By Mark Yamada

Confronting a perfect pension storm

There's no doubt some things need to change in our pension system. Are pooled retirement pension plans the answer?

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Is it too late to avert a pension crisis? Governments have been known to rearrange deck chairs as ships take on water. Bill C-25 (41-1), An Act relating to pooled registered pension plans (PRPP), recognizes that Canadians aren't saving enough for retirement and targets expanded pension plan participation. The evidence suggests if something is not done soon, regardless of one's definition of crisis, we may have to break out the lifeboats.

Demographics are channelling more tax revenues to health care, already 38% of provincial spending according to the Canadian Institute for Health Information. But if an already burdened social-welfare system must also support successive and increasing waves of retirees with inadequate pensions, fiscal spending flexibility will be severely restricted. A perfect pension storm may be brewing. How will PRPP legislation impact coverage adequacy and what must happen to make pension systems work better?

Dark demographic clouds

When the Canada Pension Plan (CPP) and the Quebec Pension Plan were established in 1966, Canadians could expect to live to 72 with seven-and-a-half workers supporting them over seven years of retirement. Today, with life expectancy at 80-plus, there are only five workers to support each retiree over 15 years of retirement, double its original funding intention. By 2036, only two-and- half workers will support one pensioner. Sustainable? (For example, the Nova Scotia Teachers Pension Plan has 13,525 active members supporting 12,014 retirees and employee/employer contributions of $132.7 million a year compared