

CARP's Vision for Pension Reform

- Facts & Recommendations -



Retirement Savings Crisis: Canadians are not saving enough for their own retirement

- Two-thirds of the workforce – 12 million Canadians – do not have workplace pension plans.
- The Canadian median RRSP value in 2005 was only \$30,000, far short of the \$500,000 to \$1,000,000 retirement savings goal most Canadians will need to retire securely and without a drop in standard of living.

Inadequacy of Private Savings

There is a growing consensus that private savings options such as RRSPs and Pooled Registered Pension Plans (PRPPs) are not the answer to the pension crisis. Private savings options fall short of the core goal to provide a universally accessible and affordable retirement savings vehicle that would help provide an adequate retirement income. Canadians need a retirement savings vehicle that can do what personal and individual savings accounts cannot.

A new retirement savings vehicle should have the following features:

1. **Independence and accountability:** Independent of government or single employers with a provided governance role and accountability to plan members;
2. **Use existing enrolment and administration mechanisms:** Include employer contributions with mandatory enrolment using the existing payroll deduction mechanism;
3. **Professional management:** Managed with a focus entirely on optimal performance including low management and administration fees;
4. **Large, pooled funds:** to increase investment returns and ensure greater fund stability;
5. **Portability and predictable benefits:** Available to all working Canadians, with full portability across jobs and provinces, providing target benefits to help people plan for retirement.

CARP's Plan: A Universal Pension Plan and Modest CPP enhancement

CARP has long called for a supplementary Universal Pension Plan (UPP) that would work like the CPP, allowing Canadians to safely supplement retirement savings through a large national plan. CARP is advocating for a UPP, independent of government or single employers, with mandatory enrolment that would use the existing payroll deduction mechanism, and professional management, with a focus entirely on optimal performance.

CARP's UPP model would provide target benefits allowing Canadians to better plan for retirement. Such a plan would provide Canadians true portability across jobs and provinces, and like the CPP its size would offer greater protection against market shocks, unlike retail investment options and PRPPs.

The CPP, which already shares many of the features of CARP's UPP, should be modestly enhanced in addition to a UPP to further help all working Canadians retire securely.

For references and more information, contact Sarah Park, Director, Communications: s.park@carp.ca

