

Comments on Bob Baldwin,  
*Pension Reform Alternatives:  
An Assessment*

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# Plan coverage is hard to measure

- Group RRSPs are not included in StatCan measures
  - why not?
- Plans are too frequently misclassified
  - e.g., plans with significant DC elements are often counted as purely DB
  - could this be remedied?
- Dynamic aspects
  - When individuals change jobs their coverage may change between DC, DB and no coverage
  - that is very hard to capture in the data available
  - Could we do better?

# Big concerns

- Extent of private pension coverage
- Nature of that coverage

# Margins for adjustment

- *“In the case of DB plans, one of the key variables affecting required contributions is [the continued reduction in] mortality. ... every cohort that passes through a DB plan gets a more valuable benefit than previous cohorts...*
- *“[Given on-going reductions in mortality] it is not possible to stabilize both a benefit and contribution rate, and it is not possible for different cohorts to insure each other in an equitable fashion ...*
- *“Stabilizing the relationship between contributions and benefits will require some mix of higher contributions, lower benefit amounts, and later retirement.” (p 15)*

# *Adjust age!*

- Age 65 was the age of entitlement for full benefits in 1966
- Life expectancy of males has increased *by 9 years* since then – and females by only a little less
- The gains have been years in good health – today's 65-year-olds are healthier than those of 45 years ago
- They are also better educated and have potentially more to contribute to the economy
- That suggests a reconsideration of the age at which people become eligible for full benefits
- The age of entitlement is increasing elsewhere – e.g., US, UK, other OECD countries

# Looking ahead

- Gains in life expectancy will continue to be important
  - A continuation of recent gains will add 800,000 people aged 65+ in 25 years, as compared to maintaining constant mortality rates
  - That means an extra 8.5 percent age-eligible to receive full pension benefits
  - Should that not be part of pension reform discussions?