Pension plans' investment potential benefits all Canadians: Janet Ecker

ariapensions.ca/exclusive-to-aria/pension-plans-investment-potential-benefits-canadians-ecker/

"People often forget the economic value of having defined benefit pension plans like a Teachers or an OMERS in the economy because those are big pools of cash that can do good things for the economy and society … we have declining, aging infrastructure … whether you want to talk about water, transportation, hospitals, schools. Infrastructure is an important priority right now for both economic and quality of life reasons, and the big pension plans are big players in this." – Janet Ecker

By John Devine

(Oct. 24, 2013) When discussion falls on Canada's retirement system, the focus is usually on how many Canadians lack an occupational pension and how that factor is driving the conversation about possible solutions, including enhancing the Canada Pension Plan (CPP). More than 60 per cent of Canadians don't have a workplace pension, and financial experts say that, as well as low levels of personal savings and insufficient CPP benefits, is setting the stage for a retirement income crisis. However, there's another aspect of pensions that isn't getting the attention the pending retirement gap receives. The large pools of capital held by Canada's public pension funds are assets that can benefit all Canadians from an investment potential, Janet Ecker, president of the Toronto Financial Services Alliance (TFSA) and a former Ontario Progressive Conservative finance minister, told ARIA during a recent interview.

"People often forget the economic value of having defined benefit pension plans like a Teachers or an OMERS in the economy because those are big pools of cash that can do good things for the economy and society," she says.

> *"We have declining, aging infrastructure … whether you want to talk about water, transportation, hospitals, schools. Infrastructure is an important priority right now for both economic and quality of life reasons, and the big pension plans are big players in this."*

The ability of the big public sector pension plans to invest in infrastructure projects represents an economic value to Canadians, whether or not they are members of a plan, she continues. The country's top 10 pension plans have $400 billion invested in Canada, she notes. The current and growing public policy debate on retirement income is good news, says Ecker, from a big picture perspective. Canada, she contends, has one of the better, more comprehensive pension systems in the world, a view supported by reports such as the National Institute on Retirement Security's (NIRS) Lessons for Private Sector Security from Australia, Canada and the Netherlands, which details the income replacement rates provided by Canada's pension system. The debate also highlights the benefits of helping retirees remain consumers and thereby contributors to the economy, Ecker says.

A number of studies, including this one from the Conference Board of Canada showing the economic benefits spun from British Columbia public sector pension plans, point out that helping retirees remain consumers through the provision of adequate retirement income is beneficial to the overall economy.

With the boomers representing a huge demographic bubble moving into the traditional retirement years, their ability to remain consumers is an economic issue, says Ecker and other financial experts.

"Seniors aren't as big spenders as are younger groups because they are in a different stage of life, but they still make a contribution to the economy as consumers. Having a healthy retirement income system in Canada ensures that you have a segment of the population that will be able to participate from the perspective of being a consumer."

With an apparent economic imperative to ensure retirees, especially a cohort as big and influential as the boomers, remain consumers, one might think addressing the retirement gap would be a priority for national leaders – political and business. Ecker details a number of obstacles and concerns standing in the way of meaningful reform of the pension system.

The first, she says, is a question of fairness, in that "we need to ensure taxpayers see whatever system they are paying into as being fair … that is a legitimate issue a political decision maker has to pay attention to."

The second involves the discussion about enhancing the CPP. Higher benefits will require higher employee/employer contributions, which many see as a tax “at a time when the economy is not out of the woods.”
The third reason, she offers, is that pension policy has not kept up to the needs of employers in terms of helping to encourage them to offer more defined benefit plans as opposed to defined contribution.

> *“The regulatory regime has not been supportive for employers to offer more pension options … you have seen a number of very successful companies going from a DB plan to a DC plan for their new hires. When you see that happen you know that there is something fundamentally challenging about the regulatory and economic pressures on employers to offer DB.”*

Ecker is not alone in suggesting regulatory changes are needed to help pensions be reintroduced to the private sector. In the United States, which like Canada has a retirement income crisis on the horizon, the NIRS produced a report, Who Killed the Private Sector Pension Plan, which concluded “onerous regulations” played a big part in the demise of private sector DB plans.
“Those are three things that are tending to undermine the ability of an employer to do what they might want to do in terms of offering pension options.”
Another regulatory change Ecker would like to see is pension harmonization across the country.
“If you are a national company, you have to give some consideration to how you offer pensions to all your employees, with the different rules that can occur across the country.”
While she is generally supportive of enhancing the CPP and initiatives like the Pooled Registered Pension Plan (PRPP), which she says is a good concept but one that needs work, Ecker says there is no one magical solution to the retirement crisis said to be just around the corner.
“There are a lot of issues that need a variety of solutions. You also need flexibility. What works for one large employer might not work for another smaller one, with three or four employees. You need a range of options and solutions to deal with the pension issues in Canada.”