

IOPS COUNTRY PROFILE: CANADA

DEMOGRAPHICS AND MACROECONOMICS



GDP per capita (USD)	39 600
Population (000s)	34 030
Labour force (000s)	18 590
Employment rate	92
Population over 65 (%)	15.9
Dependency ratio ¹	29

Data from 2010 or latest available year.

1. Ratio of over 65-year-olds / labour force.

Source: OECD, various sources.

CANADA COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Old-age security - universal flat-rate pension topped up with income-tested benefit (guaranteed income supplement)
- Tier of earnings-related benefits provided by the Canadian Pension Plan and Quebec Pension Plan

Private pensions: occupational (voluntary)

- Occupational registered pension plans (RPPs): trustee pension funds
- Occupational RPPs: insurance company contracts funds
- Occupational RPPs: consolidated revenue funds

Private pensions: personal (voluntary)

- Personal registered retirement savings plans (RRSPs)

Source: OECD Global Pension Statistic

CANADA: PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007
Assets							
Total investments (National currency millions)	1,151,005	1,143,785	1,203,896	1,293,984	1,400,924	1,516,681	1,584,509
Total investments, as a % of GDP	103.88	99.21	99.24	100.24	101.88	104.87	103.45
Of which Assets overseas, as a % of Total investment:							
• Issued by entities located abroad	22.20	24.46	24.58	25.38	27.16	30.83	32.09
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)							
• Pension funds	47.30	48.86	47.72	48.01	49.33	51.38	53.46
• Book reserves	14.25	14.19	13.99	12.75	11.65	10.77	10.30
• Pension insurance contracts	4.35	4.51	4.80	5.05	4.80	4.68	4.48
• Other financing vehicle	34.10	32.44	33.49	34.20	34.21	33.18	31.76
By pension plan type							
• Occupational assets	758,530	772,719	800,678	851,498	921,715	1,013,500	1,081,328
• % of DB assets	95.03	94.94	94.81	94.98	94.91	95.08	95.26
• % of DC (protected and unprotected) assets	4.97	5.06	5.19	5.02	5.09	4.92	4.74
• Personal assets	392,475	371,066	403,218	442,486	479,209	503,181	503,181
Structure of Assets (as a % of Total investments)							
Cash and Deposits	4.97	4.56	4.45	4.11	4.37	2.90	3.20
Fixed Income	27.57	24.40	24.87	24.19	25.05	24.63	24.45
Of which:							
• Bills and Bonds issued by the public and private sector	26.75	23.66	24.14	23.51	24.43	24.11	24.00
• Loans	0.83	0.74	0.72	0.68	0.62	0.52	0.44
Shares	28.19	27.20	26.09	25.22	28.05	28.33	28.68
Land and Buildings	3.24	3.88	3.57	3.51	3.52	3.80	3.96
Other Investments	36.02	39.96	41.03	42.97	39.01	40.33	39.71
Contributions and Benefits							
Total Contributions, as a % of GDP	1.50	1.68	2.16	2.30	2.24	2.57	1.91
• Employer Contributions, as a % of Total contributions	63.10	64.72	71.21	69.66	67.96	71.42	62.95
• Employee Contributions, as a % of Total contributions	36.90	35.28	28.79	30.34	32.04	28.58	37.05
Total Benefits, as a % of GDP	2.13	2.15	2.13	2.22	2.05	2.19	2.19
• % of benefits paid as a Lump sum	0.00	0.00	0.00	0.00	0.00	0.00	0.00
• % of benefits paid as a Pension	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Membership (in thousands of persons)¹							
Total membership	6,277.83	7,464.28	7,532	7,996	8,216	8,191	8,191
• % of Active membership	64.00	59.74	60.10	57.58	56.18	56.65	56.65
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	36.00	40.26	39.90	42.42	43.82	43.35	43.35
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND
Number of Pension Funds/Plans							
Total number of funds	3,193	3,045	3,045	3,816	3,816	5,036	5,036
Total number of plans	5,012	5,328	5,704	6,198	6,341	6,341	6,341

Note: Assets data refer to all types of financing vehicles, while structure of assets, contributions, benefits, membership and number of funds/plans refer only to pension funds.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available
NA = data not applicable

Source: OECD, Global Pension Statistics

CANADA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The first part of the state pension (often referred to as the Old Age Security OAS) in Canada is universal, i.e. covering all citizens aged 65 and above with 10 years of residence after age 18. The total cost is covered by the government budget, while the maximum benefit is C\$ 476.97 per month, and adjustable according to year of residence. The OAS benefit is taxable income.

OCCUPATIONAL VOLUNTARY

Coverage

Employers may define categories of employees covered by a plan and may institute different plans for different categories of employees. Discrimination on the basis of age, sex, or marital status is not permitted but employers may discriminate between high- and low-income employees. The self-employed are not covered by registered pension plans but may contribute to registered retirement savings plans.

According to Statistics Canada, approximately 32.5% of the labour force was covered by a registered pension plan in 2005.

Typical Plan Design

Defined benefit plans are the most common type of voluntary occupational plan in Canada, although defined contribution is becoming more popular in the private sector. A typical defined benefit plan would be based on final average earnings with an accrual rate of 2% per year in the public sector and less than this in the private sector.¹ Pension plans are typically integrated with Canada/Quebec pension plans (CPP/QPP) and require employee contributions.

Fees

There are no legal rules concerning fees for registered pension plans. The terms concerning payment of fees from the fund or by the employer are set forth in the plan documents.

Taxation

Both contributions subject to certain limits and investment returns for the above schemes are tax exempt, while retirement benefit is taxed.

PERSONAL VOLUNTARY

Individuals can save for their retirement on a voluntary basis through Registered Retirement Savings Plans (RRSPs). Contributions made to RRSPs as well as investment income in these types of accounts are tax-favoured. There are predefined limits to the amount of contributions that individuals are allowed to make to their RRSPs each year.

¹ Statistics Canada (2004), *Pension Plans in Canada*, Pensions and Wealth Research Series, January 1st.

MARKET INFORMATION

Occupational voluntary

In December 2007 there were 5.7 million Canadian workers participating in employer pension plans and about 4.6 million were active members of trusteed plans. The remaining 1.1 million workers with employer pension plans were covered principally by insurance company contracts. Assets in these pension funds closed 2007 with a market value of CAD 918 billion (USD 855 billion).

Personal voluntary

In December 2007 RRSPs managed assets worth CAD 503 billion (USD 469 billion).

POTENTIAL REFORM

1. OAS: Simplifying access to and delivery of benefits
2. CPP: full funding and easier access to the Canadian Pension Plan Disability
3. OAS and CPP: improvement on provisions of electronic services and penalty provisions

REFERENCE INFORMATION

KEY LEGISLATION

-- 1997: Canada Pension Plan Investment Board Act (1997)

<http://198.103.98.49/en/showdoc/cs/C-8.3///en?page=1>

-- 1985: Pension Benefits Standards Act

-- 1966: Legislation on the Canadian Pension Plan (CPP)

www.hrsdc.gc.ca/en/isp/cpp/cppinfo.shtml

-- 1952: Old Age Security Act

<http://laws.justice.gc.ca/en/O-9/index.html>

KEY REGULATORY AND SUPERVISORY AUTHORITIES

-- Human Resources and Social Development Canada: www.hrsdc.gc.ca/en/home.shtml

-- CPP Investment Board: www.cppib.ca/

-- Canada Revenue Agency: www.cra-arc.gc.ca/menu-e.html

-- Québec Investment Board: www.rrq.gouv.qc.ca/

-- Revenu du Québec : www.revenu.gouv.qc.ca/eng/ministere/index.asp

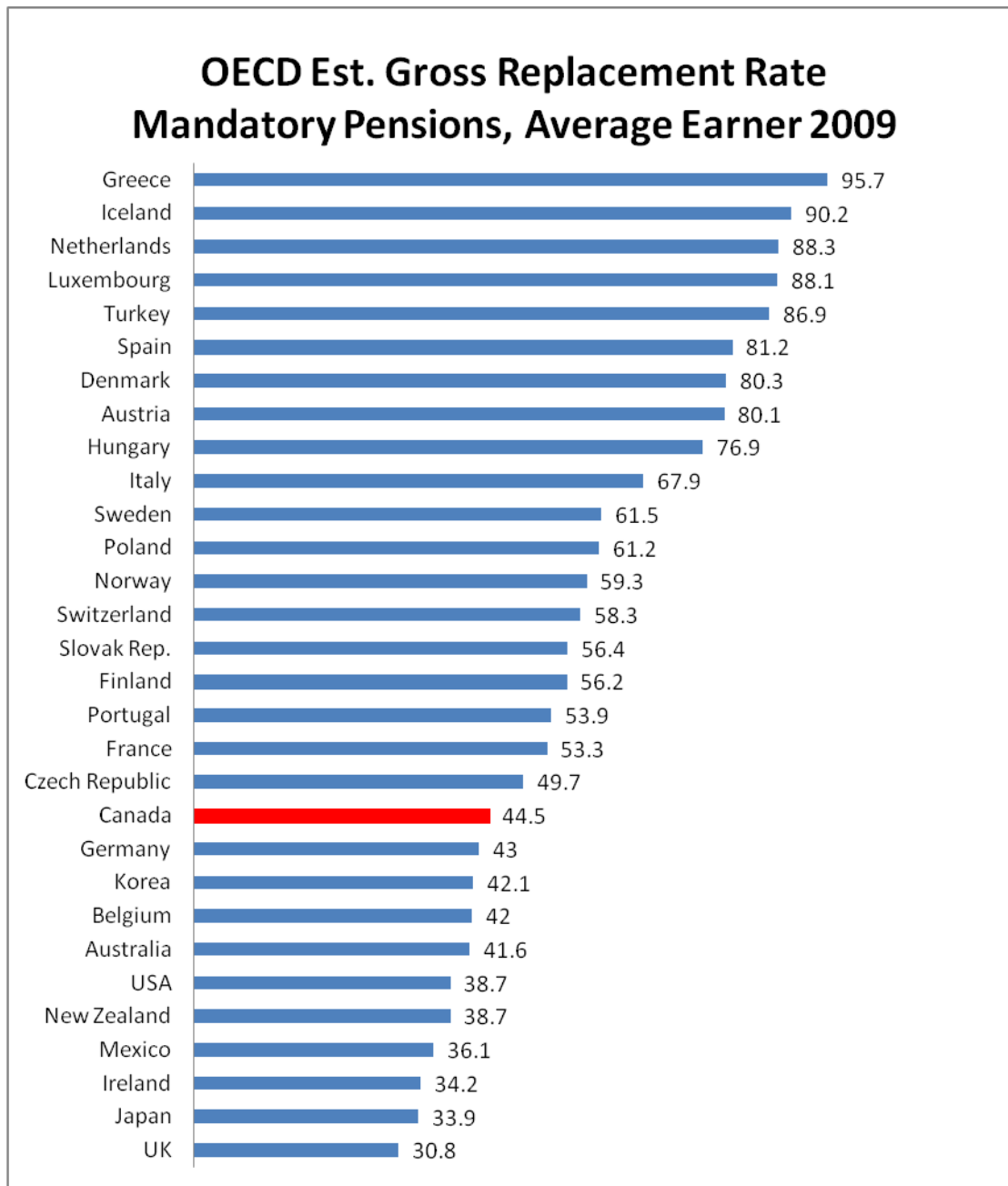
-- Office of the Superintendent of Financial Institutions: www.osfi-bsif.gc.ca/osfi/index_e.aspx?articleid=3

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

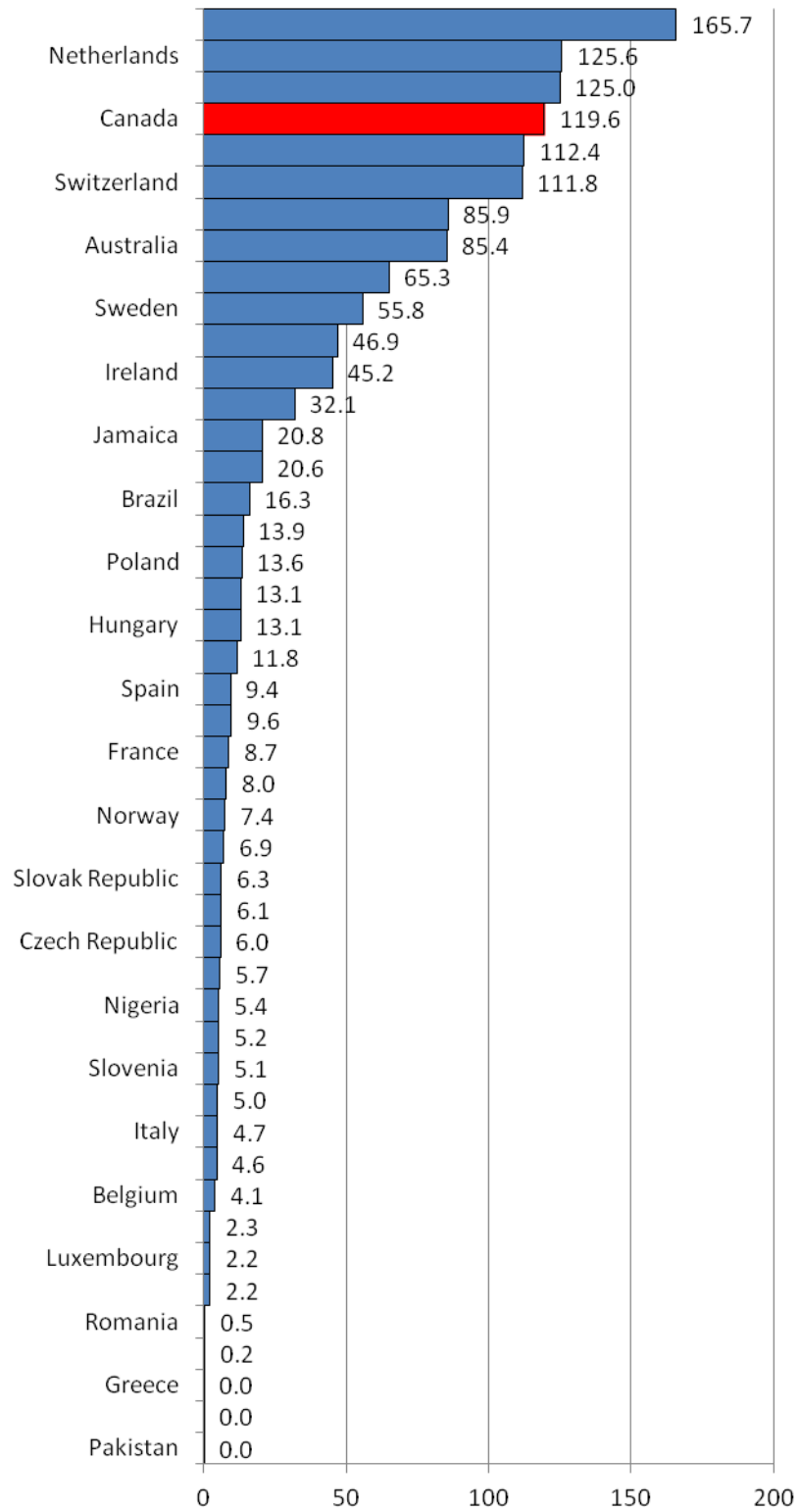
-- Statistics Canada (2008), "Quarterly Estimates of Trusteed Pension Funds", *Income, pensions, spending and wealth*, http://cansim2.statcan.ca/cgi-win/cnsmcqi.pgm?Lang=E&SP_Action=Theme&SP_ID=3868

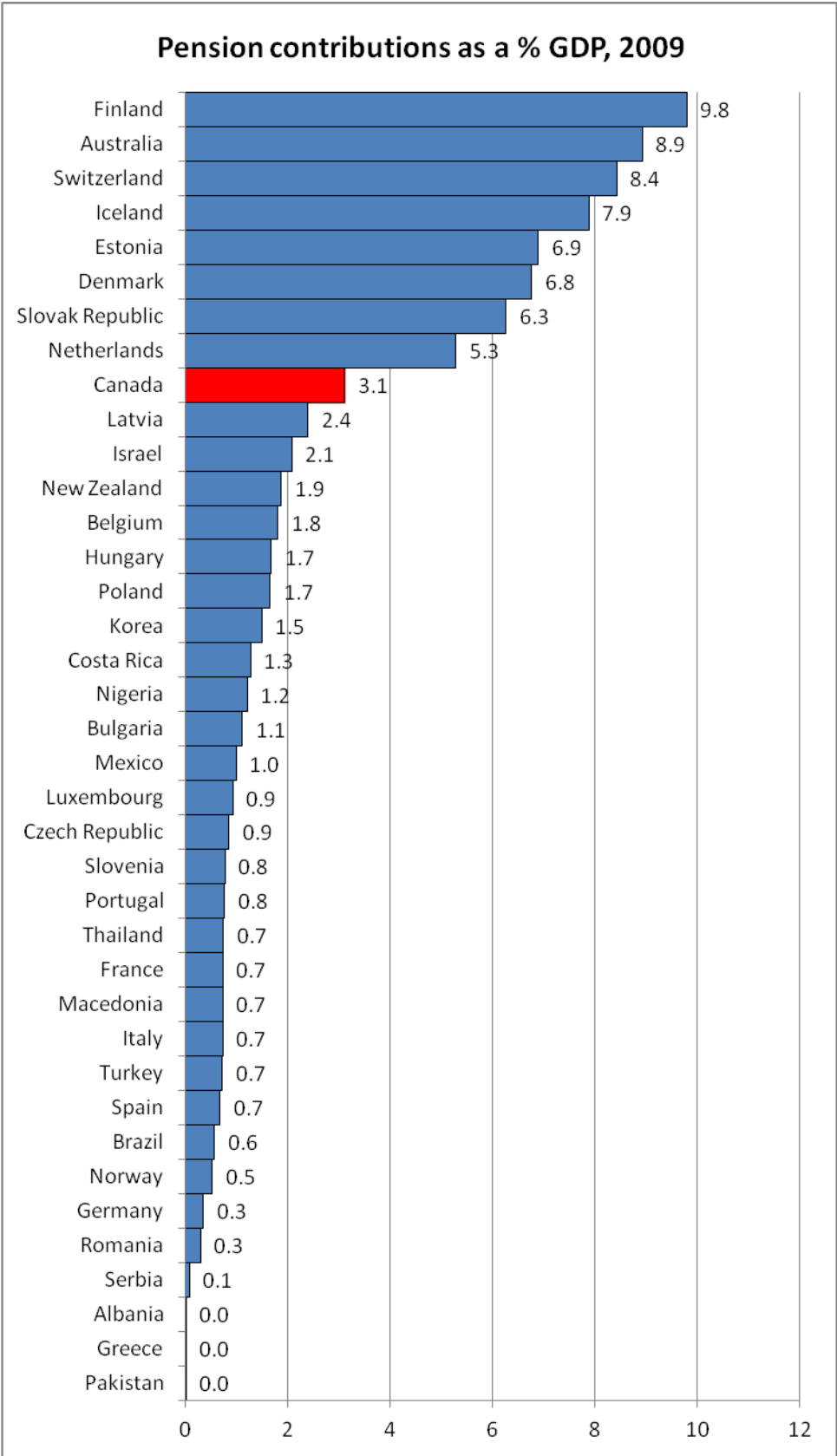
-- Statistics Canada (2008), "Preliminary Results of the Pension Satellite Account, 1990 to 2007", *Income, pensions, spending and wealth*, www.statcan.ca/english/freepub/13-605-XIE/2008002/pdf/psa_e.pdf.

-- OECD, Global Pension Statistics project, www.oecd.org/daf/pensions/gps.



Pension Fund Assets as a % GDP 2009





Pension Benefits as a % GDP, 2009

