

## RETIREMENT

# Canadians unfazed by pension woes

Majority say they believe their workplace pension plans will pay out as promised, but seem unaware of funding problems

## JANET MCFARLAND

With pension plan problems filling the news, Canadians could be forgiven for worrying about the security of their own workplace retirement plans.

Except — surprisingly — they're not.

A new survey by RBC Dexia Investor Services and Grant Thornton in Canada has found employees with a traditional workplace pension plan have a high level of confidence in the strength of the plans and their ability to pay out as promised. The survey of 879 people who have traditional defined-benefit pension plans in their workplace found 83 per cent are confident the plans will have sufficient funds to pay them in retirement.

Only 5 per cent said they recall hearing about underfunding problems affecting pension plans in Canada, and just 4 per cent said they have heard that some pension plans are being phased out by employers.

The findings come despite a long decline in pension plan membership in Canada, with many companies phasing out their pension plans or closing them to new hires because market turmoil and low interest rates have eroded investment returns and increased funding obligations.

Statistics Canada reported earlier this year that, for the first time, the majority of Canadians

with workplace pension plans were government employees, while just 25 per cent of private sector employees were members of company pension plans in 2009. Statscan said the number of private sector employees with traditional defined-benefit pension plans — which pay a guaranteed level of income in retirement — fell by 3.6 per cent in 2009 alone.

Regina Baezner, a principal in the pension and benefit practice at Grant Thornton, said employers may need to educate employees more “in terms of the challenges” facing pension plans. “Plan members remain in the dark about the issues and challenges facing Canadian defined-benefit plans,” she said.

Scott MacDonald, head of pensions, insurance and financial institutions product at RBC Dexia, says the survey findings show many people are unaware of the real risks facing pension plans, he said.

The survey report questions whether employees are “overconfident and underinformed,” with 74 per cent saying their workplace pension plan will be their primary vehicle for retirement income, but 49 per cent not knowing how much they will receive when they retire.

Bill Schmitt is a fan of his company's pension plan after working 27 years at Canadian National Railway Co., and says he is “very confident” the plan is securely funded. But the 48-year-old rail-

way worker worries there is pressure on governments to change pension rules and weaken obligations of employers.

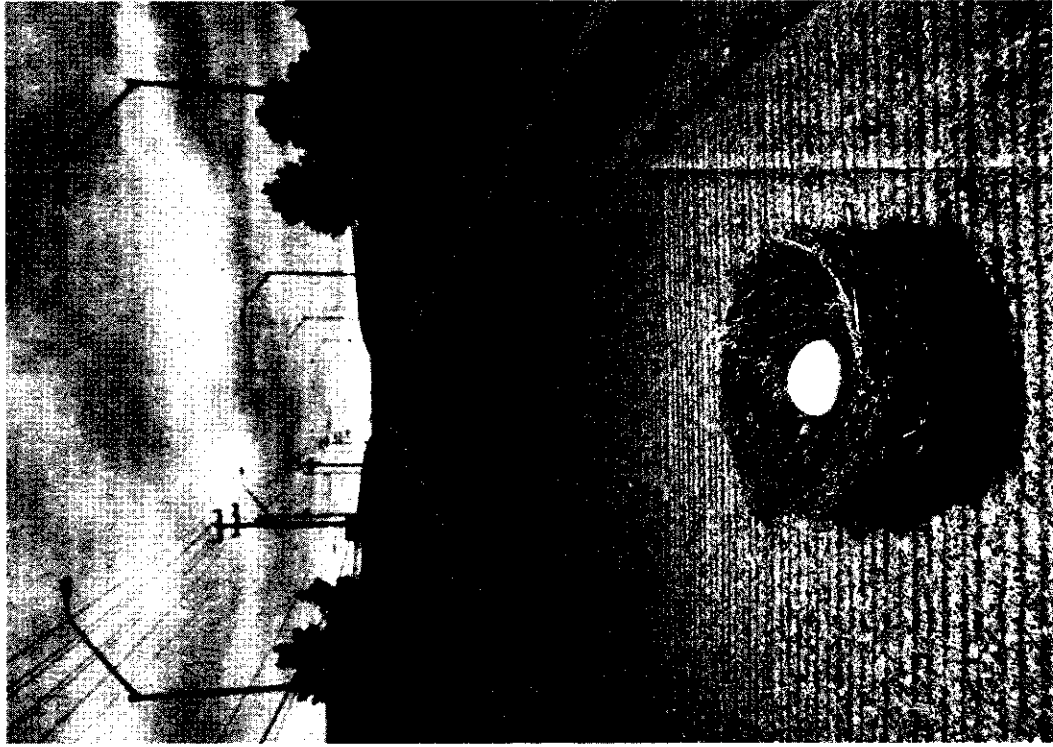
“The recession of a few years back, where most people without pension plans lost their investments, probably didn't help protect traditional plans either,” he says. “If someone lost their retirement savings, they won't be too supportive of those of us with traditional plans.”

Claire van Beek Rogers shares the concerns. As a member of the Ontario Municipal Employees Retirement System pension plan, she worries that benefits for civil servants could come under fire if funding pressures force the public sector to scale back pension promises.

But the Brampton administrative assistant says she is only putting a “tiny, tiny” amount into her own retirement savings account because there isn't much left over after the bills and mortgage are paid. She will rely primarily on her OMERS pension when she and her husband retire.

Gord Stephan says he has learned not to count on his workplace pension after losing his job at a multinational company in 2002, and is contributing the maximum allowable amount to his personal retirement savings plan.

“I do not feel that the income provided by the pensions will be sufficient to survive on after retirement,” he says.



Just 25 per cent of private sector employees have pensions. GETTY IMAGES