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Some perspectives on changing the pension system

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in Old Age: An Uncertain Future”

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Canada 



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