Canada

Highlights from OECD *Pensions at a Glance*

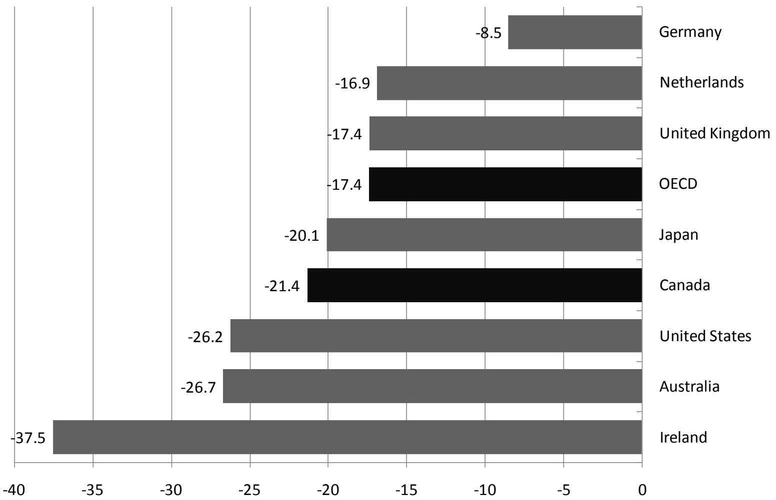
- Canada's private pension funds have been heavily hit by the financial crisis, with real losses of 21.4% in 2008.
- The proportion of retirement incomes coming from private pensions and other financial assets in Canada is one of the highest among the 30 OECD countries.
- Old-age income safety-nets in Canada are amongst the highest in the OECD, helping Canada have one of the lowest poverty levels relative to average earnings.

Pensions and the crisis

The financial crisis has hit private pension funds hard: they lost US$5.4 trillion in value in 2008 in OECD countries.

- Investment losses in Canada were mainly the result of the large share of equities in pension-fund portfolios: around 50% before the crisis hit, compared with an average of 36% in the 20 OECD countries where data are available.
- In Canada, private pensions and other investments provide 41% of retirement incomes, compared with 20% on average in OECD countries. This is a similar proportion as the United States (44%) and Ireland (43%). However, investment losses in Canada's private pensions were smaller than in these other two countries.

1 Pension funds' real investment returns in 2008

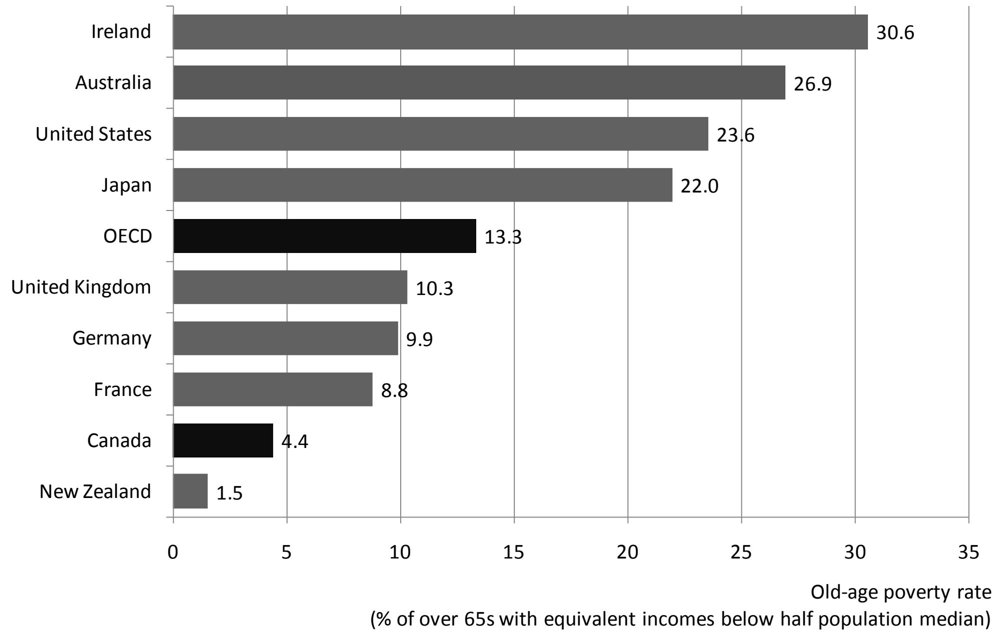


Note: the OECD figure shown is the unweighted average. The weighted average loss is larger at 23%, due to the importance of private pensions in the United States.
Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*, Figure 1.3

Strong safety nets and low poverty levels

Less than 5% of over 65s in Canada had incomes below the OECD poverty threshold (half of median household income) in 2005. Only New Zealand, the Netherlands, the Czech Republic and Luxembourg had lower poverty levels. The poverty level for Canada is only one-third of that of the OECD average.

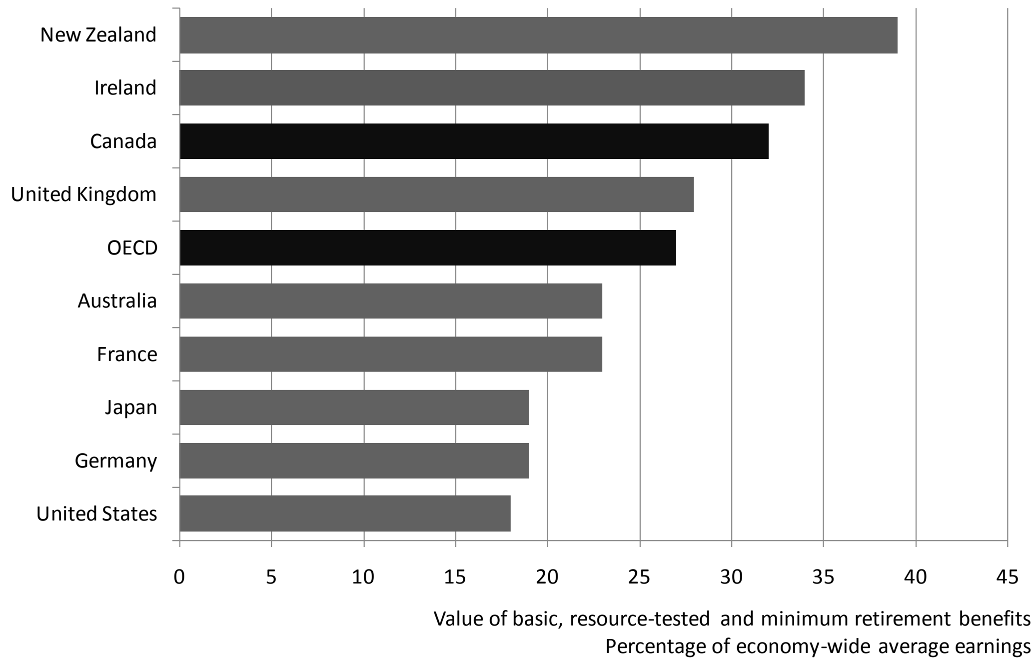
2 Old-age income poverty rates



Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*, Figure 2.5

The low level of old-age poverty is mainly a result of the relatively high level of safety-net benefits provided in Canada, through the basic pension (old-age security, OAS) and the means-tested scheme (guaranteed income security, GIS). Only seven OECD countries have a higher level of basic, resource tested and minimum benefits relative to national average earnings. At 32%, the value for Canada is five percentage points above the OECD average.

3 Old-age safety nets



Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*, Figure 2.6

4 Key indicators

		Canada	OECD
Pension replacement rate	Average earner (%)	44.5	59.0
	Low earner (%)	76.5	71.9
Public pension spending	% of GDP	4.1	7.2
Life expectancy	at birth	80.4	78.9
	at age 65	84.5	83.4
Population over age 65	% of working age population	21.1	23.8
Average earnings	CAD	40 600	40 500

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations for a full-career worker entering the labour market in 2006. Low earner is assumed to earn 50% of the average.

Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Notes to editors

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Retirement Income Systems in OECD Countries

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OECD
2 rue André Pascal
Paris 75775 Cedex 16
France

For further information, please contact:

OECD media relations	Spencer Wilson	spencer.wilson@oecd.org	+33 1 45 24 81 18
OECD social policy division	Edward Whitehouse	edward.whitehouse@oecd.org	+33 6 25 89 56 67

www.oecd.org/els/social/pensions/PAG

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