



February 9, 2012

A Message to CARP Members from the Canadian Labour Congress

The Prime Minister wants to raise the age at which people can collect the Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) from 65 to 67. That is the worst possible way to deal with the challenges of income security in retirement. Today's seniors understand those challenges well. They wonder how their children and grandchildren will be able to save for retirement in a changing economy where for the last thirty years middle-class wages have stagnated in real terms. Housing also eats up a bigger chunk of family income, and rising tuition costs place debt burdens on young people.

As a member of CARP, you will be concerned by the government's attempts to change OAS eligibility. Canada's public pensions – OAS and GIS plus the Canada Pension Plan (CPP) – together provide a replacement income in retirement of less than 40% of the average Canadian wage. That is one of the lowest replacement rates from public pensions in any advanced industrial country.

An increase in the eligibility age would remove a basic building block of retirement income security, and would be felt most by low-income seniors and those unable to work past age 65. Many of you have worked in physically demanding occupations, some retiring early because of disabilities. You know how much people with disabilities depend on the income from OAS when they turn 65.

But all this talk about OAS masks the real problem with Canada's retirement system and that is one of decent retirement income.

For too long Canadians have been expected to secure their own decent retirement by saving through vehicles such as RRSPs. They haven't produced the anticipated results, mainly due to the difficulties low and middle-income earners have in saving, and because of high fees charged by the Canadian financial and mutual fund industries. Those fees are among the highest in the world.

When the Canada Pension Plan was introduced in the 1960s, the benefit rate was set low because companies and employers were supposed to come through with workplace pension plans to fill the gap. But that hasn't happened.



Two-thirds of all workers today do not have access to an employer pension plan. Many of those who do have seen companies renege on their commitments and shut down pension plans, or change the plan benefits for the worse.

All of this means that many future seniors will face severe financial difficulties, and making them work longer won't solve that problem.

There is a better way. Rather than limit access to OAS and GIS, the federal and provincial governments should be working together to improve our public pension system through a gradual expansion of the Canada Pension Plan. The CPP provides a guaranteed, inflation indexed income. Even the Prime Minister has acknowledged CPP is rock solid.

The Canadian Labour Congress has put forward an affordable, achievable plan to expand the CPP on a fully-funded basis. Our proposal has been vetted by a former chief actuary of the Canada Pension Plan. When the enhanced CPP is fully phased in, the next generation will not have to worry about retiring into poverty.

Instead of making it harder for our children and grandchildren, let's work together and leave them with the lasting legacy – of a decent retirement.

You can learn more about our campaign to expand the Canada Pension Plan at www.canadianlabour.ca

Sincerely,



Ken Georgetti
President