

Collaborate

THE SOCIAL VALUE OF PENSIONS

By Derek W. Dobson, CEO and Plan Manager, CAAT Pension Plan

Citizens, investors and politicians are calling on corporations to demonstrate that business is about more than just the bottom line. They are holding corporations accountable for the well-being of our society and planet, ensuring that a commitment made will be a commitment kept.

In the pension industry, the commitment to look after our larger responsibilities falls under Responsible or Sustainable Investing initiatives, which outline the integration of Environmental, Social and Governance (ESG) factors into investment decisions. As ESG grows as a household term, **employers can enhance their social contributions, or 'S' pillar of ESG, by recognizing the social value of pensions and providing lifetime retirement income.**

The social or 'S' pillar refers to the social value that a company's products and services provide and the effects of its behaviour on social issues. The concept is built on the truth that a business can make a wider contribution to society through its products, its benefits for workers, and its actions in local communities. It serves as a framework to measure the impact of a company's activities in improving the quality of life of people qualitatively and quantitatively.

By design, pensions reflect a responsible, long-term investment in the well-being and financial security of workers and can be considered a driver of the 'S' pillar. Today, Canadians of all demographics and, more recently, all sectors have access to retirement security (with DB plans like CAAT Pension Plan open to Canada's private and non-profit sectors, and OPTrust to the Ontario non-profit sector). The industry's efforts to improve access to affordable workplace plans is an advantage for all of Canada with broader societal benefits.

*Sustainable pensions and the lifetime retirement
income they provide improve quality of life for
retirees, employees, and their families and
networks.*

A growing body of research has found that pensioners rely less on social assistance programs and enjoy more financial security to live independently as seniors. This in turn helps to protect the country's social security, health care, and talent systems – a long-term outcome that is good for workers, businesses, and Canada overall.

Retiring at a Time of Rising Health Care and Living Costs

Canadian Public Pension Leadership Council: An established, non-partisan network of senior, pension leaders and professionals promoting research and advocacy for retirement income security.



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Most Canadians are not saving enough for retirement and are at risk of outliving their savings, because most Canadians save without fully knowing the true cost of health care and living comfortably in old age. A study commissioned by the [Canadian Public Pension Leadership Council](#) shows that those without any workplace pensions have a median savings of just over \$3,000. On average, **70% of Canadians are worried that they aren't saving enough for retirement and 62% are concerned they will outlive their retirement savings.**

Workers who depend on CPP/QPP and OAS to supply their retirement income often don't realize that these programs are meant to cover basic living expenses only, not the quality of life that many may wish or expect to live in retirement. Now, amid market uncertainty, geopolitical risks, rising living and health care costs, the outlook is even more concerning for those without cost-of-living adjustments.

The good news is that Canadians are living longer on average – a typical Canadian retiree should plan for a retirement of more than 30 years – yet the longer a person lives, the higher their healthcare and living costs become.

The average per-person spending on health care for Canadians aged 64 and below is \$2,700. For Canadians aged 65 and over, the average spending is more than four times higher at \$12,000.

According to the Canadian Medical Association, seniors now outnumber children for the first time in Canada's history. By 2056, a third of the population will be 65 and older. The demographic shifts have impacted the health care system. **Seniors currently make up one-fifth of the population, yet they account for nearly half of all health care spending.**

To better manage impending demographic shifts and downstream costs, Canada needs a comprehensive aging strategy that includes a strong and efficient workplace pension system as a core pillar.

The Pension Solution for Canada's Aging Population

Pensions improve security for one of society's most vulnerable populations – seniors – and generate social and economic good for all Canadians. A study conducted by the [Canadian Centre for Economic Analysis](#) (CANCEA) found that every \$10 that a pensioner receives generates \$16.72 in economic activity for the country, driving \$82 billion in national GDP. **That is slightly higher than the GDP of Saskatchewan, or Nova Scotia and Newfoundland combined.**

Across Canadian communities, pension spending supports 877,100 local jobs, and 55,500 mostly small businesses and businesses that employ young workers, a vital workforce for the economy. Spending from benefits paid contributes \$21 billion in government revenue, which can then be spent to support government services aimed at improving the quality of life.

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Local Benefits



Other studies conducted by CANCEA in Ontario found that pensioners are more active in their communities, are more prone to charitable giving, and enjoy higher satisfaction with their health. **The study found that 90% of retired members attribute higher life satisfaction to being part of a DB pension plan.**

Across all four areas that drive satisfaction with life – financial security, mental and physical health, community involvement and leisure, and reduced stress – the certainty of stable retirement income paid for life was a differentiating driver.

As many of us with children or aging parents have contemplated, financial security for seniors can drastically reduce stress and burden on families. Not only do pensioners enjoy less stress in their working years by not needing to worry as much about retirement as many Canadians without a plan do, but they are also better equipped for financial independence, making aging in place, affording prescriptions and maintaining a healthy lifestyle easier to achieve.

All of Canadian society benefits from a widely accessible pension system, within which CAAT is proud to be a provider. Promoting the social value of pensions and the research on its social and economic benefits will open new avenues for businesses to build a more sustainable future.

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