



NEWS RELEASE

Canadians born after 1971 will receive meager 2.1 per cent rate of return from Canada Pension Plan

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For Immediate Release

TORONTO—Contrary to widely held public opinion, the Canada Pension Plan (CPP) provides only a meager rate of return for most Canadian workers—especially younger workers, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“It’s easy to see how average Canadians could confuse the rates of return earned by the CPP fund with what they actually receive via their CPP retirement benefits. The reality is that Canadians born after 1971 are receiving modest returns from the CPP,” said Jason Clemens, executive vice-president at the Fraser Institute and co-author of *Rates of Return for the Canada Pension Plan*.

CPP retirement benefits for Canadian workers are determined by the number of years a person works, their annual contributions (up to a maximum of \$5,088.60 this year, based on earnings), and the age they retire.

The study finds that anyone born after 1955 (retiring in 2021 or later) will receive a modest return on their contributions of 3.0 per cent or less. Any CPP-eligible Canadian born after 1971 (retiring in 2037 or later) who worked full-time will receive an annual return of just 2.1 per cent in retirement.

By contrast, eligible Canadian workers born between 1905 and 1914 (retired between 1970 and 1979) enjoyed a rate of return of 27.5 per cent.

The steep decline in the rates of return is a function of two main factors: early plan contributors paid into the program for a shorter period of time, and they made smaller contributions—the CPP contribution rate increased from 3.6 per cent at inception (1966) to the current rate of 9.9 per cent.

Finally, many Canadians confuse their individual rate of return (again, just 2.1 per cent for Canadians born after 1971) with the 11.4 rate of return earned by the investment arm of the CPP, the Canada Pension Plan Investment Board.


“The CPP Investment Board has achieved impressive results since its creation but it has no direct effect on the benefits received by Canadian workers in retirement,” Clemens said.

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