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Spreading the Benefits: A Targeted Tax Credit Is Needed to Expand Retirement Plan Coverage in Canada's Private Sector

Millions of Canadians lack access to a workplace retirement plan, leaving many unprepared for retirement despite a strong public pension system. This paper examines the growing gap in private-sector pension coverage – particularly among small- and mid-sized employers – and the consequences for retirement readiness. It proposes a targeted federal tax credit to reduce cost barriers for employers and expand access to workplace retirement plans.

Keith Ambachtsheer and Alex Mazer

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Spreading the Benefits: A Targeted Tax Credit Is Needed to Expand Retirement Plan Coverage in Canada's Private Sector

by Keith Ambachtsheer and Alex Mazer

- **Canada ranked 16th out of 52 countries in an authoritative Global Pension Index in 2025, which identified limited coverage of occupational pension plans, particularly in the private sector, as the country's greatest area for improvement.**
- **More than nine million Canadian employees lack access to a workplace retirement plan, largely because small- and mid-sized employers (SMEs) are much less likely to offer one: fewer than 19 percent of SMEs with five to 499 employees provide a plan, compared with nearly half of comparable firms in the United States.**
- **Workers without workplace retirement plans are less prepared for retirement, as individual saving decisions are often inconsistent, poorly informed, and subject to behavioural biases and higher costs than employer-based plans.**
- **This paper proposes a Small Employer Retirement Plan Tax Credit (SERPTC) to reduce cost barriers for SMEs. At an estimated expenditure of $1-$2 billion over five years, the credit could expand coverage by 125,000 to 500,000 workers by subsidizing plan set-up costs and employer contributions, cutting the cost of offering a plan by nearly half for a typical SME.**

Lack of Private-sector Retirement Plan Coverage

Comprehensive data on Canada's workplace retirement plan coverage are not easy to find. Statistics Canada tracks the number of Canadians who are covered by registered pension plans (RPPs), which include defined-benefit (DB) pension plans, defined-contribution (DC) pension plans, and hybrid pension plans such as target benefit plans. In 2023, 37.7 percent of working Canadians were covered by RPPs (Statistics Canada 2025). Importantly, the data also indicate a very large gap between the public and private sectors (Vettese 2025). While 87.4 percent of public-sector workers are covered by RPPs, coverage in the private sector is only 20.4 percent. Also, this gap has been widening over the course of the last 40 years.

These figures underestimate the amount of private-sector retirement plan coverage because they do not include group RRSPs, deferred profit-sharing plans (DPSPs), group tax-free savings accounts (TFSAs), or

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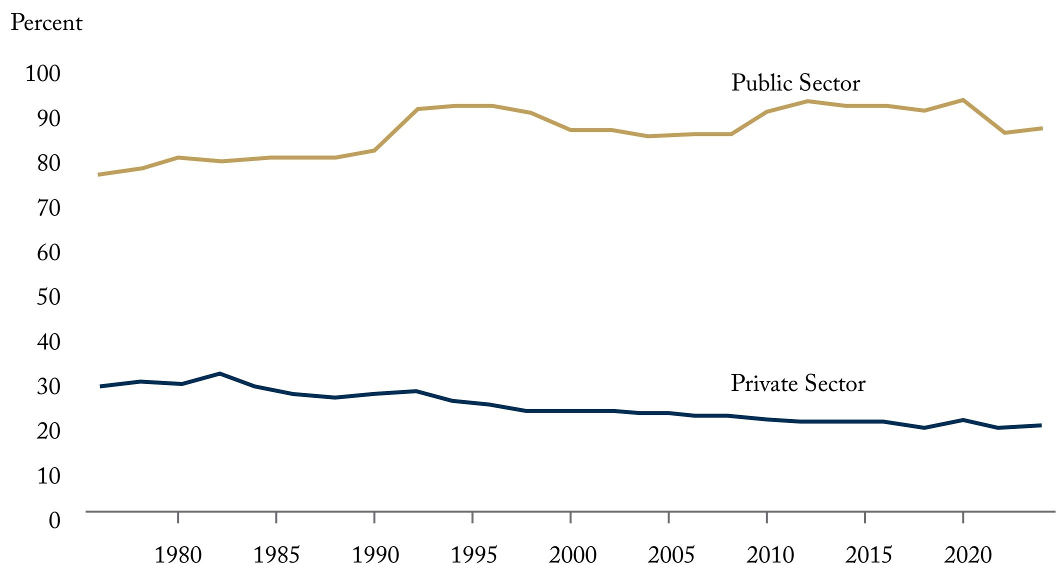
Figure 1: Participation Rates in Canada's Registered Pension Plans



Source: Statistics Canada.

other non-RPP capital accumulation plans. This is notable because these are increasingly the workplace retirement plans of choice in the private sector. However, Statistics Canada does not regularly track data on these plan types. The most recent government data that we were able to find dates from 2019, when the Survey of Financial Security found that 2 million Canadians who were not RPP members were participating in group RRSPs and/or DPSPs. An analysis of this data from the Office of the Chief Actuary suggested that including these additional plan types would increase the private-sector workplace retirement plan coverage rate from 22 to 37 percent (Office of the Chief Actuary 2022). If we include those data, it suggests that the coverage gap between the public and private sectors has remained fairly constant over the past 50 years, hovering at around 50 percentage points. However, during that time, because coverage in the private sector shifted from primarily defined-benefit RPPs to defined-contribution-style arrangements, including DC pension plans, group RRSPs, and DPSPs, the post-work financial security gap between public-sector and private-sector workers has been growing.

Even assuming the broadest definition of private-sector pension coverage, it still means that a very large number of Canadians are not covered by a workplace retirement plan of any kind. We estimate that about 9.1 million Canadian employees do not have a workplace retirement plan.[1] Also, the 9.1 million figure may underestimate the coverage

1 We calculate this figure by taking the overall number of Canadian employees (18.3 million as of September 2025) and subtracting both the number of Canadians covered by an RPP (7.2 million in 2023) and the number of capital accumulation plan members who are not members of an RPP (2 million as of 2019).

problem, since it does not include the 2.7 million Canadians who are self-employed.

Biggest Coverage Gap Is Among SMEs

The vast majority of uncovered workers are in the private sector, which also includes parts of the not-for-profit sector, and work for smaller and mid-sized employers. In fact, nearly two-thirds of private-sector workers are employed by SMEs (Innovation, Science and Economic Development Canada 2024).

The percentage of SMEs that offer any kind of workplace retirement plan is low. This is another area where data are limited. However, we can do a rough estimate by comparing the number of capital accumulation plans in Canada (roughly 85,000[2]) to the number of SMEs (1.1 million). If we exclude the nearly 650,000 SMEs with between one and four employees, the coverage rate among the remaining roughly 450,000 SMEs with between five and 499 employees would only be approximately 19 percent.

Coverage among SMEs is much lower in Canada than in the United States, where nearly half of employers with 100 or fewer employees offer a retirement plan (Center for Retirement Research 2024). Fifty-three percent of American private-sector workers participate in a workplace retirement plan (U.S. Bureau of Labor Statistics 2025), in contrast to the 37 percent figure for Canada, cited earlier. Most US private-sector retirement plans are 401(k)s. Whereas there are some nuances between these and the most common Canadian private-sector plan types – DC pension plans, group RRSPs, and DPSPs – they are similar enough that they provide a valid basis for comparison. All are tax-advantaged defined-contribution arrangements that generally involve some employer contribution and allow plan members some degree of investment choice.

The Research Link between Coverage and Retirement Readiness

Both theory and research suggest that there should be a close connection between retirement plan coverage and preparedness for retirement. A good workplace retirement plan helps prepare workers for retirement in a systematic, rational way. It also usually includes employer contributions. Without such a plan, most workers are left to their own devices. Nobel Laureate Daniel Kahneman taught us that this is problematic, as our individual financial decisionmaking processes are often muddled, haphazard, and irrational.[3]

On top of that, Nobel Laureate George Akerlof taught us that financial markets only produce fair outcomes when buyers and sellers base their decisions on equivalent information sets. In contrast, if sellers have more information about what they are selling than buyers have about what they are buying, the buyers will pay too much for goods and services of too little value (for example, see Akerlof's "The Market for Lemons" 1970). Workplace retirement plans tend to have lower fees than retail arrangements because they usually have better-informed buyers and more scale, and operate under a regulatory regime that requires more fee transparency.[4]

2 This is a rough estimate based on data in *Benefits Canada*'s 2024 CAP Suppliers Report, whose survey participants reported 14,517 DC pension plans, 56,391 group RRSPs, and 13,605 DPSPs, for a total of 84,513 total plans.

3 For a discussion, see: https://thedecisionlab.com/thinkers/economics/daniel-kahneman.

4 The Capital Accumulation Plan Guidelines have called on plan sponsors and providers to disclose fees for many years. By contrast, total cost reporting is only coming to the retail fund space in 2026, with the roll-out of Client Relationship Model Phase 3 (CRM3) and its greater transparency rules.

One common argument against policy efforts to increase retirement savings in Canada is that many low-income earners do not need private pension savings in order to maintain their living standard in retirement, largely thanks to Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), as well as the financial support provided by the Canada Pension Plan (CPP)/Québec Pension Plan (QPP). While evidence supports this, research has also consistently shown that a range of middle- and upper-income earners must rely on private or employer-based pension savings to supplement their government benefits and pensions to be financially well-off in retirement.

Examples of recent research consistent with this logic include:

- Bob Baldwin (2022) found that median retirement wealth accumulations for people without workplace pension plans were low and that, coupled with the shift from defined-benefit to defined-contribution coverage in the private sector, suggests that "a minority of future elderly may have trouble maintaining their standard of living in retirement."
- Boisclair et al. (2025) and the research team at the Retirement and Savings Institute at HEC Montréal developed a retirement income calculator to assess Canadians' preparedness for retirement. Its analysis has shown that households with no pension plan coverage are less likely to be able to maintain their living standard in retirement.
- The Healthcare of Ontario Pension Plan's annual Canadian retirement savings survey (HOOPP 2025) found that 53 percent of those with no workplace retirement plan had less than $5,000 saved for retirement, compared with 35 percent of the working population as a whole.
- Michaud and Morency (2025) calculated the 2010-2019 annualized average net investment returns on a large sample of tax-free savings accounts (TFSAs), and found they fell in a range between 2 percent and 4.4 percent when categorized into 60 age-income subgroups. The average proportion in stocks in the overall sample was 40 percent, and they found that the market return on a passive 40 percent stocks and 60 percent bonds mix over the 10-year period was 4.6 percent. The implication is that average realized TFSA investment returns in all 60 age-income groups were below that of a simple passively managed 40-60 asset mix.
- A recent survey conducted by the Ontario Securities Commission found that only 13 percent of pre-retirees age 50+ had a formal, written plan for their retirement (Ontario Securities Commission 2024).

A Practical Next Step in Improving Coverage

Given that Canada (and Québec) has updated and expanded the Canada Pension Plan (and Québec Pension Plan) since its inception in the 1960s – with a large, full-funded expansion taking place between 2019 and 2025 – we propose that the next step in strengthening our retirement income system should target its main weakness: the lack of occupational retirement plan provision by small- and mid-sized employers in the private sector.

The clearest lessons for expanding Canadian retirement plan coverage come from the 1992 Australian and 2012 UK decisions to require employers to enroll their employees in a qualifying occupational pension plan. In the more recent UK version, employees may opt out. The UK contribution rate is 8 percent of pay, 3 percent for employers and 5 percent for employees. Since its inception, this measure has materially moved the UK occupational pension plan participation rate from 40 percent to 88 percent. Changes being considered today include reducing the employee eligibility age from 22 to 18 and raising the contribution rate from 8 percent to 12 percent.

A form of compulsory enrollment approach has been rolled out in Québec where, as of 2013, employers with five or more employees must offer some kind of retirement plan.[5] Employees have the option to opt out within the first 60 days of receiving notice of enrollment. Members of a voluntary retirement savings plan may determine the amount of contributions themselves – employers may contribute but they are not required to do so. Other jurisdictions in Canada may, one day, choose to emulate this approach. However, forcing employers to offer retirement savings plans for employees may find tremendous resistance due to the costs involved in doing so, particularly during a time of economic challenge for the country. Hence, we propose to start with a carrot approach by easing the financial burden on small employers of establishing or joining a workplace retirement plan.

We propose that small employers be provided with a measure of tax relief if they choose to set up a workplace retirement plan for their employees: the Small Employer Retirement Plan Tax Credit (SERPTC). We believe this initiative will have a meaningful impact on coverage and – equally importantly – we believe it is fiscally and politically attainable within the current federal government's mandate. And unlike many other potential pension reforms that may require provincial cooperation, it can be implemented by the federal government alone.[6] We also believe that an incentive-based approach is likely to have a bigger impact than creating another new plan type, an approach that was tried with the pooled registered pension plan (PRPP), which saw little take-up.[7]

The Small Employer Retirement Plan Tax Credit

The SERPTC would support smaller employers who are offering a retirement plan for the first time by addressing one of the main reasons why smaller employers don't offer retirement plans: cost. In a 2024 HOOPP survey of over 750 employers, cost was the top reason respondents cited for not offering retirement benefits to employees (HOOPP 2024).

Several US studies also point to cost – and the perception of cost – as a major barrier. The 2023 Small Employer Retirement Survey by the Employee Benefits Research Institute found that cost was the second-most common reason smaller employers do not offer a retirement plan, while a related reason – revenue uncertainty – was the number one reason (Center for Retirement Research 2025). The same survey found that small employers often overestimate the cost of offering a retirement plan and the time required to administer one. It also found that 78 percent of employers said that a tax credit would make offering a plan more attractive. An older survey by the Pew Charitable Trusts (2017) found that cost was the top reason why employers don't offer a retirement plan, with the cost of set-up being cited by 37 percent of respondents (lack of organizational resources was next, cited as the top reason by 22 percent).

Thinking of retirement plans purely as a cost undersells their considerable benefits.[8] Employers who have never offered a retirement plan before

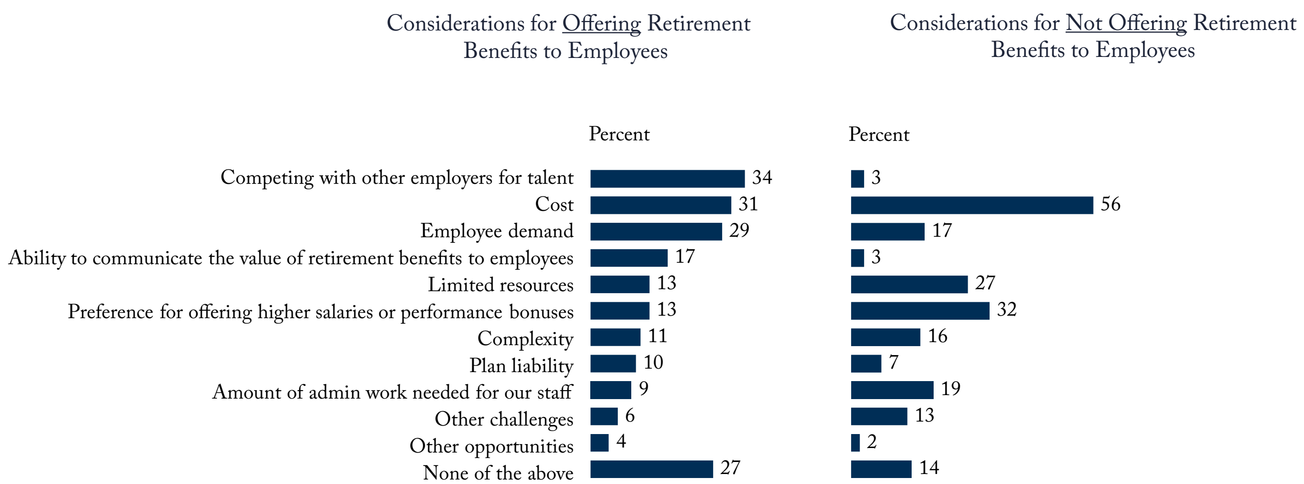
5 See https://www.legisquebec.gouv.qc.ca/en/document/cs/R-17.0.1.

6 The federal government's implementation of the SERPTC should not preclude it or other governments from taking other actions to improve retirement plan coverage, including allowing automatic enrollment and streamlining regulatory requirements.

7 The Office of the Superintendent of Financial Institutions (OSFI) reports that, as of the end of 2024, there were five federally regulated PRPPs, covering 20 employers and 195 members, and holding $1.9 million in assets. See: OSFI. 2025. "OSFI Annual Report 2024–2025." https://www.osfi-bsif.gc.ca/en/about-osfi/reports-publications/osfi-annual-report-2024-2025-1.

8 For an overview of the business case for workplace retirement plans, see HOOPP and Common Wealth, "The Value of a Good Pension: The Business Case for Good Retirement Plans" (2021).

Figure 2: Reasons for Offering and Not Offering Retirement Benefits



Source: HOOPP (2024).

may underestimate these benefits. Examples of such benefits include:

- **Employee attraction and satisfaction**. A study by Dostie and Morris (2025) found that private-sector workers in Canada would be willing to accept a 6.3 percent reduction in earnings to hold a job with a pension plan, and that this valuation has increased from 3.3 percent in 2001-2002 to 10.1 percent in 2019-2020, suggesting rising demand for retirement benefits.
- **Employee retention**. In a US study published by the Center for Retirement Research, Munnell, Haverstick, and Sanzenbacher (2006) found that providing a retirement plan increased employee tenure by between 2.7 and 5.8 years. Dostie and Morris (2025) found that offering a pension reduced Canadian worker mobility by between 35 and 70 percent.

The US Experience

The SERPTC builds on recent US experience with a similar type of tax credit. Through the *SECURE Act* (2019) and *SECURE Act* 2.0 (2022), the US recently introduced several tax credits to encourage smaller employers to establish retirement plans.

- **Startup Credit**: a credit of up to $5,000 per year for up to three years to cover qualifying plan start-up expenses for employers (covers 100 percent of expenses for employers with 50 or fewer employees and 50 percent of expenses for employers with 51-100 employees).
- **Employer Contribution Tax Credit**: a credit of up to $1,000 per eligible employee for employer contributions into a new retirement plan. Employees with salaries of $100,000 or less are eligible. Employers can claim credits for up to five years, with a diminishing schedule of contribution matching from the credit.
- **Auto-Enrollment Credit**: a credit of $500 per year for employers who add auto-enrollment to their plan.

Remarkably, given that they were introduced during an especially polarized time in American politics, both Acts enjoyed broad bipartisan support. The first *SECURE Act* was passed into law during the first Trump administration, although the groundwork for it was laid during the Obama administration. *SECURE 2.0* was enacted during the Biden administration, passing the House and the Senate with massive majorities.

Although the US tax credits were only introduced recently, there is some early evidence that they are having a positive effect on coverage. Approximately 150,000 new 401(k) plans were added between 2018 and 2023, with nearly two-thirds of these plans added between 2021 and 2023.[9] Cerulli Associates projects a 36 percent increase in such plans over the next five years, with the vast majority of this growth coming from smaller employers and driven by a combination of *SECURE 2.0* tax incentives and state mandates (Cerulli Associates 2025).

Potential Design for the SERPTC

The Small Employer Retirement Plan Tax Credit would have two components:

- **Set-up Credit**: A credit of up to $5,000 per year over the first three years of a plan to cover qualifying plan set-up expenses for employers (e.g., advisor/consultant costs, plan design, employee education, payroll configuration, plan governance). This mirrors the US Startup Credit amount. Allowing provision for set-up costs over several years is consistent with the new Capital Accumulation Guidelines' focus on stronger plan governance and ongoing employee education.[10]

  The maximum value of the credit would be equivalent to 60 hours of consultant time at $250/hour, spread over three years. Simpler, smaller plans likely cost significantly less than this to set up, so we expect the average cost of the Set-up Credit to be significantly below the maximum amount.
- **Employer Contribution Credit**: A credit of up to $1,000 per eligible employee for employer contributions into a newly offered retirement plan. Employees with salaries of less than $150,000 are eligible. Employers can claim credits for up to three years.[11] A typical workplace retirement plan has a dollar-for-dollar matching structure, meaning that employer contributions would also result in greater savings by employees. Providing a flat dollar amount ensures an element of progressivity: at a 4 percent dollar-for-dollar match, the credit would cover 50 percent of employer contributions for an employee earning $50,000 per year but only 25 percent of employer contributions for an employee earning $100,000 per year.

Other design elements would include the following:

- The tax credits would cover major workplace retirement plan types, including RPPs (defined-benefit, defined-contribution, and hybrid types), group RRSPs, DPSPs, group TFSAs, PRPPs, and voluntary retirement savings plans (VRSPs). Where an employer sets up multiple account types (e.g., a group RRSP and DPSP), this would only count as one plan. This mirrors the wide range of plan types that are eligible for the US tax credits.[12] Making a broad range of plan types

9 See Cerulli Associates, "Press Release: Competitive Dynamics in Micro Market Set to Shift as 40% Increase in Plans Expected", July 15, 2025.

10 See Canadian Association of Pension Supervisory Authorities, "Guideline No. 3: Guideline for Capital Accumulation Plans," September 9, 2024.

11 Another option would be provide the credit for a longer period of time but with a gradual reduction near the end. The *SECURE 2.0* tax credit provides a 100 percent credit in years one and two, a 75 percent credit in year three, a 50 percent credit in year four, and a 25 percent credit in year five.

12 Plan types eligible for the US start-up credit include 401(k)s, SIMPLE IRAs, simplified employer pension plans (SEPs), target-benefit plans, profit-sharing plans, and defined-benefit plans. The employer contribution tax credit includes a similarly wide range of defined-contribution plan types, but excludes defined-benefit plans. Neither tax credit includes 403(b)s (retirement plans for not-for-profit entities), since the tax credits are structured as non-refundable credits and are therefore inapplicable to non-taxable entities.

eligible for the credit allows employers to design arrangements to meet the unique needs of their workforces. For example, offering a group TFSA option can be an effective way to meet the needs of lower- and modest-income workers.

- Employers with between one and 99 employees would be eligible. This aligns with Statistics Canada's definition of small business.
- The employer cannot have offered a workplace retirement plan in the past three years. This mirrors the US tax credits.
- If the employer decides to join an existing multi-employer plan rather than sponsoring a new plan, they would be eligible for both components of the credit.
- The tax credit would be refundable, meaning that both not-for-profits and start-up businesses that are not yet profitable would benefit from it.[13]
- While most employer-provided plans would be eligible, some arrangements would be excluded, such as where employers simply provide funds to employees to make retirement contributions to their personal accounts, and plans where the employer makes a very minimal contribution (e.g., below 3 percent of pay).
- The program would be administered by the CRA and embedded as much as possible within existing corporate tax filings and administrative processes. This would keep administrative costs low with both the federal government and the small employers claiming the credit. Unlike in other areas of retirement policy, no action would be required by provincial governments or regulators, although there would be opportunities for provincial governments to mirror or augment elements of the credit if they wished.

Consideration could also be given to including an additional credit for employers who add automatic or mandatory enrollment to their plan design (e.g., $500 per year). Automatic enrollment – having employees join the plan by default while giving them the option to opt out – has shown positive results in boosting participation in the United States and elsewhere but has still seen limited adoption in Canada. One major reason for this lack of adoption is that the permissibility of auto-enrollment remains ambiguous under Canadian law (*Benefits Canada* 2020). Providing a financial incentive could be a powerful way to boost adoption while pushing provincial governments to clarify the legality of auto-enrollment under employment standards and pension legislation – a policy change that we would support and could, according to one analysis, boost coverage by an additional half million Canadians (HOOPP and Common Wealth 2021).

Case Example

The table below illustrates the potential savings for a typical employer over the first three years. In the example below, we assume a 30-person employer with an average salary of $75,000 offering a 3 percent dollar-for-dollar match into a capital accumulation plan of the employer's choice.

This example shows that the tax credit would reduce the cost of providing a workplace retirement plan by nearly half in the first year and by over 40 percent over the first three years.

Program Cost and Impact

Below are four scenarios to provide a high-level estimate of the potential costs of the SERPTC.

These estimates include direct costs only and do not factor in indirect costs (e.g., additional tax expenditures related to incremental tax-deductible contributions), administrative costs, or savings (e.g., reduced GIS or OAS costs due to higher retirement savings). They are based on the following assumptions:

- Average number of contributing eligible employees per plan: 10.

13 This represents an expansion relative to the US tax credits, which are non-refundable and for which retirement plans offered by non-profits (403(b)s) do not therefore qualify.

Table 1: Potential Savings over Three Years

	Year 1	Year 2	Year 3	Total
Plan set-up costs*	$3,000	$0	$0	$3,000
Employer matching (at 70 percent participation)	$39,375	$39,375	$39,375	$118,125
Employer contribution tax credit (assumes 5 employees earn over $150,000)	($17,500)	($17,500)	($13,125)	($48,125)
Set-up tax credit	($3,000)	$0	$0	($3,000)
Net plan cost to the employer	$21,875	$21,875	$26,250	$70,000
Percent cost reduction	48 percent	44 percent	33 percent	42 percent

* In this example, we assume the costs of plan set-up are paid by the employer. Such costs could include time spent by the employer's internal staff, the costs of working with a benefits, pensions, or group retirement consultant, and any set-up fees charged by the plan provider. In the current market, the more common practice in the smaller part of the group retirement market is for any third-party costs to be embedded in plan member fees and amortized over several years. In our experience, this practice exists because introducing another cost for employers presents another barrier to establishing a plan. However, the ability of employers to offset this cost through a tax credit could drive a change in this market practice to remove set-up costs from member fees. If this occurred, it would be another benefit of the tax credit because it would have the effect of reducing member fees and therefore improving member retirement outcomes, while potentially also increasing the willingness of advisors and plan providers to serve the small employer segment of the market.

- Employers claim an average of $3,000 for the Setup Credit.
- All employers claim the full $1,000 per year for the Employer Contribution Credit for every eligible employee for the full three years of eligibility.
- Baseline level of number of new plans created per year (without impact of tax credit): 5,000.[14]

While a meaningful expenditure, this would be quite a modest program when compared to other costs the federal government incurs to support retirement security. For example, the cost of OAS (including the GIS) is $81 billion and is projected by the Parliamentary Budget Officer to increase to $100 billion by 2028/29. Even modest changes to OAS/GIS can be very costly. For example, the 10 percent increase in OAS payments for Canadians aged 75 and over was estimated to cost $10.7 billion over five years – five to 10 times the estimated cost of the SERPTC.[15] Also, encouraging further savings through workplace-based plans could result in savings down the line in the form of reduced OAS/GIS expenditures.

The SERPTC is proposed as an ongoing tax credit. However, if the government wanted to further limit the costs of the program, it could consider making the

14 This is approximately amount by which the number of Capital Accumulation Plans grew between the 2023 and 2024 *Benefits Canada* CAP Suppliers Reports.

15 Cost estimate comes from the 2021 federal budget and is net of expected increased tax revenues.

Table 2: Program Impact, Four Scenarios

New Plans Created per Year	Net New Plans per Year due to Tax Credit	Cumulative Cost over First Five Full Years*	Percent of OAS Costs	Increase in Workers Covered after Five Years**
7,500	2,500 (50 percent increase)	~$1.0 billion	0.42 percent	125,000
10,000	5,000 (100 percent increase)	~$1.4 billion	0.56 percent	250,000
12,500	7,500 (150 percent increase)	~$1.7 billion	0.69 percent	375,000
15,000	10,000 (200 percent increase)	~$2.0 billion	0.83 percent	500,000

* For simplicity purposes, these estimates assume that, in year one of the program, all employers claim the full $1,000 per eligible employee, even though, in reality, this number would likely be lower since employers who start their plans later in the year would not have a full year of contributions for their employees.

** Assumes that the average employer taking advantage of the tax credit has 10 eligible employees. This calculation arguably underestimates the impact on coverage because it does not include employees whose incomes are above the threshold for eligibility for the credit but who would still benefit from the employer providing and contributing to a retirement plan.

Table 3: Program Cost, Four Scenarios

New Plans Created per Year	Year 1 Cost	Year 2 Cost	Year 3 Cost	Year 4 Cost	Year 5 Cost
	($ millions)				
7,500	98	173	248	248	248
10,000	130	230	330	330	330
12,500	163	289	413	413	413
15,000	195	345	495	495	495

SERPTC a time-limited pilot or imposing a sunset or review provision, say after five years.

Using these scenarios and assumptions, the SERPTC would, over five years:

- Increase the number of Canadians covered by workplace retirement plans by between ~125,000 and ~500,000.
- Increase the percentage of SMEs with between five and 499 employees who offer a retirement plan from 18 percent to between 20 percent and 28 percent.[16]

16 This calculation assumes that 90 percent of employers who add a retirement plan because of the tax incentive have five or more employees.

- Increase the number of employers offering retirement plans by between ~20 percent and ~60 percent.[17]

The benefits of SERPTC would likely flow predominantly towards Canadians who are at greater risk of financial insecurity in retirement.[18] Those without current retirement plan coverage are disproportionately likely to be in the bottom half of income earners and to work in service industries, where compensation tends to be lower (HOOPP and Common Wealth 2021). The design of the SERPTC, with its capped Employer Contribution Credit, its maximum salary for eligible employees, and its focus on small employers, also ensures an element of progressivity.

Awareness Is Key

The success of this credit will depend on driving sufficient awareness among employers. Lack of awareness has been one of the documented challenges with the US credits, leading to relatively low take-up – a little over 5 percent of eligible firms after the recent expansion of the credit (Bloomfield et al. 2025). As such, implementation of the SERPTC should be accompanied by a concerted campaign to build awareness among employers. This effort could include:

- **Engaging the advisor community**. Most smaller employers access employee benefits and workplace retirement plans through an advisor or broker. The advisor community, therefore, will be a key stakeholder in educating employers about the credit and encouraging them to set up retirement plans for their employees. They should be highly motivated to do so, given that the tax credit would make setting up a retirement plan much more affordable and represents an attractive way for them to expand their retirement practices.
- **Giving the credit a more memorable name**. One option would be the Retirement Access Incentive for Small Employers (RAISE) credit.
- **Educating employers on the business case for retirement plans**. There is ample evidence that workplace retirement plans help employers attract and retain talent, while boosting the productivity of employees (HOOPP and Common Wealth 2021). The launch of the tax credit could be accompanied by an education campaign on the credit itself and the broader value of workplace retirement plans. Such a campaign could combine paid advertising, promotion through the Business Development Bank of Canada (BDC) and other SME-focused federal agencies, and collaboration with industry associations that represent small businesses, accountants, and retirement plan providers.

The Question of Retirement Plan Quality

The SERPTC is meant to boost demand for workplace retirement plans by reducing the cost to employers. But what about the supply side of the equation? Does the Canadian retirement landscape have the right scope and quality of options to serve the unique needs of smaller employers while delivering good retirement outcomes for plan members?

Had we proposed the SERPTC a decade ago, policymakers might have had legitimate concerns about the supply of quality solutions for smaller

17 This assumes a current baseline of about 80,000 plans.

18 Some studies show that the lowest-income Canadians are more likely to maintain their standard of living in retirement and may even see a boost in their living standard due to government benefit programs (see, e.g., Boisclair et al. 2025). This does not mean, however, that helping these workers build further savings would not be a positive policy outcome. For Canadians in the lowest deciles, maintaining or even slightly boosting their living standard in retirement may still mean living in poverty or at least in significant financial insecurity. "Retirement readiness," according to the conventional replacement rate definition, may not equate to a dignified retirement for this segment of the population.

employers and their employees. At the time, the market for small workplace retirement plans was limited to a small number of large insurance companies, the majority of whose business was focused on larger employers. In addition, regulation of such smaller workplace retirement plans was relatively uneven and largely limited to the Capital Accumulation Plan Guidelines, which had not been updated since 2004.

As of 2025, however, there emerged several reasons to believe that the expansion of coverage prompted by the SERPTC would result in an increase in quality:

- The Capital Accumulation Plan Guidelines were updated as of 2024[19] after an extensive period of study and consultation.[20] These Guidelines provide an additional layer of consumer protection, and most lawyers and other experts see these new Guidelines as having raised the bar for the quality and efficiency of capital accumulation plans.[21] Among other things, the revised Guidelines clarify that sponsors of non-RPP capital accumulation plans may have fiduciary responsibilities to members[22] and require that all plan sponsors establish a framework for the governance of their plan.[23]
- Additional providers have entered the workplace retirement plan market, with a focus on SMEs. This includes both new entrants (such as Common Wealth[24] and Wealthsimple) and established players (such as Empire Life and BMO). New market entrants are often using modern technology to streamline administration, reduce costs, and embed education and advice.
- Some public pension plans have opened their doors to a wider range of employers and members. Examples include CAAT's DB Plus, HOOPP's expansion into the physician market, and the Nova Scotia Pension Plan's coverage of childcare workers.
- New decumulation and longevity risk pooling solutions and frameworks have emerged. This includes both new products (e.g., Purpose's Longevity Fund, Desjardins' Advanced Life Deferred Annuity, Blumont Annuity and Common Wealth's Guaranteed Lifetime Income, and Plannera's Variable Payment Life Annuity) and new regulatory frameworks (e.g., the Advanced Life Deferred Annuity and the Variable Payment Life Annuity).

Given the increase in competition in the workplace retirement plan market, we do not believe it is necessary for the government to impose additional criteria (beyond those that are part of the tax credit's core design) for a plan to qualify for the SERPTC. If policymakers wish to add another layer of consumer financial protection, they could consider making compliance with the new CAP

19 See Canadian Association of Pension Supervisory Authorities, "Guideline No. 3: Guideline for Capital Accumulation Plans," September 9, 2024.

20 The revised CAP Guidelines were informed by extensive work done by the Technical Advisory Committee on Defined Contribution Plans, jointly established by the Office of the Superintendent of Financial Institutions (OSFI) and the Financial Services Regulatory Authority of Ontario (FSRA). For a summary of the Technical Advisory Committee's work, see Financial Services Regulatory Authority of Ontario, "Summary of outcomes and recommendations at the conclusion of the joint FSRA/OSFI defined contribution pension plans committee."

21 See, e.g., https://www.osler.com/en/insights/updates/updated-capital-accumulation-plan-guidelines/.

22 See section 1.3.1 of the Guidelines.

23 See section 2.1.2 of the Guidelines.

24 Additional examples include Blue Pier, Link, Ideal Canada Pension Plan, Saskatchewan Pension Plan, among others. Disclaimer: one of this paper's co-authors is the co-founder and CEO of Common Wealth and one of the company's major shareholders.

Guidelines mandatory for any employer/provider who wishes to access the SERPTC but does not wish to set up an RPP.[25]

By accelerating the expansion of the small employer retirement plan market, the SERPTC promises to drive more choice, competition, and innovation in the market, as well as lower fees. This should result in an improvement in value-for-money for the overall market and especially within this traditionally underserved segment.

Conclusion

The SERPTC is a targeted policy intervention that will make a meaningful impact on the biggest problems facing Canada's retirement system: the lack of workplace retirement plan coverage among smaller employers and the lack of future retirement readiness among middle-income earners in the private sector. Short of requiring employers to contribute to their employees' retirement plans – which in the current economic climate would impose an unacceptable cost burden on already-stretched small businesses – we believe the SERPTC is the most cost-effective and high-impact way of addressing this problem. It provides far better targeting and value-for-money than further enhancements to OAS. And it promises to be far more impactful than the creation of new account types or tweaks to the already-fragmented regulatory architecture around private savings.

The program also aligns with key broader policy objectives for the country at this time of economic challenge. It will help middle-class Canadians, increasingly burdened by affordability challenges, build long-term wealth. It will help smaller businesses build more competitive compensation, attracting and retaining the talent they need to grow, and helping their employees be more productive by improving their financial health.

The SERPTC is easier to implement than many other changes to our retirement system. It can be done by the federal government acting alone. And, because it encourages the expansion of the market for private savings without mandating anyone to do anything, it is likely to enjoy more stakeholder support and encounter less industry resistance than many other policy options to improve our retirement system.

Exceptional leadership efforts were critical to designing and implementing the Canada and Québec Pension Plans some 65 years ago, and the Canadian Pension Fund Model some 30 years ago. It is no less the case today if Canada's private-sector workers are to become beneficiaries of high-quality workplace retirement plans. Much work still lies ahead for governments, regulators, and private-sector leaders to return Canada to its place as home to one of the world's top retirement income systems. The current economic challenges facing Canada present an opportunity and imperative for strong policy action. By implementing the SERPTC, Canada can build on the recent CPP/QPP enhancement and the recent uptick in retirement-finance innovation. It would make a meaningful dent in a major challenge facing our retirement system: the lack of workplace retirement plan coverage.[26]

25 The Guidelines are currently voluntary: they "reflect[] the expectations of regulators" but do not "replace or modify any legal requirements applicable to particular [Capital Accumulation Plans]" (see section 1).

26 In closing, we recognize the contributions Bob Baldwin has made over many years to improve Canada's retirement income system. Bob passed away August 7, 2025.

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