

CAPit

Capital Accumulation Plan Income Tracker

May 2019

Increasing role of CPP – but not for all

Positive stock and bond markets in the first quarter of 2019 helped to improve gross replacement rates from the all-time lows observed at the end of 2018. The income a typical male CAP member could replace from their workplace plan and government benefits rose almost a full percentage point to 57%, while females experienced a similar gain to finish the quarter at a 56% replacement rate.

Over time, investment markets and interest rates have impacted a plan member's ability to generate replacement income. Government benefits (CPP and OAS) have historically provided about 32% of the replacement income for Canadian workers. The recent enhancements to CPP mean that it will continue to play a growing role in ensuring Canadians have guaranteed income for life – but not for everyone.

It is important to remember that CPP benefits are based on the number of years a person has been in the Canadian workforce and their earnings. While the goal of CPP is to eventually replace 33% of a worker's income, currently the average CPP paid is considerably less than the maximum (\$7,800 vs. \$13,800 annually). Given the number of workers nearing retirement, with fewer years to benefit from the enhancement, many Canadians will continue to need to look beyond CPP for additional sources of guaranteed income.

QUICK POLL

How are you funding the additional CPP premiums?

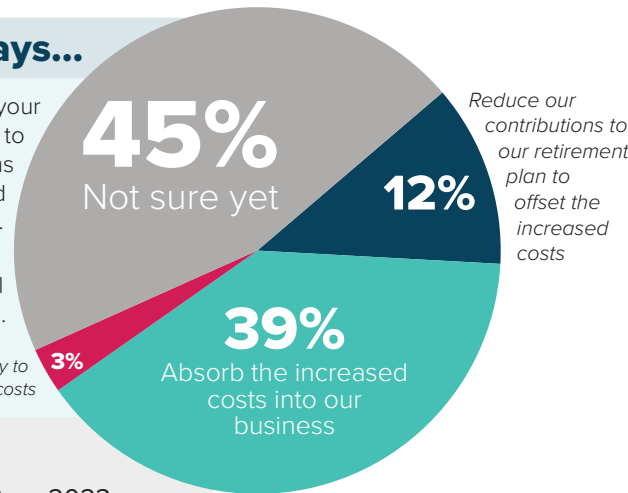
Will that approach change in future years as the premiums continue to increase?

Take our [quick poll](#) and let us know what you decided! We'll be sure to report back.

Survey says...

Last summer, we asked how your organization was responding to the increased CPP premiums that would be required beginning January 1, 2019. Many of you were undecided about how the additional premiums would be funded.

Reduce other employee benefits or pay to offset the increased costs



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CPP Premium Increases

2019	2020	2021	2022	2023
5.10%	5.25%	5.45%	5.70%	5.95%
+0.15%	+0.15%	+0.20%	+0.25%	+0.25%

THE CAP INCOME TRACKER

The CAP Income Tracker assumes the member made annual contributions at a rate of 10% starting at age 40, will receive maximum Old Age Security and Canada/Quebec Pension Plan payments, and will use their CAP account balance at retirement to buy an annuity. The member's CAP account is invested based on a balanced strategy. Salary has been adjusted annually in line with changes in the average industrial wage, and is set at \$66,691 at March 31, 2019.

