Some perspectives on changing the pension system

Cliff Halliwell, Director general
Strategic Policy Research Directorate
SEDAP Conference on “Private Pensions and Income Security in Old Age: An Uncertain Future”
Hamilton, November 17, 2006
Presentation Overview

- “Why is it so hard to reform pensions?”
- A few considerations regarding recent developments
- Concluding remarks
“Why is it so hard to reform pensions?”

Some myths (at least, for the most part):

1. “The retirement income system cannot be changed, because it is impossible to succeed.”

2. “The retirement income system should not be changed, because people are counting on it.”

3. “The retirement income system can only be reformed through big-bang, dramatic reforms.”
“Why is it so hard to reform pensions?”
(cont’d)

A multi-pillared system like Canada’s is complex and involves:

- High information and knowledge demands
- Multiple perspectives and linked agendas
- Different time horizons
Looking ahead: Some key considerations

Developments relating to private pensions plans and retirement savings:

- Declining RPP coverage rates
- Shift from DB to DC plans
- Under funding of DB plans
- Differential participation in RRSPs
- Deficient knowledge of RPPs and RIS as a whole
Looking ahead:
Some key considerations (cont’d)

Characteristics of the Canadian population and labour markets have also changed due to:

- Rising levels of educational attainment
- Delayed entry into full-time employment
- Changes in family structures and increased risk of union/marriage dissolution
- Growing non-standard employment
- Increased labour force participation among older adults
- Greater longevity
Concluding remarks

- Despite myths, pension systems have changed
- Reforms may not be easy, but are certainly possible
- Stakeholders must appraise recent developments and examine options
- Trickiest part is reaching a common view on what constitutes an “improvement”
- But this should not prevent us from undertaking necessary and sensible changes: “Improvements” should not be blocked by a failure to achieve consensus