

Typical pensions don't offer meaningful income

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TORONTO — The typical pension plans being offered to Canadians “will not contribute meaningfully to an adequate retirement income,” an organization of pension professionals warned Wednesday.

The Association of Canadian Pension Management said it does not necessarily favour traditional employer-guaranteed defined-benefit plans, but is “advocating for a level playing field.”

“We are for employers and employees to choose the pension model that suits them best and the ability of any model chosen to make a significant contribution to employees' retirement income,” said Becky West, who headed the committee that prepared the report.

The ACPM study, entitled “Delivering the Potential of DC Retirement Savings Plans,” notes that it is apparent that member-directed plans will play a larger role in the future, as businesses forsake the costs and risks of pensions in which they promise to provide predetermined levels of retirement income.

It says only 25 per cent of people working for private employers have a registered pension plan of any sort, and employers “seem increasingly reluctant” to offer even defined-contribution plans, instead favouring group registered retirement savings plans or no plans at all.

“The ACPM believes that this lack of coverage is not in the public good as an employee whose employer chooses not to offer a retirement savings plan is forced to rely on his/her own skill set and motivation for retirement savings,” the study says.

“In addition, he/she loses the ‘group’ benefits of an employer-sponsored retirement savings plan, including typically lower costs.”

The study says defined-contribution plans, which carry no retirement benefit guarantee, should nonetheless have specified target income goals, with automatic payroll deductions, higher contribution limits, and a focus on minimizing fees.

It also suggests encouraging multi-employer plans and the creation of new retirement income products.

“Many of the recommendations in this report can be implemented under the current legislative regime,” commented Scott Perkin, president of ACPM, which represents more than 300 pension plans with assets of \$300-billion and more than three million beneficiaries.

“However, other recommendations will require changes to the regulatory scheme. We are therefore urging governments to consider the recommendations in this report and to make the appropriate changes.”

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