

## An Expanded CPP Gains Broad Acceptance from Employers Surveyed by Morneau Shepell

*200 Morneau Shepell clients who sponsor pension plans took part in a 60-second survey*

**TORONTO, ON, December 5, 2013** – Morneau Shepell’s 60-Second Survey for November 2013 shows that an expanded Canada/Quebec Pension Plan (C/QPP) is considered to be the best way to improve Canada’s retirement income system. The survey received responses from 200 employers across Canada.

When asked to identify the most cost-effective way to improve Canada’s retirement income system, 32 per cent opted for an expansion of the C/QPP. This would affect future service only and involve an increase in both the benefit rate (to 35 per cent) and the earnings ceiling (to \$76,000). The second most popular response, at 25 per cent, was to do nothing other than launch a campaign to encourage Canadians to save more. The other possibilities were to require every employer and employee to contribute 2 per cent of annual pay up to \$76,000 to a supplementary C/QPP DC arrangement (selected by 23 per cent) and to auto-enroll everyone in a Pooled Registered Pension Plan (PRPP) without employers being required to contribute and to allow individuals to opt out (20 per cent).

“It is a little surprising that over half the respondents are ready to increase employer contributions, either in an expanded C/QPP or in an equivalent defined contribution arrangement,” said Fred Vettese, chief actuary of Morneau Shepell. “The general impression has been that employers were either unwilling or unable to contribute more to retirement arrangements in a fragile economy.”

When asked what role the C/QPP, Old Age Supplement (OAS) and Guaranteed Income Supplement (GIS) combined should play, 65 per cent of respondents said middle-income individuals should derive enough income from these sources to retire comfortably while 27 per cent said government pensions should be enough to avoid poverty. The remaining 8 per cent felt that government pensions alone should enable middle-income Canadians to continue the same standard of living into retirement, even if they do not participate in workplace pension plans or RRSPs.

The respondents were also asked what they would do with their organization’s pension plans if the C/QPP was expanded substantially. Among respondents who sponsor workplace plans, 11 per cent indicated they would wind down their plans and another 29 per cent said they would reduce the benefits in their plans dollar for dollar. A further 26 per cent would reduce their workplace plans by a smaller percentage and 34 per cent said their workplace plans would not change.

“These responses suggest that an expanded C/QPP or a new defined contribution arrangement with employer contributions will result in significantly increased benefits for many employees who are already enrolled in workplace pension plans,” said Vettese. “Many more of them would end up with consumption replacement ratios in excess of 100 per cent after retirement.”

Of the 200 employers who responded to the survey, 43 per cent represented employers who sponsor mainly defined benefit (DB) plans, 28 per cent who sponsor mainly defined contribution (DC) plans, 15 per cent with a mix of both DB and DC, and 14 per cent who provide little or no pension coverage.

### **About Morneau Shepell Inc.**

Morneau Shepell is the largest company in Canada offering human resources consulting and outsourcing services. The Company is the leading provider of Employee and Family Assistance Programs, as well as the largest administrator of retirement and benefits plans. Through health and productivity, administrative, and retirement solutions, Morneau Shepell helps clients reduce costs, increase employee productivity, and

improve their competitive position. Established in 1966, Morneau Shepell serves more than 8,000 clients, ranging from small businesses to some of the largest corporations and associations in North America. With approximately 3,300 employees in offices across North America, Morneau Shepell provides services to organizations across Canada, in the United States, and around the globe. Morneau Shepell is a publicly-traded company on the Toronto Stock Exchange (TSX: MSI). For more information, visit [morneaushepell.com](http://morneaushepell.com).

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