



**Remarks by Jean-Claude Ménard, Chief Actuary
Office of the Chief Actuary
Office of the Superintendent of Financial Institutions Canada (OSFI)
to the
House of Commons Standing Committee on the Status of Women
on the topic of:
Women and Pension Security**

**Ottawa, Ontario
Tuesday, November 3, 2009**

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Introduction

Good afternoon Ms. Chairperson, Honourable members of the Committee. Thank you for the opportunity to appear before you today to address the issues related to women's retirement income security.

Mandate and Activities of the OCA

The primary role of the OCA is to provide actuarial services to the federal and provincial governments who are Canada Pension Plan (CPP) stakeholders. While I report to the Superintendent of Financial Institutions, I am solely responsible for the content and actuarial opinions reflected in the reports prepared by my office.

The OCA conducts statutory actuarial valuations of the CPP, Old Age Security (OAS) program, and pension and benefits plans covering the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), federally appointed judges, and Members of Parliament. Since 2001, we have also performed an annual actuarial review of the Canada Student Loans Program.

Whenever a Bill is introduced before Parliament that has a significant impact on the financial status of a public pension plan falling under the statutory responsibilities of the Chief Actuary, the OCA must submit an actuarial report to the appropriate minister. The most recent report assessing the financial impact of the proposed changes for the Canada Pension Plan included in Bill C-51 was tabled before the Parliament on October 19, 2009. This report confirmed that if the current Plan is amended, with current economic conditions taken into consideration, a legislated contribution rate of 9.90 per cent for years 2010 and thereafter would be sufficient to financially sustain the Plan.

Status of Women in the Canadian Pension System

The status of women within the Canadian pension system is not the same today as it was 30 or 40 years ago. Historically, women had more interrupted work history, lower earnings, and as a result lower retirement pensions as compared to men. Presently, the gap in CPP pensions between males and females is narrowing even if it is not expected to disappear completely.

Labour market participation for women has increased over the years. Based on the most recent CPP Actuarial Report, the overall labour force participation rates in Canada from 1976 to 2006 clearly show a narrowing of the gap between male and female rates. While this gap was 32 per cent in 1976, it has narrowed to 10 per cent in 2006, and it is expected to narrow further but at slower pace. This trend is also well pronounced in the registered pension plans (RPP) coverage. The proportion of female RPP members increased from 35 per cent, 20 years ago, to 49 per cent in 2007. In 2007, 2.9 million females participated in the RPP as compared to only 1.7 million in 1987. For all paid workers, the proportion of female RPP members is now higher than for men, a situation that had not been seen before 2005.

The gap in employment earnings between women and men has also narrowed over the last 40 years. The ratio of female to male average employment earnings stood at about 48 per cent in 1966 and was 71 per cent in 2006. The 23rd CPP Actuarial Report projects that this ratio will further increase to 84 per cent by 2050. As a result of these trends, it could be expected that future generations of female retirees will have access to more adequate retirement income.

The Canada Pension Plan contains several features that are designed to promote higher retirement income security for women. The CPP provides benefits that are largely determined by how much and for how long a contributor contributed to the plan. As such, it is important to ensure that an individual's average career earnings used in calculating the pension are not abnormally affected by a certain number of years of lower earnings. The dropout provisions of the CPP, in particular the Child Rearing Dropout (CRDO) and the general low earnings dropout, allow for the exclusion of years with low earnings and help an individual to qualify for a larger pension.

The Child Rearing Dropout provision was introduced in 1978 and it benefits individuals caring for young children, mainly women, who can then receive a higher pension. It allows the exclusion of low earnings while caring for children under age of seven from the benefit calculations. The general low earnings dropout supplements the child rearing dropout and also permits up to seven years or 15 per cent of a worker's career to be dropped from the calculation of the pension. Virtually everyone benefits from this dropout provision; however the impact on women's pensions is higher due to women's lower earnings and more uneven work history.

Finally, another feature of the CPP mitigates the impact of low earnings on the calculation of pension amounts. No contributions are taken from the first \$3,500 of employment earnings (Year's Basic Exemption). The application of this provision provides a better return on contributions for lower earning individuals. Once again, even though this is a universal provision, women benefit more from it due to their generally lower earnings, as compared to men.

The cost of providing retirement income depends largely on life expectancy. Life expectancy is another aspect that differentiates women from men. Women are living longer than men. Therefore they are expected to receive their retirement income for a longer period of time. At the inception of the Canada Pension Plan in 1966, women aged 65 lived 17 years more on average. Today they are living for an additional 21 years after the age of 65, and are expected to live for 24 years in 2050. Indeed, generally women live about 3 years longer than men.

Conclusion

The combination of Old Age Security, the Guaranteed Income Supplement and the compulsory contributory pension plans (C/QPP) has contributed significantly to reducing poverty among seniors over the past three decades. The OECD and the Luxembourg Income Study Research Institute consider Canada to be the country which has the least difficulty ensuring the economic well-being of retirees.

To quote the Research Institute, "The choice of policy is crucial as shown for instance by the low cost but highly target-effective Canadian efforts in fighting elder poverty". Canada is in an enviable group of countries that includes, in particular, Netherlands, Norway, Sweden and Denmark, where the incidence rate of low income seniors is less than 5 per cent.

I hope that I have succeeded in providing you with some facts regarding women's retirement income. I wish to thank you for the opportunity to appear before this Committee and will be pleased to answer any questions you may have.

Thank you.