Article from:

The Actuary

April 1989 – Volume 23, No. 4

Year-end cont'd

savings. The existing limits will apply in the year 1989, and the limits in the draft legislation will apply in 1990 and thereafter.

Pension reform – Ontario
The Task Force on Inflation Protection in Private Pension Plans, under the chairmanship of Martin Friedland, reported in January 1988. The task force recommended that pensions from defined-benefit pension plans earned for future service should be increased annually after retirement by 75% of the increase in the Consumer Price Index, minus 1%. Such indexing would not be retroactive to pensions earned before the legislation came into force, but inducements would encourage employers to provide future increases in pensions already earned. The Ontario Minister of Financial Institutions announced the government's intention to release draft legislation early in 1989 dealing with pension indexation and other issues. In the meantime, some large unions have been successful in negotiating indexed pensions for their members.

Pension reform – Quebec
The Quebec government intends to amend the Supplemental Pension Plans Act to give effect to the pension reform consensus reached by the various jurisdictions several years ago. Indications are that the vesting of pensions and locking-in of contributions will be required after five years of service (not two years as in Ontario and federal legislation) and further that there will be no requirement on inflation protection.

As a temporary measure a bill has been introduced to limit the ways in which pension plan surplus may be applied. If Quebec's Bill 95 is enacted, then no surplus may revert to the employer until 1990. Upon the winding up of a plan, surplus must be apportioned among all members pro rata to the value of the benefits.

Pension reform – other provinces
Nova Scotia's Pension Benefits Act became effective on January 1, 1988, but New Brunswick's Act is not yet in force. It has been announced that legislation will be introduced in Prince Edward Island. This leaves British Columbia as the only province that has not legislated on the pension rights of employees in the province.

Health care
The rapid growth in the cost of health care has created a problem for provinces that wish to maintain and improve the health care of their citizens. The possibility that many chronic patients using expensive hospital beds could be cared for in other facilities is being explored. Proposals for charges for prescription drugs, doctors' visits, and hospital stays have met with strong opposition. Similarly, workers compensation costs have been soaring, and a move is taking place to end fixed pensions for specified disabilities, replacing them with compensation based on the actual loss of earnings.

Unemployment insurance
In November the federal government announced that the strong position of the Unemployment Insurance Fund would allow an increase in benefits and a 17% reduction in the contribution rates.

Other developments
The Year's Maximum Pensionable Earnings under the Canada/Quebec Pension Plan will be $27,700 in 1989 and the Year's Basic Exemption $2,700. Accordingly employers and employees will each pay contributions up to $525.00 in the year (2.1% of $25,000). The maximum pension for those retiring in 1989 at age 65 will be $556.25 a month, indexed annually.

The standard rate of Old Age Security benefit in January 1989 will be $323.28 indexed quarterly.

The Consumer Price Index rose by 4.1% in the 12 months ending in November 1988 (to 146.1 with 1981 = 100). The prime interest rate was 12.25% at the year end, which means that real interest rates continue high – they have been much higher since 1981 than they were in the previous 30 years.

The political clout of the aging baby boom generation is focusing more attention on pensions. As employees and their unions press for bigger pensions, inflation protection, and earlier retirement, the boom in pension plans can only continue, although we may expect a move toward money purchase plans and new types of retirement arrangements.

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Significant actions of the Board of Governors

January 24, 1989 – Schaumburg, Illinois

1. The Board authorized the Society to participate in a public relations effort centered around the 1989 Centennial Celebration meeting, with the costs to be shared by the several actuarial organizations sponsoring the meeting. The effort is designed to increase the visibility and enhance the role of the actuary.

2. The Board approved an amendment to the Society's By-Laws to provide that a member would not pay dues at the Fellowship level for the calendar year in which the member attains Fellowship.

3. As the first step in a plan to transfer the Secretary and Treasurer functions to two of the Society Vice Presidents, the Board approved a recommendation from the Committee on Elections to extend the term of the current Treasurer for one more year in lieu of holding the contested election that would otherwise have been required this year. Amendments to the Constitution and By-Laws will be necessary to implement this change of responsibility, which is designed to take effect starting with the 1990 Annual Meeting.

4. The Board approved a recommendation from the Committee on Elections that, in the 1989 Society elections, one Board seat be reserved for an individual in the pension area and another Board seat be reserved for an individual in the health area. This action was in accordance with a procedure approved by the Board last year to enable up to three Board seats to be reserved for individuals in areas of interest and/or country of residence deemed to be underrepresented in relation to the total Society membership.

Anthony T. Spano
Secretary