

# Canadian Labour Congress

---



**RETIREMENT SECURITY**

LET'S MAKE IT WORK *for everyone*



## Retirement security reform #1 - Double CPP Benefits

We propose a doubling of the Canada Pension Plan (CPP) benefits to ensure a better minimum pension for all Canadians financed through a modest and gradual increase in contributions over seven years, following the pattern set by CPP

Our plan is endorsed by [Bernard Dussault](#), who was the Chief Actuary of the CPP and Old Age Security program from

Currently workers and employers pay 4.95% of salary into the CPP (up to a current "Yearly Maximum Pensionable Earnings" of \$46,300 per year). Following our seven-year plan, CPP contributions would gradually increase to 7.8% of salary for workers and employers.

[These increased contributions would effectively double the average earnings replaced by CPP pension benefits, to a total of \\$1,635 per month.](#)

Some might be surprised that an extra 3% of salary can finance a doubling of CPP pension benefits. This is because so cost-efficient, it is possible to achieve more with less. CPP reform offers much more than "fend for yourself" options.

Our plan would also accommodate low-income Canadians by doubling the current yearly income exemption on CPP (currently \$7000).

Our plan offers a better minimum pension to everyone. CPP benefits are indexed, secure, and portable across jobs. We are not losing their pensions given the misdeeds of Bay Street and Wall Street.

This reform will benefit younger workers most, as they would pay higher CPP contributions through more of their working life. The plan for the CPP is about preparing for the future, so the next generation of workers can count on a dignified retirement.

### How our CPP Plan Would Work:

We propose a doubling of the Canada Pension Plan benefits on a pre-funded basis.

**The costs here are modest:** As Bernard Dussault confirms, future CPP benefits can be doubled if current CPP payments are reduced to roughly half (an additional 3% of salary for workers and employers). This modest increase offers a huge boost because of economies of scale.

**How this increase would be phased in:** This would be phased in over a seven-year period like CPP reforms in the

**Low-income workers would be accommodated:** To reduce the impact of this increase on low-income workers, we also propose doubling the current “Year’s Basic Exemption” threshold that allows low-income workers to earn income without paying CPP premiums (to \$7,000 per year from \$3,500 per year). The results of our CPP plan are impressive: Our plan would effectively double the average earnings replaced by CPP pension benefits, to a maximum (in current dollars) of \$1,635 per month.

## Why This is a Good Idea

**Canadians would have more pension security:** They would no longer fear losing their pension savings to higher inflation, stock market shenanigans, or the loss of employment.

**This is a pan-Canadian solution to a pan-Canadian problem:** Some provinces have suggested their own solutions to address pension concerns, but these initiatives won’t suffice. Worker mobility between provinces is a major concern, and the CPP’s scope is capable of dealing with this issue. The CPP’s framework can’t be matched by any provincial or regional solution.

**This prepares us for the future:** Young and future workers would benefit the most from CPP expansion given they would make more CPP contributions at a higher rate. In this way, expanding the CPP is about preparing for the future, and leaving behind a better system for our kids.