

# Reforming the Canada Pension Plan and the Quebec Pension Plan

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# Unresolved issues in Bill C-26 (CPP Enhancement)

- 1 Working Income Tax Benefit - visibility & conflicts with gender equity goals
- 2 Child-related drop out provision omitted - mistake? feminists?
- 3 Disability insurance - extend to retirement?

# Working Income Tax Benefit

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## The very bad:

- Gender equity - WITB eligibility depends on couple's income, only one can claim  
→ After-tax-and-benefit wage rate depends on spouse's decision & ability to negotiate with spouse

# Child-rearing drop out provisions

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- calculation of average earnings
- expansion sought to minimize intra & intergenerational transfers
- enhancement takes best 40 years

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- Introduced in the 1970s
- Low participation among mothers, applied to most families
- Transfer of income from husbands to wives, recognizing home production

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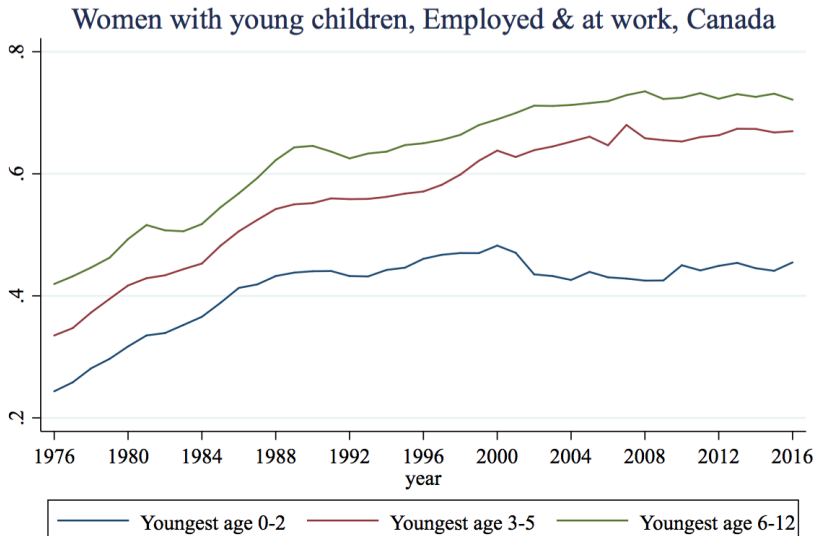
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Child-rearing provisions for today's parents....



# Employed and at work, mothers of young children



## Start the mommy war?

- Mr. Robert-Falcon Ouellette: “she took time out to do something really *beneficial for society*, raising children.”
- Mr. Hassan Yussuff (CLC) “we fail to see why the child-rearing dropout provision isn’t extended to the enhanced benefit.” .... “parents should not be penalized under the CPP for undertaking a *socially desirable* and necessary task”
- Mr. Mark Janson (CUPE) “an unfair subsidy from that person to Canadian society as a whole, so they saw fit to correct that subsidy through the CPP”
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- Working moms: “.... raising my child in such a *socially undesirable* way that I must compensate...”

# Disability Insurance

- CPP premiums have always been pension contributions + long-term disability insurance premiums
- Enhanced CPP
  - earnings replacement under age 65 continues
  - no disability drop-out provisions for retirement pension
  - best 40 → 7 years
- Context: CPP-D for "severe and prolonged disability"; all face some risk and higher likelihood of surviving to age 65(?)
- Requires consultation

# If you see a Finance Minister in December...

## Recommendations

- Offer a CPP credit based on individual income to refund low-earner contributions
- Suggest “Best 40” allows for diverse reasons for labour force interruptions
- Avoid child-rearing-specific drop-out
- Update CPP’s child-rearing drop-out and survivor benefits
- Evaluate cost of extended disability insurance premiums