

## Canada

Over 40% of the Canadian workforce are members of occupational pension schemes, known as retirement pension plans. Around 45% of this total are members of public sector schemes. This gives a coverage rate in the private sector of around 30% compared with nearly 100% coverage among public-sector employees.

There was a shift to defined-contribution schemes in the 1980s and 1990s in the private sector, but these plans still account for just 13% of total members (including hybrid plans with defined-benefit and defined-contribution elements). Over 60% of members are in final-salary defined-benefit schemes, with 10% in schemes with an average-salary formula and 20% in plans that provide a flat benefit for each year of membership. Most schemes cover the entire workforce, but 20% of members are in schemes reserved solely for members of trades unions.

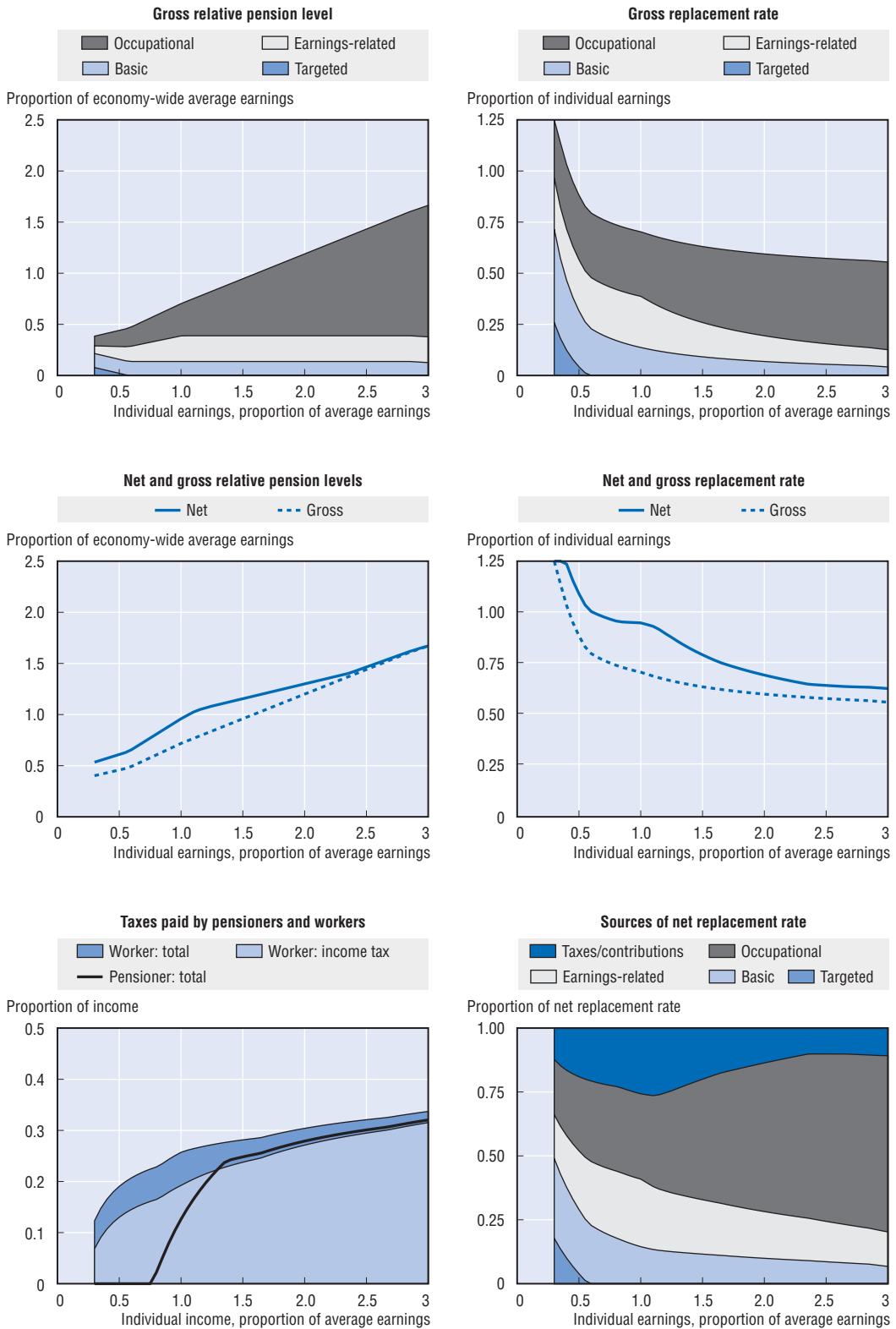
Most occupational schemes – covering 90% of members – are compulsory for people eligible to join. Typically, eligibility is determined by years of service (to a legal maximum of two years). Vesting rules vary by province, but are generally two years of membership or five years' service. Some also depend on age. Pensions can be transferred to another occupational scheme or a personal plan when a worker changes jobs, or “preserved” in the old occupational scheme until an employee reaches pension age.

Pension age is generally 65, but a significant minority of public-sector members can claim their pension at 60. The accrual rate in public sector schemes is nearly always 2% of earnings for each year of service. The earnings formula is usually based on the best five years. In the private sector, 2% is also the most common accrual rate, accounting for nearly half of members. But almost a third have accrual rates between 1½ and 2% and another 10% between 1 and 1½% per year of service. There has been a shift towards the norm of 2% accrual, partly because this is the maximum allowed by income-tax regulations.

Most schemes are integrated with the public earnings-related scheme, giving a lower accrual rate (usually 1.3 to 1.5%) on the slice of earnings up to the ceiling for the second-tier pension. Lump-sum benefits are not permitted.

In 1989, post-retirement indexation was automatic for 70% of members of public-sector schemes, but only for 7.5% in the private sector. However, only 28% of public sector members were guaranteed full inflation uprating. Most large schemes, however, provided for *ad hoc* increases that compensate for about half of inflation.

### Pension modelling results with voluntary schemes: Canada



Source: OECD, based on information provided by the countries.

### Pension modelling results: Canada, with voluntary occupational plans

Men	Individual earnings, multiple of average					
Women (where different)	0.5	0.75	1	1.5	2	2.5
Gross pension level <i>(% of average earnings)</i>	44.1	56.1	70.3	94.6	118.9	143.2
Net pension level <i>(% of average net earnings)</i>	59.4	75.5	94.6	114.4	129.0	145.6
Gross replacement rate <i>(% of individual earnings)</i>	88.2	74.8	70.3	63.1	59.4	57.3
Net replacement rate <i>(% of individual net earnings)</i>	108.9	96.4	94.6	78.8	68.8	63.7
Gross pension wealth <i>(multiple of average earnings)</i>	6.5	8.2	10.2	13.5	16.8	20.1
Net pension wealth <i>(multiple of average net earnings)</i>	7.5	9.5	11.8	15.6	19.4	23.2
Net pension wealth <i>(multiple of average net earnings)</i>	8.7	11.0	13.7	16.3	18.2	20.4
	10.1	12.7	15.9	18.9	21.1	23.6

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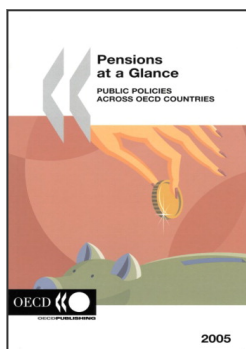
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