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Canada Needs New Rules To Solve Pension Crisis, Group Says

By Monica Gutsch
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Solving Canada's pension crisis will require the federal and provincial governments to work together to enact widespread legislative and regulatory changes, a pension expert said Friday.

"Governments need to allow individuals to make the choices that are right for them and employers to make choices that are right for them," Chris Brown, president of the Association of Canadian Pension Management, told a meeting of the Economic Club of Canada.

And the only way to accomplish that is to provide a variety of options for Canadians, the vast majority of whom don't have a workplace pension plan, Brown said. For that to occur, however, the "patchwork" of federal and provincial legislation governing pensions needs to be harmonized, and regulations need to be made more flexible so that providers can offer their products to all Canadians.

"The only way for these plans to succeed and grow to a size that they have economies of scale would be on a pan-Canadian basis," Brown said. "And the only way they can have that is with a harmonized regime."

The proposed pooled registered pension plan, or PRPP announced by Canada's Finance Minister Jim Flaherty late last year is a good first step, Brown said. The PRPP, which would function as a multi-employer plan, administered by private-sector institutions, has received initial support of the federal government and five provincial governments. But Brown said all provincial governments as well as the federal finance ministry was represented at a meeting earlier in the week to discuss the PRPP.

That kind of multi-jurisdictional cooperation is "remarkable," he said, and underscores the importance of the issue.

Still, the PRPP alone won't be enough to ensure all Canadians have sufficient retirement savings, Brown said. "A one-size-fits-all approach will not work for all Canadians," he said.

Rather, he said, governments need to remove barriers to coverage, such as those that prevent the self-employed to belong to a pension plan; they need to ensure Defined Benefit plans remain a viable option for employers that can offer that option; they must allow innovation by making existing rules more flexible; they must simplify and harmonize the regulations governing pension plans; and they must increase the incentive to save by raising contribution limits and allowing employers to deduct plan expenses from their taxable income.

The ACPM represents around 400 Canadian pension plans covering more than three million plan members, with assets under management of C\$330 billion.

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