

Editorial: Can the industry move beyond the complexity of pensions?

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What's in a name? A pension by any other name would smell as sweet — or would it?

I started writing this month's [Pension Feature](#) as an exercise to sift through some of the terms used by the pension industry to describe the different types of plans, but also to answer the question: Does the industry have a language problem?

Years ago, *Benefits Canada* published an article about whether it was time to scrap the word 'pension.' I think we can all agree that ship has sailed. But perhaps we can use the idea as a jumping off point to talk about what a pension is at its basic level.

Benefits Canada's 2023 Defined Contribution Plan Summit in February (coverage to come in the May issue), keynote speaker and former Google data scientist Seth Stephens-Davidowitz told delegates the top Googled question about pensions is the most basic one — What is a pension?

Read: [Does the pension industry have a language problem?](#)

Traditionally, it's been a vehicle to save for retirement. But for young people, that reality is very far away — and the years before that coveted retirement date will be filled with more urgent financial priorities. We're seeing some developments here, with employers introducing more flexible savings plans, as delegates heard at the 2023 DC Plan Summit. As well, some record keepers are stepping up to add the option for plan members to contribute to paying back their student loans while the matching plan sponsor contributions still go into a retirement plan.

The federal government is also getting involved with the Home Buyers' Plan, which allows group registered retirement savings plan members the ability to take some of that money out, tax-free, to buy or build a home. It's a great way for younger employees to access their savings for today's priorities — I speak from experience as I used the plan to buy my first home five years ago.

But despite all of this progress, the nomenclature used in the pension industry is still complex and complicated — not a surprise, according to most of the experts I spoke to for the **Pension Feature**. "Pensions are complicated and that's why the language is complicated," says Actuarial Solutions Inc.'s Joe Nunes. "But I don't think . . . we can just simplify the language to make it easier for people because all of this complexity revolves around how complex the various retirement savings programs are."

Read: [Head to head: Will the government's super-priority bill spell the end of DB pension plans?](#)

At the same time, the perennial battle around who has priority when a defined benefit pension plan sponsor enters bankruptcy or insolvency has led to Bill C-228, which proposes giving super-priority to plan members. In this month's [Head to Head](#) two experts take on the topic, with the pension industry concerned the bill will spell the end of some DB plans while organizations that support members call it protection that's long overdue.

The conflict around super-priority leads us back to the Pension Feature. Over the years, the complex language around pensions — and potentially miscommunication — has led many people to misunderstand the DB plan guarantee. "Looking back over the decades, that's something that maybe we didn't get quite right — that plans that were never intended to be fully guaranteed somehow slipped into becoming fully guaranteed because of communications issues," says Doug Chandler of the Society of Actuaries Research Institute.

Osler Hoskin Harcourt LLP's Andrea Boctor agrees, noting the current discussion around Bill C-228 demonstrates that the industry could have been better at communicating the strengths of the DB guarantee. "In a single-employer defined benefit pension plan, the strength of that guarantee is really only as strong as the plan is funded at any given time and the financial strength of the employer that backs it."

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I've shared my opinion on this topic in [a previous Editorial](#) and that view hasn't changed — especially since my father spent his whole working career saving into Nortel Networks Corp.'s doomed DB plan — but I appreciate it's a complex topic, not unlike the overall complexity of the pension industry.

But while we're seeing the slow evolution to different types of savings vehicles that target specific financial priorities, members will still struggle to understand these plans without clear and simple communications. Yes, pensions are complicated, but it's up to the industry to make sure people understand their value — or we won't make any progress in improving people's retirement readiness and financial well-being.

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