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Summative Evaluation of the Canada Pension Plan Retirement Pension and Survivor Benefits

February 7, 2017



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List of Abbreviations

CPP	Canada Pension Plan
CRA	Canada Revenue Agency
ESDC	Employment and Social Development Canada
GIS	Guaranteed Income Supplement
LAD	Longitudinal Administrative Databank
LICO	Low Income Cut-Off
OAS	Old Age Security
OECD	Organization for Economic Co-operation and Development
QPP	Quebec Pension Plan
SFS	Survey of Financial Security
SLID	Survey of Labour and Income Dynamics

Executive Summary

This evaluation examines the Canada Pension Plan (CPP) retirement pension and survivor benefits and covers the period from 1992 to 2012 and summarizes the evidence collected from 14 in-depth technical studies prepared specifically for this evaluation (see Appendix 2). This is the first summative evaluation focusing specifically on the retirement pension and survivor benefits since 1997.

The CPP is a mandatory¹ contributory program that is funded by the contributions of employees, employers and self-employed persons, and by the revenue earned on CPP investments. The intent of the CPP is to provide contributors and their families with a minimum level of income replacement upon the retirement, disability or death of a wage earner. The CPP complements the two other pillars of the retirement income system (universal support through the Old Age Security/Guaranteed Income Supplement and private savings). The CPP was not designed to meet all financial needs in retirement, but to provide contributors with income up to 25% of pensionable earnings – which can be built upon from other income sources.

The CPP provides contributors and their families with three major types of benefits:

1. CPP retirement pension: provides a monthly taxable benefit to retired contributors who are at least 60 years old. To qualify, a person must have worked and have made at least one valid contribution to the CPP.
2. CPP survivor benefits: paid to a deceased contributor's estate, if sufficient contributions were made. Benefits may also be available to a surviving spouse or common-law partner (depending on their age and the presence of children and/or disability), and to dependent children (depending on their age).
3. CPP disability pension: paid to people who have made enough contributions to the CPP and who are disabled and cannot work at any job on a regular basis. Benefits may also be available to their dependent children.

Within the period being evaluated (1992 to 2012), reforms were introduced to change the funding from pay-as-you-go (i.e. where contributions pay for all benefits) to steady-state (where contributions are used to partially finance a fund whose earnings will be used after 2022). This is when the large cohort of baby boomers will have largely retired from the labour force such that annual contributions will need to be supplemented by income from the fund to pay benefits.

This report summarizes findings related to a number of topics including the profile of CPP beneficiaries, the CPP income share and income replacement, the contribution of the program to economic well-being, program delivery, the CPP impact on labour market participation, and program administrative/delivery costs.

¹ In a few cases, such as with First Nations employers, participation in the CPP is voluntary.

Key Findings

Profile of Beneficiaries

Since the inception of the program in 1966, there has been a significant increase in the labour force participation of women. Over the evaluation period (1992 to 2012), these changes led to an increase in the proportion of retirement pension beneficiaries who are female (to roughly 50%) and a decrease in the share of survivor benefit recipients who are female (from 90% to 80%). While more women are contributing to (and drawing benefits from) the program, women who have lost a spouse remain financially vulnerable. The reason for this is that women tend to live an average of 4 to 5 years longer than men, while also getting married two years earlier than men, on average. Thus, they are expected to continue to require financial support for up to 6 or 7 additional years without their spouse. As such, survivor financial well-being can be seen more in terms of maintaining important consumption patterns (such as paying for children's education). Participation in the program varies by age and marital status – those over age 70 and married represent a higher proportion of recipients. Recent immigrants (landed since 1990) were significantly less likely than both longer-term immigrants and non-immigrants to be program beneficiaries. Immigrants who landed since 1980 represent 10% of the total population of 70-79 year olds, but only 6% of CPP beneficiaries in this age group. Generally speaking, participation is lower among those who made fewer CPP contributions.

Income Share and Replacement

Among those over age 70, the CPP retirement pension represents about a quarter of their retirement income, varying by factors such as age, pre-retirement income, immigration status, and cohort (i.e. start of CPP benefit receipt). It replaces a significant amount of pre-retirement income and is a large source of retirement income for low-wage earners. According to the focus groups, CPP recipients consider their benefits to be positive contributors to their well-being, insofar that it would have a negative economic impact if they did not receive them. Those with lower incomes tend to indicate that the CPP is more important to their overall well-being.

Among those over age 70, nearly 100%² who are eligible for a retirement pension receive one. Where non-participation exists among those eligible, it can be explained by awareness and/or limitations in the knowledge, skills and confidence that constitute financial literacy. Other factors such as complex program design, insufficient government outreach efforts, and certain characteristics of the target population may also be associated with non-participation.

² Actual numbers were 99.7% for men and 99.6% for women, in 2012. Among those between 60 and 69 years of age, take-up rates were 90% for men and 73% for women in 2012 (see Data Probe Economic Consulting (2015), “*Evaluation of the Canada Pension Plan Retirement and Survivor’s Pensions – Based on the Longitudinal Administrative Databank*”, prepared for ESDC).

Contribution to Well-Being

The CPP is a significant contributor to well-being, as measured by financial viability. The program is an important contributor to this type of economic well-being, particularly for those with fewer income resources in retirement. Indeed, aggregate poverty levels among retirees would increase in the absence of the CPP, with one study suggesting that the presence of a retirement pension reduced the incidence of low income by about half for recipients between 70 and 79 years old.³

Program Delivery

Service provision has been made more modern with the implementation of web-based service points. That being said, service and outreach challenges still exist for older seniors (some of whom lack computer literacy), Aboriginal Canadians and immigrants (who tend to have challenges with application processes due to language barriers), and residents of remote areas (who may have limited access to the internet or Service Canada centres). In addition, processing time for survivor benefits, and the two-tiered structure of personal service were flagged as in need of improvement.

Although applicants' experiences were generally positive, the evaluation found that some applicants lacked an understanding of combined benefits, benefit calculation/entitlement, the child-rearing provision, credit splitting, the combining of pensions from other countries, and the Post-Retirement Benefit.

Impact of Labour Market Participation

Labour force participation among recipients of a CPP retirement pension increased during the evaluation period, particularly among higher income retirees and male retirees. The majority of the studies indicated that receipt of a survivor pension tended to have no effect on the propensity to continue working.

Receipt of a CPP pension affects other sources of income (e.g. by increasing a beneficiary's total income, a smaller proportion of that income would be provided by income tested benefits such as the Guaranteed Income Supplement or Social Assistance). However, the receipt of Old Age Security pension benefits remains unaffected for those over 65 years of age with an annual income of less than \$73,756 for the 2016 taxation year. Women tend to be affected more by the resultant increase in taxes than men when comparing a non-CPP scenario to one in which the CPP is present. However, this is because incomes are also higher with CPP than without it – the net benefit of participation is positive.

³ Data Probe Economic Consulting (2015).

Administrative and Delivery Costs

From 1992-93 to 2014-15, the total administrative cost of the CPP in nominal dollars (which has five components including ESDC administrative costs and CPP Investment Board costs) increased steadily – from \$167.7 million to \$1.3 billion. Despite this overall trend in total CPP administrative costs, ESDC administrative costs have remained relatively stable since 2002-03. Between 1992-93 and 2002-03, ESDC administrative costs increased from \$76.6 million to \$328.0 million, but since then they have fluctuated fairly little (reaching \$351.0 million in 2014-15) – even though there was a 43.5% increase in the number of CPP beneficiaries since 2002-03. The majority of the total CPP administrative cost increase over this latter period was due to an increase in CPP Investment Board costs (from \$12.9 million in 2002-03 to \$803.0 million in 2014-15).

Recommendations

1. Address deficiencies in the administrative data by ensuring that measures appropriate to evaluation needs are included at source. This would include information on employment history, marital status history (to address problems with assessing survivor benefits take-up rates), and a clearer disaggregation of CPP benefits (such as when retirement and survivor benefits are combined, but the specific benefit cannot be deduced due to the formula used to calculate combined benefits).
2. Improve communication and outreach with CPP clients (and particularly Aboriginal Canadians, older seniors, and with non-recipient contributors to the CPP) to reinforce their understanding of the program, the various benefits, eligibility requirements, and the application processes.
3. To the extent that they are under ESDC control, steps should be taken to address (A) factors that slow benefit processing time, (B) including complex applications resulting from International Social Security Agreements and (C) temporary delays in obtaining duplicate T4 slips.
4. In addition, greater effort should be made to keep clients notified of the status of their application from the point of initial submission of the benefit request and receipt of the benefit.
5. Improve Service Canada website navigability and awareness in order to encourage use by CPP clients. This would include providing more detailed information than what is currently available. Tailor service and communications to better fit seniors' current situation with regard to their propensity to go on-line to seek information about the CPP.

Management Response

To ensure the Canada Pension Plan (CPP) continues to meet the needs of Canadians, Management takes seriously both the findings of the Summative Evaluation of the CPP Retirement Pension and Survivor Benefits and the resulting recommendations outlined below. Management also acknowledges the important contribution of those who participated in the Summative Evaluation. Drawing on multiple lines of evidence, the Summative Evaluation demonstrates the continued relevance of the Survivor's and Retirement Pensions. It also confirms that key CPP objectives are automatically achieved because they are embedded in the very design of the Plan.

The evaluation also sheds light on the development of the CPP specifically and the retirement income system in general. Together, these have evolved in a changing socio-economic and demographic context. While the retirement income system is beyond the scope of the Summative Evaluation, it is clear that the efficiency with which the CPP performs creates positive impacts and effects for contributors and on the net costs of other seniors programs and on the tax revenues recovered through the CPP Retirement Pension and Survivor Benefits.

Regarding service delivery, the implementation of the CPP Service Improvement Strategy (SIS) will directly support and build upon the Evaluation's recommendations. This includes direct measures to collaborate with the Canada Revenue Agency (CRA) to enhance information sharing, reduce factors that slow benefit processing time, potential enhancements to online international applications, and improvements to client access to the status of their application.

Five recommendations are provided in the Summative Evaluation report. These recommendations are important and the Department will respond to them.

Recommendations and Responses

- 1. Address deficiencies in the administrative data by ensuring that measures appropriate to evaluation needs are included at source. This would include information on employment history, marital status history (to address problems with assessing survivor benefits take-up rates), and a clearer disaggregation of CPP benefits (such as when retirement and survivor benefits are combined, but the specific benefit cannot be deduced due to the formula used to calculate combined benefits).**

ESDC is committed to making evidence-based decisions while also respecting the requirements concerning the collection and use of personal information. As part of the CPP Service Improvement Strategy, we are exploring enhanced information sharing and broader use of administrative data from multiple sources. This will

leverage additional data allowing us to streamline and automate processes (e.g. the Death Notification Hub). In pursuing these initiatives, we will identify opportunities to maximize the use of personal information for program policy development while at the same time limiting the collection of personal information for the purposes prescribed under the program.

2. Improve communication and outreach with CPP clients (and particularly Aboriginal Canadians, older seniors, and with non-recipient contributors to the CPP) to reinforce their understanding of the program, the various benefits, eligibility requirements, and the application processes.

In 2015-2016, Service Canada Mobile Outreach Services delivered over 10,415 information sessions to 74,276 Canadians across the country. Of these information sessions, Service Canada Mobile Outreach Services delivered over 1,230 information sessions to 15,882 senior citizens and caregivers, community groups and service delivery partners across the country. Service Canada is modernizing its outreach activities in 2016-17 with a new Targeted Reach service which will equip Service Canada with the ability to meet partner's needs by pro-actively and more directly targeting specific client groups to assist in advancing program objectives and outcomes.

To improve communication and outreach with CPP clients in 2016-17, Service Canada will roll out the Initiative for Reaching Vulnerable Seniors pilot to all Regions. This will be the first example of targeted outreach activities that are aimed at a specific client group (vulnerable seniors which include aboriginal, low-income, disabled, low literacy, etc.) and will be aligned with program outcomes and performance measurement indicators.

3. To the extent that they are under ESDC control, steps should be taken to address (A) factors that slow benefit processing time, (B) including complex applications resulting from International Social Security Agreements and (C) delays in obtaining duplicate T4 slips.

(A) ESDC is addressing factors that slow benefits processing time through the CPP Service Improvement Strategy (SIS). The SIS initiatives will be deployed in a number of phases, beginning in late 2016 to September 2019. The SIS is founded on the following 3 key pillars:

1. Excellence in Client Service: Key initiatives include providing clients access to self-service online applications and speed up processing for straightforward files. This will enable service agents to focus on complex files and improve their processing times as well;
2. Excellence in Performance and Results: A number of changes to processes and tools are planned to improve workload management and enable real-time monitoring of performance and results. The Department will consequently be

able to react to workload pressures in a more agile manner and take prompt action to address slippage in service standards; and

3. Excellence in Program Stewardship: Managing the long-term sustainability of the CPP program by improving operating costs and leveraging integrity and risk management capabilities.

In addition, policy and program simplifications will be explored to support simplified, streamlined and automated applications and business processes with the aim of reducing processing times and improving service.

- (B) International Operations continue to work with international Social Security Agreement (SSA) liaison agency partners on an on-going basis to review operational processes to gain efficiencies and improve service delivery. SSA benefit processing, including CPP benefit processing, is within scope of the Old Age Security (OAS) and CPP Service Improvement Strategies, and therefore, will also leverage many of the efficiencies gained through these initiatives.
- (C) Delays in obtaining duplicate T4 slips resulting from the implementation of the Corporate Payment Management System have since been resolved. Corrective measures were successfully implemented in July 2015 and the printing backlog was eliminated. Follow-up monitoring has identified no further issues.

4. **In addition, greater effort should be made to keep clients abreast of the status of their application from the point of initial submission of the benefit request and receipt of the benefit.**

The online CPP Retirement application process was launched in June 2015. Applicants are guided through a series of automated workflows where only eligible applicants can perform a formal submission. The system has automatically determined the applicant's eligibility and therefore provided the applicant with the status of their request.

As more individuals use the My CPP Retirement online application (as part of the CPP SIS), an increasing number of clients will benefit from automation and reduce the need for follow-up due to delays encountered with manual processing.

A planned self-serve Check Status functionality will eventually provide clients with transactional status updates – from time of application is accepted to payment received – within a secure environment over the internet.

5. **Improve Service Canada website navigability and awareness in order to encourage use by CPP clients. This would include providing more detailed information than what is currently available. Tailor service and communications to better fit seniors' current situation with regard to their propensity to go on-line to seek information about the CPP.**

As part of the Government-wide Web Renewal Initiative, ESDC is moving its online presence to canada.ca. This includes Service Canada's web pages for the CPP.

The CPP web pages have been using the new canada.ca service initiation template since December 2015. This new template allows users to quickly locate a service, initiate it, and complete the intended task by accessing the service through their channel of choice.

Program, communications and web teams worked closely together to review and update key CPP web pages to also:

- support a consistent approach to task initiation and completion;
- provide users with the information they need before initiating the task of completing a service online, in-person or by mail;
- ensure that users have read and accepted any mandatory disclaimers (or other legal information) required before initiating the service – after they have triggered the initiation button or downloaded the printable materials and forms; and
- provide easy access to related services, such as: applying for an OAS pension, the Canada Retirement Income Calculator, My Service Canada Account, applying for Direct Deposit, and updating personal information.

As part of the move to canada.ca, ESDC conducted usability testing on the new CPP pages in February 2016. The results demonstrated a 90% success rate on performing specific tasks related to the CPP application process.

Overall, web Renewal seeks to consolidate 1,500 Government of Canada (GC) websites into one website designed to respond to the needs of Canadians first. This initiative aims to enhance the effectiveness and efficiency of the GC online presence through user-centered design principles to create an optimal user experience. Users will quickly and easily do what they need to do, while building trust and credibility. The GC will deliver information and services more effectively and engage with Canadians through more consistent and effective websites, social media and mobile tools. Its implementation will create new opportunities to provide useful communications to the right audiences at meaningful points in time.

[Canada.ca](http://canada.ca)'s new information architecture (IA) involves organizing and labelling content, designing a navigation system, and enabling search functions to allow users to complete tasks and find the information and services they need. Content that is published on canada.ca must be organized and labelled in a manner that users understand. Navigation design needs to support user-centred information constructs, and search functions must be wholly integrated into the IA model. The IA supports the user's experience of canada.ca by improving both usability and findability to build fewer but better and more intuitive methods to navigate and find content. The CPP's online presence will increasingly benefit from this initiative as it continues forward.

In addition, in April 2015, ESDC established the Innovation Lab, with a mandate to find innovative solutions to service delivery challenges while promoting greater integration between policy, program and service delivery. The value proposition of the Lab lies in integrating end-user experience in the development of services, and bringing together key stakeholders at the beginning of a project to reduce the incubation period between policy development, program design and service delivery to Canadians.

The Innovation Lab is developing a variety of approaches, utilizing different media, to give Canadians more relevant, detailed and user-friendly information about the CPP on the web, which includes making useful information easier to find. This new information will be designed to help Canadians understand the Plan and make optimal decisions in accessing its benefits based on their personal circumstances and preferences.

1. Introduction

The Canada Pension Plan (CPP) was introduced in 1965 and, along with Old Age Security (OAS), comprises one of the two public pillars of Canada's public retirement income system. In 2014-15 alone, the CPP paid out about \$38.7 billion in benefits to over 5.3 million beneficiaries.⁴

A comprehensive multi-phase evaluation of the CPP was previously conducted between 1993 and 1997 and included an examination of the CPP retirement pension component and its funding mechanism, the CPP disability benefit, and survivor benefits. A more recent CPP disability benefit evaluation was published in 2011. Thus, this evaluation is necessary to provide more recent evidence on how the program, specifically the retirement pension and survivor benefits, is meeting its objectives.

This report summarizes findings related to a number of topics including the profile of CPP beneficiaries, the CPP income share and income replacement, the contribution of the CPP to economic well-being, program delivery, the CPP impact on labour market participation, and administrative/delivery costs of the CPP. Specific questions can be found in Appendix 1. The evaluation covers the period from 1992 to 2012. Because key informant interviews, focus groups and the expert panel were conducted in 2015, information from these sources includes references to the period after 2012. In addition, more recent figures (post-2012) were included where available.

1.1 Methodology and Limitations

The CPP administrative data is the most accurate and up-to-date data source unlike sources such as the Census (which relied on self-reporting in 2011) the administrative data uses information directly from the CPP program itself. However, because it is program data designed for administrative purposes, it lacks a complete range of measures to address all of the evaluation questions. Marital status is particularly difficult to determine, as it can change over time and, in practical terms, does not present categories that are necessarily mutually exclusive (as when, for example, a widow reports herself, after a time, as single/not married). This creates barriers for adequately measuring take-up for the survivor's pension.

This shortfall was addressed by linking the CPP administrative data to income tax data from the Canada Revenue Agency (CRA). However, these linked data (while useful) do not include a comparison group of non-beneficiaries, since they were linked with current CPP beneficiaries only. Further, other data sources used for this evaluation have a wide

⁴ For an annual breakdown by benefit type, see <http://www.servicecanada.gc.ca/eng/services/pensions/statistics/statbook/cppoasstatistics.shtml>.

range of measures but do not include panel data (e.g. the Survey of Financial Security – SFS) or if they do, lack a full range of appropriate measures such as a multifaceted measure of well-being that moves beyond the strictly financial realm, or clear discrete measures of marital status that take into consideration changing status (e.g. the Survey of Labour and Income Dynamics (SLID), or variables that clearly delineate between the retirement and survivor’s pensions (e.g. Longitudinal Administrative Databank or LAD). In addition, data sources which can model changes in the Canadian population (e.g. LifePaths) require the construction of specific modules (which are time- and resource-intensive) to directly address some of the evaluation questions.

To help address some of these limitations, various sources of qualitative data were used (e.g. key informant interviews, expert panel and focus groups) to provide supplemental information to the quantitative lines of evidence.

For these reasons, this evaluation relies on evidence from multiple technical studies using a wide variety of methods (see Appendix 2 for more information). In doing so, the limitations of one particular line of evidence are augmented by the strengths of another line of evidence.

2. *Background Information*

2.1 **Canada's Retirement Income System**

Canada's retirement income system is composed of three pillars (two public and one private):

1. Old Age Security (OAS) pension and the Guaranteed Income Supplement (GIS): combine to provide a minimum income guarantee for older Canadians.⁵
2. CPP and the parallel Quebec Pension Plan (QPP): compulsory earning-related programs designed to replace about 25 percent of pre-retirement employment and self-employment earnings.
3. Private pensions and tax-assisted savings and investment plans such as Registered Pension Plans and Registered Retirement Saving Plans.

As one part of Canada's multi-dimensional retirement income system, the CPP is *not* intended to meet all financial needs in retirement. It is intended to provide Canadians with a partial replacement of eligible earnings (up to 25%) upon retirement. The CPP provides contributors and their families with three major types of benefits.⁶

1. CPP retirement pension: provides a monthly taxable benefit to retired contributors. Those who continue to work while receiving a retirement pension may also receive an increased retirement income which is called the Post-Retirement Benefit.
2. CPP survivor benefits: paid to a deceased contributor's estate, if sufficient contributions were made. Benefits may also be available to a surviving spouse or common-law partner (depending on their age and the presence of children and/or disability), and to dependent children (depending on their age).
3. CPP disability pension: paid to people who have made enough contributions to the CPP and who are disabled and cannot work at any job on a regular basis. Benefits may also be available to their dependent children.

The CPP also includes 'drop-out' provisions that help to compensate for periods when individuals may have relatively low or no earnings by basing benefit calculations on years when earnings were higher, as well as progressive features that recognize family and individual circumstances.⁷

Since the focus of this evaluation is on the retirement pension and survivor benefits, only these two types of benefits are discussed in detail below.

⁵ In 2014-15, 5.6 million Canadians received almost \$44.1 billion in OAS benefits and 1.7 million Canadians received almost \$10.1 billion in GIS benefits.

⁶ For further information, see <http://www.servicecanada.gc.ca/eng/services/pensions/cpp/index.shtml>.

⁷ For further information, see <http://www.esdc.gc.ca/en/cpp/eligibility.page>.

2.1.1 CPP Retirement Pension

The CPP retirement pension is a monthly benefit paid to contributors who are at least 60 years old. It is designed to replace about 25 percent of the earnings on which a person's contributions were based.⁸

To qualify for a CPP retirement pension, a person must have worked and have made at least one valid contribution to the CPP. Contributions are made on earnings between the year's basic exemption and the year's maximum pensionable earnings.⁹ CPP retirement pension amounts are determined by how long and how much individuals have contributed and at what age they begin to receive benefits.¹⁰

Flexibility is offered for both older workers and their employers with respect to the age of retirement. For persons electing to take their CPP retirement pension before turning 65 years old, the benefit amount is adjusted downwards utilizing an actuarial factor for each month before age 65. For persons choosing to postpone receipt of their CPP retirement pension until after the age of 65, the benefit amount is adjusted upwards for each month after age 65 up to age 70.

A person can elect to receive a retirement pension and still continue to work. As of January 2012, in cases where a person retires, continues to work, and is under the age of 65, contributions to the CPP are mandatory for both the retiree and their employer. These additional post-retirement contributions will increase the retirement benefit level at age 65, which is called the Post-Retirement Benefit. For persons still working and between ages 65 and 70, additional contributions are voluntary.¹¹ No contributions are made after the age of 70.

2.1.2 CPP Survivor Benefits

CPP survivor benefits are paid to a deceased contributor's estate, surviving spouse or common-law partner and to dependent children. The three benefit types are:

1. The death benefit: a one-time payment to, or on behalf of, the estate of a deceased contributor.

⁸ National Health and Welfare (1964), "*The Canada Pension Plan White Paper*".

⁹ The basic exemption for 2016 is \$3,500 and the maximum pensionable earnings are \$54,900. The contribution rate is 9.9% - split equally between the employee and employer (the self-employed paid the full 9.9%).

¹⁰ The maximum monthly retirement pension in 2016 is \$1,092.50. Approximately \$29.6 billion in retirement pension benefits were paid out to 4.6 million beneficiaries in 2014-2015, representing nearly 76% of all CPP benefits paid out. Sources: "Canada Pension Plan – How much could you receive", http://www.esdc.gc.ca/en/cpp/benefit_amount.page and "Key CPP & OAS Statistics Program Information, Management and Analysis (PIMA)", http://servicecanada.prv/eng/isp/reference/stats/documents/key_statistics.pdf.

¹¹ Post-retirement contributions assume someone is also receiving a CPP retirement pension (see http://www.esdc.gc.ca/en/cpp/post_retirement/eligibility.page).

2. The survivor pension: a monthly pension paid to the surviving spouse or common-law partner of a deceased contributor.
3. The children's benefit: a monthly benefit paid to the dependent children of a deceased contributor under age 18, or between the ages of 18 and 25 and in full-time attendance at a school or university.

The deceased must have contributed to the CPP for ten years, or for at least one third of the total number of years in his or her contributory period (with a minimum of three years) in order for the contributor's estate, survivor or children of the deceased to receive one or more of the survivor benefits. The death benefit is equal to six times the amount of the deceased contributor's monthly retirement pension at age 65, up to a maximum of \$2,500. This maximum was set in 1997 and is not adjusted annually to inflation. Prior to the change, the maximum was equal to one-tenth of the Year's Maximum Pensionable Earnings.

The survivor pension amount is based on a calculation of how much the contributor's retirement pension was, or would have been, if the contributor had been 65 years old at the time of death. A further calculation is then made using the survivor's age at the time of the contributor's death. The survivor pension can be combined with either the disability or retirement pension of the survivor, capped at the maximum benefit level for the disability or retirement pension.

The maximum monthly survivor pension in 2016 for those under age 65 is \$593.62. This includes a flat-rate portion of \$183.93 and an earnings-related portion of \$409.69 (37.5% of the deceased contributor's retirement pension). The maximum amount at age 65 and over is \$655.50, which is equal to 60% of the deceased contributor's retirement pension. The children's benefit in 2016 is a flat-rate amount of \$237.69 per month.¹²

2.2 Objectives of CPP Benefits

In the 1964 CPP White Paper, it was noted that the CPP was designed to provide "*reasonable minimum levels of income available at normal retirement ages, to people who become disabled, and to the dependents of people who die*". Although demographic and economic conditions have changed since the CPP was first introduced, the objectives of the program have not changed from what was originally stated in the CPP White Paper.¹³

According to the expert panel conducted as part of this evaluation, there continues to be a demonstrated need among retired Canadians for the CPP. It provides a secure and portable earnings-related pension program that guarantees the lifetime continuation in retirement of a specific and defined portion of a contributor's average income (as well as

¹² "Quarterly report of Canada Pension Plan and Old Age Security monthly amounts and related figures – January to March 2016", <http://www.servicecanada.gc.ca/eng/services/pensions/infocard/janmar16.shtml>.

¹³ Department of National Health and Welfare (1964), *The Canada Pension Plan (White Paper)*, page 7.

clearly specified survivor benefits in the case of the death of a contributor). The CPP balances individual equity (benefits are largely based on individual contributions to the program) with social insurance; for the latter, insofar as the pooling of risk offers participants a more affordable and accessible method of income protection, in the case of both retirement and unanticipated income loss, than might be available to many Canadians from private sources. In this way, poverty among the retired is no longer primarily addressed via social assistance mechanisms.

With respect to survivor benefits, the literature review indicated that they were originally designed to support families where a wage earner died and where the survivors were unable to support themselves. Since the inception of the CPP, the demographic and socio-economic context has changed significantly:

- There have been significant increases in women's participation in the labour force, which has potentially increased the financial capacity of many households with two earners.
- The number of re-marriages and blended families has increased. For example, the number of widows who were lone-parents declined from 34.7% in 1980 to 19.4% in 2011.¹⁴ Many families receiving survivor benefits are no longer composed of a widow (who was usually a non-earner) and dependent children compared to when survivor benefits were first implemented.
- Compared to the 1960s, the maturation of Canada's retirement income system has increased the number of retirement saving vehicles (such as Registered Retirement Savings Plans and Tax-Free Savings Accounts) available to Canadians (including widows and widowers), which is playing an increasingly significant role in their retirement preparedness. In addition, the OAS Allowance was introduced to provide additional income for an eligible spouse of an OAS/GIS recipient who was, nonetheless, below the age threshold for receiving an OAS pension.

Despite the above changes, female survivors remain a financially vulnerable group compared to their male counterparts (Townson 2009),¹⁵ survivor families are still in a more precarious financial position due to the impact of widowhood (James 2009),¹⁶ and many low-income Canadians do not have sufficient savings to take advantage of private retirement savings plans (Statistics Canada 2010)¹⁷ – necessitating a continued need for survivor benefits.

Expert panel participants noted that the context within which the CPP came into being was characterized by a lack of a portable retirement income replacement vehicle other than OAS benefits and a social structure that assumed a single-earner family. This had the effect of putting many survivors (mostly women) in financial jeopardy upon the death of a spouse. However, the expert panel suggested that women's vulnerability has declined significantly (but not completely) since the inception of the CPP.

¹⁴ ESDC (2013) "*A Profile of the Working-Age Widowed Population in Canada from 1980 to 2011*".

¹⁵ Townson, M (2009), "*Canadian Women on Their Own are Poorest of the Poor*".

¹⁶ James, E. (2009), "*Rethinking Survivor Benefits*".

¹⁷ Statistics Canada (2010), "*Participation in Private Retirement Savings Plans, 1997 to 2008*".

Notwithstanding, the expert panel found that even if women earned exactly the same amount as men, there would still likely be enough differences in gender-based mortality rates and age of marriage to make the issue of widows' financial security an ongoing concern. Indeed, as the proportion of married/common law women who are currently in the labour force has (statistically) plateaued, there is little room for additional family income to compensate upon the death of a spouse. For this reason, it is possible to see how family income might suffer from the death of a spouse more in the current socioeconomic climate than in the past.

As a self-calibrating program, the CPP has automatically responded to these socio-economic changes. As women's earnings and their own retirement pensions under the CPP have risen, the limit on combined benefits has reduced their survivor benefits. In addition, the 1998 reform revised the calculation of combined benefits.¹⁸ Finally, there was a decrease in the quantity of children's benefits being paid. In 1979-80, children's benefits represented 20% of total survivor benefits expenses compared to only 5% in 2014-15.¹⁹ As a result, the proportion of survivor benefits as a percentage of total CPP benefits paid fell from 20.1% in 1980-81 to 10.8% in 2014-15.²⁰

2.3 Program Design

Federal and Provincial Finance Ministers review the state of the CPP every three years to ensure that the Plan remains financially sustainable and to determine whether any changes are required.²¹ As a result, the CPP has adapted to better meet the needs of Canadians.

Between 1992 and 2012 (the period covered by this evaluation), two substantial reforms were introduced to the CPP which supported and enhanced sustainability, and fairness of the CPP:

- The 1998 reform changed the CPP from pay-as-you-go financing to steady-state funding.²² The combined employer-employee contribution rate was increased to

¹⁸ Instead of receiving the maximum of a retirement pension and survivor benefits (up to the maximum retirement pension), the 1998 reforms calculated the combined benefit as the sum of: the larger of the two benefits plus 60% of the smaller benefit (again, up to the maximum retirement pension). Source: the Canada Pension Plan Investment Board Act, 1997.

¹⁹ A possible explanation could be reduced fertility rates due, in part, to the older average age of women at the birth of their first child. See <http://www.statcan.gc.ca/pub/11-630-x/11-630-x2014002-eng.htm#a1>.

²⁰ ESDC (2015), "Key CPP & OAS Statistics Program Information, Management and Analysis (PIMA)".

²¹ "Section 113.1 of the Canada Pension Plan provides that the Minister of Finance and ministers of the Crown from the provinces shall review the financial state of the CPP once every three years and may consequently make recommendations to change the benefits or contribution rates, or both."

²² This is a hybrid of a pay-as-you-go model (where contributions pay for all benefits, no asset funds are formed and there is no investment income) and fully-funded model (where benefits are funded completely as they are earned from the assets of the plan, which comprise contributions and investment income). Steady-state funding uses contributions and investment income to partially fund benefits as they are earned. The steady-state funding of the CPP involves a steady-state contribution rate that is the lowest rate

9.9% by 2003. As well, the CPP Investment Board was established to obtain a higher rate of the return on the CPP reserve fund. According to the 2014-15 Annual Report of the CPP, the 1998 reforms significantly improved the financial sustainability of the CPP and “fairness across generations” with regard to funding the program.²³

- The 2012 reforms included the following changes to the CPP:²⁴
 - The actuarial factor for pre-age-65 or post-age-65 commencement of retirement pensions was changed to restore actuarial fairness;
 - Changes were made to the general drop-out provision to further protect workers from work interruption;
 - The Work Cessation Test was eliminated to better accommodate gradual transitions to retirement from the labour force; and
 - The Post-Retirement Benefit was introduced to allow working retirees to build income in retirement by continuing to participate in the CPP.

Overall, these changes help ensure that the current design of the CPP remains consistent with its legislative mandate and objectives.

2.4 Roles and Responsibilities

From an economic perspective, a fundamental role of the government is to provide public goods and services that cannot be efficiently provided by the private sector. Providing a mandatory public pension is a classic example of such a public good. It can be justified on both equity and efficiency grounds. From a legislative perspective, the delivery of the CPP is consistent with Sections 5 and 6 of the *Department of Employment and Social Development Act*, which guides the Minister in the capacity to improve the quality of life of Canadians by allowing the use of information as seen fit to achieve this goal.²⁵

The CPP is a joint federal-provincial program.²⁶ As stated in the CPP White Paper, federal legislation on pensions and supplementary benefits shall not affect the operation of any present or future provincial legislation with respect to pensions. The federal objective can be achieved only in cooperation with the provinces. Any changes made to the CPP require the agreement of two-thirds of the provinces carrying two-thirds of the population.

The administration of the CPP falls under the mandate of ESDC while the CRA collects contributions on behalf of the program. The CPP is delivered through Service Canada

sufficient to ensure the long-term sustainability of the Plan without recourse to further rate increases. Steady-state funding of the CPP acts to stabilize the contribution rate and reduce intergenerational inequity.

²³ Government of Canada (2015), “*Annual Report of the Canada Pension Plan 2014–2015*”, page 11.

²⁴ Leonard, A. (2011), “Changes to the Canada Pension Plan Retirement Pension”.

²⁵ Department of Justice (2014) and *Department of Employment and Social Development Act* (S.C. 2005, c. 34) – current to May 27, 2014 (last amended on December 12, 2013). Published by the Minister of Justice at <http://laws-lois.justice.gc.ca>.

²⁶ Changes to the benefit levels of the CPP require the approval of two-thirds of provinces with two-thirds of the population, as per Section 114.

across nine provinces and the territories, while the QPP operates in Quebec as a parallel plan. Funding of the CPP is made through mandatory contributions by virtually all Canadian workers, their employers and the self-employed, as well as revenue earned on CPP investments.²⁷

Finance Canada leads the Triennial Review process during which federal and provincial finance ministers assess the CPP's financial health and also review the Plan to ensure that it continues to meet its objectives as the needs of contributors evolve over time.

²⁷ The CPP contributory period begins when the contributor reaches age 18 (or January 1, 1966, whichever is later) and ends when the contributor either starts receiving the CPP retirement pension, turns 70 or dies (whichever happens earliest). The contributory period excludes periods during which beneficiaries contribute toward a post-retirement benefit while in receipt of a retirement pension.

3. Relevance of CPP Benefits

This section examines questions related to the relevance of the CPP. Two of the key evaluation questions in this section include:

- Do the objectives of the CPP align with federal government priorities and ESDC strategic objectives?
- What other countries provide a similar public pension program and how does the CPP compare to similar programs in these countries?

3.1 Alignment with Federal Government and Departmental Priorities

The literature review conducted as part of this evaluation noted that supporting seniors and protecting families have been constantly identified as government priorities for the past two decades. The CPP contributes to this priority by providing: (1) a retirement pension to working Canadians when they reach the age of 60 years; (2) disability benefits to the contributor and their children when a disability prohibits working; (3) benefits to survivors (including children) in the event of death; and (4) pension sharing and credit splitting among couples.

The CPP also contributes to the government priorities of helping Canadians achieve a safe, secure and dignified retirement and of empowering all Canadians, including seniors, to build better lives for themselves through: (1) the Post-Retirement Benefit, which provides enhanced flexibility in making retirement decisions; (2) the general drop-out provision, which takes into consideration work interruptions caused by involuntary job losses; and (3) the elimination of the Work Cessation Test to support phased transitions to retirement.

By providing working Canadians and their families with a reasonable minimum level of income in the case of retirement, disability or death, the CPP directly supports ESDC's mandate to build a stronger and more inclusive Canada, to help Canadians live productive and rewarding lives, and to improve their standard of living and quality of life.

3.2 International Comparison

There is a wide variety of retirement and survivor pension programs across the Organization for Economic Co-operation and Development (OECD) countries, based on their different roles, objectives, funding mechanisms, program design features, and culture. In order to make meaningful comparisons of these programs, it is important to

examine these programs on their own as well as against the country's fiscal context and overall social security regimes/programs.

According to the OECD's global classification for pension plans, many countries' retirement income systems consist of a redistributive first-tier, an earnings-related second-tier, and a voluntary third-tier.²⁸ The CPP is most comparable to other publicly managed earnings-related pension programs under the second tier in other countries. Like the CPP, these programs are mandatory and financed by contributions. However, unlike the majority of these plans which operate on a pay-as-you-go basis, the CPP adopted a sustainable partially-funded model in the late 1990s.

Many OECD countries have similar pension policy objectives and a comparable public pension program design. Like Canada, there is a focus on the financial well-being of lower-income groups and specific vulnerable groups (e.g. survivors).

For a more meaningful comparative analysis, the countries to be compared to Canada with regard to their public pension programs should have not only earnings-related pension programs similar to the CPP but also comparable living standards and the institutional environment, specifically the U.S., the UK, France, Germany, Sweden, Switzerland, and Australia.

The expert panel convened as part of this evaluation noted that other countries have a similar mix of first-tier (guaranteed pensions) and second-tier (earned pensions) systems as Canada, although the specific elements of the pensions may vary. For example, the U.S. first-tier pension is tightly targeted in terms of need (instead of being more universal as OAS). The UK is in the process of changing their pension system from a mix of a flat rate and an earnings-related plan to one flat rate Basic State Pension plus a quasi-mandatory employer-based defined contribution pension plan. Germany has only one tier, an earnings-related pay-as-you-go system.²⁹

Based on findings from the international comparison study conducted as part of this evaluation, Canada's retirement income system is recognized internationally as among the strongest in the world. The strengths of the system are based on its long-term sustainability, balanced mix of mandatory and voluntary pillars, and shared public and private responsibility. According to the Department of Finance, this system has resulted in Canada having a very low rate of poverty and high rates of income replacement among seniors.³⁰

The major similarities and differences between these programs can be summarized as follows:

²⁸ OECD (2015), "Pensions at a Glance 2015: OECD and G20 indicators". For further information, see http://dx.doi.org/10.1787/pension_glance-2015-en.

²⁹ Ibid.

³⁰ Department of Finance (2010), "Ensuring the Ongoing Strength of Canada's Retirement Income System".

- Overall schemes: Canada, Australia, Switzerland, the UK and U.S. have some degree of a defined benefit scheme, in which benefits are predetermined by earnings history and age. France and Germany have a scheme where workers earn pension points based on their earnings each year which are then converted into pension payments at retirement. Sweden has a notional-accounts defined contribution scheme which records contributions in an individual account and applies a rate of return to the balance. These three schemes are closely related variations of earnings-related pension schemes, as the structures are essentially similar.
- Pension calculation: France, Germany and Australia have a linear accrual rate like Canada, while the U.S., UK and Switzerland have an earnings related accrual rate and Sweden's accrual rate increases with age. Canada, the U.S., France and Australia weight their pension calculation on the best years of earnings while Sweden, Switzerland and the UK use lifetime average earnings. Indexation: With regard to indexing benefits to rising cost of living, France, the UK and U.S. use price indexation, while Germany and Sweden use wage indexation. Switzerland uses both prices and wages and Australia uses a discretionary price indexation that is reduced for high pensions. In Canada, wage indexation is used for contributions and price indexation for benefits.
- Survivor programs: Although eligibility criteria and benefit coverages are different, all of the selected countries have earnings-related survivor pension schemes under the second tier. These survivor programs generally supplement as an explicit add-on to the retirement pension program, paying a specific percentage of the actual or potential primary benefit to the survivor.

According to the expert panel, only the UK has had notable reform initiatives in recent years. The UK's retirement pension is currently being changed from a mix of first-tier and second-tier (guaranteed and earnings related) plans to a flat rate Basic State Pension plus a quasi-mandatory employer-based defined contribution pension plan. The new Basic State Pension does not include survivor benefits.³¹ However, widows and widowers currently may receive benefits based on credits earned under the former state pension plan.

³¹ OECD (2015), "Pensions at a Glance 2015: OECD and G20 indicators". For further information, see http://dx.doi.org/10.1787/pension_glance-2015-en.

4. *Achievement of Program Objectives*

This section examines questions related to the achievement of program objectives of the CPP as it relates to the contribution of CPP benefits to total income and well-being. The three key questions in this section include:

- What percentage of CPP beneficiaries' total income is represented by CPP benefits and how does it vary by beneficiary type?
- What would be the level of income among CPP beneficiaries (in relation to low-income measures) if CPP benefits were not available?
- What earning replacement rate is provided by the CPP retirement pension and how does it differ by beneficiary type?

Before addressing the achievement of program objectives, this section begins with a profile of CPP beneficiaries.

4.1 Profile of CPP Beneficiaries

Table 1 provides a profile of CPP beneficiaries by gender, marital status and age.

Table 1: Distribution of CPP Beneficiaries by Gender, Marital Status and Age (1992 vs 2012)

	Retirement Pension		Survivor Pension	
	1992	2012	1992	2012
Gender*				
Male	56.4	49.1	9.7	17.2
Female	43.6	50.9	90.3	82.8
Marital Status**				
Married/Common-Law	68.9	67.2	12.7	12.4
Widowed	11.8	14.9	81.5	80.6
Other	19.3	18.0	5.8	7.0
Age*				
60-64	14.9	17.7	32.5	22.4
65-69 (65+ for Survivor)	31.6	27.3	67.5	77.6
70-74	24.2	20.0		
75-79	16.1	14.9		
80-84	8.8	10.8		
85+	4.3	9.2		

Sources: * 2013 CPP and OAS Stats Book; ** Linked CPP Administrative and CRA T1 Income Tax Data.

According to the 2013 CPP and OAS Stats Book, 50.9% of all CPP retirement pension beneficiaries were female in 2012 – up from 43.6% in 1992 – reflecting increased labour force attachment (primarily in the form of full-time employment) for women and, consequently, increased eligibility for a CPP retirement pension. During this same time period, the proportion of survivor pension beneficiaries who were female decreased from 90.3% to 82.8%.³²

The linked CPP-CRA data analyses revealed that the share of retirement pension beneficiaries in a married/common-law relationship decreased from 68.9% in 1992 to 67.2% in 2012, while the share identifying as widowed increased from 11.8% to 14.9% (there was little change by other marital status type). Among survivor benefit recipients, there was minimal change over this period, with roughly 12.7% to 12.4% identifying as being in a married/common-law relationship, 81.5% to 80.6% identifying as being widowed, and the remainder indicating being single, divorced or separated (5.8% to 7.0%).

Additional information from the 2013 CPP and OAS Stats Book (as presented in Table 1) showed a significant change in the profile of CPP retirement pension beneficiaries by age between 1992 and 2012. The share of beneficiaries aged 60-64 increased from 14.9% to 17.7%, the share aged 65-79 fell from 71.9% to 62.2%, and the share aged 80 or older increased from 13.2% to 20.0%. Of particular note is that the share aged 85 and over more than doubled, from 4.3% to 9.2%. There was also a major shift in the distribution of survivor benefit recipients between 1992 and 2012. The share under the age of 45 declined from 4.8% to 1.5%, the share aged 45-64 fell from 27.6% to 21.0%, and the share aged 65 or older increased from 67.5% to 77.6%.

In terms of education, the Census study noted that individuals with a high school diploma were significantly more likely to receive a CPP retirement pension than those who did not finish high school (the SLID study produced similar findings). For example, 71% of the population over age 70 with a high school diploma received a retirement pension in 1991 compared to 62% for those with less than high school (the respective numbers for 2011 were 92% and 87%). In terms of survivor benefits, the SLID study indicated that those aged 35-59 with less than a high school degree were slightly more likely to receive survivor benefits than those with higher levels of education.

Finally, foreign-born individuals have a lower likelihood of collecting CPP benefits. The SLID study demonstrated that while foreign-born Canadians aged 60-84 accounted for 41.9% of all CPP retirement pension non-recipients during the 2006 to 2010 period³³, they accounted for only 29.3% of retirement pension recipients (they were similarly less likely to collect survivor benefits). However, the magnitude of the difference was particularly large for those not born in the U.S. or in Europe. The LAD study further noted that more recent immigrants (specifically those landing since 1990) were far less

³² These findings were corroborated by the LAD study and the linked CPP-CRA analyses.

³³ Only the 2006 to 2010 period was used for the SLID study because it was only in 2006 that a question was added about the incidence and amount of CPP disability payments, making it possible to determine combined CPP benefit payments from retirement pensions and survivor benefits.

likely to receive CPP benefits in 2012, while the Census study showed that the younger an immigrant was when they first arrived in Canada, the more likely they were to collect CPP benefits. In fact, the Census study showed that there was little difference in the receipt of CPP benefits between individuals aged 65 and over who were born in Canada and immigrants who arrived in Canada before the age of 40. It is not clear from the data whether or not immigrants were less likely to receive a retirement pension because of ineligibility (i.e. not enough contributions in Canada) or due to lack of awareness. The CPP provides payments internationally and Canada has pension agreements with numerous other countries where foreign pension payments are provided to immigrants living in Canada.³⁴

4.2 CPP Income Share³⁵

4.2.1 General Trends

Human Resources Development Canada (1995) noted that the CPP/QPP retirement pension represented about 17% of the gross income of beneficiaries in 1991. More recent data using 2012 estimates from the Longitudinal Administrative Databank (LAD), Survey of Financial Security (SFS) and linked CPP-CRA studies indicated that the CPP retirement pension constituted 20% to 25% of gross income for beneficiaries.³⁶ Survivor benefits in 1991 were not a significant income source for most recipients, but for women with \$10,000 in annual income or less they represented 35% to 60% of household income.³⁷ Linked CPP-CRA analyses for survivor benefits showed that they constituted between 6% and 15% of the total income of survivor beneficiaries during the period from 1992 to 2012.³⁸ A substantial increase in this proportion was seen between 2011 and 2012 when it went from just under 10% to 15% of total income.

4.2.2 By Beneficiary Characteristics

In general, most of the studies completed for this evaluation confirm that the CPP share of total income is lower among those still employed compared to those who are retired (as employment income will represent a large share of total income). As a result, most factors correlated with employment (such as being younger, having a higher level of education, and having a higher level of family income) will result in CPP benefits constituting a lower relative share of total income.

³⁴ As of January 2016, Service Canada provides monthly payments to approximately 164,000 CPP retirement pension recipients and 22,000 survivor pension beneficiaries not living in Canada. Source: ESDC Statistical Bulletin January, 2016 at <http://servicecanada.prv/eng/isp/reference/stats/monthly-bulletins.shtml>. For further information, see <http://www.esdc.gc.ca/en/reports/pension/agreements.page>.

³⁵ Due to difficulties in separating survivor benefit beneficiaries from retirement pension beneficiaries, there was no information available to examine the share of income represented by those in receipt of combined benefits.

³⁶ A range is provided because the finding is derived from three separate data sources.

³⁷ HRDC (1995), “Phase I of the Evaluation of the CPP – Retirement Benefits”.

³⁸ The corresponding number from the SLID analysis for the 2006 to 2010 period was about 16% (for those between 35 and 59 years of age).

According to the LAD study, the CPP retirement pension share of 2012 income was much higher among lower-income families compared to higher-income families. For example, the average CPP share of income of those aged 60 to 69 was about 33% for those with a total family income below \$20,000 and about 20% for those with a total family income above \$50,000. For the same income levels among those aged 70 to 79, the corresponding figures were roughly 25% and 21%. For survivor benefits, the average share of income among recipients below age 60 was 37% and 8% for men with a family income below \$20,000 and \$50,000, respectively, and 44% and 14% for women.³⁹

The LAD report also indicated that CPP benefits as a share of total income averages around 25% by age 70 (i.e. the point at which there is no longer any advantage to delaying CPP take-up). The CPP-CRA data analysis showed a rapid increase in CPP share of total income just after take-up (from approximately 14% of total income to about 20% of total income two years later) due to many beneficiaries ceasing to work. There was a leveling off at roughly an average of 20% to 22% of total income thereafter. Survivor benefits as a share of total income rises steadily and peaks at an average of 12% between the ages of 60 and 64.

LAD findings regarding immigration status indicated that CPP benefits as a share of total income in 2012 were lower for more recent immigrants than for those who had been in Canada for a longer period of time (more than 23 years). For example, for post-1989 immigrants who were between age 70 and 79 in 2012, only about 7% of their income, on average, came from a CPP retirement pension (compared to 25% for 70-79 year-olds who had been in Canada since at least 1979). Survivor benefits represented, on average, 10% to 11% of the total income for those who came to Canada after 1989 who were between 70 and 79 years old in 2012 (compared to 27% for those who had been in Canada since at least 1979).⁴⁰ SLID findings further noted that European immigrants derived a higher proportion of their total income (roughly 24%) from the CPP retirement pension than non-European immigrants (roughly 22%).

4.3 Income Replacement

The income replacement rate is the percentage of pre-retirement income that needs to be replaced in order to maintain a continuous standard of living after retirement. Since expenses usually decrease after retirement (such as those related to employment, housing, pension plans, and children, and decreased costs of living for seniors which accrue from seniors' discounts and tax credits),⁴¹ findings from the literature review suggested that a

³⁹ SLID findings confirmed that CPP benefits comprised a higher share of income for those whose pre-tax family income was low, which was true for retirement pension and survivor benefit beneficiaries.

⁴⁰ No information was available for Aboriginal Canadians or for those with a disability (presumably due to small sample sizes and or the absence of First Nations communities in most Statistics Canada general population surveys).

⁴¹ Cross, P. (2014), "*The Reality of Retirement Income in Canada*", Fraser Institute; Horner, K. (2009), "*Retirement Saving by Canadian Households*", Report for the Research Working Group on Retirement Income Adequacy, Ottawa: Department of Finance.

replacement rate of between 50% and 70% is sufficient to maintain a pre-retirement standard of living for most Canadians.⁴² Target replacement rates vary depending on a number of factors such as the income measure used (e.g. gross or net), income levels, the number of members in a household, home ownership, or whether it is lifetime average income or income immediately prior to retirement that is replaced.

The other way to calculate the replacement rate focuses on actual consumption rather than income. It assumes that people wish to arrange their affairs so that their consumption possibilities stay the same after the transition from paid work to retirement. It is referred to as the *consumption replacement rate* and takes into consideration variations, over the life course, in taxes, savings, and other factors. It measures what people actually spend in retirement and estimates the income needed to generate that level of consumption. Many households downsize as they approach the retirement period, partly because children are leaving. How this is handled in a study greatly matters. Using a consumption measure adjusted for possible economies of scale, many recommend that the optimal rate for such a replacement should be between 85% and 100%.⁴³ This optimal replacement rate can be expected to vary over the retirement period (e.g. people in their 80s spend differently, often less, than people who have just retired). Although a desirable theory, the net consumption replacement rate requires precise measurements of spending patterns and detailed estimates of wealth, as well as many implicit assumptions such as those related to the treatment of housing and durables, and economies of scale associated with a larger household.

The CPP is designed to replace approximately 25 percent of the earnings on which one's contributions were based.⁴⁴ The previous CPP evaluation in 1995 examined earnings replacement rates provided by the CPP retirement pension in 1993 and concluded that the CPP was meeting its objective of replacing 25% of average pensionable earnings. The primary objective of the CPP is to replace a specific and defined amount of pre-retirement income. Poverty reduction is the objective of the overall retirement income system, which includes the first tier (OAS/GIS) and third tier (private sources of retirement income).

⁴² Dodge, D.A., Laurin, A. and Busby, C. (2010), "*The Piggy Bank Index: Matching Canadians' Saving Rates to Their Retirement Dreams*", C.D. Howe Institute.; Hamilton, M. (2015), "*Do Canadians Save Too Little?*" C.D. Howe Institute Commentary No. 428; Whitehouse, E. (2009), "*Canada's Retirement – Income Provision: An International Perspective*". Scholz, J.K., A. Seshadri. (2009), "*What Replacement Rates Should Households Use?*" Michigan Retirement Research Center. WP 2009-214.

⁴³ Cross, P. (2014), "*The Reality of Retirement Income in Canada*", Fraser Institute; Wolfson, M. (2011), "*Projecting the Adequacy of Canadians' Retirement Incomes: Current Prospects and Possible Reform Options*", IRPP Study 17, Montreal: Institute for Research on Public Policy; Horner, K. (2009), "*Retirement Saving by Canadian Households*", Report for the Research Working Group on Retirement Income Adequacy, Ottawa: Department of Finance; and Lafrance, Amélie and Sébastien LaRoche-Côté (2011), "*Consumption Patterns Among Aging Canadians: A Synthetic Cohort Approach*", Statistics Canada, 11F0027M No. 067.

⁴⁴ Contributions to the CPP are capped at the Year's Maximum Pensionable Earnings (\$54,900 in 2016), above which no benefits accrue.

4.4 Contribution to Well-Being

Income and wealth measures do not capture all aspects of well-being. Overall well-being after retirement is also affected by many personal and environmental factors. Using subjective measures of well-being to assess the living standards of retired individuals, a recent study found high levels of overall satisfaction in life among Canadian retirees, despite the declining income among retired Canadians reported in studies using income or wealth measures.⁴⁵

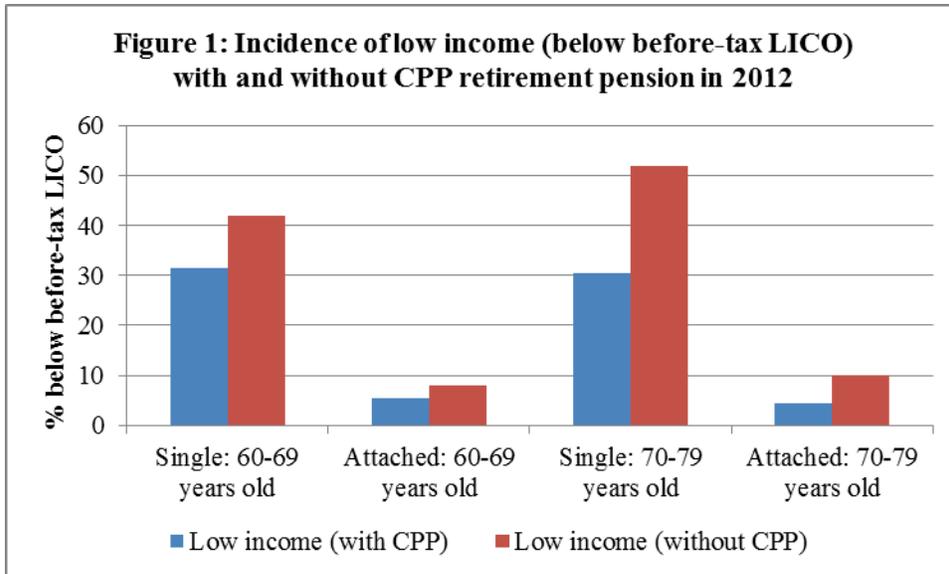
Focus groups conducted with CPP recipients indicated that they consider the contribution of the pension to their well-being to be positive. Generally speaking, there is an inverse relationship between the amount of current economic resources (e.g. retirement income, workplace pension) and the perceived importance of the CPP, with those having fewer resources indicating that the pension contributed more to their well-being than those with greater resources. The findings were the same when focus groups with CPP recipients were asked about financial security – the CPP was more important among those with lower retirement income.

Evidence from the LAD study (see Appendix 2) suggests that there would be a significant reduction in income and well-being if the CPP did not exist. Using Statistics Canada's before-tax low income cut-off (LICO), the LAD study showed that the presence of a CPP retirement pension reduced the incidence of low income from 16% to 11% among 60-69 year-olds and from about 22% to 11% among 70-79 year-olds.⁴⁶ Differences were more pronounced when considering marital status (see Figure 1).⁴⁷

⁴⁵ Alan, S., Atalay, K., and Crossley, T.F. (2008), “*The Adequacy of Retirement Savings: Subjective Survey Reports by Retired Canadians*”, Canadian Public Policy 2008 (34): 95-118.

⁴⁶ The impact of the CPP retirement pension on low income status (based on the before-tax LICO) compares total income with the pension versus total income without the pension. Underlying this type of calculation is the assumption of zero behavioural impact effects (i.e. in the absence of the CPP retirement pension, workers would not have changed their behaviour by retiring later or saving more during their working life). Thus, it is possible that this assumption of zero behavioural effects leads to an overestimation of the impact of the CPP on the incidence of low income.

⁴⁷ These figures are similar to 2011 figures reported by Statistics Canada (see <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil41a-eng.htm>).



Source: Data Probe Economic Consulting Inc. (2015), “Evaluation of the Canada Pension Plan Retirement and Survivor’s Pensions – Based on the Longitudinal Administrative Databank”. Note that CPP retirement pension beneficiaries may also be receiving survivor benefits.

Figure 1 shows that single individuals are far more likely than attached individuals to be considered to be in low income (i.e. below the before-tax LICO) – whether they receive a CPP retirement pension or in the absence of one.⁴⁸ For example, the share of attached CPP retirement pension beneficiaries aged 70-79 with low income was only 5% and would have increased to 10% in the absence of the CPP retirement pension, while the share of single beneficiaries aged 70-79 below the LICO was 31% and would have increased to 52%.

⁴⁸ The family type used for the LICO income thresholds (economic family) is not the same as the family type used in the LAD database (census family). Economic family refers to a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law or adoption. A couple may be of opposite or same sex. Foster children are included. By definition, all persons who are members of a census family are also members of an economic family. Examples of the broader concept of economic family include the following: two co-resident census families who are related to one another are considered one economic family; co-resident siblings who are not members of a census family are considered as one economic family; and, nieces or nephews living with aunts or uncles are considered one economic family.

5. *Program Delivery Issues*

This section examines questions related to program delivery – specifically communications and outreach activities, awareness, processing and take-up. The three key questions in this section include:

- How effective are outreach activities that publicize the CPP and what is the level of awareness?
- Has service quality changed over time?
- What are the take-up rates of CPP survivor benefits and the retirement pension?

5.1 Program Communications/Outreach and Awareness

According to key informants (Service Canada employees across Canada),⁴⁹ CPP clients typically receive CPP information from many sources, with the most common sources being Service Canada (including in-person centres, call centres and online), word of mouth, funeral service providers (for information on survivor benefits and death benefits), community groups, and financial service providers. However, based on interviews with CPP contributors (who are not yet receiving a pension), little is understood about the program other than the fact that it is a pension one receives from paying mandatory contributions and that there is an age requirement for receipt of a pension. Most contributors interviewed had not sought information on the CPP nor were they aware of outreach information.

The same group of key informants as above further noted that many CPP clients, especially older clients “not in their early 60s”, did not access the Service Canada website prior to calling the 1-800 number or going to an in-person service centre. In addition, many clients preferred in-person services.⁵⁰ Those who did consult the website before contacting a Service Canada agent, tended to have difficulty in navigating the site and setting up a My Service Canada Account. Information on the website was also considered too general. In focus groups, CPP recipients indicated that they would go to the Government of Canada for information, but were not aware of mobile outreach services or CPP clinics.⁵¹

⁴⁹ Key informants included Citizen Service Officers (8), Citizen Service Specialists (4), Payment Service Officers (3), a Service Canada Benefit Officer (1), a Program & Service Delivery Clerk (1), and a Team Leader (1).

⁵⁰ Seniors are generally less likely to access the internet compared to other age groups, although that difference is reducing as the population ages. See <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/comm35a-eng.htm> (accessed April 15, 2016).

⁵¹ A mobile outreach service is a service delivery approach used by Service Canada to connect the Department with communities across the country and increase Canadians’ access to and awareness of Service Canada programs and service offerings. It encompasses any service delivery activity carried out by

According to those delivering the services, the most misunderstood program information among clients included issues surrounding taxability (specifically, that one can request that tax be deducted directly from their CPP pension payment) and the application process itself. Even after accessing Service Canada information (both online and printed materials) there was still confusion related to combined benefits, benefit calculation/entitlement, the child-rearing provision, credit splitting, the combining of pensions from other countries, and the Post-Retirement Benefit. As indicated from interviews of Service Canada staff, many clients were also not familiar with, or were confused about, how to set up a My Service Canada Account, the Canadian Retirement Income Calculator, and the Benefits Finder on the Service Canada website.

Service Canada informants suggested the following three ways to increase awareness and understanding among CPP clients:

- Adding/expanding outreach activities:
 - Pension clinics and information sessions targeting older seniors;
 - Sessions in Aboriginal communities to create a level of comfort and to deal with complexities with regard to Aboriginal workers; and
 - Partnering with other government organizations to provide combined sessions on pensions/taxes.
- Increased advertising:
 - Traditional (television and radio stations, newspapers, magazines, and pamphlets); and
 - Digital (webinars, social media, chat rooms and video conferences, links to CPP information on other websites).
- Stakeholder training (e.g. further training of third-party stakeholders to improve understanding).

Communicating information about the CPP to contributors is important and is conveyed via a number of institutions and organizations, including those outside of government. Interviews with contributors indicated that the main stakeholders/sources of information involved in the outreach process were provincial and territorial governments (especially social services), employers, social and health workers, financial service providers, community groups, and the CRA. As well, funeral service providers not only convey information but also deliver certain types of services (such as application services) to potential beneficiaries of survivor benefits.

5.2 Program Delivery and Processing

Findings from the focus groups confirmed that clients in general find it easy to apply for the retirement pension. However, a small minority of focus group participants indicated

Citizen Service Branch frontline staff that does not generally take place in a Service Canada Centre or a Scheduled Outreach site. For further information, see http://servicecanada.prv/eng/corporate/service_delivery/mos/index.shtml.

that they still had difficulty with obtaining the application form (it is no longer mailed out by call centres) and filling it out (including trouble reading due to a disability or frustration with not being able to add an electronic signature),⁵² navigating the options presented when calling the 1-800 number, setting up a My Service Canada Account, and the two-step online process which requires mailing in a signed page.

For the survivor benefits application process, focus groups participants (most of whom were female) generally found the process simple and straightforward, a positive experience given the stressful context in which it was requested. Service Canada staff did note that some clients were frustrated with the process being long and overwhelming, gaining authorization to access information on a deceased client's file, having to provide proof for common-law relationships, and the fact that no benefits were paid out to those without spouses or children.

In terms of processing time, Service Canada has committed to achieve a processing time of 28 days (maximum) to process a CPP retirement pension payment and between 6 and 12 weeks to process a survivor benefits payment (in both cases, 'processing' includes the receipt of the first payment by a beneficiary).⁵³ Findings indicated that in 2011-12, 96% of 300,000 retirement pensions were processed (and paid) within the first month of entitlement.⁵⁴

A special process is also in place to expedite processing time for clients in "dire need" situations who require the benefits urgently in order to meet their daily expenses. However, according to the Service Canada personnel interviewed for this evaluation, processing is not considered timely for the following situations/reasons:

- Complex applications (such as dual CPP/QPP benefits and benefits involving International Social Security Agreements) that are processed at National Headquarters;
- Temporary delays in obtaining duplicate T4 slips; and
- Clients do not receive any notification between the submission of their application and the receipt of their first payment, which can take up to a maximum of 12 months. This was seen as stressful for clients insofar as they do not know if their application has been approved.

The experiences reported by CPP beneficiaries in the focus groups, with regard to processing time, were positive. The majority of focus group participants indicated that

⁵² These concerns were voiced by only a couple of people in the focus groups.

⁵³ Service Canada Survivor Benefits, <http://www.servicecanada.gc.ca/eng/services/pensions/cpp/survivor-pension.shtml>.

⁵⁴ 2011–2012 Annual Report of the Canada Pension Plan, http://publications.gc.ca/collections/collection_2013/rhdcc-hrsdc/HS1-6-2012-eng.pdf. The service standard for processing CPP retirement pensions from 2011-12 to the present is 90% of all application decisions made within the first month of entitlement (the service standard was 85% between 2004-05 and 2011-12). For survivor benefits (from 2007-08 to the present), the service standard is that 80% of application decisions are made within 45 calendar days of receipt of an application.

they were satisfied with the amount of waiting time between application for a retirement pension or survivor benefits and the receipt of first payment.

That being said, Service Canada personnel interviewed for this evaluation considered the processing time for survivor benefits of two to four months to be too long, as it comes at an inherently difficult and stressful time when there is emotional upheaval, lost income, and extra expenses. Service Canada personnel also noted that it was challenging to provide timely and high quality service at the same time, especially during high volume periods. Also making things more difficult were an increased workload accompanied by significant staff reductions, organizational and structural changes in processing centres, and frequent upgrades to internal systems.

Findings from the CPP Annual Reports and the Service Canada Performance Package indicate a decline in client service times.⁵⁵ The data indicate that the proportion of calls answered by a Service Canada agent within 180 seconds declined from highs of 82%⁵⁶, 96%⁵⁷, and 99%⁵⁸ in 2001-02, 2002-03, and 2003-04, respectively, to lows of 61%, 52%, and 51% in 2009-10, 2010-11, and 2011-12, respectively.⁵⁹ These were general service calls and, as such, were not necessarily about CPP concerns.

The average number of working days to process initial CPP applications (excluding disability applications) declined from 31 days in 2000-01 to 22 days in 2003-04. From 2004-05 to 2011-12, the percentage of CPP retirement pension benefits paid within the first month of entitlement was well above the 85% national objective in each year.

The Annual Report of the CPP also indicated that since its launch, Service Canada has continually updated its Internet service options, which have led to an increase in the number of CPP retirement pension applications made online.⁶⁰ Additional service delivery changes noted by some key informants included the use of internal computer programs to improve the working connections between call centres, in-person centres and processing centres. However, Service Canada staff commented that the new program-specific systems and HR systems could be difficult to use, and have been found to slow down service delivery.

Key informants (as represented by Service Canada staff) stated that service delivery was considered to have deteriorated due to the emergence of a two-tiered service model. According to this model, in-person service officers are considered generalists who have access to limited information and tools, are not provided training required to provide more than standard information, and do not have authority to access certain kinds of information. In order to access specific information about or make changes to an

⁵⁵ For further information, see <http://servicecanada.prv/eng/corporate/performance-package/index.shtml>.

⁵⁶ Government of Canada Annual Report of the CPP 2001-02.

⁵⁷ Government of Canada Annual Report of the CPP 2002-03.

⁵⁸ Government of Canada Annual Report of the CPP 2003-04.

⁵⁹ Service Canada Performance Package at <http://servicecanada.prv/eng/corporate/performance-package/index.shtml>.

⁶⁰ The source (CPP Annual Report for 2012-13) does not provide exact figures. However, the 2014-15 CPP Annual Report indicated that approximately 91,000 individuals applied online.

individual file, in-person service officers have to refer clients to the specialized call centres, creating a higher workload for themselves and the call centre agents at the same time, and leaving clients frustrated as they are not getting the level of in-person service they would like.

Additionally, it was pointed out that a number of sub-populations (below) face particular challenges with accessing the information and services they need:

- Seniors who were “not in their early 60s” (as defined by key informants)
 - The primary barrier involves a lack of computer literacy and a lack of desire to use a computer. Poor hearing and memory also make it difficult for older clients to utilize certain services available to them.
- Aboriginal people
 - Employers on reserves are not required to contribute to the CPP.⁶¹ As a result, some Aboriginal workers may have missed the opportunity to make CPP contributions while working on-reserve (even though they can opt to do so if they wish to).
 - For those working on reserves and earning non-taxable income, there is uncertainty regarding the taxability of their CPP benefits.⁶²
 - There is anxiety when dealing with government.
 - Some Aboriginal groups face language barriers. In one case mentioned in the key informant interviews, CPP forms and basic information were not available in the native Slavey language.
- Immigrants
 - Language barriers and awareness of the International Social Security Agreements Canada has with many other countries.
- Residents of remote areas
 - Mobility is an issue in communities where there are no Service Canada Centres, especially for those who rely on public transportation or help from family members.
 - Internet connectivity can pose difficulty for both the residents and the mobile outreach service locations.
Some areas have no banks or ATM machines.

5.3 CPP Take-Up

The proportion of people who are eligible for a CPP benefit who actually receive these benefits is known as the ‘take-up rate’.⁶³ Evidence from the LAD report illustrated that

⁶¹ For further information, see “First Nations workers and the Canada Pension Plan” at http://www.esdc.gc.ca/en/reports/pension/first_nations.page.

⁶² If all contributions to the CPP were made on tax-exempt earnings, the CPP benefits will also be tax-exempt. If the contributions were made on earnings from both on-reserve and off-reserve employment, only the percentage of CPP payments resulting from taxable employment will be taxed. (Source: Service Canada website. “First Nationals Workers and the Canada Pension Plan.” <http://www.servicecanada.gc.ca/eng/services/pensions/cpp/publications/firstnation.shtml>)

the take-up rate for the retirement pension among contributors to the CPP was virtually 100% for eligible men and women by the time they reached 70 years of age. However, this was not the case among those who are less likely to participate (i.e. to make contributions) in the CPP, such as immigrants who came to Canada after 1989 (95% take-up) or individuals below the Low Income Cut-Off (98% take-up).⁶⁴ That being said, these two groups are a small proportion of those eligible for the CPP.⁶⁵

Based on findings from the literature review, in 1999 approximately 55,000 eligible Canadians were missing out on receiving the CPP retirement pension. In 2007, about 26,000 individuals who were in receipt of OAS, GIS or CPP survivor benefits had not applied for their CPP retirement pension.⁶⁶

A lack of take-up of government benefits, including the CPP, can be explained by awareness and/or limitations in the knowledge, skills and confidence that constitute financial literacy. Other factors such as complex program design, a lack of government outreach efforts, and certain characteristics of the target population may also play a role.

While participation in the CPP is mandatory for most employees and employers, when looking at the general population of Canadians, notable differences in participation arise. This is due to whether or not one is working and contributing to the program. With respect to overall participation in the CPP (rather than take-up among those eligible for a pension), the analysis based on Census data from 1991 to 2011⁶⁷ conducted for this evaluation identified several characteristics that appeared to have influenced the share of the population in receipt of CPP benefits.⁶⁸

Overall, being unemployed, female, an immigrant, a visible minority, having an education level lower than a high school degree, or having a lower income were all characteristics associated with a lower probability of participation in the CPP among those aged 70 years old or more. That said, female participation increased considerably from 1991 (when 56.1% were receiving benefits compared to 79.9% of men) to 2011 (when 88.6% of women and 93.2% of men were receiving benefits). A similar change is seen for those with less than a high school education (62.0% in 1991 versus 87.7% in 2011).

⁶³ 'Participation' (sometimes referred to as 'incidence') is the proportion of a population (e.g. those over age 65) who receive a CPP benefit, also expressed as a rate. Participation is used in the Census analysis because it was not possible to calculate CPP recipients as a proportion of those who are eligible for a benefit. Because the denominator used to calculate participation rates is larger, such rates will be lower than take-up rates, which use a more defined denominator.

⁶⁴ For further information, see <http://www.statcan.gc.ca/pub/75f0002m/2009002/s2-eng.htm>.

⁶⁵ The LAD analysis indicates that less than 5% of CPP retirement pension recipients are immigrants, so it is probable that the number of those eligible but not recipients is a small fraction of this amount.

⁶⁶ Shillington, R. (2010), "*Financial Literacy and the Take-up of Government Benefits*", Task Force on Financial Literacy, Government of Canada.

⁶⁷ Findings for 2010 are based on data from the 2011 National Household Survey.

⁶⁸ Note that it was not possible to calculate take-up rates using the Census data, as the data is insufficient for determining eligibility for CPP benefits.

Note that the take-up rate for survivor benefits could not be calculated using the available data sources, as it is difficult to derive an accurate estimate of those who are eligible (i.e. widows and widowers). If one uses a similar concept, incidence, nearly 100% of widows over 70 years of age received a survivor pension in 2012, compared to 62% of widowers.

6. *Impacts and Effects*

This section examines questions related to the impacts and effects of the CPP – namely on labour market participation and on other sources of income. The two key questions in this section include:

- What is the impact of the CPP benefits on beneficiaries' employment activity/status and how does this vary by different factors?
- How do CPP benefits impact other sources of income and what is the effect of the loss of contributor income on family income?

6.1 CPP Impact on Labour Market Participation

Based on Gruber (1999),⁶⁹ Baker, Gruber and Milligan (2003)⁷⁰ and Milligan and Schirle (2008),⁷¹ the general consensus is that the Canadian retirement income system as a whole provides a *disincentive* to work past the age of eligibility for retirement benefits, although the latter study suggests the magnitude is smaller compared to most other developed countries. However, Compton (2001) claimed that the CPP program parameters do not impact on retirement decisions.

The focus group results showed very little change in the employment situation of participants following receipt of the retirement pension.⁷² This could indicate that some individuals enjoyed their job and decided to continue working or that some felt the CPP retirement pension was insufficient to meet their needs in early retirement. It could also suggest that some simply had not completely planned out their employment decisions after becoming eligible to collect CPP benefits. Becoming eligible for and collecting CPP benefits did not alter the labour market participation decisions of this group.

At the aggregate level, CPP retirement beneficiaries were more likely to work full-time in 2011 than in 1991, with 16.0% and 13.4% of those aged 60-64 and 65-69, respectively, working in 1991 compared to 25.1% and 18.5% in 2011.⁷³ There were no differences for those over age 70. The Census study covering the 1991 to 2011 period showed that

⁶⁹ Gruber, J. (1999), “*Social Security and Retirement in Canada*” in J. Gruber and D. A. Wise (editor), “*Social Security and Retirement around the World*”, pages 73-99.

⁷⁰ Baker, M., Gruber, J., and Milligan, K. (2003), “*The Retirement Incentive effects of Canada’s Income Security programs*” in Canadian Journal of Economics, Volume 36(2), pages 262-290.

⁷¹ Milligan, K. and Schirle, T. (2008), “*Improving the Labour Market Incentives of Canada’s Public Pensions*” in Canadian Public Policy, Volume 34(3), pages 281-303.

⁷² Note that focus group participants were limited to those who started collecting the CPP retirement pension within 24 months of the focus groups.

⁷³ The numbers were similar for 2006 and 2011, suggesting that the observed differences were not an artifact of the different methods used in 2011.

beneficiaries with a lower income were less likely to work than those with a higher income.⁷⁴

The SLID study (using data from 2006-2010) indicated that 51% to 61% of retired male CPP beneficiaries aged 60 to 64 continued to work while receiving a CPP retirement pension, compared to 39% to 44% of women.⁷⁵ Among beneficiaries aged 65 to 69, 37% to 44% of men continued to work, compared to 21% to 27% of women. Finally, among those over 70 years of age, 25% of men reported positive employment earnings and 12% of women did so.

The LAD numbers also showed substantial proportions of CPP retirement pension beneficiaries continuing to work. Close to half of men and 40% of women between 60 and 69 reported that they were employed or self-employed.

With regard to income differences, the linked CPP-CRA data analysis covering the 1992 to 2012 period revealed that nearly 20% of all CPP beneficiaries in the lowest income quartile were employed when they first started collecting a CPP retirement pension, falling to well under 5% ten years after initial take-up.⁷⁶ In contrast, nearly 60% of all CPP beneficiaries in the highest income quartile reported an employment income when they first started collecting a CPP retirement pension. Among those who had collected a pension for ten years, roughly 20% still reported an employment income.

In relation to survivor benefits, SLID findings covering the 2006 to 2010 period indicated that women receiving the survivor benefit were about 6% to 10% less likely to work than female non-recipients (depending on which measure of employment activity was used) and this resulted in about \$4,000 less in earned income on average.⁷⁷ Census, SFS and focus group findings demonstrated no significant effect of receiving survivor benefits on employment status.

Similar to the retirement pension, the Census study indicated that more survivor benefit recipients worked in 2011 than in 1991 (65% of CPP recipients under age 60 were working in 1991 compared to 72.4% in 2011).

6.2 CPP Impact on Other Income Sources

As indicated in Section 2.1, Canada's retirement income system is composed of three components or tiers: a universal component (OAS), an earnings-based component (the CPP and QPP), and an individual component (private savings and investments). It is

⁷⁴ Findings for 2010 are based on data from the 2011 National Household Survey.

⁷⁵ This range was due to different measures used to measure labour force participation. For example, the 51% figure is for those who reported any work and the 61% figure is for those who reported positive earnings.

⁷⁶ Note that it was not possible to ascertain whether employment was full-time or part-time.

⁷⁷ Due to small sample sizes, descriptive statistics from the SLID on labour market activity for male survivor benefit recipients could not be released from the Research Data Centre.

designed to be an integrated system, such that the various elements take one another into account. At the same time, however, the various elements do not necessarily share the same policy objectives. The OAS is designed to address low income in retirement and, as such, is universally distributed. The CPP is designed to replace a defined amount of pre-retirement income and is not specifically designed to address low income in retirement, since benefits are based on the level of contributions and the length of the contributory period. Finally, the third tier (private savings) is designed to encourage individual savings and investment.

The literature review noted that receipt of CPP benefits can affect other income sources in the following ways:

1. OAS pension benefits: as part of the Income Tax Act, the OAS Recovery Tax recovers OAS pension benefits by 15 cents per dollar of income above a certain threshold (the 2016 threshold was \$73,756). If one's maximum annual income from January 2016 to June 2016 was \$119,398 or above, one is not eligible to receive an OAS pension.⁷⁸
2. GIS benefits: reduced at the rate of 50 cents for every dollar of income received on top of the OAS/GIS pension and the first \$3,500 of employment income. The reduction is 25 cents for every dollar on top of the OAS and GIS benefits and the first \$2,000 of income (\$4,000 for couples) for the GIS top-up.
3. Social assistance: eligibility for most social assistance programs depends on annual household income. As a result, those in receipt of social assistance may become ineligible as they begin to receive CPP benefits.
4. Employer pension plans: many are integrated with the CPP.
5. Long-term disability benefits: benefits offered by private insurance policies can be reduced by CPP disability and other CPP benefits a disabled worker receives from the CPP.

Evidence from the LifePaths, SFS, and SLID studies suggested that the receipt of a CPP retirement pension was generally associated with lower income (in both dollar and percentage terms) from other sources of retirement income (OAS/GIS, investments, and private pensions). GIS benefits were reduced by nearly half as CPP benefits matured. It is important to understand, however, that these reductions in benefits reflect an integrated retirement income system increasing overall retirement income resulting from the receipt of a CPP retirement pension.

⁷⁸ For further information, see <http://www.esdc.gc.ca/en/cpp/oas/payments.page>.

7. Cost Effectiveness of Program Administration and Delivery

This section provides findings related to the cost effectiveness of the CPP in terms of program administration and delivery and how it compares to other programs.

7.1 Administrative/Delivery Costs of CPP

Although data are available on the total administrative cost of the CPP and the costs charged by different federal departments and agencies responsible for the CPP, no data are available on how the total administrative cost is allocated among different benefit types. Thus, the average administrative cost per beneficiary can only be calculated based on the total number of CPP beneficiaries. Also, in 2011-2012, a 60 percent increase in the administrative cost charged by ESDC was observed compared to the previous fiscal year. The increase was a result of its normal operations, changes emanating from the Economic Recovery Act, and a one-time settlement of legal proceedings during the year.⁷⁹ The impact of these changes on overall administrative costs could not be assessed with the available data.

Information collected for the cost analysis technical report noted that the total administrative cost of the CPP represents the combined costs of services charged by a number of federal departments and agencies including ESDC, the CRA, Public Works and Government Services Canada, the Office of the Superintendent of Financial Institutions, Finance Canada, and the CPP Investment Board (see Table 2).

Over the course of the evaluation period, the total administrative cost of the CPP (in nominal dollars) increased almost every year (from \$167.7 million in 1992-93 to \$1.3 billion in 2014-15) – an average annual increase of 9.9% (Table 2). During this same period, the total ESDC administrative cost of the CPP (in nominal dollars) increased from \$76.6 million to \$351.0 million, or 7.2% annually. However, since 2002-03, ESDC administrative costs have remained fairly stable (aside from 2011-12).

The increase in total CPP administrative costs from 2002-03 to 2014-15 is attributable to the costs associated in administering CPP Investment Board fund assets that increased from \$116.6 billion at the end of 2007 to \$264.8 billion in 2015. This is due, primarily, to the CPP Investment Board's move to an active management strategy, characterized by investment in private assets including real estate, infrastructure, private equity and private debt.⁸⁰

⁷⁹ Annual Report of the Canada Pension Plan 2011-2012, page 24.

⁸⁰ Actuarial Report (26th) on the Canada Pension Plan

Table 2: CPP Administrative Expenses from 1992-93 to 2014-15 (\$millions)

Fiscal Year	ESDC	CRA	PWGSC	FC/OSFI	CPPIB	Total
1992-93	76.6	62.7	28.0	0.4	---	167.7
1993-94	101.7	57.3	27.3	0.5	---	186.8
1994-95	120.0	61.0	18.0	1.0	-	200.0
1995-96	141.0	61.0	16.0	1.0	-	219.0
1996-97	143.7	69.8	27.2	1.4	-	242.1
1997-98	189.7	74.8	31.6	1.6	-	297.7
1998-99	205.9	75.8	14.4	1.6	6.0	303.7
1999-00	241.3	58.2	14.1	1.5	N/A	315.1
2000-01	242.9	77.7	12.8	1.5	2.3	337.2
2001-02	279.2	77.6	12.4	1.9	11.4	382.5
2002-03	328.0	80.0	13.0	1.2	12.9	435.1
2003-04	309.0	85.0	15.0	1.4	19.0	429.4
2004-05	273.0	96.0	16.0	1.3	31.0	417.3
2005-06	290.0	101.0	16.0	1.3	54.0	462.3
2006-07	310.0	135.0	14.0	1.3	114.0	574.3
2007-08	291.0	140.0	12.0	2.0	154.0	599.0
2008-09	345.0	146.0	12.0	2.0	189.0	694.0
2009-10	329.0	154.0	13.0	2.0	236.0	734.0
2010-11	354.0	155.0	11.0	2.0	328.0	850.0
2011-12	567.0	159.0	12.0	2.0	440.0	1,180.0
2012-13	405.0	169.0	10.0	2.0	490.0	1,076.0
2013-14	328.0	169.0	8.0	3.0	576.0	1,084.0
2014-15	351.0	173.0	9.0	2.0	803.0	1,338.0

Notes:

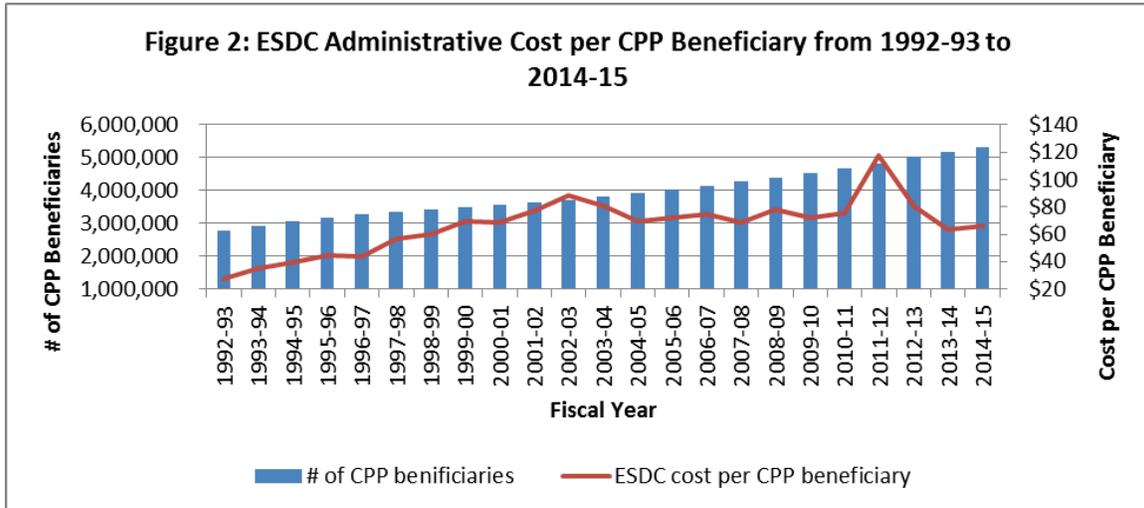
1. Sources: Financial Statements of the CPP Account (1992-93 and 1993-94); Report on Financial Transactions (1994-95 and 1995-96); Annual Reports of the Canada Pension Plan (1996-97 to 2014-15); Annual Reports of the Canada Pension Plan Investment Board (2007-2015).
2. Totals may not add up due to rounding.
3. In 2014-15, ESDC expenses included expenses from the Treasury Board Secretariat (Health Insurance Plan) and those of the Administrative Tribunal Support Service of Canada as they were previously included with ESDC.
4. The significant rise in ESDC costs in 2011-12 was mainly a result of changes emanating from the Economic Recovery Act and a one-time settlement of legal proceedings during the year.
These figures include costs for the CPP retirement pension, survivor benefits, death benefits and disability benefits.

Aside from the large increase in CPP Investment Board costs since 2002-03, the overall increase in CPP administrative costs since 1992-93 can also be explained by an 89.3% increase in the total number of beneficiaries (from roughly 2.8 million to 5.3 million).⁸¹ As Table 2 shows, there has been an increase in the total number of beneficiaries every year indicating that the Plan is serving more and more Canadians annually. Overall, the total CPP administrative cost per beneficiary increased from \$59.93 in 1992-93 to \$252.26 in 2014-15 – or 6.8% annually.

<http://www.osfi-bsif.gc.ca/eng/oca-bac/ar-ra/cpp-rpc/pages/cpp26.aspx>

⁸¹ The number of new CPP beneficiaries per fiscal year increased from 271,891 in 1992-93 to 364,383 in 2014-15 (see Appendix 4).

In terms of the ESDC administrative cost per beneficiary, there was a 4.1% annual increase (from \$27.36 in 1992-93 to \$66.20 in 2014-15) – see Figure 2 below.⁸² However, there were two discernable trends over this period – a rising cost per beneficiary trend until 2002-03 and then a declining cost per beneficiary since then – again, with the exception of 2011-12 (as noted in the discussion of Table 2).



Notes:

1. Sources: Financial Statements of the CPP Account (1992-93 and 1993-94); Report on Financial Transactions (1994-95 and 1995-96); and Annual Reports of the Canada Pension Plan (1996-97 to 2014-15).
2. The significant rise in ESDC costs in 2011-12 was mainly a result of changes emanating from the Economic Recovery Act and a one-time settlement of legal proceedings during the year.
3. These figures include costs for the CPP retirement pension, survivor benefits, death benefits and disability benefits.

These increased costs of administering the CPP are primarily attributable to strategies implemented by Service Canada and the CPP Investment Board to meet the challenge of the CPP’s ageing client base and mature Plan. This has resulted in increased administrative costs to deliver what is estimated to be \$38.7 billion in CPP benefits paid to Canadians in 2015-16.

It is important to note the difficulties around comparing cost data over time. For example, from 1992 to 2012 there were changes in how the CPP was delivered within the changing organizational structure of ESDC and its predecessor departments. Specifically, delivery of the CPP was transferred to Service Canada in 2005, with policy, strategy and advisory functions remaining with ESDC.

⁸² By dollar of pension delivered, total administrative costs as a percentage of total benefits paid increased from 1.3% in 1992-93 to 2.7% in 2010-11 (and the ESDC cost from 0.6% to 1.1%). Financial Statements of the CPP Account (1992-93 and 1993-94); Report on Financial Transactions (1994-95 and 1995-96); and Annual Reports of the Canada Pension Plan (1996-97 to 2011-12).

7.2 Comparison with other Federal Programs

Cost analysis findings demonstrated that the CPP administrative cost per beneficiary and the ratio of cost-to-benefits paid are considerably higher than those of OAS⁸³ and considerably lower than those of Employment Insurance.⁸⁴ However, direct comparisons of administrative costs between programs are a difficult task because not only are the programs structured and administered in different ways, but they also serve different purposes.

Many factors can explain the differences in administrative costs between different programs. For example, when compared to the CPP, OAS has fewer benefit elements and provisions and determination of eligibility is also relatively straight forward (e.g. the CPP has to invest funds while the OAS only has to deal with clients when they are eligible at age 65). By comparison, the Employment Insurance program involves labour intensive activities such as regular follow-ups with clients to track their employment status and job search efforts. Furthermore, the difference in the cost-to-benefits paid ratio can also be a reflection of the differences in the average benefits paid rather than the cost-effectiveness of the program. For these reasons, caution must be used when comparing federal programs.

⁸³ Office of the Superintendent of Financial Institutions Canada (2012), “*12th Actuarial Report on the Old Age Security Program*”, Table 7, Expenditures and Average Annual Benefits (Historical).

⁸⁴ Canada Employment Insurance Financing Board (CEIFB), 2013 Actuarial Report on the Employment Insurance Premium Rate, 2012.

8. Conclusions, Recommendations and Future Work

The CPP continues to meet the needs of Canadians – the take-up of the retirement pension is nearly 100% and provides a strong financial base for retired Canadians.

Because of women's significant increase in contributions to the CPP program (due to the dramatic increase in their (mostly full-time) labour force participation compared to earlier cohorts), they are more likely to be recipients of a retirement pension. This implies that their financial needs are different from earlier cohorts that contributed minimally to the CPP (if at all). While one would think this makes widows less vulnerable than in the past, widowhood is still substantially a female story. Previously, widows could compensate for the loss of an income by moving into the labour force. Given that many women will already be in the labour force upon losing a spouse, the concern, as expressed by the expert panel convened for this evaluation, becomes more about financial well-being, specifically, being able to maintain consumption patterns (e.g. children's educational costs).

Participation in the CPP varied by a number of factors, including age, marital status and immigration status. Those over age 70 and married are more likely to be recipients, as are non-immigrants and immigrants who landed before 1990. Among those over age 70, the CPP retirement pension represents about a quarter of retirement income, particularly for low-wage earners, who consider the pension an important component of their overall well-being.

The CPP is a significant source of retirement income for those who have low pre-retirement incomes and constitutes a much larger proportion of their retirement income than is the case for higher-income earners. Such recipients indicate that the CPP is an important aspect of their overall well-being in retirement.

Compared to other countries, Canada's retirement income system (of which CPP is a key component) compared well with other countries with similar living standards (e.g. U.S., UK, Australia) in reducing low income among seniors.

Clients' experiences require continued monitoring to address certain issues raised in the evaluation. Processing time for survivor benefits and two-tiered personal service (including telephone service) were flagged as needing improvement, insofar as first-tier service providers can only provide general information. In addition, where challenges exist, it is mostly with sub-populations, such as the Aboriginal/indigenous Canadians, recent immigrants, and visible minorities – groups that are at a higher risk of being economically and/or socially marginalized. Finally, interviews with Service Canada personnel indicated that, while most applicants' experience with the application process

was positive, some lacked a clear understanding of combined benefits, calculation/entitlement, the child-rearing provision, credit splitting, the combining of pensions from other countries, and the Post-Retirement Benefit.

While receipt of a CPP pension can affect remuneration (and liabilities) received from other sources of income support for seniors, such as the GIS, social assistance and taxes, these correlations are built-in features of the overall retirement income system and should be seen more as indications of strong, earnings-based income support via the public pensions system.

Although total CPP administrative costs have increased considerably in the last 10 years, ESDC administrative costs have remained relatively stable since 2002-03.

8.1 Recommendations

1. Address deficiencies in the administrative data by ensuring that measures appropriate to evaluation needs are included at source. This would include information on employment history, marital status history (to address problems with assessing survivor benefits take-up rates), and a clearer disaggregation of CPP benefits (such as when retirement and survivor benefits are combined, but the specific benefit cannot be deduced due to the formula used to calculate combined benefits).
2. Improve communication and outreach with CPP clients (and particularly Aboriginal Canadians, older seniors, and with non-recipient contributors to the CPP) to reinforce their understanding of the program, the various benefits, eligibility requirements, and the application processes.
3. To the extent that they are under ESDC control, steps should be taken to address (A) factors that slow benefit processing time, (B) including complex applications resulting from International Social Security Agreements and (C) temporary delays in obtaining duplicate T4 slips.
4. In addition, greater effort should be made to keep clients notified of the status of their application from the point of initial submission of the benefit request and receipt of the benefit.
5. Improve Service Canada website navigability and awareness in order to encourage use by CPP clients. This would include providing more detailed information than what is currently available. Tailor service and communications to better fit seniors' current situation with regard to their propensity to go on-line to seek information about the CPP.

8.2 Future Work

Future work is encouraged in order to address some of the limitations of the various lines of evidence. Of particular concern was the difficulty involved in trying to disaggregate the various CPP benefits, with the CPP retirement, survivor's, and disability benefits

often being combined together. As a result, age rules had to be established to separate the various benefits. However, it was still difficult (if not impossible) to understand the economic and social challenges faced by recipients of the survivor pension among those over age 60 because it was often not possible to empirically separate out these benefits from retirement benefits.

Further research could also examine the reasons behind the observed increase in the proportion of income represented by the CPP between 1991 and 2012, as well as the reason for an observed increase, between 2011 and 2012, in survivor benefits as a proportion of total income.

In terms of continuing labour force participation among CPP beneficiaries, it would be useful to better understand the characteristics of such participants and their patterns over time, including previous income levels and whether they are working as employees or are self-employed.

With regard to the survivor's pension, future research should address the difficulty in arriving at an effective measure of take-up. Finally, an assessment of the effect of the 2012 reforms on future labour market participation of pension recipients between ages 65 and 70 would provide important insight into retirement decisions.

Appendix 1 – Evaluation Questions

Evaluation Issue/Question	Section of this Report	Source Documents
Relevance – Continued Need for the Program		
1. Program Rationale		
a. What were the originally stated objectives of the CPP retirement pension and survivor benefits and how have they evolved?	2.2	EXP, LIT
b. What was the socio-economic context within which the survivor benefits operated when it was first introduced and how has it evolved?	2.2	EXP, LIT
c. What is the profile of current beneficiaries by beneficiary characteristics and how has it changed over time?	4.1	CEN, CRA1, CRA2, LAD, LIT, SLID
2. Program Design		
a. How was the CPP designed in relation to the other pillars of the pension system?	2.1	LIT
b. Is the current design of the CPP retirement pension and survivor benefits (eligibility criteria, structure and level of benefits, adjustments over time) consistent with its legislative mandate?	2.2, 2.3	EXP, LIT
c. Is the current design of the CPP retirement pension and survivor benefits (eligibility criteria, structure and level of benefits, adjustments over time) consistent with its objectives?	2.2, 2.3	EXP, LIT
3. International Comparison		
a. What other countries provide a similar public pension program?	3.2	EXP, INT
b. How does the CPP compare to the similar programs in these countries in terms of eligibility criteria, level of benefit, take-up rates, coverage for immigrants, etc.?	3.2	EXP, INT
c. Have there been any notable reform initiatives in recent years in these countries to improve upon the objective achievement?	3.2	EXP, INT
Relevance – Alignment with Government Priorities		
4. Objectives		
a. Do the objectives of the CPP align with federal government priorities?	3.1	LIT
b. Do the objectives of the CPP align with ESDC strategic objectives?	3.1	LIT
Relevance – Alignment with Federal Roles and Responsibilities		
5. Roles and Responsibilities		
a. What are the roles and responsibilities of the federal government in delivering the CPP?	2.4	LIT
b. Do the objectives of the CPP align with federal roles and responsibilities?	2.4	LIT

Performance – Achievement of Expected Outcomes		
6. Income Share		
a. What is the percentage of CPP beneficiaries' total income represented by the CPP retirement pension and survivor benefits?	4.2.1	CRA1, CRA2, LAD, LIT, SFS
b. How does the CPP share of income vary by beneficiary characteristics?	4.2.2	CRA2, LAD, SLID
c. How has the CPP share of income changed over time?	4.2.1	CRA1, CRA2, LAD, LIT, SFS
d. What would be the level of income among beneficiaries (in relation to low-income measures) if the CPP retirement pension or survivor benefits were not available?	4.4	CEN, CRA1, LAD, SFS, SLID
7. Income Replacement		
a. What is the level of retirement income that would maintain a pre-retirement standard of living?	4.3	LIT
b. What earnings replacement rate is provided by the CPP retirement pension and how does it differ among beneficiary characteristics?	4.3	LIT
8. Contribution to Well-Being		
a. What is the contribution of the CPP retirement pension to beneficiaries' well-being (quality of life)?	4.4	CEN, CRA1, FG, LAD, LIT, SFS, SLID
b. What is the contribution of CPP survivor benefits to beneficiaries' well-being (quality of life)?	4.4	CEN, FG, LIT, SFS, SLID
9. Program Communications/Outreach		
a. How effective are the outreach activities that publicize the CPP retirement pension and survivor benefits?	5.1	FG, KI
b. What stakeholders are involved in the outreach process?	5.1	FG, KI
c. What is the level of awareness and knowledge of the CPP retirement pension and survivor benefits (including eligibility criteria, benefit entitlement, application process, taxability, etc.) among the target population?	5.1	FG, KI
10. Program Delivery/Processing		
a. What are applicants' experiences with the application process for the CPP retirement pension and/or survivor benefits?	5.2	FG
b. Does the processing time between application and benefit receipt meet standards?	5.2	FG, KI, LIT
c. Has service quality changed over time?	5.2	KI, LIT
11. Take-Up		
a. What is the take-up rate of CPP survivor benefits and how does it vary across population groups such as Aboriginals, people with disabilities and immigrants?	5.3*	
b. What is the take-up rate of the CPP retirement pension and how does it vary across population groups such as Aboriginals, people with disabilities and immigrants?	5.3	CEN, LAD, LIT
12. Impact on Labour Market Activities		
a. What is the impact of the CPP retirement pension on beneficiaries' employment activities and how does this vary by beneficiary characteristics?	6.1	CEN, CRA1, FG, LAD, LIT, SFS, SLID
b. What is the impact of CPP survivor benefits on beneficiaries'	6.1	CEN, CRA1, FG,

employment activities and how does this vary by beneficiary characteristics?		LAD, LIT, SFS, SLID
c. What percentage of retired CPP beneficiaries continue to work while receiving benefits and how does this vary between low-, middle- and high-income individuals and couples?	6.1	CEN, CRA1, FG, LAD, LIT, SFS, SLID
13. Impact on Other Incomes		
a. How do CPP benefits (retirement pension and survivor benefits) impact other sources of income (social assistance, GIS, private pensions, etc.)?	6.2	LIF, LIT, SFS, SLID
b. What is the effect of the loss of contributor income on family income?	6.2	LIF, SLID
Performance – Demonstration of Economy and Efficiency		
14. Cost-Effectiveness		
a. What is the administrative cost of the CPP retirement pension and survivor benefits per recipient and per dollar of pension delivered?	7.1	COS, LIT
b. How does the cost per recipient vary between the CPP retirement pension and survivor benefits?	7.1	COS, LIT
c. How has the cost per recipient (for both the CPP retirement pension and survivor benefits) changed over time?	7.1	COS, LIT
d. How does the CPP administrative cost (for both the CPP retirement pension and survivor benefits) compare to other programs in Canada (e.g. QPP, OAS, Employment Insurance and private sector programs)?	7.2	COS, LIT
e. How does the CPP administrative cost compare to similar programs internationally?	7.2*	
<p>Note: * It was not possible to answer this question given the data limitations.</p> <p>Source Documents (Technical Reports): AD=Administrative Data Analysis CEN=Census Data Analysis COS=Cost Expense Analysis CRA1=Linked CPP-CRA Data Analysis (Retirement Pension) CRA2=Linked CPP-CRA Data Analysis (Survivor Benefits) EXP=Expert Panel FG=Focus Groups INT=International Document Review KI=Key Informant Interviews LAD=Longitudinal Administrative Databank Analysis LIF=LifePaths Data Analysis LIT=Literature Review SFS=Survey of Financial Security Data Analysis SLID=Survey of Labour and Income Dynamics Data Analysis</p>		

Appendix 2 – Summary of Studies Conducted in Support of the Summative Evaluation

Data Probe Economic Consulting (2015), *“Evaluation of the Canada Pension Plan Retirement and Survivor’s Pensions – Based on the Longitudinal Administrative Databank”*, prepared for ESDC.

This study analyzes data from the Longitudinal Administrative Databank (LAD), which has been developed by Statistics Canada based on personal income tax data and other sources of data, in order to address a series of evaluation questions regarding the Canada Pension Plan (CPP) retirement and survivor’s pensions. The focus of the study is on the CPP retirement and survivor’s pensions.

ESDC (2015), *“Analysis of the Canada Pension Plan Administrative Expenses in support of the Summative Evaluation of the CPP Retirement Pension and Survivor Benefits”*.

To address evaluation questions related to economy and efficiency, an internal costing analysis study (one of the 14 lines of evidence) was carried out to identify the costs associated with administering and delivering the CPP, focusing on the retirement pension and survivor benefits whenever permitted by the data. Cost data were collected from the Chief Financial Officer Branch and the Income Security and Social Development Branch, ESDC, as well as a number of documents and publications such as the CPP and OAS Stats Books, the Annual Reports of the Canada Pension Plan, etc. This technical report presents findings on CPP administrative costs collected from these sources.

ESDC (2015), *“Analysis of the Key Informant Interviews with Service Canada Officials in support of the Summative Evaluation of the CPP Retirement Pension and Survivor Benefits”*.

To address evaluation questions related to service delivery, a series of key informant interviews (KIIs) was conducted with Service Canada employees whose role involved delivering the CPP retirement pension and/or survivor benefits. Telephone interviews were conducted with Service Canada employees across Canada except for Quebec where the Quebec Pension Plan (QPP) is offered. Regional representatives at executive levels were contacted to provide the names of potential participants who had experience serving applicants and/or beneficiaries of the CPP retirement pension and survivor benefits. A total of 37 names of Service Canada staff members were provided. All of these staff members had responsibility serving CPP clients at in-person service centres, call centres, regional processing centres and mobile outreach services.

ESDC (2015), *“Canada Pension Plan Administrative and Canada Revenue Agency T1 File Data Analysis: CPP Retirement Pension 1992-2012”*.

This technical report is based on data drawn from the CPP administrative database and CRA T1 data. These two sets of data provide information on CPP retirement pension beneficiaries, ranging from their demographic characteristics to the sources and levels of their income. The CPP administrative database was the source for information on the payment history of the CPP retirement pension, demographic characteristics and the Social Insurance Number of beneficiaries. A 1% sample of new beneficiaries was collected from the CPP administrative database for each year between 1992 and 2012. This sampling method produced a set of data made of cascading cohorts for which the flow of new retirees for a given year is added to the stock of new retirees from previous years. This allowed the observation of changes occurring over time in terms of the profile of beneficiaries and benefit levels, while minimizing cohort differences.

ESDC (2015), *“Canada Pension Plan Administrative and Canada Revenue Agency T1 File Data Analysis: The CPP Survivor Pension 1992-2012”*.

This technical report is based on data drawn from the CPP administrative database and CRA T1 data. These two sets of data provide information on CPP survivor benefits, ranging from their demographic characteristics to the sources and levels of their income. The CPP administrative database was the source for information on the payment history of the CPP survivor pension and the demographic characteristics of beneficiaries. The analyses in this technical report are based on a 10 percent random sample of records of payments of CPP survivor benefits between 1992 and 2012, drawn from the CPP administrative database.

ESDC (2015), *“Canada Pension Plan (CPP) Administrative Data Analysis: Death and Children’s Benefits 1992-2012”*.

This study uses a set of data derived from CPP administrative database to address evaluation questions pertaining to two components of the CPP survivor benefits: the death benefit and children’s benefit. It uses aggregate data regarding benefits and recipients from the 2013 CPP & OAS Stat Book. It also uses data from a 10% sample of records from the CPP administrative database.

ESDC (2015), *“Document and Literature Review in support of the Summative Evaluation of the Canada Pension Plan Retirement Pension and Survivor Benefits”*.

The literature review consists of over one hundred references that were identified and reviewed to provide existing knowledge on the relevance and performance of the CPP retirement pension and survivor’s benefits. The references were selected from one of the following sources: articles published in academic journals; research books published by scholars; conference proceedings and working papers; Organisation for Economic and Co-operation and Development reports on pensions; Government of Canada publications

such as the Annual Reports of the CPP and the Actuarial Reports of the CPP; previous evaluations; program documentation and statistics; and Internet and media sources.

ESDC (2016), “*Focus Groups for the Summative Evaluation of the Canada Pension Plan Retirement Pension and Survivor Benefits*”.

A set of focus groups and in-depth telephone interviews was conducted with CPP retirement pension and survivor benefits recipients and CPP contributors. Seven in-person focus groups were conducted in the following four locations: Moncton, Ottawa, Winnipeg and Calgary. With the exception of Moncton, one group in each location was conducted with CPP retirement pension recipients and the other with survivor benefits recipients. To be eligible for the focus groups, CPP retirement pension recipients had to have applied for benefits within the last 24 months and have been aged 35 to 69 years. Survivor benefits recipients had to have been aged 35-59 years. Fourteen in-depth telephone interviews were conducted with CPP contributors (non-beneficiaries). The data collection was conducted from November 17th to December 11th, 2015.

ESDC (2016), “*Profile of Canadian Pension Plan (CPP) Beneficiaries Using Census Data from 1991 to 2011*”.

The analysis conducted in this study uses the 1991, 1996, 2001, and 2006 microdata files of the Census and the 2011 NHS, which were based on samples ranging from 2.7% to 3.0% of the Canadian population (over 792,000 records in each file). The microdata files contain variables that provide information on the demographic, social and economic characteristics of the Canadian population.

ESDC (2015), “*Summary of the Expert Panel, held on July 7th, 2015, in support of the Evaluation of the Canada Pension Plan Retirement Pension and Survivor Benefits (1992-2012)*”.

This report constitutes a summary of the Expert Panel in support of the evaluation of the Canada Pension Plan (CPP) retirement pension and survivor benefit. Held on July 7th, 2015, the purpose of the panel was to assemble a small collection of content experts to address several key evaluation questions and provide a forum for discussion and clarification of the answers to these questions. Both the information presented and the panel discussions were to be one of several lines of evidence supporting the overall CPP evaluation. The panellists included Professor Kevin Milligan, an economist working at the University of British Columbia, Dr. Keith Horner, an independent researcher and a former senior executive at the Department of Finance, and Bernard Dussault, a former (1992-1998) Chief Actuary for the CPP and currently a Consulting Actuary working at the Professional Institute of Public Service of Canada.

MacDonald, Bonnie-Jeanne (2015), “*LifePaths Analysis in Support of the Summative Evaluation of the Canada Pension Plan Retirement and Survivors Pensions*”, prepared for ESDC.

Statistics Canada's LifePaths is one of the world's largest dynamic microsimulation models of society. By integrating many data sets within Statistics Canada, LifePaths builds entire synthetic populations by simulating the detailed life-courses of virtual Canadians case-by-case. LifePaths' primary objective is to simulate statistically representative data samples of the history of the Canadian population from a life-course perspective. LifePaths summarizes, incorporates, and integrates an enormous range of Canadian microdata and aggregate data to generate its rich life-course modelling.

McDonald, Ted (2015), "*Analysis of the Survey of Financial Security (SFS) data in support of the evaluation of the CPP retirement pension and survivor benefits*", prepared for ESDC.

The Survey of Financial Security is a sample survey with a cross-sectional design, and contains detailed information on income, assets and debts, expenditures, and social and demographic characteristics. The sample universe for the SFS is all Canadian residents and sampling is based on all residents of households selected for participation. SFS respondents were given the option of allowing Statistics Canada to use their income information from the T1 tax return in lieu of asking income related questions. This provides users of the SFS with more accurate financial information on income for research than what would be the case with self-reported information, and roughly 80% of survey respondents in each cycle of the survey gave permission for their tax returns to be used.

McDonald, Ted (2015), "*Analysis of the Survey of Labour and Income Dynamics (SLID) data in support of the evaluation of the CPP retirement pension and survivor benefits*", prepared for ESDC.

This project relies on the Survey of Labour and Income Dynamics (SLID) – a longitudinal survey that began in 1993. It provides detailed information on labour market and income variables as well as a range of demographic and socioeconomic data for each adult aged 16+ in a sample of private households (though only limited employment information is available on individuals aged 70+).

Roy, Arun (2015), "*The International Document Review of the CPP Retirement Pension and Survivor Benefits in Support of the CPP Summative Evaluation*", prepared for ESDC.

The international document review focuses on the retirement pension and survivor pension components of earnings-related pension programs similar to the CPP that exist in other OECD countries that are comparable to Canada in terms of living standards and the institutional environment. The following countries are considered for international: USA, UK, Australia, France, Germany, Sweden, Switzerland, Austria, Denmark and Netherlands. These countries have CPP-type earnings-related retirement and survivor benefits including child benefits.

Appendix 3 – Number of New CPP Beneficiaries by Fiscal Year

Fiscal year	Number of new CPP Beneficiaries
1992-93	271,891
1993-94	298,279
1994-95	293,216
1995-96	267,062
1996-97	245,509
1997-98	258,895
1998-99	250,265
1999-00	253,263
2000-01	246,735
2001-02	251,784
2002-03	266,219
2003-04	285,141
2004-05	269,736
2005-06	286,335
2006-07	303,644
2007-08	315,562
2008-09	325,228
2009-10	337,033
2010-11	340,264
2011-12	384,337
2012-13	381,607
2013-14	358,403
2014-15	364,383

Appendix 4 – References

Internal Studies (available upon request)

ESDC (2015), “*Analysis of the Canada Pension Plan Administrative Expenses in support of the Summative Evaluation of the CPP Retirement Pension and Survivor Benefits*”.

ESDC (2015), “*Analysis of the Key Informant Interviews with Service Canada Officials in support of the Summative Evaluation of the CPP Retirement Pension and Survivor Benefits*”.

ESDC (2015), “*Canada Pension Plan Administrative and Canada Revenue Agency T1 File Data Analysis: CPP Retirement Pension 1992-2012*”.

ESDC (2015), “*Canada Pension Plan Administrative and Canada Revenue Agency T1 File Data Analysis: The CPP Survivor Pension 1992-2012*”.

ESDC (2015), “*Canada Pension Plan (CPP) Administrative Data Analysis: Death and Children’s Benefits 1992-2012*”.

ESDC (2015), “*Document and Literature Review in support of the Summative Evaluation of the Canada Pension Plan Retirement Pension and Survivor Benefits*”.

ESDC (2016), “*Focus Groups for the Summative Evaluation of the Canada Pension Plan Retirement Pension and Survivor Benefits*”.

ESDC (2016), “*Profile of Canadian Pension Plan (CPP) Beneficiaries Using Census Data from 1991 to 2011*”.

ESDC (2015), “*Summary of the Expert Panel, held on July 7th, 2015, in support of the Evaluation of the Canada Pension Plan Retirement Pension and Survivor Benefits (1992-2012)*”.

External Studies Contracted by ESDC (available upon request)

Data Probe Economic Consulting (2015), “*Evaluation of the Canada Pension Plan Retirement and Survivor’s Pensions – Based on the Longitudinal Administrative Databank*”, prepared for ESDC.

MacDonald, Bonnie-Jeanne (2015), “*LifePaths Analysis in Support of the Summative Evaluation of the Canada Pension Plan Retirement and Survivors Pensions*”, prepared for ESDC.

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