People Behind the Numbers: 2013 Budget Recommendations to the Ontario Ministry of Finance

Executive Summary

Ontario's aging population is increasingly in the public policy spotlight. But the nearly 1 in 6 citizens now over the age of 65 are not a homogenous a group. Older Canadians are living longer, healthier lives than previous generations, but many in even the mid-income groups still face challenges of financial insecurity and inadequate retirement savings. Worse, nearly 7 percent of seniors still live in poverty and almost 1 in 5 single senior women live in poverty.[i]

Policy makers must see the people behind the demographic statistics. The Ontario government has recently targeted the varied needs of older Canadians, particularly in providing legislated work-leave for family caregivers, supporting CPP enhancement in the 2012 budget, and recognizing the health, well-being, and independence of older Ontarians in the action plans, *Living Longer, Living Well* and *Action Plan for Seniors*.

These positive steps forward and acknowledgements of the needs of older Ontarians require further direct action. Ontarians still face the prospect of retirement insecurity, insufficient caregiver support, a patchwork of homecare services, as well as rising cost of drugs. At the same time, many single seniors continue to struggle making ends meet, and saving for retirement. CARP's recommendations to the Ontario Ministry of Finance urge the government to see the people behind the numbers.

CARP Recommendations:

1. **Pension Reform: Renew commitment to pension reform, through CPP enhancement and PRPP modification.**

2. **Caregiver Support: Build on Bill 30 (Family Caregiver Leave Act) and support a comprehensive caregiver strategy in Ontario by funding health training, respite, and financial support for informal caregivers.**

3. **Homecare: Provide stable, ongoing funding for homecare and homecare services.**

4. **Pharmacare: Work with other provinces to improve access to and reduce cost burden of drugs through price negotiation and bulk buying.**

5. **Retirement Security: Support single seniors, with particular regard to older women, with an increase to GAINs and refundable tax-credits for single seniors in financial need.**

Who We Are

CARP is a national, non-partisan, non-profit organization committed to a 'New Vision of Aging for Canada' promoting social change that will bring financial security, equitable access to health care and freedom from discrimination. Our mandate is to promote and protect the interests, rights and quality of life for Canadians as we age.

1. **Pension Reform: Renew commitment to pension reform.**
    a. **Work with Provinces and Federal Government to enact a modest enhancement of the CPP**
    b. **Amend Provincial PRPP legislation:**
        i. **Set a fee cap**
        ii. **Require employer contributions**
        iii. **Require target benefit design**

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.[ii] 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 meant to address the gap.

In 2010, the Ontario government committed to working with the provinces and Federal Government to effect a modest enhancement to CPP at the same time as introducing PRPPs. The political landscape has changed dramatically since the PRPPS were first announced and the CPP-enhancement portion of the commitment was sidelined.

With many provinces sharing the original commitment, including Ontario's reiteration in its 2012 Budget, now is the time for the provincial government to gather support from the provinces and lead the way to CPP enhancement for all Canadians.

Inadequacy of private savings
Approximately 36% of Canadians in 2011 stated a lack of confidence in their ability to save for retirement, compared to 18% in 2010. And, 42% are less optimistic about the financial markets this year compared to last year.[iii]

RRSPs have not been the answer to retirement security and another voluntary option such as the PRPPs is unlikely to improve savings. Canadians now contribute $33.9 billion to RRSPs, which is only 5.1% of the total room available to eligible tax-filers. In effect, Canadians already leave $630 billion dollars of RRSP contribution room untouched. More importantly, while the number of eligible taxpayers has increased, fewer Canadians contributed to RRSPs in 2010 than did in 2009.[iv]

CARP 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.

PRPPs are not the answer
PRPPs fall short of the core goal of providing a universally accessible and affordable retirement savings vehicle that would help provide an adequate retirement income. PRPPs can be made to help Canadians better save for their own retirement, but only if current design problems are corrected.

Australia experimented with a nearly identical plan over a decade ago, and the results are discouraging. The Australian Super Fund is mandatory – with an opt out – and requires 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 of experience, Australian Super Fund Review[v] commissioned by the Australian government, shows that while people were saving in droves through mandatory contributions, investment returns were no better than inflation. The report blamed the high fees and costs despite the presumed role of competition. PRPPs may have the same disadvantages.

CPP enhancement
CARP has consistently called for a supplementary Universal Pension Plan modeled on the CPP with mandatory enrolment, utilizing the existing payroll deduction mechanism, professional management, a governance role for the members, a mandate that is focused entirely on optimal performance and independence from government or any single employer. Defined benefits (DB) are also essential to achieving all of these goals.

As one of the largest pension funds in the world, the 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 payable by each employee and employer for those earning the maximum pensionable earnings [using 2011 numbers].. 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.

2. **Caregiver Support: Build on Bill 30 (Family Caregiver Leave Act) and support a comprehensive caregiver strategy in Ontario by funding:**
    a. **Formal, integrated health training for family caregivers**
    b. **Respite options for heavy care providers**
    c. **Financial support for informal caregivers through fully refundable caregiver tax credits**

Almost three million Canadians over 45 provide some informal care to family and friends, most of whom are women.[vi] Caregiving is taxing physically, emotionally and financially. Informal caregivers do much of the heavy lifting better suited to professional long-term care (LTC), the out-of pocket expenses for which are out of reach for most seniors, regardless of provincial subsidies and co-pays. A universal LTC savings or insurance plan could go a long way to helping Canadian prepare and deal with the challenges of chronic illness and care.

In Germany, for example, mandatory Long-Term Care (LTC) insurance provides benefits to eligible family caregivers, which includes up to a maximum of four weeks leave during which the LTC insurance covers expenses and provides a maximum of 1,510 Euros.[vii] Such policies provide heavy-care providers with the financial security needed to help family members with chronic conditions.

In lieu of such a plan in Ontario, informal caregivers require meaningful financial support for providing millions of hours and billions of dollars' worth of care to family and friends. The 2011 Federal non-refundable Family Caregiver Tax Credit was a positive step forward in recognizing informal caregivers. But, making the tax credit refundable would have helped ensure that even those Canadians without taxable income could receive financial recognition of their contribution. The Ontario government has an opportunity now to help Ontario caregivers with a fully refundable caregiver tax-credit.

3. Homecare: Provide stable, ongoing funding for homecare and homecare services

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 billions of dollars each year, while allowing Canadians to age at home with dignity.

Living Well, Living Longer, the recent action plan released by the Ontario Ministry of Health and Long-term Care recognizes the value of homecare services and promises expanded community and homecare services. While the promise is encouraging, implementation and funding should be expedited.

Almost three million Canadians are currently caring for loved ones at home. The value of the unpaid labour contributed by informal caregivers is estimated to be $25 billion per year.[viii] 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.[ix] The exact monetary value of relieving the formal healthcare system of personal homecare responsibilities has not been estimated, but it is likely commensurately high, and growing as the population ages and acute services and beds fall behind demand.

CARP polls show that our members demand for homecare is not currently being met.[x] Seventy-one percent of members polled do not know whether their home province provides 24-hour homecare to those who need it. 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 for those who need it to institutional care, even though it may be more personally costly.

4. Pharmacare: Work with other provinces to improve access to and reduce cost burden of drugs through price negotiation and bulk buying

CARP is calling on the Ontario government to build on the success of the 2010 generic drug reforms and to work with the other provinces to build upon the recent, modest success in reducing the cost of six generic drugs.

Drugs are expensive in Canada, both to citizens and government, and access is still an issue for many people. According to a survey by Statistics Canada, 24% of Canadians have no drug coverage, and 8 percent of Canadians claim they did not fill a prescription in the last 12 months due to the costs of drugs. Drug costs in Canada have increased on average by 10.5% a year between 1985 and 2008.

The rise in drug costs in Canada has meant more spending by Canadians through their taxes, private insurance premiums, or from out-of-pocket expenses. Out-of-pocket expenses on prescription drugs total $4.6 billion dollars a year in Canada.

Coordinated bulk buying of drugs by the provinces, and the leverage achieved by coordinated negotiations, can reduce the cost burden of drugs for both Canadians paying out of pocket and for governments.

Savings of over $10 billion can be achieved by rigorously reviewing the medical benefits of all drugs and using provincial collaboration as negotiating leverage with pharmaceutical companies, as is currently the practice in New Zealand.[xi]

5. Retirement Security: Support single seniors, with particular regard to older women, with an increase to GAINs and refundable tax-credits for single seniors in financial need

The risk of poverty is much higher among seniors living alone compared to 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 be more likely outlive their retirement savings, and women are still more likely than men to lose some working years caring for children or parents and spouses.

The hardest hit group of Canadians are single, unattached, women over 65, almost 20% of whom live under the after tax low-income cut-off of approximately $20,000/year. This situation is not expected to dramatically improve in the immediate future: over 30 percent of single women between 45 and 64 are low-income. Seventy percent of part-time workers and 66% of minimum wage earners are female.[xii] For many of these women, the combination of OAS and GIS is the deciding factor in keeping them out of poverty.[xiii]

Single seniors are more prone to lower-income than their married or coupled counterparts. Eighteen percent of single women and 14% of single men over 65 live in poverty.[xiv] While the number of women with workplace pension plans tripled from 1974 to 2004[xv], there is still a discrepancy in pension incomes between men and women that contributes to greater levels of poverty among older women. Women still earn considerably less than men. Between 1991 and 2001, for example, retired women earned 60 percent of the pension income earned by men.[xvi]

The recent Federal changes to OAS eligibility exemplify the divide between demographics and people. Many Canadians, not just those most reliant on the OAS and GIS, will be adversely affected by the two year delay in OAS, which will hurt most precisely those Canadians least able to withstand the delay.

OAS is a considerably more important source of income for older women than for men. In 2008, 52.6% of the income of senior women came from government transfers compared to 37.5% for men. A full 30% of senior women’s income came from the Old Age Security program – twice as much - compared to 16.9% for men.[xvii] 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.[xviii]

Increasing GAINs and providing a refundable tax-credit would go a long way towards helping secure the financial needs of single, low-income seniors - especially older women.

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