Confédération des syndicats nationaux

CSN

Brief by the
Confédération des syndicats nationaux

submitted to the
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in the framework of consultations on the paper

Ensuring the Ongoing Strength of Canada's Retirement Income System

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Table of Contents

Introduction

By submitting this brief, the Confédération des syndicats nationaux (CSN) wishes to express its interest in the federal government's consultations on the strength of Canada's retirement income system.

The CSN represents more than 300,000 workers present in all spheres of activity and from all regions of Québec. It also represents unions present in all the provinces of Canada.

The nature of its responsibilities means that the CSN is regularly called upon to intervene with respect to both public and private retirement income plans, one of the essential aspects of its members' working conditions. This is done in the general framework of collective bargaining, to start with. Here the CSN provides direct support for unions, offering technical and professional expertise, setting bargaining policy and helping to train union representatives. This work is extended through the CSN's interventions with regulatory authorities, the courts and legislators.

The recent financial crisis has put into serious question the environment in which pension plans operate. Neither defined benefit plans nor defined contribution plans were able to withstand the financial storm we experienced. In the case of defined benefit plans, legislative changes were made in all provinces to relieve funding obligations and allow corporations to weather the crisis. In the case of defined contribution plans, workers saw their savings melt away dramatically; many of them will have to postpone retirement to make up for their losses.

But the problems in Canada's system of retirement income go beyond the current financial crisis. Fewer than half of Canadian workers have ever had access to registered pension plans. Many are left on their own to save, or only have access to a plan that doesn't allow them to accumulate an adequate income. These consultations should lead to proposals and solutions resulting in reforms that will give workers greater financial security in retirement. It's with this perspective in mind that the CSN submits its comments.

A retirement system based on three pillars

Our retirement income system is based on three pillars. It is a structure involving "public private" programs, "voluntary-mandatory" plans and "collective-individual" savings vehicles. Compared to retirement income systems in other countries in the Organization for Economic Co-operation and Development (OECD), Canada's system is a good example of a compromise between systems based on big public plans and those composed primarily of private company plans. The CSN believes in this model of retirement income system, in its capacity to allow all citizens to have a decent retirement income and in its long-term viability. In recent decades, however, not much has been done to modernize our system or restore some of the pillars that have been severely weakened by various economic and international conditions.

The first pillar is the Old Age Security (OAS) and Guaranteed Income Supplement (GIS) programs, which are entirely public and which constitute the foundation of our retirement income system. Unfortunately, although the primary mission of these two programmes is to provide all Canadians with a minimum level of income and thus avert poverty among seniors, there are still pensioners with insufficient incomes. In January 2010, these two pension programs combined provided a person living alone with an annual minimum income of $14,033, which is very close to the low-income threshold. We therefore think that it is necessary to give serious thought to this program for reducing poverty among seniors.

The second pillar is the Québec Pension Plan (QPP) and the Canada Pension Plan (CPP), another major component of our retirement system. Consultations have taken place in recent years on consolidating the financial situation of these two plans and adapting benefits to new social realities. The consultation paper outlines proposals to expand the scope of these plans by doubling the income replacement rate. We don't think that the QPP and the CPP should be used to compensate for private employer plans. The CSN considers that it is important to strike a balance among the three pillars, because their objectives are complementary.

Finally, the third pillar, namely (private) savings, is undoubtedly the weakest one. This pillar is used to close the gap between the target income replacement rate (70% of pre-retirement income) and what is provided by the public pension plans. The percentage of workers covered by a registered pension plan is declining steadily. Today, less than 40% of workers have access to an adequate pension plan.Major changes are needed for this pillar to play its role effectively. If nothing is done, Canadian workers will retire with incomes that are insufficient. In the past, both provincial and federal governments intervened regularly in the funding of registered pension plans. This time, the federal government should intervene on the number of plans, the value of the income they provide for and their capacity to cover all Canadian workers. The government has no choice but to invest now in a major reform that addresses access to private plans and the obligation for all workers and employers to participate in them.

The Guaranteed Income Supplement (GIS) and Old Age Security (OAS)

These two government programs are meant to provide citizens with decent minimum incomes in retirement. Their mission is to protect people with low incomes. Although the GIS is reduced in proportion to retirement income and a clawback of the OAS kicks in when retirement income reaches a certain level ($66,733 in 2010), these programs are not directly related to the employment income earned during a person's working life. Of all the components of Canada's retirement income system, these programs are the most universal and the broadest in scope.

As various studies have shown, the universality of OAS and the additional income provided under the GIS for people with very low incomes means that the rate of poverty among seniors is lower in Canada than in most other OECD countries.

Despite this, the income provided by these two programs is not enough. Under current rules, any retirement income over and above OAS reduces the GIS benefits payable. At the present time, workers with low earnings who participate in the Québec Pension Plan (QPP) and the Canada Pension Plan (CPP) will necessarily have their GIS benefits amputated when they retire.
Any additional savings will have a similar impact: the GIS benefit will be reduced by $1 for every $2 of additional income from personal savings. The impact is brutal, and constitutes a major incentive to avoid saving in the case of low-income workers.

The following chart shows how a worker earning $20,000 or $30,000 is penalized for saving 2% of earnings for retirement. Saving 2% of your pay when you earn $20,000 or $30,000 is much harder and has much more impact on your standard of living than it does when your annual income exceeds the maximum pensionable earnings. But the additional income generated by these personal savings amounts to only 11% of retirement income, compared to 18% for a worker with an annual income of $50,000. The difference stems from the fact that the low-income worker loses part of his or her GIS benefit.

Income from various pension plans

No personal savings

Annual career-end income	QPP/CPP and OAS	Personal savings	GIS	Total	Income replacement
$20,000	$11,204	$0	$5,330	$16,534	83%
$30,000	$13,704	$0	$4,080	$17,784	59%
$40,000	$16,204	$0	$2,830	$19,034	48%
$50,000	$18,004	$0	$1,930	$19,934	40%

2% savings annually

Annual career-end income	QPP/CPP and OAS	Personal savings		GIS	Total	Income replacement	Additional income	
$20,000	$11,204	$4,457	22%	$3,101	$18,763	94%	$2,229	11%
$30,000	$13,704	$6,686	22%	$737	$21,127	70%	$3,343	11%
$40,000	$16,204	$8,915	22%	$0	$25,119	63%	$6,085	15%
$50,000	$18,004	$11,143	22%	$0	$29,147	58%	$9,213	18%

Although the GIS has to be reduced when a worker reaches a certain level of retirement income, we think that it should not discourage lower-income workers from saving. Similarly, in some kinds of jobs with relatively low wages, there is no incentive for either employees or the employer to pay into retirement savings, since the savings will reduce GIS benefits.

Many workers will earn more as their career progresses, however, and will then begin to save for retirement. But all the years during which they haven't contributed to a pension plan will mean that their retirement replacement income will be insufficient.

To encourage workers who earn less to save for retirement, the CSN proposes that the first $2,000 of annual income from savings over and above OAS, QPP and CPP benefits be excluded from the amount used to calculate the reduction in GIS benefits. As the following chart shows, only those with the lowest earnings would be affected. For anyone with an income of more than $35,000, savings of 2% a year would mean that the GIS benefits are no longer paid in retirement.

Income from various pension plans

No reduction in GIS for the first $2,000 in income over and above QPP, CPP and OAS

No personal savings

Annual career-end income	QPP/CPP and OAS	Personal savings	GIS	Total	Income replacement
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$40,000	$16,204	$8,915	22%	$0	$25,119	63%	$6,085	15%
$50,000	$18,004	$11,143	22%	$0	$29,147	58%	$9,213	18%

The Québec Pension Plan and the Canada Pension Plan

The Québec Pension Plan and the Canada Pension Plan are very important components of the retirement income system. Although the replacement income they provide is modest for many workers, these government plans ensure that all workers have pension benefits tied to what they earned during their working life. As well, the QPP and the CPP have various social components that provide for a certain redistribution of wealth to lower-income workers. Thus our public plans play a key role in the social safety net by giving all workers access to a guaranteed, indexed retirement income. The financial crisis that we have just gone through demonstrates the importance of such programs clearly. But even though access to these programs is universal, very few pensioners receive the maximum amount of benefits.

One of the proposals in the consultation paper is to expand the scope of the QPP and the CPP to make them the main forms of retirement income for all workers. These plans are the result of various social compromises, at the expense of intergenerational equity. If we are to examine the impact of such a major change in the QPP and the CPP, we have to weigh the impact on all generations.

Intergenerational equity and higher income replacement rates from the QPP and the CPP

Since the establishment of the QPP and the CPP, various reforms have increased the contribution rates to consolidate what were often precarious financial situations. Although necessary, these increases in rates, associated with reductions in certain benefits, have had a major impact on the intergenerational equity of the two plans. Talking about equity is easy, but it is much harder to define and measure the concept. In a pension plan, equity can't be measured solely in terms of contributions paid in or the level of any future increase. The benefits provided by the plan are also part of the equation. If contributions are kept equal but benefits are reduced for one group of plan members, that group is penalized more than others, who continue to enjoy the same benefits or who have already retired.

For the QPP, we calculated the ratio between the value of accumulated contributions plus interest and the value of the pension paid out by the plan. Note that the value of retirement benefits doesn't cover all the benefits paid out under the plan (disability, death, surviving spouse's benefits, etc.)[1] Although we haven't done the same analysis for the CPP, we think that the conclusions would be fairly similar.

The following chart presents a comparison of different cohorts of plan members. Our calculations take into account changes in the contribution rate and in the value of benefits over the years. Obviously the 100% ratio of a

1 See the method defined in Appendix 1.

balanced plan, in which the value of a worker's average benefits corresponds to the average value of the contributions paid by the worker and employer over his or her working life, is not achieved. But this shouldn't be the objective of a plan like the QPP or the CPP.

Comparison of results – Retirement at 65 years of age
Current method

Year of retirement	Age in 2009	Contributions	Benefits	% spent
MEN				
1976	98	$2,444	$19,590	12%
1986	88	$10,825	$64,072	17%
1996	78	$36,769	$100,585	37%
2006	68	$106,559	$125,062	85%
2016	58	$233,360	$167,755	139%
2026	48	$445,691	$226,319	197%
2036	38	743,974	$303,159	245%
2046	28	1,080,506	$404,376	267%
WOMEN				
1976	98	$2,444	$23,351	10%
1986	88	$10,825	$75,973	14%
1996	78	$36,769	$115,875	32%
2006	68	$106,559	$140,078	76%
2016	58	$233,360	$185,409	126%
2026	48	$445,691	$247,106	180%
2036	38	$743,974	$328,318	227%
2046	28	$1,080,506	$435,475	248%

Drawing on this chart, we can see that a man who retired at 65 in 1976 paid in about 12% of the value of the pension he received once he retired. This is explained by the fact that he didn't have to pay into the plan for 35 years to be entitled to a full pension, and that his contribution rate was fairly low, compared to contribution rates today. In the case of a worker who retired in 2006, the ratio is about 85%. The contributions paid in for him still don't cover the full cost of his benefits, and future generations will have to fund this additional cost through higher contributions.

This transfer of funding means that a person born in 1961 who retires in 2026 will contribute 197% of the value of her or his pension. A participant born in 1981 who retires in 2046, taking the current plan as a given without any reform or increase in contributions, will have to contribute 267% of the value of the pension that the plan promises to pay.

There are a number of factors that explain the disparities between the age cohorts:

1. the benefits paid to older workers when the plan was established;
2. low contribution rates before 1998;
3. the freeze on the basic exemption in 1998;
4. the low MPE[2] from 1966 to 1985; etc.

2 MPE: Maximum pensionable earnings.

Although equity has always been one of the basic principles that was supposed to guide reforms, the Québec Pension Plan and the Canada Pension Plan are not models in intergenerational equity; far from it. They are instead the fruit of social consensuses that emerged over the years. Our goal here is not to put into question these consensuses or what has been granted to the various generations. But we do think that we have to be very prudent when it comes to discussing the possibility of expanding the scope of the QPP and the CPP.

The consultation paper asks for an opinion on the proposal to double the income replacement rate of CPP benefits, and therefore of QPP benefits. Although modifying the plan for future years without affecting benefits already accumulated under the plan might be worthwhile, we think that there would be tremendous pressure to make the same improvements for previous years. The pressure would be all the greater given that many pensioners have seen their retirement income shrink because of the insolvency of their pension plan and their employer.

Similarly, people who had saved through capital accumulation plans like RRSPs or defined contribution plans have seen their projected retirement income considerably affected by the recent financial crisis. The CSN is firmly convinced that corrections have to be made to the current retirement income system to avoid a repetition of such situations. But it is also necessary to maintain the support of future generations for the QPP and the CPP. We can't add yet again to benefits for years already credited under the plan and transfer the financial burden to future generations of participants.

Doubling the earnings covered by the plan and requiring contributions of about 10% on this additional remuneration would put tremendous pressure on the funding of existing private plans. In our opinion, if the government were to decide to double the value of the QPP and the CPP, it would probably have serious consequences for private plans, including the winding-up of a large number of supplemental pension plans – more so in the private sector than in the public and parapublic sectors. So the CSN does not favour the approach of doubling the income replacement rate of QPP and CPP benefits.

Private plans

Although the first two pillars of the retirement income system do provide for the replacement of some income, it is nevertheless true that for the majority of workers, this income will have to be supplemented by benefits from a company plan in order for them to maintain a standard of living in retirement that is similar to what they had while working. The third pillar therefore fills the gap between the income replacement rate produced by the public pension plans and the objective of a retirement income corresponding to about 70% of employment earnings. Regardless of income levels, it is very hard for workers to save for retirement.

Very few manage to put aside individual savings year after year, let alone invest them effectively to earn a decent rate of return. The vast majority of those who do succeed in preparing a decent retirement income participate in an employer pension plan during their working life. We think that corporations *should* contribute to workers' pensions, since workers contribute throughout their working lives to the company's development. So corporate plans are the cornerstone of this third pillar. But despite their importance, corporate plans are the weakest component of the system and the one that is the furthest from achieving the objectives of the system. There are numerous reasons for this:

- The percentage of workers participating in a registered pension plan is low: right now, there is no law in Canada that obliges employers to establish pension plans for their employees. The percentage of unionized and non-unionized workers participating in a pension plan has never exceeded 50%, and the percentage is even lower for the younger cohort of workers, since the winding-up of plans in recent years has affected them most.

- Inadequate pension plans: many of the existing plans don't provide the workers belonging to the plan with decent retirement incomes. In the past few years, a large number of defined benefit plans have been ended and are being replaced by defined contribution plans. In addition to transferring all the risk to workers, employers have taken advantage of this changeover to reduce their annual pension costs. Comparing the Canadian retirement system to that of other OECD countries shows that a number of countries have mandatory pension systems that guarantee higher levels of income replacement than the Canadian system does for workers whose income is equal to or greater than the MPE.

  Given the small proportion of workers covered by corporate plans, Canada has one of the worst performances for the overall percentage of income replacement in retirement for all workers.

- Very substantial risks: the recent financial crisis has had a major impact on the Canadian retirement system, just as it has for OECD countries in general. The crisis has highlighted the risks inherent in the different pension systems, such as risks related to rates of return, and risks related to the life spans of plan members. Where private defined benefit plans existed, governments had to step in and relieve corporations' financial burden, allowing them to stretch out the periods for amortizing deficits so as to avoid having companies go bankrupt because of their pension plans. Part of the problem stems from the fact that companies misjudged the risk associated with pension liabilities and their capacity to bear that risk.

  When interest rates were high, the same companies used excess yields to facilitate corporate management, without weighing the risks of negative returns on this same pension liability. And although they get much less media attention, these same risks are just as significant for individuals who relied on capital accumulation plans to build retirement incomes. They too are confronted with risks related to rates of return on investments and life expectancy, namely the risk of outliving their savings. These people find themselves with a greater life expectancy but less retirement capital than they had planned. But it is hard for governments to intervene in this kind of plan, because there are very few mechanisms for sharing the risks, and participants are often left on their own.

These problems in the retirement system have existed for a long, long time and are not the result of recent financial fluctuations. The financial crisis has instead highlighted and exacerbated problems that are well known to all. The first two pillars of the retirement income system deserve attention from government aimed at making certain changes. But in our opinion, the reform that needs to be undertaken by the federal government should be aimed chiefly at fixing the private component of the system. In this regard, the consultation paper proposes three approaches:

1) The introduction of government-sponsored voluntary defined contribution pension plans;

2) Mandatory defined benefit pension plans;

3) Increased flexibility for private-sector defined contribution plans and increased opportunities for private savings.

Although the three approaches seem of interest at first glance, they don't have the same objectives in terms of savings, and what is more important, do not fix all the problems identified earlier. We think that it is crucial to determine what the objectives and basic essential characteristics of this third pillar should be if we want to be able to evaluate the various potential solutions. These are what the CSN thinks the objectives of the private part of the retirement income system should be:

- The solution established should necessarily be aimed at getting more workers to participate in a pension plan. The main problem in the Canadian system is the small number of workers who have access to a suitable pension plan. It is hard to imagine that there will be any appreciable increase in the number of workers covered by adequate pension plans unless there is some legislative requirement. Although additional efforts must be made to increase the number of company plans or establish multi-employer pension plans, it seems clear to us that a major change in the retirement income structure is necessary. Companies should be obliged to contribute towards their employees' retirement income, as is already the case in Australia, Great Britain and many other OECD countries.

So the solution has to have a component that is mandatory for both workers and employers. Any voluntary solution might improve the level of citizens' savings but would, in our opinion, have only a very minor impact on their capacity to save and consequently on the standard of living of future retirees.

- The solution must allow for sharing the most significant risks, such as risks related to yields and life expectancies. With financial markets increasingly volatile, measures for sharing investment yield risks are necessary. People cannot be left on their own when it comes to investments. They don't all have the financial capacity to suffer such marked fluctuations year after year in rates of return on their retirement savings. Similarly, one might think that people will obtain decent retirement incomes if they put all their savings into investments that are guaranteed or very low-risk. But the longevity risk is just as important for a retiree who participates in a capital accumulation plan and doesn't have access to guaranteed retirement benefits. It is very hard for individuals to manage their capital for their entire retirement life. There is a significant risk of outliving one's savings, and retirees have very few options in terms of support. They hesitate to draw on their retirement capital. This fear of running out of money results in them having a lower standard of living than planned throughout retirement and ending with retirement capital that outlives them.

  We therefore think that plans that provide for sharing risks between workers and employers would be fairer and more appropriate than capital accumulation plans as we now know them, because the latter don't provide for coping with these different risks. But it is not enough to pool the risks; you also have to know how to manage them. Proper risk management is necessary in both defined contribution and defined benefit plans. Recent years are full of examples of companies going bankrupt with insolvent plans and pensioners whose promised pensions were slashed considerably.

  Similarly, a number of workers have had to delay retirement when their savings dwindled by more than 20%. We therefore need to establish mechanisms that provide better protection for individuals should their employer going bankrupt or during periods of strong negative yields. And we also need to find ways of pooling longevity risks in order to maximum retirement incomes. For this reason, grouping very large numbers of workers together in one plan is a very good idea. This reform should aim at creating big, properly managed pension funds that share out the risks associated with fluctuating yields on investments.

- The solution must not lead to abandoning existing pension plans. Even though they are not widespread, a number of them make it possible to accumulate sufficient retirement income. We think that one of the major advantages of the current system is that it allows pension benefits to be adapted to a workplace's various characteristics, a flexibility that is achieved through company plans. Workplaces are not all alike, there are differences in the length of employees' working lives and workers don't all retire at the same age. It may be appropriate to allow a person to retire at age 60 if the work done is not too hard or taxing, but the plan should allow someone else whose work is bad for his or her health to retire much sooner, without any actuarial reduction. Particular situations due to varying conditions in different sectors of work mean that pension plans should be a positive component of workforce management. During economic downturns, for example, big corporations that are severely affected have, like the public sector, come to agreements with the unions to use their pension plans to fund early retirements and thus avoid job losses among younger workers.

During the same periods, on the other hand, companies in sectors experiencing growth have used their pension plans to attract new workers and/or retain older workers by offering phased retirement programs. The flexibility allowed by private employer plans is something that should be kept. A solution aimed at expanding the scope of the QPP and the CPP might have the unfortunate consequence of causing a large number of supplemental pension plans to be wound up, particularly in the private sector. Furthermore, a single solution can't be adapted adequately to all workplaces. Unions have always made pension plans a bargaining priority. They have developed plans adapted to their specific situation and bargaining goals. The chosen solution should allow them to keep the right to negotiate this major aspect of working conditions and pay.

The CSN's preferred solution

The CSN believes that the government of Canada should adopt legislation recognizing the right of every employee to be covered by a pension plan and obliging each employer to contribute to it at least minimally. This obligation should take the form of mandatory plans with opting-out rights for employers who have equivalent or better plans. The solution should be aimed first at individuals who don't have access to any pension plan. At its last convention, the CSN adopted a resolution to this effect.

The solution should also encourage the establishment of plans covering entire sectors. Multi-employer plans are a very promising approach. They provide a way of grouping together a large number of small businesses to reach a critical mass that is large enough to generate economies of scale for management fees and overhead. More important, though, they would make it possible to set up defined benefit plans, or at least plans with a certain degree of risk-sharing, for employers who would be unable to do so on their own. Large plans like these would allow for much more adequate risk management than has been the case with defined benefit plans.

The main objective of a pension plan is to pay the promised benefits when a worker reaches retirement age. By setting up multi-employer pension plans that would be more independent of individual employers and by requiring governance focused on the objective of paying benefits to pensioners instead of corporate financial objectives, we think it would be easier to avoid the substantial reductions in pensioners' benefits that we have seen following corporate bankruptcies.

The pension plan for employees of CPEs (early childhood centres) and private childcare centres under agreement in Québec is a good example. The plan covers more than 1,400 small businesses with an average of 30 employees, for a total of 50,000 workers. Before the plan was established, there were only capital accumulation plans in the various centres. By grouping the entire sector together in the same plan, it was possible to create a "final pay" defined benefit plan. Although workers may change employers in the course of their career, they stay in the sector. Their mobility won't influence either their participation in the plan or the promised level of retirement benefits, since the plan covers all the CPEs (early childhood centres).

Like the rest of Canada, Québec has a large number of small employers. If the goal is to increase the number of people covered by pension plans of one kind or another, we have to aim at combining multiple employers and unions in one plan. We think that one promising approach would be to create both multi-employer plans and plans covering entire sectors of work. A resolution to this effect was also adopted at the last CSN convention.[3]

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3 See Appendix 2.

Conclusion

In these times of financial uncertainty and insecurity, we think it is essential to do everything possible to reassure Canadians about the long-term viability of the public pension plans as well as the solidity and stability of private plans by making major changes that will consolidate the various pillars of our retirement income system.

The necessary corrective measures should be made to the Guaranteed Income Supplement (GIS) to allow low-income workers to save for retirement. We also think that the Québec Pension Plan (QPP) and Canada Pension Plan (CPP) should continue as robust plans, on a basis of intergenerational equity.

Finally, we think that corporate plans should be encouraged to play their rightful role in the retirement income system effectively. It is time to innovate in pension matters; and to do so, the government should go ahead and adopt legislation fostering the right of all employees to be covered by a pension plan to which each one would have to pay legally stipulated contributions.

The government could also require the creation of private plans that would facilitate grouping together small businesses, thereby substantially reducing management costs and overhead, while making proper risk management possible.

Appendix I
The Intergenerational equity of the Québec Pension Plan

When the Québec Pension Plan was created in 1966, the contribution rate was set at 3.6% and maximum pensionable earnings (MPE) at $5,000. Since then, the MPE has been indexed annually, and the contribution rate has risen gradually since the late 1980s, reaching 9.9% today.

The goal is to set a criterion for an objective comparison of the equity of the Québec Pension Plan's results for the various generations that have retired since 1976 and future generations.

Method

To do, for retirees so far (1976-2006), we determined the cumulative value of the contributions paid by these participants up until their year of retirement, on the one hand; and on the other, the present value of the benefits they will receive from the Québec Pension Plan. We then calculated the ratio of the two values.

In short, the method allows us to compare the portion of pension benefits that each generation has actually capitalized at the time of retirement.

The same method was applied for future generations of pensions (2016-1046).

Scenario: *"Without changes to the current method"*
The contribution rate stays at 9.9% and the method for calculating benefits is the method in force so far.

Two retirement ages were considered for each scenario: retirement at 60 years of age and retirement at 65. Note that retirement at age 60 has only been possible under the Québec Pension Plan since 1984.

Assumptions

The main economic assumptions used are the following:

Rate of return on assets for the accumulation of contributions:	6.50%
Net rate for determining the present value of benefits:	4.50%
Increase in earnings and the MPE starting in 2009:	2.75%

As well, to calculate contributions and benefits paid, we assumed that participants in the Québec Pension Plan had no earnings between the ages of 18 and 23, and that from age 24 on (or 1966 for the first generations of pensioners), their earnings were equal to the MPE through until they retired.

Finally, for the length of time benefits are paid, instead of using one or more mortality tables to take into account changes in mortality over the past 40 years, we projected definite benefits for periods corresponding to life expectancies (at 60 and 65), as published by Statistics Canada for the years from 1976 to 1996. For 2006 and future years, we used the Québec Pension Plan's assumptions published in its December 31, 2006 actuarial valuation (linear interpolation).

Results of the scenario

"Without changes to the current method"

Comparison of results – Retirement at 65 years of age
Current method

Year of retirement	Age in 2009	Contributions	Benefits	% spent
MEN				
1976	98	$2,444	$19,590	12%
1986	88	$10,825	$64,072	17%
1996	78	$36,769	$100,585	37%
2006	68	$106,559	$125,062	85%
2016	58	$233,360	$167,755	139%
2026	48	$445,691	$226,319	197%
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WOMEN				
1976	98	$2,444	$23,351	10%
1986	88	$10,825	$75,973	14%
1996	78	$36,769	$115,875	32%
2006	68	$106,559	$140,078	76%
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2026	48	$445,691	$247,106	180%
2036	38	$743,974	$328,318	227%
2046	28	$1,080,506	$435,475	248%

Comparison of results – Retirement at 60 years of age
Current method

Year of retirement	Age in 2009	Contributions	Benefits	% spent
MEN				
1986	88	$10,825	$51,745	21%
1996	78	$36,769	$80,858	45%
2006	68	$99,509	$99,429	100%
2016	58	$216,298	$132,839	183%
2026	48	$395,364	$178,493	222%
2036	38	$632,627	$238,164	266%
2046	28	$856,393	$316,452	271%
WOMEN				
1986	88	$10,825	$59,644	18%
1996	78	$36,769	$90,734	41%
2006	68	$99,509	$108,707	92%
2016	58	$216,298	$143,613	151%
2026	48	$395,364	$191,012	207%
2036	38	$632,627	$253,206	250%
2046	28	$856,393	$335,043	256%

Appendix II

Resolutions adopted by the 62nd Convention of the CSN

That the CSN demand that the Québec government adopt legislation promoting the right of all workers to be covered by a pension plan to which each employer must pay a legally defined contribution. The parameters of such an approach would have to be decided jointly by labour organizations, organizations defending the rights of non-unionized workers, employers and government. These parameters would have to take into consideration the right of unions to negotiate a comparable or better pension plan with employers.

That the federations identify the sectors of the economy in which the establishment of a sectoral pension plan would make it possible to increase the number of workers with pension plans and to improve pension benefits. That in these sectors, the federations develop a policy on negotiating sectoral plans.