



May 15, 2018

Standing Senate Committee on Banking, Trade and Commerce
The Senate of Canada
Ottawa, Ontario
Canada, K1A 0A4

Please find attached CARP's submission regarding Bill C-74, An Act to implement certain provisions of the budget. We comment on the proposed changes to the Canada Pension Plan (Division 19, Part 6).

Yours sincerely,

A handwritten signature in blue ink that reads "Wanda Morris".

Wanda Morris
VP of Advocacy

A handwritten signature in black ink that reads "Marissa Semkiw".

Marissa Semkiw
Director of Policy and Government Relations



Summary

CARP strongly supports the Federal Government's 2016 decision to enhance the Canada Pension Plan (CPP) and, as part of implementing that enhancement, to increase CPP benefits otherwise payable to parents who have taken time out of the workforce to raise children. CARP encourages the government to revise the calculation of these enhanced benefits, recommending the use of a 'drop out' rather than a 'drop in' provision.

CARP Strongly Supports CPP Enhancement

The facts are clear and compelling. Canadians are not saving enough for retirement. With increased longevity, the discontinuation of defined benefit pension plans, and historically low interest rates, more and more Canadians will struggle to make ends meet in what should be their golden years.

CARP has long advocated for increases to CPP and welcomed the enhancement announced in 2016. Because of its size and investment horizon, CPP contributions are well positioned to earn competitive returns with low fees. The nature of CPP, as of all pensions, provides for the pooling of longevity risk so no one need fear outliving this income stream. For these reasons CARP believes enhancing CPP was a critical first step in improving retirement security for all Canadians.

The Face of Senior Poverty is Female

The face of senior poverty in Canada is overwhelmingly that of single women. One-quarter of single seniors live in poverty and women are 1.5 times as likely to live in poverty as senior men. In order to alleviate the plight of poor seniors, CARP strongly supports programs that address its root causes, including under-earning during prime employment years.

Many women who become single through divorce or death, have comparatively smaller retirement savings than their male peers because they took time out of the workforce to raise children. Women are also more likely to work in part-time, temporary and lower-wage jobs, which affects their pensions and retirement savings. CARP supports government policy which increases the benefits otherwise payable to those who have taken time out for child-rearing.

Addressing impaired earnings arising from child-rearing

Bill C-74 proposes that parents who take time off for child rearing nevertheless obtain credit for these years towards their ultimate CPP payout. This is to be accomplished by a drop-in provision (adding a credit for the average income earned in the five years prior to becoming the primary caregiver for a child under the age of



seven). This method contrasts with the method used for base CPP calculations which allows CPP recipients to drop out below-average earnings where they were the primary caregiver for a child under the age of seven. This drop out provision effectively provides a credit equivalent to the average life-time earnings of the contributor.

Given that incomes generally increase as we age, for most parents, the drop-in provision will result in a lower credit than that which would be calculated through a drop-out provision.

CARP encourages the government to use a drop-out provision, consistent with the calculation used for base CPP, to maximize the payout to those who have worked and taken time out to raise children.

This is CARP's submission. Thank you for your kind consideration.