



*Institute for
Research on
Public Policy*
*Institut de
recherche
en politiques
publiques*

For immediate distribution – December 16, 2010

NEWS RELEASE

Trade-offs in pension reform still need to be achieved

CPP a solid pillar to build on, but expansion presents challenges

Montreal – Recent pension reform proposals under discussion in Canada to address declining participation in workplace pensions leave some crucial questions unanswered, according to a new study published by the Institute for Research on Public Policy (IRPP). For instance, while there would be advantages to expanding the Canada Pension Plan (CPP), care should be taken not to force low-income workers to save more than they need to.

The study, *Pension Reform in Canada: A Guide to Fixing our Futures Again*, by Bob Baldwin, examines recent reform proposals, including increasing the CPP's benefit rate and/or contribution ceiling, new plans recommended by provincial inquiries, and the Canada supplementary pension plan proposed by pension expert Keith Ambachtsheer.

All the proposals discussed start from the premises that individual employers are not the most appropriate platform to provide pensions, and that new initiatives need to be fully funded in advance to ensure intergenerational equity. In other words, new benefits would only be phased in over a long period of time. But Baldwin argues this may not be the best approach.

The study also suggests that changing the regulations and tax rules for private retirement plans without altering the boundary between mandatory and voluntary pension arrangements will be insufficient to improve coverage and ensure adequate retirement income.

In discussing the pros and cons of the different pension proposals, Baldwin underscores key issues that need to be resolved before moving forward. These include the extent to which participation should be mandatory and the impact of any modifications on existing workplace pension plans that are effective.

“My hope is that finance ministers at the upcoming December 20th meeting will first of all reaffirm their commitment to some kind of CPP expansion and address potentially volatile contribution rates resulting from fully funded benefits,” says Baldwin.

The study, Pension Reform in Canada: A Guide to Fixing our Futures Again, can be downloaded free of charge from the Institute's Web site (www.irpp.org).

-30-

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

To receive our monthly bulletin *Thinking Ahead* via e-mail, please subscribe to the IRPP e-distribution service by visiting our Web site.

Media Contact: Nicola Johnston

Tel: 514-787-0737

Cell: 514-235-8308

