CANADIAN UNION OF PUBLIC EMPLOYEES
LOCAL 500

PRESENTATION TO:

CITY OF WINNIPEG
EXECUTIVE POLICY COMMITTEE

RE: PENSION CONTRIBUTION INCREASE

CUPE | Canadian Union of Public Employees
Local 500

November 13, 2009

PRESENTATION TO CITY OF WINNIPEG EXECUTIVE POLICY COMMITTEE

RE: PENSION CONTRIBUTION INCREASE

November 13, 2009

Good morning.

Background

CUPE 500 appears before the Executive Policy Committee today in support of the Administrative Recommendation to increase pension contributions to 7.6% of earnings up to the Yearly Maximum Pensionable Earnings and 9.4% of earnings above the Yearly Maximum Pensionable Earnings effective January 1, 2010.

The media has inundated Canadians with the concept that retirement savings are inadequate to ensure sufficient and stable incomes for retirees. This is in spite of the fact that, in relative terms, the Canadian pension system fairs quite well. (Appendix 1)

Canadians are not alone. Working people throughout North America and around the world are facing similar challenges. Appendix 2 is but one of a number of studies that confirm this fact.

This reality has led to a number of responses including a record pace of growth of defined benefit plans in Japan (Appendix 3), Canadian business sector proposals

to have more defined benefit plan types created (Appendix 4), and wholesale restructuring proposals for the Canadian public pension system (Appendix 5).

In this context it is not surprising that the Winnipeg Civic Employees' Benefits Program is seeking a contribution increase. Our task, simply put, is to protect and preserve a retirement income plan that our forefathers had the vision and courage to create.

Contribution Levels

The Winnipeg Civic Employees' Benefits Program has a proud history of providing good retirement income benefits at very low contribution rates. This has been as a result of surpluses created by historic investment returns. While efforts to increase investment returns continue, the fact is that contribution increases are now needed. Even the levels under discussion today would leave the plan with contribution rates substantially lower than other comparable plans.

As shown in Appendix 6, Employers in Alberta, Saskatchewan, and Ontario contribute more to pensions than the rates contemplated by the Executive Policy Committee today. It is important to note that many of these plans are currently facing funding challenges and they are likely to need contribution increases above the levels shown here.

The reason that we bring this forward is to show that what is being sough is consistent with what is provided in other municipal jurisdictions. In fact,

argument can be made that further increases in contributions are justified, and are preferable to reducing retirement income to adequate levels.

This is particularly true when we consider that the contribution levels for the plans noted in Appendix 6 are for pension benefits alone. The employers and/or employees also pay additional fees for long term disability plans in addition to the pension contributions noted above. The Winnipeg Civic Employees' Benefits Program provides a disability pension in addition to its retirement benefit with the contributions it receives.

Disability Pension Costs

While it is true that contributions that fund retirement incomes for this plan are low, the same cannot be said for the contributions associated with the disability pension portion of the plan. We believe that the costs of this portion of the plan are higher than the norm and should be examined.

In saying this, we are in no way proposing that the contributions for the plan overall can be reduced. Rather, we are suggesting that proper attention to the disability portion of the plan can help ensure that the plan as a whole continues to provide benefits at competitive rates.

Conventional thinking in the disability field is that costs for disability are related to claims frequency, benefit levels, and claim duration. Assuming that benefit levels are similar, costs for disability pensions would vary upwards if frequency or

duration of claims were higher than normal and downwards if they were below the norm.

Plans that are successful in controlling their disability costs have a strong focus on getting injured or disabled workers back into positions in the workplace positions that utilize their abilities quickly. In fact, the longer that a disabled or injured worker remains out of the workplace, the less likely it is that they will return successfully.

Regrettably, the City of Winnipeg could improve in the area of accommodating injured and disabled workers. We recommend that the stakeholders examine this potential area for cost containment and put mutually agreeable structures in place to ensure reasonable accommodation of injured and disabled workers.

Conclusion

Provision of secure retirement incomes is the goal of any pension plan. With events in the global market over the last year, historic reliance on surpluses in the pension fund to meet benefit obligations no longer exist, and the Parties need to properly fund the pension and disability plans to ensure their financial stability.

Even with the contribution increases contemplated today, the Winnipeg Civic Employees' Benefits Program provides the benefits it does at contributions lower than most other comparable plans. Further contribution increases may be needed, and even then, the plan would be competitive with others.

While contributions are one part of the equation, there is room to improve the City's record at placing injured and disabled workers back into the workplace into jobs that accommodate their injuries. A focus on doing this could help mitigate the degree of further contribution increases needed in the future.

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APPENDIX 1

International Foundation
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Breaking News from globeandmail.com

October 15, 2009 Thursday 12:14 PM GMT

BUSINESS

384 words

Pension system gets solid ranking;
Canada picked No. 4 out of 11 countries in public and private pension study

Toronto

ABSTRACT

Canada picked No. 4 out of 11 countries in public and private pension study

FULL TEXT

Canada's retirement system has been ranked fourth in the world in a new study that compares public and private pension systems in 11 countries.

The study by pension consulting firm Mercer concluded the Netherlands, Australia and Sweden had the world's best pension systems, while Canada ranked a close fourth, followed by Britain and the United States. Germany, China and Japan were at the bottom of the list.

The review looked at 40 factors relating to the countries' pension systems, including the adequacy of private and public pension payments for retirees, and the level of pension incomes compared to preretirement incomes. It also looked at the rate of participation in private sector

pension plans, the level of pension assets in plans, and factors affecting the "integrity" of private sector pension plans, such as regulation and risk-protection.

Scott Clausen, professional leader for Mercer's Canadian retirement consulting business, said that while Canada's public and private pension pillars appear strong compared to many other countries, they could still be improved.

Mercer, for example, says Canada needs to increase the percentage of its work force covered by company pension plans. According to Statistics Canada, about 38 per cent of Canadian workers had a company pension plan in 2007. Excluding public sector employees, about 25 per cent of workers in the private sector had a company pension plan.

"The prevalence of private pension plans in Canada continues to decrease for employees working in the private sector," Mr. Clausen said in a statement.

"Simplifying pension regulations to provide uniform pension rules across the country has been proposed by the pension industry for years, and would greatly increase the efficiency of the pension system."

Mercer also recommends introducing controls to ensure Canadians' personal retirement savings are not withdrawn early and are preserved for retirement years, and recommends increasing the age of eligibility for pensions as life expectancy increases.

No country received an "A" in the study, Mercer said, with top-ranked Netherlands earning a score of 76.1 out of 100. Canada received a mark of 73.2, while Japan ranked worst with a score of 41.5.

October 15, 2009

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APPENDIX 2

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Copyright 2009 Business Wire, Inc.

Business Wire

November 5, 2009 Thursday 1:01 PM GMT

Business Editors; Banking Writers

1549 words

Workers Failing to Save Enough for Expected Retirement Lifestyle, Wells Fargo Study Finds;
Women More Likely to Feel Affected by Economic Downturn and Less Certain About Retirement

CHARLOTTE, N.C.

When it comes to their retirement, America's 50-somethings seem to be in a state of denial. Although the recent economic downturn has forced pre-retirees ages 50 to 59 to consider working years longer than they had hoped, their current rate of savings is unlikely to fund the retirement lifestyles they expect, according to fifth annual Retirement Fitness Survey from Wells Fargo & Company (NYSE:WFC).

Only 23% of pre-retirees are saving more for retirement than they were a year ago, the survey found. Most -- 57% -- are saving the same amount, and 20% are now saving less. 67% say their expectations for retirement have changed in the past year, and 56% now expect to work longer by an average of three additional years.

Overall, the financial positions and savings habits of this group are insufficient to last for their expected 20-plus years of retirement: While pre-retirees surveyed expect to need $800,000 for retirement, they have saved only $300,000 (median amounts).Pre-retirees clearly haven't assessed how long their savings will last in retirement. They expect to live nearly 21 years in retirement, but plan on spending nearly 10% of their savings every year in retirement. The

industry recommendation is to withdraw no more than 4% annually.People have been overly optimistic about their investment returns. When they started saving (typically in their 30s), both pre-retirees and retirees expected the value of their investments to grow by 8.7% each year, on average. In fact, the compound annual growth rate of the S&P 500 from 1958 through 2008 was 6.6%.Despite their inadequate savings, nearly two-thirds lack any formal plans for retirement savings or spending strategies. Only 35% of the pre-retirees have a written plan for retirement, and of this group, only 52% say they updated it in the past year during the market downturn.Less than half (40%) wish they had been more proactive about educating themselves about retirement preparation.Only 34% "wish they had cut back more on their previous lifestyle and saved more" for retirement.

"In the wake of the severe economic crisis, we had expected to find people had become more conservative in their savings and spending behavior," said Lynne Ford, head of Wells Fargo Retail Retirement. "We were surprised to see how few people have increased their rate of savings and how many people in their 50s have no retirement plan at all. For people in the last 10 to 15 years of their working career, the failure to have a thorough retirement plan in place is like driving while blindfolded."

On behalf of Wells Fargo, Richard Day Research conducted 2,108 online surveys with pre-retirees (ages 50 to 59) and young retirees (ages 55 to 70). Those interviewed were relatively affluent, each having at least $100,000 in household investable assets, excluding real estate. Assuming no sample bias, the margin of error would be +/- 3% for each sample (at the 95% confidence level).

Other top findings of this nationwide survey include:Women are more likely than men to feel affected by the economic downturn, are less certain about their retirement and investing, and regret that they aren't better prepared. Pre-retired women now expect to retire later than they did a year ago (62%, vs. 50% of men), and 41% now think they'll need to work in retirement "just to make ends meet" (vs. 32% of men). Women expect they will have to cut back on their retirement lifestyle (60%) more than men (52%).Men are much more confident than women about their ability to maintain their lifestyle in retirement. Among male retirees, 47% say they were "very confident they will have enough money to sustain them throughout retirement at an acceptable level," vs. only 30% of female retirees.76% of pre-retirees say the economic downturn has changed their current lifestyles in ways that include less travel, job loss, or reduced income.Travel is the biggest single cutback after the economic crisis, with 46% of pre-retirees and 42% of retirees saying they have eliminated or cut back on travel.

Many of the respondents were very concerned about their finances, with some sounding grim or even traumatized. One respondent reported feeling "very insecure about the market and if the money will hold up," adding, "I don't feel like I will ever feel like there is enough." Another said, "I expect to have insufficient funds to maintain my lifestyle if I live beyond 75 years." And one pre-retiree said, "A significant portion of my 401(k) evaporated last year. I expect to have to work longer to rebuild the amount I had accumulated prior to last year."

Women Feel More Affected by Economic Downturn

Compared with men, women are angrier about the economic crisis and more uncertain about their retirement and investing plans.Pre-retired women have saved less toward retirement and are less likely than men to know how much they will need to save before retiring. On average, the pre-retiree women surveyed have saved $250,000 toward retirement (vs. $300,000 for men), and are likelier to be saving less toward retirement compared to one year ago (24% of women vs. 16% of men).37% of pre-retired women can't even estimate how much they'll need before retiring, vs. just 17% of men.Pre-retired women are more likely than men to expect having to cut back on their retirement lifestyle (60% vs. 52%).Among retirees, women are more likely to be "angry" (29%) about the current crisis and its impact than men (21%).More retired women than men wish they had started to save earlier in life (46% of women vs. 38% of men).Among pre-retirees, 45% of women wish they had educated themselves sooner about retirement (vs. 36% of men), and 37% wish they had cut back on their lifestyle to save more (vs. 30% of men).Women are less likely (27%) to be contributing the maximum to their 401(k) plans than men (41%).Pre-retired women tend to be reaching out to their financial advisors more often than before the downturn (27%, vs. 14% of men) -- suggesting greater need for assurance and guidance from these advisors.

Young Retirees More Confident than Pre-Retirees

Compared with pre-retirees, the retirees surveyed (ages 55 to 70) showed a greater degree of confidence in their ability to sustain their lifestyles, the survey found; 71% of this group reported having a pension.Only a third (36%) of retirees have cut back on their lifestyles in the past 12 months.Only 9% of retirees say they were either not very confident or not at all confident that they will have enough money to sustain them through retirement at an acceptable level.Nearly three in five retirees (57%) lack a formal written plan for withdrawing their savings.

The Psychology of the Downturn: Acceptance Trumps Anger, Most Think They Did Everything RightWhen asked how they feel about the recent economic downturn and their retirement plans, three out of five people (both retirees and pre-retirees) say they are either "accepting" or "optimistic." However, more than a quarter are angry.53% of pre-retirees say they did everything right and say the current circumstances couldn't have been predicted.Half (49%) of pre-retirees wish they had started saving for retirement earlier in life.

Lower Assets, More Concern

Among those surveyed, pre-retirees with fewer investable assets ($100,000 to $250,000) were substantially more concerned about their retirement than those with more than $250,000.Of pre-retirees in the lower-asset group, 75% say they aren't well prepared financially for retirement, vs. 41% of those in the higher-asset group.62% expect they will have to cut back on their anticipated lifestyle in retirement due to the downturn, vs. 50% of higher-asset retirees.They are more likely to wish they had started saving for retirement earlier in life (60% vs. 41% for higher asset pre-retirees) and had been more proactive about educating themselves about saving for retirement (50% vs. 34%).

Most Stayed the Course During DownturnAmong retirees, most have left their assets in the

market in the past year, either maintaining their previous asset allocation (44%) or moving to more conservative equities/funds (30%).Only 15% took assets out of the market and placed them into more conservative investments (e.g. CDs, savings, fixed income/bonds).Half (49%) of pre-retirees hope to get back on track by leaving their assets in the market with no change in allocation strategy. Only one in ten have increased assets in the market seeking growth opportunities.

The annual Retirement Fitness Survey was originated by Wachovia. Wachovia Corporation merged with Wells Fargo & Company at the end of 2008. Members of the media can obtain a full study by contacting Amy Hyland Jones at (704) 383-4995.

For help understanding how to prepare for and live in retirement, visit Wells Fargo's retirement site at https://www.wellsfargo.com/investing/retirement/ or Wachovia's retirement site at www.wachovia.com/personal/page/0,,6938,00.html .

About Wells Fargo

Wells Fargo & Company is a diversified financial services company with $1.2 trillion in assets, providing banking, insurance, investments, mortgage and consumer finance through more than 10,000 stores and 12,000 ATMs and the internet (wellsfargo.com) across North America and internationally.

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November 5, 2009

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APPENDIX 3

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IPA INVESTMENT & PENSIONS ASIA
Investment and Pension Asia

October 29, 2009

451 words

Companies introduce DB plans at record pace

Nenkin Joho (R&I)

Trust banks and life insurers handling corporate pensions have been urging a shift out of tax-qualified pension programs, which will be abolished at the end of fiscal year 2011

There has been a rapid increase in the number of Japanese corporations introducing defined benefit pension plans. Approvals granted this year by the Ministry of Health, Labor and Welfare (MHLW) stood at 1,169 cases at the end of September, up 1.4 times over the previous year's record pace. The main reason is that trust banks and life insurers handling corporate pensions have been urging a shift out of tax-qualified pension programs, which will be abolished at the end of fiscal year 2011. If the upswell continues at this pace, the number could surpass 2,000 for the whole of fiscal year 2009, which would be a record number.

Life insurers and others are encouraging a move into defined benefit plans because such programs are easier to manage and offer considerable benefits to financial institutions, such as commissions for managing accumulated funds. They also lead often to business other than pensions, such as corporate loans. The trend towards these programs was further bolstered by a government conference with the MHLW and other ministries, which established a bureau early this year to support the shift.

The number of new defined benefit plans exceeded the previous year every month from April through September. The biggest concentration was in April with 457 cases. Since most Japanese companies have March settlements, they were presumably aligning the programs with the start of their new fiscal year. The previous record for a single month was 366 in April 2008.
The number of members is up 640,000 from one year earlier to 5.7 million people thus far in FY2009. This is the first time that the figure has exceeded the membership of Employees' Pension Funds, signifying that defined benefit plans have become the prime player in corporate pension programs. Employees' Pension Funds now have 4.8 million members and remain on a downtrend.
Defined contribution pension plans have been a largely unsuccessful idea in a Japanese context, as many predicted they would be when the '401k style' plans were first introduced in 2001. Around 12,00 companies have introduced DC plans for employees, covering over three million workers. But according to Rating and Investment, for 63% of the workers, the balance of assets in the new plans fell short of the amounts invested, as at the end of March this year.
To cope with the problem, the Japanese Society of Certified Pension Actuaries has been studying the development of a pension system that can both maintain the vitality of companies and offer workers security during retirement. Kuniaki Sano, who spearheads the effort, stresses the need for a system under which "employees, retirees and companies can share risk in a balanced fashion."

October 29, 2009

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APPENDIX 4

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The Toronto Star

November 5, 2009 Thursday

BUSINESS; Pg. B03

587 words

Actuaries propose a strategy to bolster pensions

The best pension plans are vanishing. Many employers simply cannot hold up their end of what has become a one-sided deal.

Meanwhile, pension legislation is restrictive, burdensome and far from uniform across Canada. This has stacked the odds against starting decent pension plans without betting a company's survival.

These deep-seated problems within Canada's pension system have been exposed and amplified by the recent economic crisis.

Canadian actuaries have faith that pension plans can be revived to provide something close to a traditional defined benefit for more than just public-sector workers. But they say it will take more than minor tweaking.

According to Robert Howard, president of the Canadian Institute of Actuaries, if governments want to improve workers' chances of adequate retirement income, the ministers responsible for finance and pensions should start formulating a national agenda when they meet in Yellowknife next month.

No such meeting about private-sector pensions has happened in Canada before, so far as the actuaries are aware, and it comes at a critical milestone, said Howard, an actuary with Sun Life

Financial Corp.

"Make no mistake about it, this meeting is important," he said. He added during an interview, "if we make the rules right (for pension plans with a defined benefit) it can be very attractive for employers."

A national agenda for creating and strengthening pensions is the first of a 10-point action plan Howard unveiled on behalf of his association before the Economic Club of Canada on Tuesday.

The actuaries have no quick fixes for members of pension plans that are now severely underfunded and whose companies have already entered bankruptcy proceedings.

They do, however, suggest the federal government could give underfunded pension plans a higher priority among creditors in a bankruptcy, provided lenders were warned several years before the law came into effect.

Howard welcomed Ottawa's recent announcement that it will change tax rules to permit federally regulated pension sponsors to keep an extra 25 per cent safety buffer inside their pension plans.

But he predicts no employer that bears the full risk of making up a pension shortfall will take advantage of the change as long as the company is prevented from withdrawing excess funds, without having to share the money with plan members.

The actuaries propose instead that employers be permitted to set up a type of side-fund called a Pension Security Trust.

The employer would get a tax deduction for making extra contributions to the trust, but would be permitted to make taxable withdrawals later. They would just have to keep a minimum safety margin tailored to the riskiness of a particular fund.

To encourage the creation of new pension plans, the actuaries propose removing strict boundaries around the design of permitted plans. Instead, they propose setting principles to protect the rights of plan sponsors and members, without hampering innovation.

The actuaries proposed a change of rules that would give plan members flexibility to work later in life, while collecting a partial pension and making further contributions.

Other pension advocates are pressing governments to start new universal pension plans or expand the Canada Pension Plan to become more of a savings plan than a mere transfer of income between generations.

But Howard argues there is some value in preserving and expanding the best private-sector options for saving to provide a more diverse source of retirement income.

jdaw @ thestar.ca

November 6, 2009

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APPENDIX 5

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The Globe and Mail (Canada)

October 24, 2009 Saturday

REPORT ON BUSINESS: INTERNATIONAL; COVER STORY / CANADA'S PENSION CRISIS; Pg. B1

2721 words

Retirement Lost;
In two years, the first cohort of Canada's massive baby boom generation turns 65. Although this country's pension system is one of the most stable, it's also one of the developed world's least generous, Konrad Yakabuski writes. And with the vast majority of workers having no workplace plan and little savings, the future threatens a dramatic decline in living standards for many seniors. The pressure for meaningful reform is gathering steam

KONRAD YAKABUSKI

Poor Giulio Tremonti. Italy's finance minister not only has the thankless job of playing bad cop to his populist boss, Prime Minister Silvio Berlusconi. He's also got debt-strapped Europe's worst public finances to manage.

With the world's oldest population after Japan, a birth rate that makes Canadians look like prodigious procreators, and the cushiest public pensions anywhere, Italy is deep in the hole and sinking deeper by the day. Public pensions already account for about 30 per cent of government spending in Italy. Each passing year leaves fewer and fewer working Italians left to foot the pension bill for their elders. But the ballot-box clout of Italian seniors means any attempt to roll back benefits is a political suicide mission.

Italy may be one of the worst off, but all developed countries, along with China, will experience unprecedented economic and social pressure in coming decades as their populations grey. Few, if any, have prepared for the demographic tsunami that will hit them as the baby boom generation heads into its golden years.

By comparison, Canadians have some reason to feel fiscally smug, with a public pension system considered one of the world's most financially sustainable.

There's only one catch: That system pays among the least generous government-sponsored benefits in the developed world.

It's a prudent approach, but it's laying the groundwork for a host of other problems.

The proportion of seniors in Canada's population will balloon to as much as a quarter of the population by 2030, from 14 per cent now. Middle-class Canadians without a workplace pension plan or personal savings to fall back on face a sharp and sudden decline in living standards when they leave the work force.

With millions more retirees living on subsistence-level public pensions, the economy will see a lot less of the discretionary income that has normally fuelled consumer spending.

"An aging population leads to a slower-growing work force and that leads to slower economic growth," warns University of Toronto economics professor David Foot, who first outlined the impact of shifting demographics on the economy in the 1996 bestseller *Boom, Bust & Echo*.

"We've got to build these slower economic growth projections into our corporate strategic models and our government revenue projections. I don't think that realization has taken hold yet."

The tsunami on the horizon

It wasn't supposed to turn out this way. When Canada's public pension system was set up in the 1960s, the economy and personal income were both growing rapidly. Women were flooding into the work force, generous defined-benefit pension plans provided by employers were becoming the norm and Registered Retirement Savings Plans were taking flight. Policy makers anticipated that most baby boomers wouldn't need government help in retirement.

Yet today three-quarters of Canadians in the private sector have no employer-sponsored retirement plan. Less than a third contribute to an RRSP and only a tiny fraction stash away the maximum allowed - 18 per cent of earnings up to $21,000 annually. A generation raised on immediate gratification has preferred to spend (usually on credit) rather than build up a nest egg.

Forget the promise of early retirement. Millions of currently middle-income workers will be forced to hold down a job well past 65 and, even then, will face straitened circumstances when

they do retire.

The coming crisis is one that politicians here are being forced to face up to as the first wave of the baby boom generation prepares to enter senior citizenship in 2011. The dilemma has many experts pushing for massive reform that would include an entirely new public plan to complement or even replace the Canada Pension Plan (CPP), company pensions and RRSPs. If Canadians won't voluntarily save enough, some experts contend, maybe it's time the government forced them to.

Some provinces have taken tentative steps to address the so-called pensions gap. Ottawa, meanwhile, has set up its own "research working group" on pension reform, led by Conservative MP Ted Menzies.

The biggest obstacle to any overhaul, however, may not be federal-provincial squabbling. The insurance industry and big banks, which manage hundreds of billions of dollars held in corporate pension plans and RRSPs, are lobbying fiercely to protect their turf against any incursion by Ottawa or the provinces. Pension reform could be to Canada what health care reform has become south of the border - a lightning rod for critics of government intervention.

Mr. Menzies has appeared reluctant to endorse a compulsory government-sponsored retirement plan to supplant private-sector savings schemes, suggesting the idea smacks of "a bit of a nanny state situation."

Yet, many experts believe stripping the private sector of a cash cow that has poorly served savers or, at the very least, creating a public-sector alternative to RRSPs and company pensions may be what's needed if the country is to weather the demographic time bomb that is about to go off.

"The statistics speak for themselves. We've got 11 million working Canadians with zero company-sponsored retirement pension plans ... [RRSPs are] very underused and skewed to higher-income earners," says David Denison, chief executive officer of the CPP Investment Board, the arm's-length body entrusted with managing the CPP's $117-billion in assets. "I don't think it's a great leap to say, clearly, the [system] is not working."

The way ahead

At the Rendez-Vous 50 Plus, a community centre for retired people in Montreal's weather-beaten St-Michel district, Thérèse Fex and Bibiane Fontaine are toiling nearly as diligently as they did during their combined eight decades in the work force.

Ms. Fex, a petite 75-year-old widow with a ready smile, volunteers several days a week, preparing the meals the centre delivers to dozens of shut-ins around the neighbourhood. Ms. Fontaine, a lanky 72-year-old who loves driving, shuttles area seniors to their medical appointments.

Each woman held down a full-time job for decades. Ms. Fex worked at a pharmacy postal counter, Ms. Fontaine in a school cafeteria, but neither had much to show for it when she retired. Without a company pension plan to contribute to during their working lives, Ms. Fex and Ms. Fontaine now depend entirely on federal Old Age Security (OAS) benefits and the accompanying Guaranteed Income Supplement (GIS), a top-up program for the poorest seniors. Adding up those benefits and small sums from the Quebec equivalent of the CPP, Ms. Fex gets around $1,300 a month, Ms. Fontaine a bit more than $1,200.

"At least I can eat three times a day and I have an apartment," Ms. Fex offers. "And I'm better off than a single mother with six children living on welfare."

Perhaps. But if their expenses were to rise, they would be hard-pressed to cope. With a swelling proportion of Canadians set to enjoy this sort of threadbare existence, debate is intensifying about whether the payouts are generous enough.

OAS and GIS are the first pillar of Canada's public pension system, providing a basic level of support to those with no other sources of retirement income. Together, the programs, which are paid directly out of federal coffers, provide benefits totalling $14,034 annually. The second pillar of the public system consists of the CPP and Quebec Pension Plan. Almost all Canadians with jobs must contribute to one or the other.

Currently, CPP and QPP premiums are set at 9.9 per cent of income (up to $46,300), with contributions split equally between employers and employees.

A retiree who qualifies for the maximum CPP/QPP benefit in 2009 of about $10,905 does not qualify for GIS, but receives $6,204 in OAS, for a total of $17,109.

In 2005, Canada had the fifth-lowest seniors' poverty rate among the 30 nations belonging to the Organization for Economic Co-operation and Development. Only 4.4 per cent of Canadians over 65 were considered poor that year, compared with more than 30 per cent of Irish seniors and a quarter of American seniors.

But Susan Eng, vice-president of CARP, a group that advocates for public policy changes on behalf of Canadians over 50, counters that the official poverty statistics mask the increasingly severe financial hardship faced by urban seniors in this country.

"The [OAS, GIS and CPP] have lifted people out of abject poverty, but they haven't taken them out of poverty altogether," Ms. Eng says. "If they have one slip and fall, one problem with their mortgage, one fraud event, that's it, they drop deep into poverty and they can't get back out."

This year, Ottawa will spend more than $35-billion, or 14.5 per cent of all program expenditures, on elderly benefits. Even without raising benefit levels in real terms, seniors' pensions will cost $45.5-billion more by 2014 and account for 17.4 per cent of all program spending. No other federal program costs as much.

What's more, any benefit increase now would raise questions of intergenerational equity. Some younger taxpayers might resent having to pay for their elders' failure to prepare for retirement. Don't blame the boomers, Ms. Eng retorts: "They didn't have a good vehicle to save with."

RRSPs have proved inadequate for most, and also illustrate the challenge individuals face in financial planning. No one knows how much they'll need in retirement, principally because no one knows how long they'll live. Hence, people either oversave or, more typically, undersave.

A public plan such as the CPP overcomes this dilemma, since it is possible to plan for average, rather than individual, life expectancy. As well, the cost of running a large fund like the CPP at 0.16 per cent of assets annually is a fraction of the 2 per cent or so charged by most mutual fund companies.

exploring the options

The CPP has worked so well that a host of influential pension experts are recommending that Ottawa either expand the plan so that it pays higher benefits, or create an entirely new, more generous scheme based on the CPP model.

Among the ideas being floated are:

* A Universal Pension Plan, proposed by CARP. A UPP would replace the CPP and, like the latter, enrolment would be mandatory for all working Canadians. Premiums would rise to about 19 per cent of earnings split equally between employers and employees from the CPP's current 9.9 per cent. Maximum pensionable earnings would rise to $116,000 from $46,000. The upside is that the UPP would pay out benefits equal to 70 per cent of pre-retirement earnings, compared with 25 per cent for the CPP.

* The Canada Supplementary Pension Plan proposed by Keith Ambachtsheer, director of the International Centre for Pension Management at the University of Toronto. The CSPP would complement, not replace, the CPP. Enrolment would be automatic for people earning more than $30,000 a year, though individuals could opt out. Premiums would be set to provide combined benefits (from all pensions) equivalent to 60 per cent of pre-retirement earnings.

* The so-called ABC Plan, proposed by a joint Alberta-British Columbia commission on pension reform. Enrolment in this plan would be voluntary and open to any individual or company in the two provinces. This defined-contribution plan would supplement the CPP.

The ABC proposal has raised the prospect of a patchwork of regional pension plans, with varying levels of retirement protection across the country. The only way to avoid that, Ms. Eng says, is to create a national plan that's mandatory for all working Canadians. But she's worried Ottawa is reluctant to act, lest it anger the financial services industry.

"They've got the investment advisory industry whispering in their ear, saying [the UPP] would amount to a government takeover of private industry," she says.

Mr. Ambachtsheer says the "opt-out" clause included in his plan would enable the CSPP to benefit from economies of scale without resorting to the coercion implicit in the UPP or preventing competition with the public plan.

"There are all sorts of good reasons why, in a collective sense, we're better off having these arm's-length plans that manage [money] on behalf of hundreds of thousands or even millions of Canadians at the same time," he says. "But do we as a country want to put all our pension eggs in one basket? And shouldn't we give people some choice?"

Mr. Menzies, the Conservative MP who's heading Ottawa's research group on pension reform and who initially appeared leery of a new compulsory plan, insists he hasn't reached any conclusions. He is to report his findings at a first ministers' conference in December.

"We may come up with a whole new set of ideas out of this research. That's what research is for," he says. "There may be better systems in the private sector that we can encourage."

Though he has steered clear of endorsing any specific proposal, Mr. Denison of the CPP Investment Board suggests a "hybrid" model consisting of a supplemental CPP in which enrolment would be mandatory, combined with a set of voluntary schemes.

No reform, however broad, is likely to offer a failsafe parachute for the thousands of Canadians who are ill-prepared for imminent retirement.

"If someone is 60 years old now and has not saved for his or her retirement, whatever happens now is not going to offset the fact that he or she was not saving enough for 30 or 35 years," Mr. Denison says. "What we can do is change course for the future."

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A DISTINCT PROBLEM

Canada's pensions gap has many layers, so, it may be inevitable that one of them deals with Quebec's distinctness. Federal and Quebec pension plans that were set up to be effectively equal are diverging in their financial health and their ability to provide for their contributors' retirements.

Since their creation in 1966, the Canada and Quebec Pension Plans have aligned contributions rates and benefit levels to ensure full "portability." That means that someone who works in Quebec and contributes to the QPP can retire in Ontario or another province and collect CPP benefits.

The last time both funds were reformed, in 1998, was supposed to put both funds on sound financial footing for decades to come. But only the CPP remains on solid ground. Ottawa's chief actuary estimates the 9.9-per-cent rate is sufficient to keep the fund intact, at current benefit levels, for at least 75 years. By contrast, the Quebec plan has been buffeted by not only

poorer investment returns, but also by the province's more rapidly aging population.

The QPP, which is managed by the Caisse de dépôt et placement du Québec, lost 26.4 per cent of its value in 2008. That compares with the CPP's loss of 17.2 per cent in its latest fiscal year, which ended Mar. 31.

"The QPP is in trouble," notes Robert Brown, director of the Institute for Insurance and Pension Research at the University of Waterloo.

The Quebec government is now forced to grapple with the idea of increasing contribution rates, raising the retirement age or slashing benefits or some combination of all three to keep the QPP afloat. Any such changes would threaten the portability principle.

One way out of the quandary would be a merger of the plans, though politicians on both sides of the Ottawa River might find that idea tough to swallow.

"A merger would be an actuarial solution," Mr. Brown says. "But I don't think it's a political solution."

Konrad Yakabuski

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The crunch to come

The pressure on national pension plans will to continue to increase in countries with aging populations. Several nations will likely see a third of their citizens over 65 by 2050.

Percentage of the population aged 65 and over in selected countries in 2050

Japan / 37.8%

Italy / 33.3%

Germany / 30.2%

Greece / 31.7%

Singapore / 32.8%

Spain / 33.2%

South Korea / 35.1%

U.S. / 21%

Canada / 25.5%

TONIA COWAN/THE GLOBE AND MAIL // SOURCE: U.S. CENSUS BUREAU, UNITED NATIONS

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THE SERIES

Read all about it

Miss a day? The entire series is posted on the Web - in-depth analysis of Canada's pension crisis from economic, corporate and human perspectives.

Faces of the crisis

Watch exclusive videos as five retired Canadians, such as John Mlacak, above, tell their stories about how the pension rug was pulled out from underneath them.

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APPENDIX 6

WHAT DO OTHER PLANS PAY?

City of Winnipeg (Current)

Employees:	-	**6.5%** up to YMPE
	-	**7.5%** over YMPE
Employers:	-	**6.5%** up to YMPE
	-	**7.5%** over YMPE

***OMERS – Ontario (Current)**

Employees:	-	**6.3%** up to YMPE
	-	**9.5%** over YMPE
Employers:	-	**7.7%** up to YMPE
	-	**12.8%** over YMPE

***Regina (Current)**

Employees:	-	**8.85%** up to YMPE
	-	**13.11%** over YMPE
Employers:	-	**8.85%** up to YMPE
	-	**13.11%** over YMPE

***Alberta (Current)**

Employees:	-	**7.46%** up to YMPE
	-	**10.66%** over YMPE
Employers	-	**8.46%** up to YMPE
	-	**11.66%** over YMPE

City of Winnipeg (Approximate Proposed)

Employees:	-	**7.6%** up to YMPE
	-	**9.4%** over YMPE
Employers	-	**7.6%** up to YMPE
	-	**9.4%** over YMPE

***Exclusive of LTD premiums.**
Benefit levels for all plans differ.