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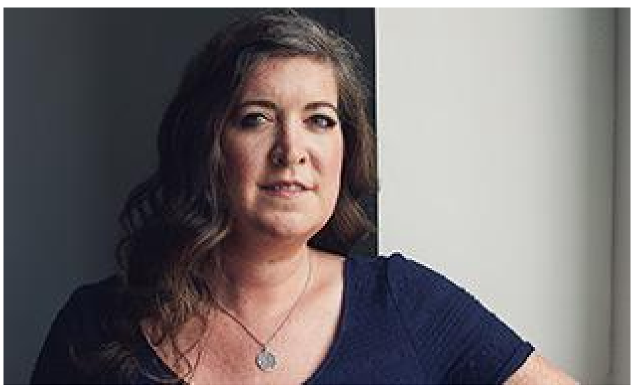
Editorial: Communicating CPP enhancements and more pension action on the way

Jennifer Paterson | February 15, 2019



When the Canada Pension Plan enhancement took effect on Jan. 1, 2019, did you feel the pinch in your first paycheque of the year?

The answer is probably no. In the first stage of enhancement, employee and employer contribution rates will rise from 4.95 per cent each to 5.95 per cent each, for a total of 11.9 per cent up to the year's maximum pensionable earnings. But that won't be fully phased in until 2023, so the change should be gradual enough to avoid ruffling too many feathers.

Read: 'Exciting time for retirement' as CPP deal signals premium boost to 5.95%

Since the historic agreement to enhance the CPP was reached by provincial ministers back in 2016, it's been billed as one of the biggest shakeups to the system since its introduction in the mid-1960s. I agree it's a welcome step that will benefit future beneficiaries once it's fully phased in — though we're unlikely to see the results for a long time.

But regardless of the timing, many Canadians are still unaware of the CPP changes. I brought it up with a handful of friends and family over the holidays, and they had no idea. Then, in the early days of January, the federal government kicked off an advertising campaign, which subsequently kicked off a series of disapprovals. At $300,000, critics called the prime-time television ads, including spots during the National Football League playoffs and the International Ice Hockey Federations' world junior tournament, a waste of taxpayer money.

Sure, participation in the CPP is mandatory, so those arguing whether the ads are effective may have a point. But it's a public awareness campaign, not an education campaign. Shouldn't we all be made aware about the reduction in our take-home pay?

Leaving aside the CPP enhancements, many other important pension discussions are steeping, and I think the industry should be engaging with Canadians about these in 2019.

Read: Considerations for employers around the incoming CPP enhancements

The federal government recently wrapped up national consultations on enhancing Canadians' retirement security, including potential action on bankruptcy and insolvency laws. While the government hasn't reported the results, the consultation included measures to help ensure employers maintain well-funded pension plans, better align corporate decision-making with pensioner and employee interests and increase transparency and fairness in insolvency proceedings.

In the wake of former Sears Canada Inc. employees battling for their pensions, not to mention the Nortel Networks Corp. saga, this is definitely an area to which the government should be turning its attention. And while legislation is certainly welcome in this space, there's also an onus on defined benefit plan sponsors to ensure they're communicating the realities of their plans to employees (and this applies to the CPP enhancements as well).

As Jason Vary, president of Actuarial Solutions Inc., told *Benefits Canada* in January, people have to adjust their past perceptions about DB plans being 100 per cent guaranteed. "With experiences like Nortel and Sears and many, many others, some people have slowly realized that's not the case."

Read: Pension legislation should balance DB sustainability with pension promise: CIA

We've said it before and we'll say it again — Canada's evolving pension landscape is one to watch in the year ahead.

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