Article from:

The Actuary

December 1981 – Volume 15, No. 10

10-Year Selection Factors Permitted In Determining Life Insurance Reserves and Nonforfeiture Values

MALES

Issue Ages	Policy Year 1	2	3	4	5	6	7	8	9	10
Under 20	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
20-39	75	80	85	90	90	95	95	95	95	95
40-44	70	75	80	85	85	90	95	95	95	95
45-49	65	70	75	80	80	85	90	90	90	90
50-54	61	65	70	75	75	80	85	85	85	85
55-59	56	60	65	70	70	75	80	80	80	80
60-64	52	56	60	65	65	70	75	75	75	75
65 & over	48	52	55	60	60	65	70	70	70	70

FEMALES

Issue Ages	1	2	3	4	5	6	7	8	9	10
Under 20	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
20-39	96	96	96	100	100	100	100	100	100	100
30-34	92	92	96	96	96	100	100	100	100	100
35-39	88	88	92	96	96	96	96	100	100	100
40-44	84	84	88	92	92	92	92	95	95	95
45-49	80	80	84	88	88	88	88	90	90	90
50-54	76	76	80	84	84	84	84	85	85	85
55-59	72	72	76	80	80	80	80	80	80	80
60-64	68	68	72	76	76	76	80	80	80	80
65-69	64	64	68	72	72	72	75	75	80	80
70 & over	60	60	64	68	68	72	75	75	80	80

CANADA'S NATIONAL PENSION CONFERENCE

by J. Bruce MacDonald

Ed. Note: The first part of this article was in our September issue.

On Coverage, the delegates agreed that government should be responsible for a basic floor, but the level of that floor was hardly discussed. It was also agreed that increases in government programmes offer the only way to help the current elderly poor; this problem is perceived as becoming less serious since full CPP benefits have become payable and the private sector's coverage continues to increase.

The consensus was that CPP benefits should continue to be a function of 100% of the average industrial wage, though some talked of raising this to 150%; whether the replacement percentage from government alone should remain at 25% or be at least doubled was briskly but inconclusively debated. It was agreed that the number who won't get pensions from private plans is too large, yet charges that the private system has failed were refuted.

Women. Many of the elderly Canadians living in poverty are women, so their plight was discussed under both Coverage and Women. The solution was a combination of benefit increases and broader use of survivor benefits. While it seemed to be agreed that women who leave the labour force to raise children should somehow be covered, there was no agreement on how to do this. There was strong support for putting QPP's child-raising drop-out provision into the CPP, and for making homemaker participation in CPP more than just voluntary. It was felt that private plans should provide benefits for part-time workers, many of whom are women. And there were heated and inconclusive discussions on unisex mortality.

Many women want pensions in their own right, not just as dependents. Some think the answer lies in reform of the social system, from which pension changes will flow automatically.

Vesting, Portability and Locking-In were not particularly contentious subjects. It is almost universally accepted that pensions are deferred wages, the premise from which the principle of immediate vesting follows, and from this the concept of immediate locking in of all employee contributions. It was also accepted that the value of any vested pension should come in substantial part—say, 50% — from employer contributions. A pension provided mainly by employee contributions isn't acceptable.

Inflation. Vested pensions must, it was thought, be protected from inflation, which can be done by leaving them in the original plan with some form of indexing. But many employers object to doing this, and most delegates doubted that either this or a system of reciprocal transfer agreements would work. The preferred solution is to transfer both employer and employee money into a locked-in Registered Retirement Savings Plan; the machinery for doing this is in place, and current high interest rates give some protection against inflation.

Industry questions the need for full indexing of all pensions inasmuch as government plans are so indexed; labour, specially the public sector unions, wants universal indexing. Excess interest indexing, i.e., using excess investment earnings to increase current pensions, was much discussed; for this to be helpful, pension costs may have to be calculated at a lower interest rate than currently, with concomitant increase in costs. It is recognized that all such changes will increase costs, but to an unspecified extent. Some doubt that the private sector can solve these problems, or even that it is interested in doing so. □