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NEWS RELEASE

Expanding CPP/QPP would maintain future retirees' living standard

National, mandatory, defined-benefit plans would be higher, more secure

Montreal – A modest expansion of the Canadian and Quebec Pension Plans (CPP/QPP) would be the best option to provide future retirees with sufficient retirement income to maintain their standard of living into retirement, according to a new study published by the Institute for Research on Public Policy (IRPP).

In recent decades, Canada's three-tier retirement income system has provided satisfactory pension incomes for a growing number of retirees, and has dramatically reduced poverty among seniors. However, there is increasing pressure for reform. Heavy reliance on private saving and insufficient voluntary pension savings, combined with an aging population, lower rates of return on investment and a decline in employer-sponsored registered pension plans, cast doubt on the retirement income security of today's middle-income workers.

In his study *A New Pension Plan for Canadians: Assessing the Options*, author Keith Horner compares three pension plan options with the same contribution structure: a mandatory defined-benefit plan (DB) and two defined-contribution (DC) plans, one mandatory and the other voluntary. Horner's proposed DB plan would raise the CPP/QPP benefit rate from 25 to 40 percent of earnings up to \$48,300, and from 0 to 25 percent of earnings between \$48,300 and \$96,600.

Having compared the effects of his proposed DB plan with the two DC plans, Horner concludes that a DB plan would provide higher, more secure and predictable benefits per dollar of contribution than would a DC plan.

"Defined-benefit plans can achieve higher returns because they enable longer investment horizons and slightly greater exposure to risk," says Horner

A New Pension Plan for Canadians: Assessing the Options can be downloaded free of charge from the Institute's Web site (www.irpp.org).

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For more details or to schedule an interview, please contact the IRPP.

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