

Building a better pension plan

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If ever there was a time to do something about the pension problem in this country, it's now.

People who have secured pension plans with defined benefits are not really concerned, but the vast majority of people in this province have no personal pensions at all and are going to have to rely on the Canada Pension Plan (CPP), old age security and some kind of income supplement to keep body and soul together.

When you add those things up, it's often not enough to make do. Even people with small company pension plans are hard pressed to make ends meet in today's world.

The Canadian Union of Public Employees has been at the forefront of an innovative idea. CPP is a highly successful program and the union thinks it should be expanded.

Currently, every person of working age has to pay into it, along with their employers. It doesn't matter who you work for, or when - the plan follows you from job to job, and when you hit retirement age, funds are there for your use. Sadly, the plan doesn't generate enough money to secure you in old age.

But what if the plan were enlarged? What if people paid more into it now to get more later? Wouldn't it solve the pension problem once and for all?

Employees pay just one per cent of their earnings into the plan each month, up to a maximum amount per year. Employers are required to match it.

If you work for a large outfit, the cheque they cut for CPP each month can be massive. We can all appreciate the problem. Companies end up diverting hard-earned revenue into a scheme which offers them no future return. The only benefit is to the employee.

Small employers find it tough just keeping up with day-to-day expenses, so adding to the payroll burden, as it's called, will not be welcome news there, either.

Canada's finance ministers met last week in Prince Edward Island and agreed that a modest increase in CPP was a good idea. They've agreed to develop a new model for the program. But it won't be easy to make changes.

Points to ponder

I have a few suggestions the finance ministers should consider when they put together a new program. They won't be universally accepted - at least not right away - but they will work.

First, there is no need to double the cost of the program at the outset. While this should be the objective, it has to be done slowly, so the business community can absorb the costs.

Any new program must still have limits on how much an employer is required to pay, but not so for the employee. Employees should be free to make voluntary payments if they wish and, just like RRSPs, those payments should be tax-deductible.

Second - and this is important - we need to eliminate government clawbacks. People should not see earned benefits reduced at a government's whim. In other words, bring back stacking! It's an

outrage that people who have worked all their lives see their benefits reduced when it's time to collect on their investments. This must be changed in the name of fairness.

Third, and this is the big one -extend the age when people can claim CPP benefits. At one time, the idea was to retire at 65, but maybe we have to look at it again. People claiming benefits at 60 and continuing to work defeats the purpose, doesn't it? We live a lot longer these days, so maybe the program has to change to reflect that reality. We've even changed the law so that you can't be forced out of your job because of age.

If this is handled properly, people retiring in 2020 or 2025 would not require income supplements and should have enough to stay above the poverty line.

It may be a little too late for guys like me, but the next generation sure could benefit. Retirees with enough money to actually live on are also economic stimuli. Baby boomers, healthy and with money to spend, will still be a consumer force to be reckoned with.

The alternative is a population of seniors dying in poverty.

Nobody wants that.