



International Centre for  
Pension Management

# The Canada Supplementary Pension Plan

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# CD Howe Institute

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**COMMENTARY**

THE PENSION PAPERS

**The Canada Supplementary  
Pension Plan (CSPP)**

Towards an Adequate, Affordable Pension  
for *All* Canadians

Keith Ambachtsheer

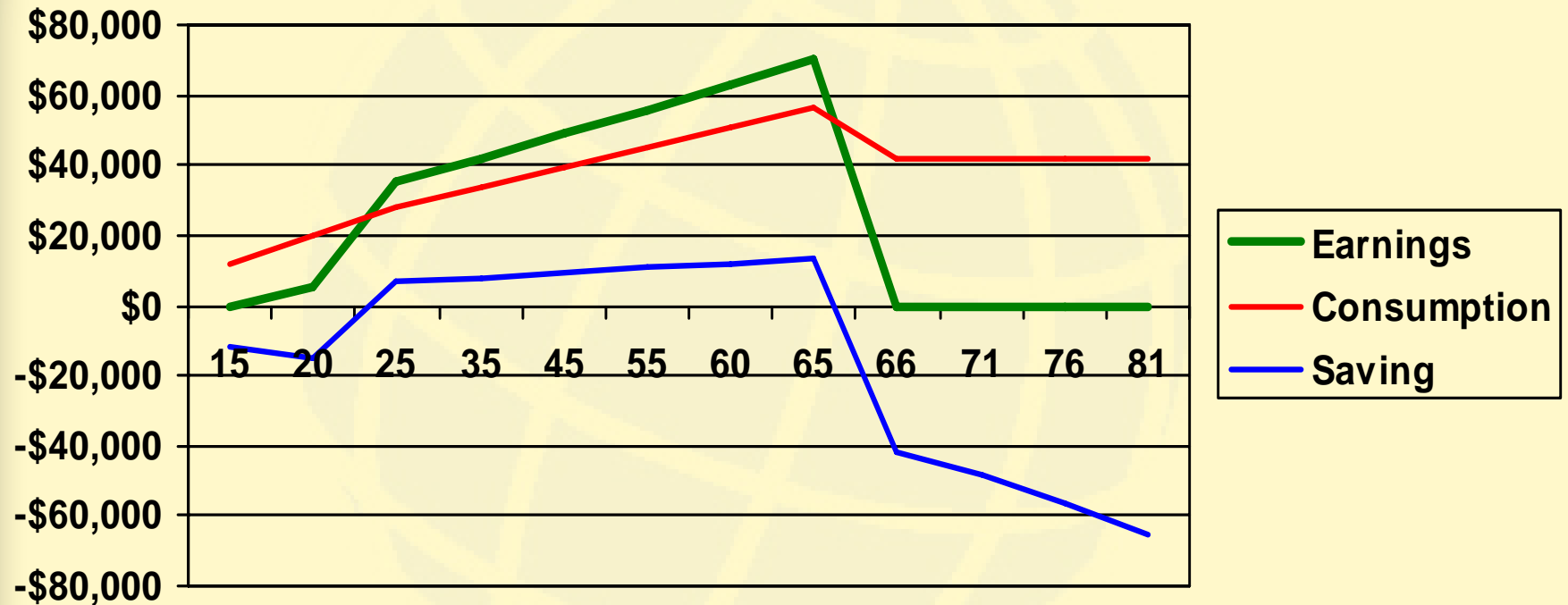
**In this issue...**  
Canadians successfully reformed the Canada/Quebec Pension Plans in the 1990s. Now we must do the same for the rest of our Retirement Income System. This paper offers both a vision and a plan to provide a decent post-work standard of living for the millions of Canadian workers currently accumulating insufficient retirement savings.

# Theoretical Foundation of CSPP Proposal

- Life-Cycle Theory of Consumption
- Integrative Investment Theory

# Life-Cycle Theory of Consumption

A Typical Life-Cycle Income/Consumption Pattern in Real Terms



# Behavioural Finance

- Overconfident
- Inconsistent
- Hesitant
- Irrational?

# Integrative Investment Theory

Client / Beneficiary Value

$F \{ A, G, IB, R, FE \}$

# Institutional Design Implications

- Arms-Length
- Well-Governed
- Large-Scale

# Canada's Retirement Income System: Design

Pillar  
#1

OAS /  
GIS

Pillar  
#2

CPP /  
QPP

Pillar  
#3

RPPs +  
RRSPs

# Canada's Retirement Income System: The Numbers

<b>Workforce</b>	15.0 million
• without RPPs	9.5 million
• without RPPs, earning over \$30K/year	4.5 million
• without RPPs, earning over \$30K/year, without adequate retirement savings	3.5 million

# Canada's Retirement Income System: The Numbers (cont'd)

<b>Households</b>	13.5 million
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- with RRSPs and no RPPs 8.0 million
- with RRSPs in mutual funds 5.5 million

<b>Invested in mutual funds (est)</b>	\$400 billion
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# *The Canada Supplementary Pension Plan (CSPP)*

- Automatic enrolment of all non RPP-covered workers into the CSPP
- Use CPP/QPP payroll deduction mechanism
- Operate within the existing tax and regulatory regime for pensions
- Target a 60 percent post-work earning replacement rate
- Set earnings floor and ceiling for CSPP deductions
- Set automatic default CSPP contribution rate

# *The Canada Supplementary Pension Plan (CSPP)*

- Provide an opt-out option
- Provide an opt-in option
- Provide an RRSP assets transfer option
- CSPP operates at arms-length from government
- CSPP operates as an expert, high-performance financial institution
- CSPP offers a number of annuitization options
- A 'paternalistic libertarian' philosophy

# Other Times and Other Places

- Ontario Committee on Portable Pensions (1961)
- Northern Europe and Australia
- TIAA-CREF and the Saskatchewan CSSPP
- UK Pensions Act (2007)

# An Action Agenda

- The 'target' 3.5 million workers
- Organizations representing employees and employers
- Members of Parliament and Provincial Legislatures and their officials