

Save Our CPP!

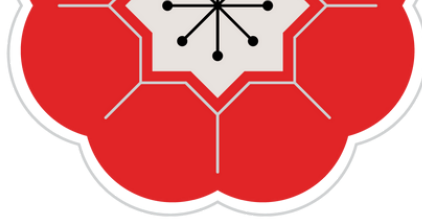
Albertans' Retirement Incomes Under Threat

Premier Danielle Smith's UCP is committed to taking Alberta out of the Canada Pension Plan, and creating a new Alberta Pension Plan in its place. This proposal creates serious risks for our retirement incomes. Smith declined to discuss this issue during the election campaign.

This is not acceptable. The plan to leave the CPP is an issue of vital importance, and must be explained and debated in public. Public Interest Alberta will attempt to provide information about the CPP and the proposed change to activists and citizens. This document is the first step in that process.

How does the CPP work?

- The CPP was established in 1966 as a “pay-as-you-go” (PAYGO) pension plan for all workers in Canada.
- PAYGO pensions are funded by contributions from the salaries of those currently employed. That money is used to pay the benefits of retired Canadians.
- As workers pay into the plan, they also accrue the benefits they will be paid when they retire. Essentially, each generation funds the retirement income of previous generations. This is the normal form for universal public pension plans in North America and Europe.
- Contributions are paid half-and-half by employers and employees.
- CPP benefits cover 25% of earnings up to the average industrial wage in Canada (called the Year's Maximum Pensionable Earnings, or YMPE). Contributions are likewise paid on earnings up to the YMPE. In 2022 the YMPE was \$64,900.
- The finances of the CPP are influenced by changes in population growth. As the “Baby Boom” generation reached maturity and birth rates fell, it became clear that there would be upward pressure on contribution rates in the future (fewer workers paying contributions to fund benefits for more retirees).
- In 1997, the provinces and the federal government agreed on measures to prevent funding shortfalls or unsustainable contribution rates in the future.
 - Over the next few years, total contribution rates rose to 9.9% of pensionable earnings. **This is higher than the rate required to fund current pension benefits.**
 - Contributions above those required to fund pensions being paid right now go into an investment fund, and the proceeds of the investments partially fund future pension benefits.
- According to actuarial valuations conducted by the Chief Actuary of Canada (and reviewed by a panel of independent actuaries), the added income from the investment funds should mean that contribution rates will remain steady at their current level for decades to come.



What about CPP benefits?

- The Canada Pension Plan has been delivering pension benefits to Canadians for over five decades. The plan has proven itself reliable, efficient, and dependable.
- In 2016, the same governments agreed on **future improvements** to CPP benefits. These benefits will rise over time until they cover 33% (rather than 25%) of earnings, and the level of earnings covered (the YMPE) will rise above the average industrial wage. This means better pension benefits for future generations.
- The CPP also has two important features:
 - It is completely portable. If you change jobs (anywhere in Canada) your earned benefits transfer with you, and you continue to accrue benefits in your new job.
 - CPP pensions are fully indexed to inflation. They won't erode over time. We've just come through a period of very high inflation, which demonstrates the danger of pensions that aren't indexed.

Who controls the money in the CPP?

- As of December 31, 2022, the CPP investment fund amounts to \$536 Billion.
- **The directors of CPP Investments are completely independent of government.** By law, no elected politicians can meddle with the fund, or try to direct investments.
- The only mandate of the CPP Investments is to **create solid returns without assuming unnecessary risks.**

What You Can Do

- **Talk to your family, friends and coworkers about the importance of the CPP, and why we need to organize to protect it.**
- **Spread the word on social media, write letters to the editor, comment on news stories.**
- **Stand by for further information releases from Public Interest Alberta.**