinking shares in the national wealth but the report identified seniors as a group most at risk of experiencing low income.<sup>8</sup> Between 1997 and 2003, the average income of Canadian households increased by \$9,000 whereas the mean income of households headed by Canadians over 65 increased by only \$4,100.<sup>9</sup>

## The incidence of financial insecurity is segmented

The risk of poverty is much higher among seniors living alone versus those living in couples, and greater among women and visible minorities. Women may face retirement with less income for a number of reasons: their wages were inferior if they worked, they live longer than men and may more likely outlive their retirement savings, and women are still more likely than men to lose some working years to care for children or parents and spouses.

Between 2006 and 2009, nearly 128,000 more seniors became low income in Canada. Of that amount, an overwhelming 70% are women.<sup>10</sup> According to Statistics Canada, 18% of single (unattached) women over 65 in British Columbia, who live alone, live in poverty.

In British Columbia, 9.9% of all women over 65 still lived in poverty—almost double the rate of BC men. While the number of women with workplace pension plans tripled from 1974 to 2004, there is still a discrepancy in pension incomes between men and women that contribute to greater levels of poverty among older women.<sup>11</sup> Between 1991 and 2001, for example, retired women still earned 60 percent of the pension income earned by men.<sup>12</sup>

## Income Supports Inadequate

Exacerbating the problem for single seniors is that the OAS allowance for people aged 60-64 is not available to those who are single, divorced or separated, or married to someone who has not yet reached age 65.<sup>13</sup> Statistics Canada reports that an astounding 159,400 eligible Canadians over 65 are not collecting GIS benefits.<sup>14</sup> Effectively, almost 12 percent of eligible Canadians are not receiving GIS payments due in large part to the complexity of the application process.

Eligibility for the BC Seniors' supplement requires GIS and OAS enrollment, which means that thousands of BC seniors in need are not collecting the provincial supplement. Additionally, the BC Seniors' Supplement provides a monthly maximum of \$49.30 for single seniors and \$120.50 for senior couples.<sup>15</sup> While certainly helpful, most seniors receive less than the maximum and single seniors, who are in the most need of assistance, receive even less.

## Efforts to save for Retirement undermined by income tax rules

The market meltdown drastically eroded retirement savings, which have barely recovered. The mandatory RRIF (LIF) withdrawals permanently remove the tax deferred savings room and seriously impede their recovery. People already retired need more tax-deferred room, not less, to rebuild their much needed savings. There should be a moratorium on mandated RRIF (LIF) withdrawals and/or an expansion of the TFSA room.

## CARP recommends that the BC government:

- **Work with the federal government to comprehensively review and readjust the tax and income support policies to facilitate, and remove barriers to, retirement security including mandated RRIF (LIF) withdrawals, certain OAS clawback rules, GIS eligibility rules and an providing an equivalent to spouse allowance for single seniors.**
- **Increase the BC Seniors' Supplement to reflect better the financial needs of the province's financially insecure seniors, especially women and those who live alone.**

## 2. RETIREMENT SAVINGS GAP

The government of BC should be a provincial leader in working with the federal government to ensure that all Canadians have access to safe and robust retirement savings vehicles. CARP's principal focus with regard to the larger issues of pension plan coverage and savings adequacy has been on the 3.5 million middle income earners working for smaller employers and the 4.9 million earning less than \$30,000 per year.<sup>16</sup> This grouping of 8.4 million Canadians tends not to have workplace pensions and is most likely to have not saved adequately for their retirement. This retirement savings gap has been acknowledged by the federal and provincial

governments and the Pooled Registered Pension Plans (PRPP's) is proposed to address it.

### **Safeguarding PRPPs**

Protections for investors are needed to avoid the pitfalls already seen in other countries. Australia experimented with a nearly identical plan over a decade ago, and the results are not encouraging. The Australian Super Fund is mandatory – with an opt out – and essentially requires the employers to enrol their workers in one of many defined contribution plans offered by the private sector. A recent review of the system after 12 years experience, the Australian Super Fund Review commissioned by the Australian government, shows that while people were saving in droves through mandatory contributions, investment returns were no better than inflation.<sup>17</sup> The report blamed the high fees and costs despite the presumed role of competition.

Canadians now contribute about \$40 Billion to their RRSPs but that still leaves an estimated \$80 billion in RRSP “tax-deferral room” that has not been taken up. The potential business for the private sector administrators of the new PRPPs is enormous and the ‘regulated financial institutions’ will get monopoly access to a major source of new business – so now is the time to stipulate conditions such as regulated fee caps and limitations on risk taking with retirement funds – and all the more reason for the stakeholders that will be consulted on the proposals to include knowledgeable representatives of retirees.

CARP Members have been polled for their opinion on PRPPs and with their experience as retirees, they have clear expectations. They want the PRPPs to have the same low fees, risk management rules and defined/target benefits as the CPP. Members do not expect the private sector to provide safe, low-cost retirement plans. Members prefer the public option and the majority think that an enhanced CPP or another public option has a vital role to play in helping people to save adequately for their retirement, whether along with, or instead of PRPPs.

Certainly, the PRPPs improve on the status quo but the proposal does not include a public option, and calls for a Defined Contribution approach, so CARP is calling for legislated protections to ensure affordability, benefit adequacy, portability, fiduciary

responsibilities, and proper risk management.

### **CPP Enhancement**

The government of BC has already stated support of CPP enhancement and should continue working to build consensus among the provinces, territories, and federal government. As one of the biggest pension funds in the world, the fully funded CPP should be enhanced to further help all Canadians retire in security.

Enhancing the CPP is affordable and would result in considerable additional retirement income for all Canadians. A modest 10% increase - from 25% of Yearly Maximum Pensionable Earnings (YMPE) to 35% - would result in a maximum additional benefit of \$4,830/year and cost a maximum of \$45/month for the highest earners. A 10% enhancement of the CPP would only cost \$18/month for low income earners.

Even doubling the CPP, from 25% YMPE to 50%, would result in maximum monthly premiums for employees of \$110 for high-income earners and as little as \$45 for low-income earners. Doubling the CPP would result in a maximum additional benefit of \$24,150 per year - \$12,075 more per year than the current maximum.

**CARP recommends that the BC government ensure that all Canadians have the best possible options to provide adequately for their own retirement by:**

- **Working with the federal government to implement legislated safeguards for the PRPPs, such as fee caps, and further consideration be given to providing target or defined benefits**
- **Working with provincial, territorial, and federal governments to provide a modest enhancement to the CPP.**

### **3. HOMECARE AND CAREGIVER SUPPORT**

British Columbia recognizes the importance of home-based healthcare, through programs such as Home Support, Caregiver Respite/Relief, End-of-Life Care, and the BC Palliative Care Benefits Program. These programs are an important indication of British Columbia's recognition that people want to age at home with viable options for professional and informal care. Nevertheless, like all Canadian provinces, BC can do more to ensure that its citizens age with dignity. BC's population is older than the

Canadian average, with a median age of 40.5 compared to national average of 39.4. BC's neighboring provinces have median ages almost four years younger.

In British Columbia, at least 36% of adults and 68% of seniors have at least one confirmed chronic condition.<sup>18</sup> Additionally, the majority of BC adults with chronic conditions live with co-morbidities.<sup>19</sup> As the population continues to age, comprehensive homecare and caregiver support will become essential to addressing the health and social effects of chronic conditions.

With longer and increasing life expectancy, older Canadians may live many years or decades with the effects of one or more chronic conditions. Hospitals and institutional care are not the answer for most people. Most Canadians prefer to remain at home as long as possible as they age even if they face medical, physical or cognitive challenges. With proper supports such as home care workers and support for the family caregivers, an Aging at Home strategy will help people age gracefully and safely in their homes while supporting the caregivers that perform the bulk of the work.

### **The Next Essential Service**

Home care was designated as the next essential service in the 2004 Health Accords. With hospital downsizing, the aging population and shorter lengths of hospital stay, the last decade and a half has seen the rapid expansion of the post-acute home care sector. The result is an increased reliance on family and friends to fill home care service gaps. The *Romanow Report* recommended that massive Home Care Transfers to the provinces be used to support medically necessary home care services via the formal healthcare system, but also recommended that the federal government provide direct support for informal family caregivers.

Home care represents both a challenge and an opportunity. The challenge is addressing persistent system-level problems that will only intensify with a growing population of older Canadians. Individual programs and strategies have not proved adequate to support an aging population. The opportunity is found in saving the formal healthcare system billion of dollars each year, while allowing Canadians to age at home with dignity.

An estimated 2.7 million Canadians now caring for loved ones at home. The value of their unpaid labour is estimated to be \$25 billion per year.<sup>20</sup> The Health Charities Council of Canada estimated that in 1997, 93 million hours of formal volunteering were provided in Canada, on top of over 2 billion hours of informal caregiving. The combined value of these services was estimated at between \$20 and \$30 billion. The exact monetary value of relieving the formal healthcare system of personal homecare responsibilities has not been estimated, but it is likely commensurately high.<sup>21</sup>

Caregiving is only one part of the larger issue of homecare, which includes the formal healthcare system, including doctors, personal care workers, pharmacists, and others. It includes initiatives that get people home safely, get them placed in rehab or long term care if necessary and/or make sure they can meet their medical challenges at home as long as possible. CARP polls show that our members' demand for homecare is not currently being met.

71% of CARP members polled do not know whether their home province provides 24-hour homecare to those who need it.<sup>22</sup> Over 40% of members polled do not know where they would get homecare if they needed it. And 70% agree that 24-hour in-home care is preferable to institutional care for those who need it, even though it may be more costly.<sup>23</sup> For all levels of care need, home care, on average, is significantly less costly than care in a long term care facility.<sup>24</sup>

For example, average annual costs to government for people with moderate care needs in the mid-to-late 1990s, in British Columbia, was \$9,624 for persons on home care and \$25,742 for people in institutions. For people at the highest, or chronic, level of care, the corresponding costs were \$34,859 and \$44,233.<sup>25</sup>

Current research is adding further urgency to the issue. Writing for the Institute for Research in Public Policy (IRPP), Dr. Neena L. Chappell reiterates CARP's recommendation on homecare and caregiver support: "We need to establish a comprehensive home care system that links and partners with informal caregivers and community organizations to form a support network for informal caregivers and care recipients; one that is also integrated into the overall health care system. This would be cost-

effective and is the most appropriate option for an aging society.”<sup>26</sup>

**CARP recommends that the BC government:**

- **Work with provincial, territorial, and federal governments leading up to the 2014 Health Accords to promote a nationally coordinated homecare strategy that ensures national standards of care, stable and sufficient funding, and supports the work of informal caregivers by:**
  - **Establishing a new designated federal home care transfer to guarantee a basic level of home care services to all Canadians wherever they live;**
  - **Developing and investing in programs that allow more seniors to age at home;**
  - **Building upon recent recognition of the value provided by informal caregivers, by providing targeted financial support, especially to caregivers providing heavy care, workplace protection, respite, and work-leave, and integrating support for informal caregivers with the formal health system, through training and certification.**

Status and Age Groups (80) for the Persons in Private Households of Canada.

<sup>14</sup> Statistics Canada, GIS Update, Catalogue no. 75-001-X.

<sup>15</sup> [http://www.mhr.gov.bc.ca/factsheets/2005/seniors\\_supp.htm](http://www.mhr.gov.bc.ca/factsheets/2005/seniors_supp.htm)

<sup>16</sup> Ambachtsheer, Keith: The Canada Supplementary Pension Plan (CSPP) Towards an Adequate, Affordable Pension for All Canadians. C. D. Howe Institute May 2008

<sup>17</sup> <http://www1.carp.ca/PDF/Australia%20example1.pdf> Redesigning Choice and Competition in Australian Superannuation

<sup>18</sup> Broemeling, Anne-Marie Et al, Chronic conditions and co-morbidity among residents of British Columbia, UBC, 2005

<http://www.chspr.ubc.ca/files/publications/2005/chspr05-08.pdf>

<sup>19</sup> Ibid.

<sup>20</sup> Hollander, Marcus J. et. al. *Who Cares and How Much? The Imputed Economic Contribution to the Canadian*

*Healthcare System of Middle-Aged and Older Unpaid Caregivers Providing Care to The Elderly"* Healthcare Quarterly, 12(2) 2009. 42-29.

<sup>21</sup> Roy, J. "Building on Values: the Future of Homecare in Canada" National Library of Canada, (2002) 171.

<sup>22</sup> CARP Poll, June 2011,

[http://www.carp.ca/o/pdf/health%20care%20poll%20report\(3\).pdf](http://www.carp.ca/o/pdf/health%20care%20poll%20report(3).pdf)

<sup>23</sup> Ibid.

<sup>24</sup> Hollander, Marcus J. Unfinished Business: The Case for Chronic Home Care Services, A Policy Paper, Hollander Analytical Services Ltd., August 2003

<sup>25</sup> Ibid.

<sup>26</sup> Chappell, Neena L., Population Aging and the Evolving Care Needs of Older Canadians, IRPP,

[http://www.irpp.org/pubs/IRPPstudy/IRPP\\_Study\\_no21.pdf](http://www.irpp.org/pubs/IRPPstudy/IRPP_Study_no21.pdf)

<sup>1</sup> Conference board of Canada,

<http://www.conferenceboard.ca/hcp/hot-topics/canInequality.aspx>

<sup>2</sup> Conference board of Canada,

<http://www.conferenceboard.ca/hcp/hot-topics/canInequality.aspx>

<sup>3</sup> Campaign 2000, *2010 Report Card on Child and Family Poverty in Canada: 1989 – 2010*, 2010.

<sup>4</sup> <http://www12.statcan.gc.ca/census-recensement/2006/dp-pd/tbt/Rp-eng.cfm?TABID=1&LANG=E&APATH=3&DETAIL=0&DIM=0&FL=A&FRE=0&GC=01&GK=1&GRP=0&PID=94206&PRID=0&PTYPE=88971,97154&S=0&SHOWALL=0&SUB=688&Temporal=2006&THEME=81&VID=0&VNAMEE=&VNAMEF=>

<sup>5</sup> September 2010 in 8<sup>th</sup> Actuarial Report on OAS

<sup>6</sup> <http://www.statcan.gc.ca/pub/75f0002m/2011002/tbl/tbl01-eng.htm>

<sup>7</sup> Conference board of Canada,

<http://www.conferenceboard.ca/hcp/hot-topics/canInequality.aspx>

<sup>8</sup> Conference board of Canada,

<http://www.conferenceboard.ca/hcp/hot-topics/canInequality.aspx>

<sup>9</sup> National Advisory Council on Aging, <http://dsp-psd.pwgsc.gc.ca/Collection/H88-5-3-2005E.pdf>

<sup>10</sup> Conference board of Canada,

<http://www.conferenceboard.ca/hcp/hot-topics/canInequality.aspx>

<sup>11</sup> Government of Canada, Evidence Number 36, October 2009, *Standing Committee on the Status of Women*.

<sup>12</sup> Ibid.

<sup>13</sup> Statistics Canada, 2006 Census, Income Status Before Tax and Income Status After Tax (8) and Economic Family