

# Intelligence MEMOS



From: Bob Baldwin  
To: Canada's pension regulators  
Date: July 23, 2019  
Re: **THE PENSION REFORM TOOLBOX**

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In a [paper](#) that recommended an array of policy choices to help make Canada's retirement income system more adaptable, I assessed the analytical capacity and data that are necessary tools for good public policymaking in this area.

There have been a number of recent positive developments from Ottawa: Statistics Canada's commitment to conduct its Survey of Financial Security on a regular basis; the call by the department of Employment and Social Development for proposals to develop a longitudinal micro-simulation model; and the last budget's support for the pension and retirement saving work of the Global Risk Institute.

This progress is gratifying, but there are still significant gaps in the available data – especially about workplace pension plans and individual savings.

The retirement income system and its component parts are in a constant state of evolution as a result of changes in the environment in which they operate. As a result, regular adjustments to it will be required. And throughout, we need to remember that the sustainability of the system depends on public confidence in it, as well as the technical and financial mechanism.

But that will require better and more detailed information about the current reality, and credible tools to assess outcomes of policy changes before they are implemented.

This raises several issues related to governance and management.

1. The interdependent nature of the various components of the retirement system requires a co-ordinated consideration of each of the component parts. Too often, various components can be considered in isolation from the other components. To overcome this problem completely requires co-ordination not only within the federal and provincial governments but between them as well. In-government co-ordination may require direction from the centre combined with a minister who can give the time and effort required by the issue.
2. Monitoring of the system as a whole requires an ongoing collaborative federal-provincial effort. Regular updates on changes to the retirement system and the income situation of older Canadians should be produced and put into the public domain. The OECD's [Pensions at a Glance](#) serves as a useful model.
3. Once the longitudinal micro-simulation modelling capacity being developed for the federal government is in place, it should be used on a regular basis to create an assessment of the income situation of the current and future elderly that would serve as a basis for a broadly based dialogue about the state of Canada's retirement income system. Quebec's requirement for reviews and consultation on the future of the QPP every six years may serve as a model.
4. Governments need to demonstrate a greater willingness to lead public discussion on retirement issues and to engage with stakeholders on those issues. We note that the volume and quality of the background material that has preceded each of the past three major reforms to the CPP/RIS has diminished as we have moved from one round of reform to the next, and so has dialogue with stakeholders.

There are also several governance issues that are specific to the CPP:

Financial reporting on the plan should include an analysis of the probability that default adjustments to the plan will be required.

There is an incredible amount of plan detail embedded in legislation and it would be more consistent with the need for ongoing adaptation if much of it was moved to regulation that would still require federal provincial agreement to change.

An effort should be made to determine whether there is an optimal size to the assets under management of the CPP Investment Board.

Finally, we note that further steps can be taken to make it easier for people who are eligible for OAS/GIS and CPP to get the benefits to which they are entitled. For instance, auto-enrollment is in place for GIS only where it is in place for OAS.

There should be auto-enrollment for everyone eligible for OAS. In a related vein, given the complicated nature of the CPP and GIS and in some cases OAS, when these benefits are paid, the beneficiary should be offered an explanation as to how the amount was determined.

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