

November 2010

Is 70 the New 65?

RAISING THE ELIGIBILITY AGE IN THE CANADA PENSION PLAN

Martin Hering
& Thomas R. Klassen



School of Public Policy & Governance
UNIVERSITY OF TORONTO



APPLIED PUBLIC POLICY RESEARCH
INFORMED BY ONTARIO'S REALITY

**Is 70 the New 65? Raising the Eligibility Age in the Canada
Pension Plan**

By Martin Hering, Thomas R. Klassen

ISBN 978-0-9867464-5-1

Mowat Centre for Policy Innovation[®]

A digital copy of this report is available at the Mowat Centre's website at www.mowatcentre.ca. To order printed copies of this publication for a fee, please contact us by email at info@mowatcentre.ca.

Executive Summary

Canada faces demographic pressures from an aging population, labour market shortages and increased life expectancy. Yet, notwithstanding some recent reforms, public policies—including the eligibility ages for the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP)—favour low retirement ages and access to early retirement benefits. This paper presents new data on the fiscal impact of gradually raising the age of eligibility for retirement benefits in Canada. A gradual increase in retirement ages as examined in this paper would increase the CPP's assets by \$982 billion by 2050.

Canada is in the midst of an emerging debate on how to ensure Canadians have adequate retirement income. The federal government and many provincial governments have proposed increasing CPP premiums to fund an increase in CPP payments. This paper does not engage with these issues but highlights an important missing piece in the debate: raising the normal age of retirement through changing pension eligibility rules. Raising the eligibility ages in the CPP and QPP from 65 to 67 (and earliest age for collecting benefits from 60 to 62) would provide governments with the policy flexibility to ensure Canadians have adequate retirement income and help ensure that the fiscal costs associated with labour market shortages and longer life expectancy are borne more equitably across generations.

Many Canadian policies, including the eligibility ages for the CPP, as well as tax subsidies both for occupational and for personal pensions, encourage early retirement. This paper begins to explore how Canadian governments can begin to change this incentive structure so that Canadians work longer. Raising the normal age of retirement through changes to retirement benefits would be an important first step and could be undertaken in a manner that minimizes disruption to individual Canadians.



IS 70 THE NEW 65?

RAISING THE ELIGIBILITY AGE IN THE CANADA PENSION PLAN

Martin Hering
& Thomas R. Klassen

THE FRENCH AND SPANIARDS have taken to the streets in protest of government plans to raise the retirement age. In the United States, Germany, the United Kingdom, and Australia, legislation has already been passed that will, over time, raise the retirement age. Yet, Canadian governments are remarkably silent on the issue.

This is unfortunate. For those concerned with prosperity and economic efficiency, impending labour shortages are a good reason to keep more people in the labour market longer. For those concerned about social justice and equity, increasing the retirement age might help mitigate the risk that younger generations are expected to fund social benefits that they themselves may not be able to enjoy.

In Canada, life expectancy at birth increased by about 30 years in the 20th century. From 1966, when the CPP was introduced, to 2010, life expectancy has increased by about 10 years for men and 8 years for women (Denton and Spencer 2010). For those born in the 21st century, life expectancy is estimated to be between 90 and 100 (Oeppen and Vaupel 2002). Programs that were expected to fund people for 15 years cannot adequately support people for 25 or 30 years.

This paper presents original estimates of the fiscal savings that would accrue from a gradual increase in the age of eligibility for CPP/QPP. The findings suggest that a delayed and gradual increase over 10, 20, or more years, comparable with American, German, British, and Australian changes (see Appendix A), produces a significant fiscal dividend and hence policy flexibility, but this dividend would not begin to materialize right away. Hence, action is required as soon as possible.¹ Canada has become a laggard.

This paper does not engage with the variety of other relevant public policy issues affecting retirement income, such as changing the contribution level to the CPP, or registered retirement savings plans (RRSP) withdrawal rules. This paper is intended to serve as a wake-up call to Canadians to begin to engage with a debate that is going on globally but from which Canadians are surprisingly absent: how long should we work? What are the social, fiscal and economic consequences of changing our expectations? And what policy tools can be used to minimize inequities between generations and classes?

More specifically, this paper contributes to these debates on the adequacy of retirement income, reforms to the CPP, intergenerational equity and fiscal sustainability, by analyzing one vital option that has received insufficient attention to-date: gradually raising the age for entitlement for a full pension from the CPP from 65 to 67.² Raising this age would lead to more fairness across generations and greater confidence in the fiscal sustainability of public pensions. It would also produce the policy flexibility that would enable governments to choose to increase benefits, with a small increase in premiums, or maintain benefits, with no increase in premiums. Failure to act will result in reduced benefits or increased premiums to simply maintain existing benefits.

CONTEXT

WE SEE THREE MAIN REASONS for a new debate on eligibility age reforms for the CPP. First, there is broad agreement that the existing retirement income system as a whole is inadequate for many Canadians (Ambachtsheer, 2008; Baldwin 2009; Kesselman 2010; Whitehouse 2010): the OAS, GIS, and CPP protect Canadian seniors very well against abject poverty but do not provide an adequate standard of living in retirement, and, for many Canadians, employment pension plans and tax-favoured retirement savings plans do not fill the pension gap left by inadequate CPP benefits. As a consequence, federal and provincial governments are currently studying reforms to the CPP and the regulation of private employment pensions. Second, without reforms, higher life expectancy will lead to an unintended and significant expansion of pension benefits—since retirees receive the same yearly benefits for a longer period of time—and thus to much higher costs. Third, at present a record one in seven Canadians is 65 and older, with this ratio projected to increase to one in three-and-a-half over the next 25 years (Statistics Canada 2007, 7). The withdrawal of so many workers from the labour force during a relatively short period of time will have enormous social and policy consequences and Canadian governments need to begin to prepare immediately.

One strategy to address these policy challenges is to increase retirement ages. Other countries are undertaking such changes and have done so by gradually increasing eligibility ages over a long period of time (see Appendix A). In the United States, the decision to increase the eligibility age from 65 to 67 was made in the early 1980s, but the policy's implementation began only in 2003 and will end in 2025. In recent years, other countries have made similar decisions: in 2007, the United Kingdom increased the age of retirement gradually from 65 to 68; in the same year, Germany adopted an increase to the normal retirement age from 65 to 67 and for the earliest eligibility age from 62 to 63; and in 2009, Australia raised the "Age Pension" age from 65 to 67.³

For many Canadians, employment pension plans and tax-favoured retirement savings plans do not fill the pension gap left by inadequate CPP benefits.

RETIREMENT AGE RULES

The normal retirement age for many pension plans in Canada is 65, but the actual retirement age is much lower for many Canadians. At age 65, Canadians are eligible for the Old Age Security (OAS) pension of \$517 per month and, if their income is very low, for a targeted pension benefit called the Guaranteed Income Supplement (GIS). At age 65 most are also eligible to receive a CPP/ QPP pension. Those who worked for 40 years and earned an average or above-average income, will receive \$934 for month. Most Canadians, however, receive considerably less, so the average CPP payment is only \$524 per month. Those eligible for CPP have the option of taking up their pension as early as age 60, but this leads to a reduced payment. In addition to the OAS and CPP, some Canadians have private employment pensions which can pay much more than any of the public pension benefits. Most employment pension plans offer the option of receiving unreduced benefits either at age 60 or after 30 years of service. Thus, there are two worlds of retirement in Canada: those who have an employment pension plan usually retire several years before the age of 65, while those who rely mostly on their OAS and CPP pensions tend to retire at 65.

Recently, Canadian governments have taken small steps to provide workers with the option and incentives to retire later. All provincial governments have recently eliminated contractually mandatory retirement at age 65. Employees in industries within federal jurisdiction continue to face mandatory retirement at age 65, but in the summer of 2010 the government announced plans to also ban this practice. The 2007 federal budget permitted employers to pay a partial pension to some employees and simultaneously to provide those employees with further pension benefit accruals, which made possible part-time work arrangements for some older workers.⁴ The same budget allowed individuals to contribute to their private retirement savings plans up until the year they turn 71, as opposed to 69. Finally, the government also introduced a tax credit for low-income individuals and families with employment earnings. This has encouraged paid work for low-income earners aged 65 and over by reducing the disincentives to paid employment in the OAS program.

Most recently, in 2009 the federal and provincial finance ministers agreed to increase the CPP benefit reduction for early pension receipt from 6 per cent to 7.2 per cent per year and to raise the benefit increase for late pension receipt (after age 65) from 6 per cent to 8.4 per cent per year (Federal, Provincial and Territorial Governments of Canada 2009). These measures effectively provide disincentives for early retirement and incentives for later retirement by reducing CPP payments more sharply than previously for those who retire before age 65, while increasing payments for those who retire after age 65.

These important and “under the radar” largely actuarial changes have had positive fiscal impacts for the CPP. However, Canadian public policy continues to encourage retirement at historically, and internationally, low ages. The CPP encourages withdrawal from the labour force at an early age since benefits may be paid as early as age 60. Other policies also encourage early retirement. Employer-sponsored (registered) pension plans, particularly those with defined benefits, contain considerable incentives for early retirement (Gunderson 2007). The federal *Income Tax Act* permits full pension benefits to be paid (1) at age 60, or (2) after 30 years of service regardless of age, or (3) when age and the number of years of service add up to 80 (Hall 1996, 155-156). In most provinces, pension legislation gives employees the right to initiate a pension benefit that has been earned up to 10 years before the normal retirement age, usually as early as age 55 (Kaplan 2006, 272-278). The *Income Tax Act* requires a reduction of early retirement benefits of at least 3 per cent per year, which is too low compared to that of 6 per cent per year (soon to be 7.2 per cent) required for CPP benefits. Individual RRSPs create additional early retirement incentives as funds may be withdrawn at anytime from a plan. In other nations, individual retirement savings accounts may generally not be withdrawn before retirement or a specified age (for example, age 65 for the KiwiSaver program in New Zealand).

THE CANADA PENSION PLAN

The CPP and QPP, which are almost identical, are compulsory public pension plans which provide a modest replacement of income in retirement. Average earners who work for 40 years can expect to receive about 25 per cent of their income as a pension, up to a maximum of \$934 per month. The CPP is financed from employer and employee contributions. The contribution rate of 9.9 per cent (4.95 per cent from employers and 4.95 per cent from employees; the self-employed pay the full 9.9 per cent) of wages is paid only on income up to \$47,200, which is the average wage in Canada. The contribution revenues are mostly paid out to current pensioners (“pay-as-you-go financing”), while the remaining portion is added to the CPP fund and invested for the benefit of younger generations (“pre-funding”) by the Canada Pension Plan Investment Board. Thus, the CPP will build up a reserve fund equivalent to 5.5 years of CPP expenditures. The CPP’s assets are well-protected: if economic or demographic conditions are worse than expected, the contribution rate will automatically rise, and if federal and provincial governments legislated an increase of CPP benefits, they would have to either increase the contribution rate or create policy flexibility by raising the retirement age, as suggested in this paper. They could not draw on the existing fund.

Our analysis focuses explicitly on the implications of increasing eligibility age for CPP benefits by two years. The CPP, as the major pillar of retirement income policy in Canada, is important in shaping the expectations of Canadians in regard to retirement ages. Even though we do not know how Canadians would respond to an increase of the retirement age, we know from past experience in Canada and other OECD countries that there are two ages at which a very large proportion of employees retire: the earliest eligibility age and the normal eligibility age (Gruber and Wise 1999, 2004; Wannell 2007a).

These eligibility ages shape not only employees' incentives, but also their expectations regarding the conventional retirement age. The earliest and the normal retirement age are thus important focal points (Brown 2006; Hurnard 2005). In addition, we know from economic research that employees' retirement behavior can be significantly changed by an increase of the earliest and normal retirement ages (Gruber and Wise 2007; Baker et al. 2003). Societal expectations about how long one is expected to stay in the labour force need to evolve and changing the retirement age is one tool of economic and social policy that should be considered.

THE PENSION REFORM DEBATE

There is growing support for an increase of CPP benefits in Canada's pension reform debate. Both the federal and many provincial governments see the CPP as a key part of the solution for the problems of low pension coverage and inadequate retirement income. No longer is the question whether an increase of CPP replacement rate is desirable, but whether the needed increase of the CPP contribution rate would be fair and politically acceptable. Federal and provincial policymakers are cautious and argue that benefit improvements would have to be affordable for employers and employees. How can they square the circle? How can politicians achieve adequate benefits without significantly raising the contribution rate? And how can they preserve the similarities between the CPP and QPP given that the QPP is unsustainable and may have to both raise contributions and cut benefits? An eligibility age increase would help solve these issues but is not on the current agenda of federal and provincial governments.

"Recently, there have been questions and concerns raised about the adequacy of future retirement incomes for some members of the population. These concerns have received particular attention in light of the financial market downturn in 2008. Moreover, other emerging issues, such as longer life expectancies and declining private pension plan coverage have also raised questions about the future of Canada's retirement income system."

- Government of Canada, Ensuring the Ongoing Strength of Canada's Retirement Income System, 2010

•••

"The CPP is considered exemplary for its funding model, but ranks poorly among comparable high-income countries within the Organisation for Economic Co-operation and Development (OECD) for its limited scope. Public pensions in comparable OECD countries cover almost double the average wage, twice the scope of the OAS and CPP."

- Provincial and Territorial Ministers on Pension Coverage and Retirement Income Adequacy, 2010

•••

"I am concerned that some Canadians may not save enough for their retirement. In my consultations, I heard strong support for the Canada Pension Plan and the central role that it plays in our government-supported retirement income system. I believe that we should consider a modest, phased-in, and fully funded enhancement to defined benefits under the Canada Pension Plan in order to increase savings adequacy in the future."

- James M. Flaherty, Federal Minister of Finance, 2010

•••

"We must build on the strengths of the CPP through a modest expansion of benefits. In Ontario, over the next 20 years, the number of people over age 65 will nearly double. A modest enhancement to the CPP now would provide a significant benefit to these workers when they retire."

- Ontario Government, Securing Our Retirement Future, 2010

•••

"The [Quebec Pension] Plan is under pressure. The gap between the statutory contribution rate of 9.9 percent and the projected steady-state contribution rate of 10.7 percent in 2011 is 0.8 percent. To ensure the sustainability of the QPP, that gap must be filled."

- Quebec Government, Toward a Stronger and Fairer Quebec Pension Plan, 2008

RETIREMENT AGE & FISCAL SUSTAINABILITY

SINCE AN INCREASE OF THE retirement age in a pension plan both reduces expenditures and increases revenues, it is an effective option for responding to the financing pressures generated by population aging. Even relatively small changes to the retirement age lead to large improvements in the fiscal sustainability of pension systems: according to the OECD, the fiscal effect of an increase of the effective retirement age by approximately one year is similar to that of a reduction of the pension benefit level by approximately 17 per cent (OECD 2001, 164). Thus, if policymakers wanted to strengthen fiscal sustainability and maintain the policy flexibility to prevent decreased payments or increased premiums, raising the retirement age should be considered in Canada, just as this option is being introduced in other OECD countries as part of a fiscal sustainability agenda (Chomik and Whitehouse 2010).⁵

The authors engaged the Chief Actuary of the CPP in a number of empirical research questions relating to a gradual increase in the normal retirement age (Hering and Klassen 2010). This paper presents results for one set of assumptions but it goes without saying that the length of time for phasing in the new benefit could be altered to produce either greater or smaller fiscal savings. Under the scenario reported in this paper, the fiscal pay-off is small in the short-term but is significant in the longer term. This speaks to the need to move quickly, otherwise the phase-in may have to happen more rapidly in order to achieve a substantial fiscal pay-off in a reasonable amount of time.⁶

In order to analyze the effectiveness of a retirement age increase on the CPP, we asked the Office of the Chief Actuary in the Office of the Superintendent of Financial Institutions to estimate the impact of an increase of both the normal retirement age and the earliest retirement age by 2 years. Such an analysis has never been publically reported or, to our knowledge, even conducted by the Chief Actuary. We asked the Chief Actuary to use the following assumptions: the normal age would increase from 65 to 67 and the earliest age from 60 to 62. In addition, we assumed that the age increase of 2 years would begin only in 2012 and occur gradually over a period of 12 years, i.e. by 2 months per year. Employees who reach the age of 60 in 2012 would be eligible to receive an actuarially reduced pension at age 60 years and 2 months and a full pension at 65 years and 2 months; those who reach age 60 in 2023 would be eligible to retire at 62 with a reduced pension and at 67 with an unreduced one.

LIFE EXPECTANCY INCREASES

Canadians now live considerably longer than policymakers expected when they reformed the CPP and QPP in the late 1990s. Official estimates show that by 2050, men and women who retire at age 65 will live, on average, until age 87 and 89, respectively. The latest projections of life expectancy at age 65 in 2050 are thus 3.0 years and 0.7 years higher for men and women respectively than those made during the last round of CPP reforms in the 1990s. Moreover, the latest official projections very likely underestimate future improvements in life expectancy: even though life expectancy has seen a continuous increase in the past 50 years, official projections assume that past gains will not continue into the future, which may turn out to be mistaken.

“As the pace of longevity improvements to date has been faster than expected, official projections have consistently underestimated actual average lifespans. Even in the last few years, these projections have been revised upwards.”

- UK Government, A Sustainable State Pension, 2010

...

“Almost half of OECD countries will increase pension ages over the coming four decades. But in many, the policy is a case of ‘running to stand still’: in only a few will increases in pension age be sufficient to offset future growth in life expectancy, let alone claw-back some of the past extension of life.”

- Edward Whitehouse, OECD

...

“In 1980, a woman of 65 would have been expected to live to 83, on average. Her daughter, reaching 65 this year, can expect to live to 89, on average. And her granddaughter, when she reaches 65 in 2040, should expect to live to 92, on average. In three generations, the expected average length of life after age 65 has risen by nine years.”

- UK Government, A Sustainable State Pension, 2010

The four main variables and assumptions in this projection—(1) an age increase of 2 years, (2) an increase of both the normal and the earliest retirement ages, (3) the start of implementation in 2012, and (4) an uninterrupted, gradual increase by 2 months per year—could be changed. For example, one could increase the normal retirement age by 3 or 4 years, narrow the difference between the normal and the earliest retirement age, delay the start of implementation by a few years, and accelerate the phase-in period. We chose these variables and values because they are similar to those proposed in the federal and provincial governments' 1996 *Information Paper for Consultations on the Canada Pension Plan* (Federal, Provincial and Territorial Governments of Canada 1996, 35-36) and were used in one or more of the countries that successfully raised the retirement age.⁷ Specifically, most countries raised the normal retirement age by 2 years, and all countries raised the age gradually (see Appendix A).

Projections from the Chief Actuary show that a gradual increase in the normal retirement age from 65 to 67 (and of the earliest retirement age from 60 to 62) between 2012 and 2023 would create policy flexibility for a number of different choices: decreased contributions, increased benefits or larger reserves.

Even though the retirement age increase would be implemented gradually over a relatively long period of time, its impact on the CPP's finances would be significant after 2025, as shown in Table 1. The table illustrates the changes to the financial status of the

TABLE 1 - IMPACT OF AN ELIGIBILITY AGE INCREASE ON CPP FINANCES					
Year	Change (increase or decrease) in CPP fiscal parameters with an age increase			Assets in years of expenditure	
	Contributions in billion dollars	Expenditures in billion dollars	Assets in billion dollars	With age increase	Without age increase
2012	0.0	-0.1	0.1	5.0	4.9
2015	0.2	-0.6	1.7	5.3	5.2
2020	0.7	-2.7	14.8	6.1	5.5
2025	1.5	-5.5	53.2	6.8	5.6
2030	2.0	-7.4	125.2	7.4	5.6
2040	2.9	-9.9	392.9	9.0	5.8
2050	4.8	-14.7	981.7	10.9	6.0
2075	12.5	-28.6	6,592.6	17.0	6.4
Minimum Contribution Rate				9.06%	9.82%

Note: These projections assume that the existing contribution rate of 9.9 per cent and the existing replacement rate of 25 per cent is not changed, and that the Chief Actuary's best-estimate scenario of life expectancy changes, wage growth, investment return, etc., turns out to be correct. For details on the assumptions used in this projection, see Appendix B.

Source: Office of the Chief Actuary. Run Number CPP23-R62B

CPP if eligibility ages are increased. Specifically, policy makers could reduce the CPP's minimum contribution rate (the rate required to sustain the CPP), from the current 9.82 to 9.06 per cent, without affecting benefit levels and while maintaining the required size of assets.⁸ Alternatively, benefits could be increased over time while maintaining current premium levels.

A reduction of the minimum contribution rate from 9.82 to 9.06 per cent would create a significant buffer between the minimum and the legislated contribution rate. This would make it more likely that plausible demographic and economic developments—such as a higher than expected increase in life expectancy, a slower than expected growth of wages, or lower than expected investment returns—would have a much smaller impact on the sustainability of pension finances and would reduce the need for significant policy shifts, including increased premiums or reduced benefits.

The table also shows that a gradual increase in retirement ages increases contributions and decreases expenditures each year, so that by 2050 the CPP has \$982 billion more in assets than otherwise would be the case. An important measure of the CPP's financial health is the assets in years of expenditure: by 2050, the CPP would have assets of 11 years of expenditure, and thus twice the legal minimum of 5.5 years. Put differently, the plan's funding would grow from about 25 per cent to about 50 per cent of liabilities. The consequence is that an increase in eligibility age creates a cushion for the CPP, allowing the existing contribution rate of 9.9 per cent to remain unchanged if demographic and economic conditions were more unfavourable than expected.

In our projections, we assumed that employees would delay their retirement by 2 years and used the same assumptions regarding retirement rates that the Chief Actuary used in the 2006 actuarial report on the CPP (see Appendix B). Specifically, we expected that about 40 per cent of workers retire at the earliest retirement age, about 30 per cent at the normal retirement age, about 20 per cent between the earliest and normal retirement ages, and less than 5 per cent after the normal retirement age. The assumption that a very high proportion of workers—about 40 per cent—chooses to receive an actuarially reduced CPP benefit at the earliest possible age primarily reflects the role of private retirement

income sources, especially occupational pensions, in the retirement decisions of individuals (Wannell 2007b, 2007a).

The assumption that Canadians would change their behaviour significantly and delay their retirement by 2 years allows us to estimate the potential size of the effect of a retirement age increase. If individuals did not delay their retirement by as much as we assumed, the impact of an age increase on the minimum contribution rate and on the level of funding would be smaller than that shown in our estimates. Even though an increase of eligibility ages would certainly lead to savings because individuals would have to postpone their receipt of CPP benefits at least until age 62 and would receive reduced benefits if they retired before age 67, it would not force them to wait until age 67. For example, workers who plan to retire at age 65 could still do so if they accept a permanent actuarial reduction of their pension by 14.4 per cent. In this case, the retirement age increase from 65 to 67 would reduce expenditures but would not increase contribution revenues.

Policy makers could reduce the CPP's minimum contribution rate (the rate required to sustain the CPP), from the current 9.82 to 9.06 per cent, without affecting benefit levels and while maintaining the required size of assets.

IMPROVING FAIRNESS ACROSS GENERATIONS

THE CPP, WHICH IS A PARTIALLY pre-funded program, offers two options if one is not only concerned about the sustainability of the program, but also interested in increasing benefits: (1) a contribution rate increase, and (2) a retirement age increase. Since a retirement age increase reduces the number of years in retirement, pension expenditures are lower, and since it increases the years in employment, contribution revenues are higher. A retirement age increase leads to a more balanced distribution across generations of the costs of population aging than a contribution rate increase.

It may be that public pension benefits will need to play a more important role for future retirees than they do for current ones, especially in light of the declining number of Canadians with occupational pension plans. In 2009, the federal and provincial governments began to study options for increasing pension coverage and retirement income adequacy in Canada, including an increase to CPP benefits and a new national plan that would supplement the CPP and QPP (Mintz 2009; Department of Finance, 2010; Steering Committee, 2010; Ministry of Finance 2010). In addition, the British Columbia and Alberta governments considered the creation of supplemental pension plans at the provincial level (Joint Expert Panel, 2009).

In the next round of CPP reform, policymakers are likely to make a decision similar to that made in the last round of reforms: protect or increase the CPP and QPP benefit level of 25 per cent in order to maintain the fairness of the distribution of financial resources between the retired and the working generation. The second decision policymakers need to consider making is whether past reforms should be reinforced, maintained, or corrected: specifically, would an increase of the contribution rate from 9.9 per cent to more than 10 per cent be fair or does it need to be avoided? Or should the previous increase from 5.5 to 9.9 per cent be partly reversed? Regardless, two issues are clear: first, a reduction of the contribution rate is politically very unlikely, even if it were to improve equity between generations; and second, policymakers are unlikely to support a significant increase of the contribution rate since, in the mid-1990s, the level of 10 per cent was seen as a threshold that should not be crossed (Little 2008, 185), in part because it would increase intergenerational inequities by forcing higher premiums on younger generations. Hence, a minor increase to the rate might be considered, especially if it largely ruled out additional future increases. Thus, even though a contribution rate increase could be a part of the solution in the next round of CPP and QPP reforms, it will likely need to be complemented by other measures.

A decision to raise the retirement age reduces the need to increase the contribution rate in future rounds of reform and it increases policymakers' flexibility both in the short- and long-term.

If policymakers rule out a large contribution increase, they will likely consider the option of increasing the retirement age. They briefly considered this option in the mid-1990s, but did not use it (Little 2008, 108-110). A decision to raise the retirement age reduces the need to increase the contribution rate in future rounds of reform and it increases policymakers' flexibility both in the short- and long-term. In addition, a retirement age increase is an ideal instrument for maintaining the relative position of workers and retirees because it combines features of a contribution increase and a benefit cut. For example, if the eligibility age of pensions is increased by one year, older workers pay contributions on average for up to one additional year and retirees on average receive their pensions for one year less. Thus, both younger and older generations pay a share of the costs of population aging.

A retirement age increase improves fairness across younger and older generations but could reduce equity within each generation of retirees. Since employees with low incomes have a shorter life expectancy than those with medium and high incomes, they are currently disadvantaged because they are eligible for retirement at the same age as the latter. When the retirement age is increased by the same number of years for all income groups, low income employees are even further disadvantaged. In Canada's multi-pillar pension system, in which both public and private pensions play an important role, this concern is magnified. Most employees with medium or high incomes have occupational pensions, which allow retirement at a much earlier age than the CPP and the QPP eligibility age, often as early as 55 (Wannell 2007b, 7). Many employees who have this option use it, especially if they have also built up significant personal savings. In 2000, about 40 per cent of recent pensioners retired before the age of 60 (Kieran 2001, 6). Employees with low incomes do not have this option because they rely almost entirely on public pension programs.

A possible outcome of a retirement age increase by two years is that low-income employees work until age 67, but many medium- and high-income employees, especially in the public sector, continue to retire at age 55 (Kieran 2001, 6). Thus, a concern for maintaining equity within each generation of retirees would require policymakers to address these unintended and undesirable distributional consequences of a retirement-age increase. Two possible policy responses exist to address this: better public policy around income security programs and pension benefits for low income Canadians, which is discussed more below, and an increase in the earliest retirement age in occupational pension schemes.



OTHER INCOME SECURITY PROGRAMS

AN INCREASE IN ELIGIBILITY ages for the CPP would necessitate a broader horizontal review of other income security programs and how they provide incentives for early retirement. Such a review is required in light of longer life expectancy and the public policy objective to provide options that would extend working lives. Since the mid-1960s, age 65 has been the marker for full receipt of public income security provisions, including not only the CPP and QPP, but also the OAS and the GIS, as well as provincial programs. However, as contractual mandatory retirement is eliminated and demographic trends shift, this age becomes less meaningful. Gradually increasing the eligibility age for the CPP and QPP will require an assessment of eligibility ages for the OAS and various provincial programs, such as social assistance and workers' compensation, as well as their interaction with each other.

There are at least two principal options for governments once a decision is made to gradually raise CPP and QPP eligibility ages. The first is to avoid changing the eligibility ages for other programs, and instead institute various provisions, especially actuarial adjustments, to induce people to retire later. For example, with regard to the OAS, the eligibility age could remain 65, but if individuals delay receipt of benefits to age 67 they would be entitled to a higher payment than at 65.

A second, and likely more popular option, is to institute parallel eligibility ages for both OAS and CPP/QPP. OAS payments would be available as early as age 62 with appropriate actuarial reductions, and full payments at age 67. The increase in CPP and QPP ages is balanced with a reduction in the OAS age. This may make public acceptance of reforms more likely as it provides access to both CPP/QPP and OAS at the same age, unlike the current situation.

Fiscal sustainability and intergenerational fairness are issues not only for the CPP and QPP, but also for Canada's other income security programs, public and private. With regard to OAS, the ratio of expenditures to the gross domestic product will increase by nearly 50 per cent over the next two decades, from 2.2 per cent at present to a high of 3.1 per cent in 2030, as the number of beneficiaries for the basic pension more than doubles and people live longer (Office of the Chief Actuary 2008, 10). As these payments are made from general tax revenues, there will be considerable pressure to examine reforms (Brown 2002, 24-27). A gradual increase to the CPP eligibility ages provides a window of opportunity to engage in a review of other programs and how these might be adjusted.

Fiscal sustainability and intergenerational fairness are issues not only for the CPP and QPP, but also for Canada's other income security programs, public and private.

CITIZEN SUPPORT FOR A RETIREMENT AGE INCREASE

IT IS OFTEN ARGUED that an increase in eligibility ages in the CPP would be unpopular because “early retirement is an ideal to which most Canadians aspire” (Schellenberg 2004, 32). Asked by the federal government’s Policy Research Initiative whether they would support raising the normal eligibility age of the CPP/QPP and the OAS from 65 to 67, more than two-thirds of respondents answered that they would be opposed, with only one-fifth supportive (Policy Research Initiative 2004, 43). However, the Policy Research Initiative’s survey found that Canadians’ opposition to increasing the contribution rate was almost as strong as their opposition to raising the retirement age, with only 20 per cent of Canadians prepared to pay more to support programs like the CPP (Policy Research Initiative 2004, 44). If forced to choose between raising the retirement age or a contribution increase, it is uncertain where public opinion would settle. A public conversation on these real options needs to begin immediately.

There are a number of measures that could make an increase in the eligibility ages for CPP benefits more acceptable to the public. The experiences of Germany and the United Kingdom, which have raised the eligibility age to 67 and 68 respectively, show that policymakers are able to design and implement reforms that increase the acceptance of a retirement age increase. In both countries, the age increase had three clear goals: the preservation or increase of the level of benefits, limiting tax increases, and the fair distribution across generations of the costs of increased life expectancy (Department for Work and Pensions 2006; CDU/CSU and SPD 2006). British and German policymakers argued that public pension benefits were barely adequate and should be either maintained or improved, and that it was important to limit the size of tax increases necessary to have adequate benefits for an aging population. Raising the retirement age made these two goals achievable.

The central policy measures that increased citizens’ acceptance of the retirement age change in Germany and the UK were a delay of the implementation and a long transition period (for details on the changes in these and other countries, see Appendix A). In order to give citizens time to adjust while still working, Germany will start the implementation of the age increase in 2012, five years after the adoption of the pension reform law; the UK will begin implementation only in 2024, almost two decades after the approval of legislation to raise the retirement age.⁹ In both countries, the transition period from age 65 is gradual: in Germany, the 2-year increase of the retirement age will be completed in 2029 and take 18 years,

If forced to choose between raising the retirement age or a contribution increase, it is uncertain where public opinion would settle. A public conversation on these real options needs to begin immediately.

while in the UK the 3-year increase will be phased in over a period of 22 years and will thus be fully implemented only in 2045. These choices were similar to those of the United States, which was the first OECD country to raise the eligibility age from 65 to 67, where implementation was delayed by 20 years, and the transition period was 23 years (Kollman 2002).

Both in Germany and in the UK, reform measures that could protect vulnerable employees played an important role in increasing citizens' support for a higher retirement age. For example, British policymakers increased public-pension benefits, and German policymakers set a new minimum benefit level and committed to avoiding nominal benefit cuts. In addition, in order to reduce the risk of unemployment, German policymakers created special active labour market programs for older workers. Finally, both the UK and Germany maintained their disability pension programs in order to support older employees unable to work later in life.

CONCLUSION

WE HAVE CONDUCTED ORIGINAL data simulations and estimates of the effect of gradually increasing the normal age of eligibility for the CPP by two years. We found that raising the eligibility ages from 65 to 67 (and earliest ages from 60 to 62) would provide governments with the policy flexibility to ensure that pension benefits do not have to be cut and premiums do not have to go up. By 2050, an age increase would reduce CPP expenditures by about 15 billion dollars per year and increase contribution revenues by about 5 billion dollars per year. It is thus an effective measure for ensuring the financing of Canada's public pension insurance programs in the face of unexpected economic developments and demographic trends, such as a possible increase in life expectancy. Increasing the eligibility ages is a fair solution for financing the costs of population aging, because doing so divides these costs across younger and older generations. It strengthens the intergenerational contract upon which the CPP rests. Recent international experiences show that workers will be prepared to accept an eligibility age increase if reforms are introduced gradually over time, and if they understand the alternatives. This will require evidence-based public dialogue, in combination with discussions about other policy instruments to encourage Canadians to stay in the workforce longer. That conversation should begin immediately. [MC](#)

Increasing the eligibility ages is a fair solution for financing the costs of population aging, because doing so divides these costs across younger and older generations.

APPENDIX A - TRANSITIONS TO HIGHER ELIGIBILITY AGES IN OECD COUNTRIES							
Country (year of legislation)	Normal retirement age increase (program)	Early retirement age increase (program)	Start and end year of implementation period	Implementation delay	Implementation period	Implementation increment (frequency, length of period)	Implementation pause
Australia (2009)	65 to 67 years (Age Pension)	No early retirement age	2017-2024	8 years	8 years	6-month increment (every 2 years over 8 years)	No pause
Denmark (2006)	65 to 67 years (Social Security Pension)	60 to 62 years (Voluntary Early Retirement Pension)	2024-2027 (2019-2022 for early retirement pension)	18 years	4 years	6-month increment (every year over 4 years)	No pause
France (2010)	65 to 67 years (General and Special Pensions)	60 to 62 years (General and Special Pensions)	2016-2021 (2011-2016 for early retirement pension)	6 years (1 year for early retirement pension)	6 years (11 years with early retirement increase)	4-month increment (every year over 6 years)	No pause
Germany (2007)	65 to 67 years (Statutory Pension)	62 to 63 years (Statutory Pension)	2012-2029 (2010 for early retirement pension)	5 years (3 years for early retirement pension)	18 years (20 years with early retirement increase)	1-month increment (every year over 12 years), then 2-month increment (every year over 6 years)	No pause
Ireland (2010, proposed)	65 to 68 years (State Pension)	No early retirement age	2014-2028	4 years	15 years	1-year increment	Two 6-year pauses between each 1-year increase
Netherlands (2009, proposed)	65 to 67 years (State Pension)	New early retirement age of 65 (State Pension)	2020-2025	10 years	6 years	1-year increment	4-year pause before second 1-year increase
Spain (2010, proposed)	65 to 67 years (Statutory Pension)	To be decided	2013-2024	3 years	12 years	2-month increment (every year over 12 years)	No pause
United Kingdom (2007)	65 to 68 years (State Pension)	No early retirement age	2024-2045	17 years	22 years	1-month increment (every 2 months over 2 years)	Two 8-year pauses between each 1-year increase
United States (1983)	65 to 67 years (Social Security)	Early retirement age of 62 years unchanged (Social Security)	2003-2025	20 years	23 years	2-month increment (every year over 6 years)	11-year pause before second 1-year increase

Note: The normal eligibility age is defined here as the age at which employees are eligible to retire with unreduced benefits without reference to years of contributions.

Sources: Danish Government 2006; Department of Social and Family Affairs 2010; Department for Work and Pensions 2006; Deputy Prime Minister and Treasurer 2009; Deutscher Bundestag 2006; Kollman 2002; Ministère du Travail 2010; Ministerie van Financiën 2010; Sanz de Miguel 2010; Spanish Government 2010.

APPENDIX B

INCREASING THE NORMAL & EARLIEST RETIREMENT AGE FOR THE CANADA PENSION PLAN: ASSUMPTIONS

The cost estimate presented in this paper was calculated on the basis of the 23rd CPP Actuarial Report as of 31 December 2006 (Office of the Chief Actuary 2007). It should be noted that the technical term for the earliest retirement age in the CPP is the “minimum age of retirement benefit uptake.” It was assumed that the CPP would be modified as follows:

- For cohorts born in 1952 and thereafter, the normal retirement age (NRA) of 65 and the minimum age of retirement benefit uptake (MABU) of 60 are assumed to increase gradually by 2 months for each successive cohort and are set to reach 67 and 62 respectively for cohorts born in 1963 and thereafter.
- For cohorts born in 1952 and thereafter, the maximum age of 65, to which disability benefits are payable, is assumed to increase gradually by 2 months for each successive cohort and is set to reach 67 for cohorts born in 1963 and thereafter. For this purpose, disability incidence and termination rates are accordingly extended (based on the trends observed in these rates between the ages of 60 and 64) to cover the gradual change in the NRA for cohorts born after 1952. The automatic conversion from disability to retirement benefit is also adjusted to occur at the NRA of the given cohort.
- The current survivor benefit structure is also gradually adjusted to the change in the NRA for each successive cohort born on or after 1952. For example, for cohorts born in 1963 and thereafter, the survivor benefit under the NRA of 67 will consist of a flat-rate component and of a 37.5 per cent earnings-related portion, while survivor benefits over the NRA of 67 will consist of a 60 per cent earnings-related portion.
- For each cohort, the actuarial adjustment factor is assumed to remain the same, i.e., a reduction of 0.5 per cent per month before the NRA and an increase of 0.5 per cent per month after the NRA of the given cohort.
- Retirement benefit uptake rates for ages 60 to 70 for each successive cohort born in 1952 and thereafter are gradually shifted to account for the change in the NRA and MABU of the given cohort. As a result, the current assumed benefit uptake rates for ages 60 to 70 are set to become applicable at ages 62 to 70 for cohorts born in 1963 and thereafter. It is thus implicitly assumed that everyone in the affected cohorts delays their benefit uptake by the same number of months (years) that their NRA is assumed to increase. Table 7 (Hering and Klassen 2010) illustrates the change in benefit uptake rates by cohort.
- The proportion of contributors for each cohort born in 1952 and thereafter has been adjusted to reflect the gradual change in their respective NRA and MABU. The work pattern before the current MABU of 60 is thus extended to the new MABU of the given cohort.

ENDNOTES

1. In the mid-1990s, the option of raising the retirement age was discussed by federal officials such as David Dodge, Ministry of Finance, and by academics such as Robert L. Brown, University of Waterloo (Little 2008, 108-110). In recent years a number of researchers have analyzed the possibility of increasing the retirement age (Townson 2006; Le Goff 2003; Brown 2002; Laurin 2009).
2. Even though this commentary focuses on the CPP, most of its analysis applies to the QPP as well, since the two programs are largely identical.
3. In the United Kingdom increases in eligibility ages will be phased in over a period of 22 years, while in Germany the period is 18 years. In Australia, the phase-in period is only 8 years.
4. The measure, which became effective in 2008, applies only to employees aged 55 and over who are entitled to an unreduced pension.
5. The United States, Germany, and the United Kingdom conducted detailed analyses of the effects of an increase of the statutory retirement age on pension finances. Since governments in all three countries wanted to avoid both benefit cuts and tax increases, they were particularly interested in the effects on contribution rates and spending levels. Their projections showed that an increase by two, three, or four years would significantly reduce the projected increase of the contribution rate or pension spending in per cent of GDP. The U.S. General Accounting Office has estimated that, if approved by politicians, a gradual increase of the normal retirement age from 67 to 71, which would be completed by 2065, would reduce the projected increase of the contribution rate by about 1.4 percentage points and thus reduce the projected funding shortfall in the Social Security program by more than 70 per cent (General Accounting Office 1999, 7). The German government has estimated that its gradual increase in the normal retirement age from 65 to 67 between 2012 and 2029 will reduce the contribution rate by 0.6 or 0.7 percentage points in 2030 and by 1 percentage point in 2050 (Sachverständigenrat Wirtschaft 2006, 246). The UK government has projected that its gradual increase in the state pension age from 65 to 68 will reduce state pension expenditures, which amounted to about 6 per cent of GDP in 2006, by almost 1 percentage point of GDP by 2050 and thus partly offset the costs of legislated improvements in coverage and benefits (Department for Work and Pensions 2006, 194).
6. The authors acknowledge the assistance of the Chief Actuary in the Office of the Superintendent of Financial Institutions (OSFI) in regards to the actuarial projections utilized in this paper. The conclusions and interpretations of the data are those of the authors.
7. In the 1996 consultation paper, the federal and provincial governments considered an increase of the normal retirement age from 65 to 67 and of the earliest retirement age from 60 to 62. They suggested a delay of between 5 and 10 years before making these changes and a transition period of either 6 or 8 years (i.e. an increase of 3 or 4 months per year).
8. The minimum contribution rate is the lowest rate that is sufficient for achieving the program's key goals—the payment of CPP benefits, the building and maintenance of a reserve equivalent to about 25 per cent of plan liabilities, and the full funding of new or enhanced benefits—and that can be held constant in the very long term. The minimum contribution rate is a very important number: if it rises above the legislated rate of 9.9 per cent, federal and provincial governments are forced to consider changes to the CPP. If they cannot reach an agreement on reforms, which requires the consent of the federal government and two thirds of the provinces representing at least two thirds of Canada's population, the following changes take effect automatically: the legislated contribution rate is increased and pension benefits, which are normally increased every year in line with changes in the consumer price index, are frozen for three years.
9. In late 2010, the UK government decided that the implementation of the retirement age increase should begin 6 years earlier than originally legislated. Thus, the increase from 65 to 66 will likely start in 2018 instead of 2024 (Department for Work and Pensions 2010).

REFERENCES

Ambachtsheer, Keith. 2008. "The Canada Supplementary Pension Plan (CSPP): Towards an Adequate, Affordable Pension for All Canadians." *C.D. Howe Institute Commentary* (265).

Baker, Michael, Jonathan Gruber, and Kevin Milligan. 2003. "The Retirement Incentive Effects of Canada's Income Security Programs." *Canadian Journal of Economics* 36 (2): 261-290.

Baldwin, Bob. 2009. *Research Study on the Canadian Retirement Income System Prepared for the Ministry of Finance, Government of Ontario*. Toronto: Ministry of Finance.

Brown, Charles. 2006. "The Role of Conventional Retirement Age in Retirement Decisions." *University of Michigan Retirement Research Center Working Paper* (2006-120).

Brown, Robert L. 2002. "Paying for Canada's Aging Population: How Big is the Problem?" *Typescript: University of Waterloo*.

CDU/CSU, and SPD. 2006. *Vereinbarung der Koalitionsarbeitsgruppe Rente zur Umsetzung der Massnahmen in der Alterssicherung*. Berlin: SPD.

Chomik, Rafal, and Edward Whitehouse. 2010. "Trends in Pension Eligibility Ages and Life Expectancy, 1950-2050". *OECD Social, Employment and Migration Working Papers*. No. 105.

Danish Government. 2006. *Denmark's Convergence Program 2006*. Copenhagen: Ministry of Finance.

Denton, Frank T., and Byron Spencer. 2010. "Age of Retirement, Gains in Life Expectancy, and Social Policy". *SEDAP Research Paper*. No. 276.

Department of Social and Family Affairs. 2010. *National Pensions Framework*. Dublin: Department of Social and Family Affairs.

Department of Finance. 2010. *Ensuring the Ongoing Strength of Canada's Retirement Income System*. Ottawa: Department of Finance.

Department for Work and Pensions. 2006. *Security in Retirement: Towards a New Pension System*. London: Department for Work and Pensions.

Department for Work and Pensions. 2010. *A Sustainable State Pension: When the State Pension Age Will Increase to 66*. London: Department for Work and Pensions.

Deputy Prime Minister and Treasurer. 2009. *Secure and Sustainable Pension Reform: Age Pension Age*. Canberra: Media Release No. 056.

- Deutscher Bundestag. 2006. *Gesetzentwurf der Fraktionen der CDU/CSU und SPD: Entwurf eines Gesetzes zur Anpassung der Regelaltersgrenze an die demografische Entwicklung und zur Stärkung der Finanzierungsgrundlagen der gesetzlichen Rentenversicherung (Drucksache 16/3794)*. Berlin: Deutscher Bundestag.
- Federal, Provincial and Territorial Governments of Canada. 1996. *An Information Paper for Consultations on the Canada Pension Plan*. Ottawa: Department of Finance.
- _____. 2009. *Information Paper: Proposed Changes to the Canada Pension Plan*. Ottawa: Department of Finance.
- General Accounting Office. 1999. *Implications of Raising the Retirement Age*. Washington, DC: General Accounting Office.
- Gruber, Jonathan, and David A. Wise, eds. 1999. *Social Security and Retirement around the World*. Chicago: University of Chicago Press.
- _____. 2007. *Social Security and Retirement Programs around the World: Fiscal Implications of Reform*. Chicago: University of Chicago Press.
- Gunderson, Morley. 2007. *Incentive Effects of Occupational Pension Plans*. Toronto: Ontario Expert Commission on Pensions.
- Hall, Gordon M., ed. 1996. *Mercer Handbook of Canadian Pension and Benefit Plans, 11th ed.* North York: CCH.
- Hering, Martin and Thomas R. Klassen. 2010. *Strengthening Fairness and Funding in the Canada Pension Plan: Is Raising the Retirement Age an Option?* SEDAP Research Paper. No. 263. <http://socserv.mcmaster.ca/sedap/p/sedap263.pdf>
- Hurnard, Roger. 2005. "The Effect of New Zealand Superannuation Eligibility Age on the Labour Force Participation of Older People." *New Zealand Treasury Working Paper* (05/09).
- Joint Expert Panel on Pension Standards. 2008. *Getting Our Acts Together: Pension Reform in Alberta and British Columbia*. Edmonton: Ministry of Finance and Enterprise.
- Kaplan, Ari N. 2006. *Pension Law*. Toronto: Irwin Law.
- Kesselman, Jonathan R. 2010. "Expanding Canada Pension Plan Retirement Benefits: Assessing Big CPP Proposals". *University of Calgary School of Public Policy Research Papers* 3 (6). October 2010
- Kieran, Patrick. 2001. "Early Retirement Trends." *Perspectives on Labour and Income* 2 (9): 5-11.
- Kollman, Geoffrey. 2002. "Social Security: Raising the Retirement Age." *CRS Report for Congress* (94-622).
- Laurin, Alexandre. 2009. "Débâcle à la Caisse: Que faire avec le Régime de rentes du Québec?" *C.D. Howe Institute e-brief* (April).
- Le Goff, Philippe. 2003. *Raising the Normal Retirement Age: A Socio-Economic Policy Option or an Imperative for Canada?* Ottawa: Library of Parliament.
- Little, Bruce. 2008. *Fixing the Future: How Canada's Usually Fractious Governments Worked Together to Rescue the Canada Pension Plan*. Toronto: University of Toronto Press.
- Ministère du Travail. 2010. *Réforme des Retraites: Dossier de Presse*. Paris: Ministère du Travail, de la Solidarité et de la Fonction Publique.
- Ministerie van Financiën. 2010. *Stability Program of the Netherlands*. Den Haag: Ministerie van Financiën.
- Ministry of Finance. 2010. *Securing Our Retirement Future: Consulting with Ontarians on Canada's Retirement Income System*. Toronto: Ontario Ministry of Finance.
- Mintz, Jack M. 2009. *Summary Report on Retirement Income Adequacy Research*. Ottawa: Research Working Group on Retirement Income Adequacy of Federal-Provincial-Territorial Ministers of Finance.
- OECD. 2001. "Fiscal Implications of Ageing: Projections of Age-Related Spending." *Economic Outlook (June)*: 145-167.
- Oeppen, Jim, and James W. Vaupel. 2002. "Broken Limits to Life Expectancy". *Science* (396): 1029-1031. May 10, 2002.
- Office of the Chief Actuary. 2007. *23rd Actuarial Report on the Canada Pension Plan*. Ottawa: Office of the Superintendent of Financial Institutions.
- _____. 2008. *Eighth Actuarial Report on the Old Age Security Program*. Ottawa: Office of the Superintendent of Financial Institutions.
- Policy Research Initiative. 2004. "Population Aging and Life-Course Flexibility: The Pivotal Role of Increased Choice in the Retirement Decision." *Policy Research Initiative Discussion Paper*.
- Sachverständigenrat Wirtschaft. 2006. *Jahresgutachten 2006/2007*. Wiesbaden: Statistisches Bundesamt.
- Sanz de Miguel, Pablo. 2010. "Spain: Trade Unions Strike Over Proposed Pension Reforms." *European Industrial Relations Observatory On-line*. March 31, 2010.
- Schellenberg, Grant. 2004. *The Retirement Plans and Expectations of Non-Retired Canadians Aged 45 to 59*. Ottawa: Statistics Canada.
- Schellenberg, Grant, and Yuri Ostrovsky. 2008. *2007 General Social Survey Report: The Retirement Plans and Expectations of Older Workers*. Ottawa: Statistics Canada.
- Spanish Government. 2010. *Stability Program*. Madrid: Ministry of Economy and Finance.
- Statistics Canada. 2007. *Portrait of the Canadian Population in 2006, by Age and Sex, 2006 Census*. Ottawa: Statistics Canada.
- Steering Committee of Provincial and Territorial Ministers on Pension Coverage and Retirement Income Adequacy. 2010. *Options for Increasing Pension Coverage and Retirement Income Adequacy*. Victoria: Ministry of Finance.
- Townson, Monica. 2006. *Growing Older, Working Longer: The New Face of Retirement*. Ottawa: Canadian Centre for Policy Alternatives.
- Wannell, Ted. 2007a. "Public Pensions and Work." *Perspectives on Labour and Income* (August):12-19.
- _____. 2007b. "Young Pensioners." *Perspectives on Labour and Income* (February): 5-14.
- Whitehouse, Edward. 2010. *Canada's Retirement Income Provision: An International Perspective*. Ottawa: Department of Finance.

About the Authors

Martin Hering is an Assistant Professor in the Department of Political Science at McMaster University.

Thomas R. Klassen is an Associate Professor in the Department of Political Science and the School of Public Policy and Administration at York University.

About the Mowat Centre

The Mowat Centre for Policy Innovation is an independent, non-partisan public policy research centre located at the School of Public Policy and Governance at the University of Toronto.

The Mowat Centre undertakes collaborative applied policy research and engages in public dialogue on Canada's most important national issues, and proposes innovative, research-driven public policy recommendations, informed by Ontario's reality.

We believe a prosperous, equitable and dynamic Canada requires strong provinces, including a strong Ontario, and strong cities.

Visit us at www.mowatcentre.ca



School of Public Policy & Governance
UNIVERSITY OF TORONTO