

Pension Myths & Facts



MYTH

Canadians don't need help saving for retirement

FACT

- **12 million do not have workplace pensions** - that's two-thirds of working Canadians
- **\$400,000** - the average amount baby boomers are short of their individual retirement savings goal
- **600,000 seniors live in poverty** right now in Canada
- **36% of Canadians** stated a lack of confidence in their ability to save for retirement in 2011

MYTH

The government has acted - PRPPs will help people save

FACT

- **70% of CARP members polled disagree** that PRPPs are the answer to inadequate retirement savings
- **PRPP are basically a group RRSP**, which haven't done enough to help Canadians save
- **Only 4.5% of the total RRSP room** available to eligible tax-filers in 2011 was used
- **\$22,450** - maximum individual RRSP room in 2011
- **\$2,830** - median individual RRSP contribution in 2011
- **PRPPs are voluntary** - employers don't have to offer them or contribute to employee funds

MYTH

CPP enhancement is a 'job killer'

FACT

- **No evidence supports this myth.** The national employment rate rose steadily from 1997 to 2003, during the time when CPP premium rates were increased by nearly 70% from 5.8% to the current level of 9.9%. Only in 2001, we saw a small recessionary slip.

MYTH

The CPP fund won't last long enough for me to get my pension

FACT

- **The CPP is fully sustainable** for the next 75 years, according to the Chief Actuary.



MYTH

CPP enhancement
is just a tax grab

FACT

- **The CPP is not run by government and it's not a tax.** Your CPP is an earned pension. CPP Investment Board (CCPIB) manages the CPP at arm's length from all levels of governments and makes independent investment decisions. As enshrined in law, the board of directors approves investment policies, and management makes investment decisions consistent with the approved policies.

MYTH

The Ontario Retirement
Pension Plan will be
unaffordable for
working Ontarians

FACT

- Employees will contribute 1.9% of their income, matched equally by employers, just as with the CPP. In total, the ORPP contributions will be 3.8% of income.
- **For someone earning \$45,000/year:** Individual contributions will be **\$65/month matched by employer.** Maximum ORPP benefit in retirement will be **\$6,400/year for life.**
 - **For someone earning \$70,000/year:** Individual contributions will be **\$105/month matched by employer.** Maximum ORPP benefit in retirement will be **\$10,000/year for life.**
 - **For someone earning \$90,000/year:** Individual contributions will be **\$135/month matched by employer.** Maximum ORPP benefit in retirement will be **\$12,500/year for life.**

MYTH

Defined Benefit plans
have no public value -
they only benefit a small
number of retirees

FACT

- **DB pension benefits help small Canadian towns:** DB benefits form 9% of the total earnings in small towns versus 6% for large metropolitan areas.
- **DB plans invest in Canada:** DB plans contribute \$27 billion in Ontario alone on consumables, shelter, recreation, and services, generating \$6 billion in taxes.
- **DB plans reduce reliance on government assistance:** 10-15% of DB beneficiaries collect the GIS, compared with 45-50% of other Canadian retirees.
- **DB plans largely pay benefits from investment returns:** As much as 80 cents of every pension dollar from studied pension plans comes from investment return.