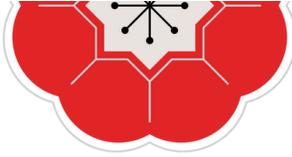


Three Myths About the Canada Pension Plan

As the Alberta government's on-again/off-again campaign to pull the province out of the Canada Pension Plan drags on, some persistent but incorrect myths about the CPP continue to circulate. It's important that Albertans understand the truth about the CPP and how it works.

Myth Number One: Albertans are Subsidizing CPP Pensions for the Rest of Canada

- Some of those supporting withdrawal from the CPP argue that Albertans pay more into the plan than other Canadians, and withdraw relatively fewer benefits. This is true, as far as it goes, but it doesn't go nearly far enough to understand how this comes about or what it means.
- Contributions to the CPP are based on earnings, CPP pensions are based on earnings and years of service. All Canadians (outside Quebec which has its own plan) make contributions at the same rates and draw pensions based on the same formula. The plan does not "subsidize" lower-income workers with the contributions of higher-income workers, nor does it favour one part of the country over another.
- Albertans contribute proportionally more, in total, to the CPP than other Canadians because:
 - Our provincial population is younger, meaning we have more people of working age and proportionally fewer retirees (for now).
 - The job market is stronger in Alberta than in the rest of Canada, so the provincial employment rate is higher than that of the ROC. This means a higher proportion of our population is making contributions.
 - Average wages are higher in Alberta, and our pension contributions reflect that.
- Total pensions paid to Albertans from the CPP are proportionally lower than the ROC because our population is younger (see above), hence we have proportionally fewer retirees.
 - Some people who earned their pensions in Alberta have retired to other parts of Canada:
 - People who came to Alberta to work in the oil patch, then returned to their homes in other parts of Canada.
 - People who lived and worked in Alberta for most of their lives, then chose to retire elsewhere.
- Albertans who are currently working and paying CPP contributions are also accruing CPP benefits. In all likelihood, the pensions they draw in the future will be higher than those of other Canadians. Does that mean that, in twenty years, Canadians in Ontario and BC will be "subsidizing" the pensions of Albertans. Absolutely not!
- This whole argument is an exercise in cherry-picking numbers and ignoring the way the CPP actually works.



Myth Number Two: The Pension Issue is Mostly a Concern for Senior Citizens

On the contrary, this is a concern for all Albertans:

- If Alberta withdraws from the CPP, the process will be lengthy and complicated.
- If demographic or economic changes (or plain old government mismanagement) get the new Alberta Pension Plan in difficulty, that won't happen overnight either. This means that it's not current pensioners who are most at risk, it's their children and grandchildren. Under an Alberta Pension Plan, when they retire, the pensions they're paying for today might be at risk.
- Although Alberta would be obligated to provide at least the same level of benefits as the CPP initially, Alberta would be free to make changes at any time thereafter.

Myth Number Three: It's All Academic, Because the CPP Won't be Around When the Next Generation Retires

This myth has been around for decades, and yet the CPP is still flourishing. Here are the facts:

- The CPP is a pay-as-you-go (PAYGO) pension plan, as are most large national pension plans in North America and Europe. That means the pensions of current retirees are paid for by the contributions of current workers. Any future Alberta Pension Plan would also be a PAYGO plan.
- These kinds of plans face two kinds of risks: a long-term or permanent collapse of the economy or major shifts in demographics (the numbers of retirees and the numbers of contributors to the plan).
- In the mid 1990s, pension experts advised the government that with the Baby Boom generation beginning to retire, their pensions could place an unreasonable burden on the following generations.
- To prevent this, in 1997 the Federal Government and the Provinces agreed to increase current contribution rates. This increase would be used to create a pension fund, and the investment returns from this fund would help pay for future pensions without requiring major contribution rate increases. That fund is now worth over \$500 billion.
- The CPP does an "actuarial valuation" of the plan (an assessment of the plan's finances and its ability to pay pension benefits in the future) every three years.
- This valuation is performed by the Chief Actuary of Canada, then it is reviewed by an independent panel of actuaries appointed by the Chief Actuary of Great Britain.
- Besides the above, in 2016 the governments involved agreed that, over time, they would increase the level of pre-retirement income covered by the CPP, and increase the rate with which CPP benefits are calculated. This means that future generations will have even better pension benefits from the CPP.
- **The CPP isn't invulnerable, but it's as safe and reliable as any human-designed financial structure can be.**

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.**