

**Pensions:
Panel Livid about Public Sector Pensions,
Back CFIB Position**

**BDO Dunwoody Weekly CEO/Business Leader Poll
by COMPAS for publication in
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1.0 Introduction

The Canadian Federation of Independent Business recently raised the issue of public sector pensions. Compared to private sector pensions, the public sector ones are more generous. They are more likely to be of the defined benefit type and are sometimes topped up by taxpayers beyond Collective Agreement provisions. All in all, according to the CFIB, more generous public sector pensions likely lead to earlier retirement than in the private sector.

Members of COMPAS' panel of CEOs and business leaders are livid about the issue. With the rarest of exception, they view governments as mishandling the situation, giving them failing performance grades. Topping up defined contribution plans should stop and indeed be prohibited by law. Some panelists recommend that defined benefits plans also be prohibited, obliging the public sector to emulate the private sector's move to defined contributions plans. The more generous defined benefits plans in the public sector, panelists believe, account for the noticeable decline in retirement ages in the public sector.

These are the principal findings from the weekly business web-survey conducted by COMPAS for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0 Drop in Public Sector Retirement Age Driven Almost Entirely by Public Sector Pensions

The drop in average age of retirement to 59 in the public sector is driven overwhelmingly by the special character of public sector pensions according to the panel, as shown in table 2.



Table 2: (Q1) The Canadian Federation of Independent Business expressed recent concern about public sector pensions. The average age of retirement in the public sector has declined to 59 years of age, compared to 62 in the private sector and 66 among the self-employed. As you know, employees may decide to retire early because of stressful jobs, generous pensions, poor health, and other factors. On a percentage scale, how much of the earlier retirement among public sector employees is because of generous pensions?

77	%
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3.0. Topping Up Public Sector Defined Benefit Plans Should Be Prohibited; Special Audits Should Be Provided Annually; Governments Mishandling the Situation

Panelists are livid about the situation, as shown in the strongly one-sided scores shown in table 3A. For example, 86% believe topping up public sector pensions is an unfair burden on taxpayers. Meanwhile, governments earn failing grades for their performance, as shown in table 3B. Some comments:

We have a government Minister telling the private sector that baby boomers are retiring too early so they will have to give incentives for people to work longer. Meanwhile, outrageously generous public sector pensions guarantee early retirement and add to the labour shortage. HELLO. Then there are the obscene packages for politicians and senior bureaucrats paid almost entirely by taxpayers, but don't get me going...

Public sector pension generosity is reflective of a lack of a performance culture in the public sector – pay people more, get the best performers, but expect more!



*Public vs. Private Pensions, BDO Dunwoody Weekly
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The extremely generous public sector pensions, virtually bullet-proof job security, and competitive salaries make civil servants a grossly overcompensated group. We are absolutely not getting value for money spent.

Public sector pensions are unreasonably generous compared to private sector pensions.

The obfuscation provided by the complexity of defined benefit pension plans provides the perfect playground for government and union financial hijinks. I remember clearly the day a civic government emptied the "actuarial surplus" contained within a government employees' pension plan, and although the government had full legal entitlement to the surplus, split it down the middle with the union to keep the lid on the political cauldron...Of course the "actuarial surplus" had been calculated on an overly-optimistic rate of future return and the same pension later fell into an "actuarial deficit." Say what you will about defined contribution pension plans; if nothing else their simplicity leaves no room for a scoundrel to hide.

In the past, the civil service was a job for life but not excessively paid. Now because of union pressure, it is overpaid.

You should have asked, "Should public sector pensions be converted to defined contribution plans?" (Yes).

The issue is not so much the pension plans themselves, but rather the collective bargaining agreements (CBA) which give rise to the pension benefits. Once the CBA is signed, the taxpayer is stuck. Unwinding those benefits without the protection of bankruptcy laws is very difficult. A public sector union strike because of attempts to reform the CBA is also an ugly spectre. It's not clear how you get out from under these rich pension plans. But let's not forget our esteemed parliamentarians with their very rich pension plans.



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Table 3A: (Q2) As you may know, public sector employee pensions tend to be of the defined benefits type while private sector pensions are increasingly of the defined contributions type. The CFIB is concerned that some public sector employee pensions are underfunded and turning to the taxpayer to cover shortfalls. On a 7 point agreement scale where 7 means agree strongly and 1, disagree strongly, how much do you agree with the following opinions? RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
Government Auditors should provide clear annual reports on how much governments are topping up these public employee pensions	6.7	81	12	3	2	0	1	0	1
Topping up already generous public sector pensions places an unfair burden on taxpayers, especially at a time of pressing other budgetary needs in government	6.1	58	22	6	5	3	2	2	2
Parliament and the provincial legislatures should enact a kind of sunset law specifying a date beyond which governments will no longer top up underfunded, defined benefits plans for public sector employees	6.0	53	22	6	5	2	6	2	3
Topping up these pension plans is only fair and just, part of the overall packages given public sector employees	2.4	2	3	9	12	10	22	39	3



Almost all but not quite all panelists embrace CFIB concerns:

The CFIB is out to lunch! They certainly do not have their facts straight. With courts changing the playing field and fewer and fewer eligible retirees volunteering for retirement, the real issue is how to provide career growth to the younger generation.

(Q3) On a 100 point school-type report-card, how would you score the performance of federal and provincial governments for their handling of public sector pension plans?

39	%
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3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted January 24 – 26, 2007. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys 125 are deemed accurate to within approximate 8.8 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

