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Attn. editors: The full study is available online at
http://muse.jhu.edu/journals/canadian_public_policy/v037/37.2.denton.html

Increase the public pension age from 65 to 70, say economists at McMaster University

HAMILTON, ON Jan. 26, 2012 — A pair of economists at McMaster University are calling for a gradual increase of the country's public pension age, or future generations will suffer the financial consequences.

"The major factor is the aging of the baby boom generation," says Byron Spencer, whose study involving the Canada Pension Plan was recently published in *Canadian Public Policy*.

Over the next two decades, the number of retirees from the baby boom will grow more rapidly than the labour force, says Spencer. If Canadians continue to retire at the same age they do today, there will only be two workers for every person over the age of 65 by the year 2035 – down from a four-to-one ratio today.

Spencer, along with co-author Frank Denton, is proposing a shift in the age of CPP recipients from 65 to 70. This progression would ideally take place by 2035, and cut the projected costs in half.

"There would be some resistance from the general public," admits Spencer. "But less so if the transition was done gradually." While pensionable ages are on the rise in the United States and much of Western Europe, a similar shift is not being considered in Canada.

When the CPP was first introduced in 1966, together with the Quebec Pension Plan, contributors were eligible to receive full benefits by the age of 65. That basic system hasn't changed in more than four decades.

However, the average life expectancy in Canada has increased dramatically since that time period – 10 years longer for men, and eight years for women. Further gains are expected, too. Even though they're living longer, Canadians are retiring at younger ages and spending more of their lives in retirement.

But what can be done? Maintaining benefits will be expensive, but the Denton and Spencer calculate that a gradual rise in the public pension age from 65 to 70 would reduce the associated costs by half. If people are willing to delay retirement by working a few extra years, the cost increases could be quite modest.

The year-long study was conducted as part of the SEDAP (Social and Economic Dimensions of an Aging Population) Research Program, funded by the Social Sciences and Humanities Research Council.

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