

A national champion is needed for Canada's pensioners

There is broad consensus that Canada faces significant challenges with its retirement income system. Saving levels are not high enough, two-thirds of the workforce do not have workplace pensions, and the plans on offer are not as strong as they once were. Indeed, these current challenges will only be exacerbated as Canadians live longer. According to mortality tables recently published by the Canadian Institute of Actuaries (CIA), improvements in mortality continue to occur. In 2000, men aged 65 were expected to live to almost 84 and women to almost 87. Today, those ages are 87 and 89, respectively. Further complicating the situation, over the next 20 years more than 7 million Canadian “baby boomers” will retire, joining the largest job exodus in Canadian history¹. The situation is untenable and must be addressed immediately.

The Canadian Institute of Actuaries (CIA) calls on the Government of Canada to appoint a national pensions champion who will work with the provinces to develop a country-wide strategy to secure better pensions for all Canadians within a system that is simple, flexible, and transparent.

Failure to develop a national strategy is encouraging provincial action that will not serve Canadians well over the long run. By not tackling the problem head on and collectively through constructive cooperation with the provinces, the federal government could be headed towards a messy and costly clean-up. But what makes for an efficient pension system? And what changes would need to be made to Canada's current three-pillar system?

Pillar 1, defined by Old Age Security and the Guaranteed Income Supplement, requires no significant additional changes; the CIA supports the modifications that are underway. For Pillar 2, which involves the Canada Pension Plan and provincial plans, the CIA could support a *modest* expansion, as long as it is accomplished in a manner that meets as efficiently as possible the retirement objectives of those with the greatest need. Efforts must be agreed to by both federal and provincial governments as part of an overall coordinated strategy with shared leadership responsibilities. Pillar 3, which covers private plans and private savings, should have a greater focus on certain enhancements, including modernizing the funding regime, regulations to permit target benefit plans, harmonization of provincial regulations, and expanded financial literacy.

Ultimately, the solution to securing better pensions for all Canadians comes down to leadership. The federal government should lead its provincial counterparts in developing a national pension strategy that strives for effectiveness and efficiency. In support of that goal, the CIA would be willing to assist the Government of Canada by working with the national pensions champion in areas such as determining appropriate income needs in retirement and assessing longevity and financial risks.

¹ Leech, Jim, and Jacquie McNish. *The Third Rail: Confronting Our Pension Failures*. Toronto: Random House, 2013.