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# Pension Reform Options: What they tell us about unresolved issues

Presentation to IRPP Symposium  
"Avenues for Reforming the Canadian Retirement Income  
System"

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# Focus of Remarks 1

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- Many pension reform options under consideration at this time
- Two basic varieties
  - Some do not alter the boundaries between voluntary versus compulsory activity (public versus private)
  - Some alter the boundaries between voluntary versus compulsory activity (public versus private)
  - Presentation deals with latter type



# Focus of Remarks 2

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- Focus on similarities and differences
  - Intrinsic interest
  - Helps to identify unresolved issues
- Will also identify some issues that may not be points of difference among proposals for change but have not been addressed satisfactorily
- Paper will follow



# Key Reform Proposals

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- Provincial pension plan proposals
  - CSPP
  - CPP expansion (CLC, Bernard Dussault, BC Summary)
- Not boundary changing but worth noting: OECP proposals
  - Big plans sell services
  - OPA



# Starting Point

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- Issues to be addressed
  - Declining coverage and future retirement income adequacy
  - Effectiveness and efficiency of RPPs and individual retirement savings options
- Note difference from 1970s and 1980s debate
  - Minimal concern for minimum income protection
  - Concern for future elderly



# Points of Agreement

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- The obvious (virtually tautological)
  - There is a problem
  - Voluntary activity won't solve the problem
  - Focus on earnings replacement
- Future service (full benefits in 40 years)
- Fully funded (CPP and others accept this)
- Implicit scepticism of single employers as delivery platforms



# Points of Disagreement 1

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- Earnings levels where non-voluntary participation/saving is required
  - Low end: \$3,500 YBE to \$30,000
  - High end: \$47,200 YMPE to \$120,000 (ITA limit)
- Benefit design
  - Pure DC: ABC proposal
  - Modified DC: CSPP
  - Mix of DC and target: NS
  - CPP: existing target and pure DB enhancement



# Points of Disagreement 2

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- Degree of compulsion
  - CPP proposals: compulsory
  - Others: auto-enrolment
- Participation of self-employed
  - CPP proposals: compulsory
  - Others: opt in
- Relationship to existing RPPs
  - CPP proposals: displace covered earnings
  - Others: wrap around



# Needing Further Consideration (assuming need)

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- Earnings range and degree of compulsion
- Benefit design and contribution rate volatility
  - If DB (CPP or other) & asset liability mismatch, then CR will not be stable under rules of full funding
  - Need to balance desired certainty of BR with tolerable uncertainty of CR
  - A wide range of choice is available



# Final Reflections

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- CPP is a flexible tool
  - *Organizational structure compatible with a wide range policy decisions (may compromise cost advantage)*
- Main analytic conclusion in Whitehorse still in tact
  - *Current RIS works for many but not for a significant part of the population; trends add worry*
- Variability of need makes choice complicated
  - *Greenfield or total failure would be easier to deal with*
- Reform debate launched in mid 1970s lasted 10 years
  - *Don't change the channel*