

IOPS COUNTRY PROFILE: CANADA

DEMOGRAPHICS AND MACROECONOMICS



GDP per capita (USD) ¹	51 342
Population (000s) ²	38 067
Labour force (000s) ³	19 394
Employment rate (%) ³	65.5
Population 65 and over (%) ²	17.2
Dependency ratio ⁴	63.8

1. OECD data 2019
2. [Statistics Canada data from May 2020](#)
3. [Statistics Canada Labour Force Survey May 2020](#)
4. Number of dependents per 100 workers calculated as youth (ages 0 to 19) + seniors (age 65 and older) / workers (aged 20-64) [Statistics Canada 2016](#)

CANADA COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pension plans

- The Canada Pension Plan (CPP): monthly, taxable benefit that replaces part of income on retirement. The Quebec Pension Plan (QPP) provides benefits similar to CPP benefits, including retirement, disability and death benefits.
- Old-age security program (OAS): the largest program of the Government of Canada.
- The Guaranteed Income Supplement (GIS): provides a benefit to low income pension recipients.

Occupational pensions: (workplace/employer pension plans)

- Registered Pension Plans (RPP): generally Defined benefit (DB) or Defined contribution (DC) in design.
- Pooled Registered Pension Plans (PRPP): allow self-employed persons in some jurisdictions to contribute towards retirement.

Personal Savings (voluntary)

- Registered Retirement Savings Plan (RRSP).
- Tax Free Savings Account (TFSA).

CANADA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

Canada's three pillar pension system is made up of public pension programs, workplace pension plans and personal savings.

PUBLIC PENSION PROGRAMS

The Canada Pension Plan (CPP) provides contributors and their families with partial replacement of earnings in the case of retirement, disability or death. The CPP operates throughout Canada, except in Quebec, where the Quebec Pension Plan (QPP) provides similar benefits. The amount of retirement pension is based on average earnings throughout an individual's working life, contributions to the plan, and the age at which the retirement pension starts. Contributions are based on earnings.

The Old Age Security (OAS) program is the Government of Canada's largest pension program. It is funded out of the general revenues of the Government of Canada, which means residents do not pay directly into it. The OAS pension is a monthly payment available to seniors aged 65 and older who meet the Canadian legal status and residence requirements.

CPP/QPP and OAS payments are considered as taxable income.

The Guaranteed Income Supplement (GIS) is a monthly non-taxable benefit to OAS pension recipients who have a low income and are living in Canada.

WORKPLACE PENSION PLANS

Plan Design

Workplace or employer pension plans are registered pension plans (RPP) that are mainly defined benefit plans or defined contribution plans. However, as employers respond to funding, investment, longevity and other risks associated with traditional plan designs, new plan design possibilities are being discussed, debated and promoted across the country.

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. The self-employed are not generally covered by registered pension plans but may contribute to registered retirement savings plans. Pooled Registered Pension Plans (PRPPs) also allow the self-employed to contribute in some jurisdictions.

In 2018, 37.1% of paid workers in Canada were covered by a registered pension plan¹.

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.

¹ Pension Plans in Canada as of January 1, 2018
<https://www150.statcan.gc.ca/n1/daily-quotidien/190619/dq190619f-eng.htm>

Taxation

Employer and employee contributions are tax deductible, subject to certain limits. Contributions and earnings are tax-exempt, while retirement benefits are taxed.

PERSONAL VOLUNTARY

Individuals can save for their retirement on a voluntary basis through Registered Retirement Savings Plans (RRSPs). Contributions are tax-deductible and contributions and earnings are tax-deferred until amounts are withdrawn.

Individuals may also contribute on a voluntary basis through Tax Free Savings Accounts (TFSAs). Contributions to a TFSA are not deductible for income tax purposes. However, any amount contributed as well as any income earned in the account (for example, investment income and capital gains) is generally tax-free, even when it is withdrawn. TFSAs are a savings vehicle and can be used for any purpose, one of which is individual retirement savings.

OCCUPATIONAL VOLUNTARY

The Pooled Registered Pension Plan (PRPP) is a retirement savings option for self-employed individuals. The PRPP allows two benefits to its members: lower administration costs associated with a large pooled pension plan and the portability to move with the individual from job to job.

The PRPP is treated the same as an RRSP and the amount is determined by the RRSP deduction limit.

MARKET INFORMATION

Occupational voluntary

In 2018, membership in registered pension plans (RPP) in Canada was more than 6.3 million Canadians.²

Over 4.2 million paid workers were covered by a defined benefit pension plan in 2017. Defined benefit plans accounted for two-thirds (67.0%) of members with an RPP in 2017.

Membership in defined contribution plans, the next most common type of pension plan, rose by 3.5% in 2017 to almost 1.2 million, accounting for 18.4% of all RPP membership. Most members in defined contribution plans work in the private sector³.

Membership in public sector pension plans increased by over 49,000 in 2017 (+34,100 women and +15,200 men) to 3.3 million, accounting for 52.6% of total RPP membership in 2017.

Meanwhile, the number of members in private sector plans rose by 13,500 (+10,900 men and +2,600 women) to 3 million.

For two years in a row, the number of female members reached a new all-time high. A record 3.2 million women were members of an RPP in 2017, up 36,700. This gain increased the share of

² Pension Plans in Canada as of January 1, 2018

<https://www150.statcan.gc.ca/n1/daily-quotidien/190619/dq190619f-eng.htm>

³ Pension Plans in Canada as of January 1, 2018

<https://www150.statcan.gc.ca/n1/daily-quotidien/190619/dq190619f-eng.htm>

female membership to 50.5%.

As of 2017, nearly 924,000 people, accounting for 14.6% of RPP membership, belong to plans not classified as the conventional defined benefit or defined contribution models. Approximately, 5.2 million were active members of trustee plans.

The market value of assets in RPPs rose in 2017 to nearly 1.9 trillion. More than half of these assets were held by large Canadian plans each with more than 30,000 members. These plans also accounted for half of the total RPP membership in 2017 by Canadians⁴.

The remaining 1 million workers with employer pension plans were covered principally by insurance company contracts.

Personal voluntary

At the end of 2018, **voluntary** individual registered saving plans (RSP) pension assets were valued at more than CAD 1.200 trillion (USD 839 billion).⁵

The detail available for individual RSPs includes deposit-type registered retirement saving plans (RRSP) in banks and life insurance products, RRSP investments in mutual funds and segregated funds, and other. This last category includes monies in locked-in retirement accounts (LIRA), locked-in life income funds (LRIF), life income funds (LIF), registered retirement income funds (RRIF), payout annuities from life insurance companies and self-directed RRSPs not included elsewhere.

⁴ Pension Plans in Canada as of January 1, 2018

<https://www150.statcan.gc.ca/n1/daily-quotidien/190619/dq190619f-eng.htm>

⁵ Statistics Canada Individual Registered Savings Plans include TFSA and RRSPs.

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610057601>

REFERENCE INFORMATION

KEY LEGISLATION

- 1997: Canada Pension Plan Investment Board Act
<https://laws-lois.justice.gc.ca/eng/acts/C-8.3/>
- 1985: Income Tax Act
<http://laws-lois.justice.gc.ca/eng/acts/I-3.3/>
- 1985: Pension Benefits Standards Act
<https://laws-lois.justice.gc.ca/eng/acts/p-7.01/>
- 1966: Legislation on the Canadian Pension Plan (CPP)
<https://laws-lois.justice.gc.ca/eng/acts/c-8/fulltext.html>
- 1952: Old Age Security Act
<https://laws-lois.justice.gc.ca/eng/acts/o-9/index.html>

KEY REGULATORY AND SUPERVISORY AUTHORITIES

- [The Canadian Association for Pension Supervisory Authorities](#)

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PENSIONS

- Pension Plans in Canada as of January 1, 2018
<https://www150.statcan.gc.ca/n1/daily-quotidien/190619/dq190619f-eng.htm>
- Pension Satellite Account 2018
<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610057601>
- Statistics Canada (2016), Labour force Survey
www.statcan.gc.ca/daily-quotidien/160610/dq160610a-eng.htm
- Statistics Canada (2020), Gross Domestic product, at basic prices, by industry, monthly
<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610043401>
- Statistics Canada (2020), Employer pension plans (trusteed pension plans), fourth quarter 2019
<https://www150.statcan.gc.ca/n1/daily-quotidien/200610/dq200610c-eng.htm>
- Population and Demography 2020
https://www.statcan.gc.ca/eng/subjects-start/population_and_demography
- Old Age Security Program

https://www.priv.gc.ca/en/opc-actions-and-decisions/audits/ar-vr_esdc_2016/#toc2_1

- Canada Profile
<https://stats.oecd.org/>

OTHER RESOURCES:

- [Publications](#)
- [Consultation](#)