
Time for a public-sector pension wake-up call

It's getting mighty tough for Ottawa to keep justifying plummy pensions that are exclusively reserved for public servants and MPs.

Ordinary Canadians footing most of the bill for those pay-outs increasingly are having to postpone their own retirements for lack of financial resources. More are entering retirement with debt. Interest rates are rock-bottom. Too few have private pension plans. And companies are snipping away at pension offerings.

The Canadian Taxpayers Federation has cleverly jumped on the issue in advance of a federal budget expected in February or March. The group issued a 65-page report this month condemning the status quo.

Some political watchers wonder whether - at long last - this could be the time the feds scale back pensions for politicians and public servants, who are receiving benefits that look evermore grotesque.

Treasury Board President Tony Clement said last week he has been charged with examining options around the pension question. And official Opposition New Democrats on Wednesday called for a third-party review of the MP's plan.

It is past time for action. And Stephen Harper would be applauded for any reform.

No one is suggesting MPs and public servants should not receive decent pension pay-outs, merely that they be more in line with real-world benefits received by average working Canadians.

Changes to both sets of pay-outs need to be made at the same time. Politicians could not move to rein in public sector pensions without restraining their own booty.

And if, as the PM suggested Thursday in Davos, government plans to trim old age security eligibility, it would be essential to first reform the politicians' plan.

MPs' payouts are considerably more ridiculous than those of the federal public servants.

As the taxpayers federation puts it so well: «Politicians should not be a class apart from the taxpayers that fund the government they run.

«If MPs are to have the political capital and moral authority necessary to reform public-sector pensions, they must first look to their own lavish plans.»

According to federation calculations, for every \$1 MPs and senators pay into their pension plan, taxpayers contribute more than \$23 - despite the fact MPs and senators are extremely well-paid, earning between \$157,000 and \$314,000 a year. They're eligible for pensions at age 55, after just six years in the Commons.

Former Bloc Quebecois MP Gilles Duceppe now receives an MP's pension of \$140,765 annually. Former Conservative MP John Cummins, now heading B.C.'s Conservative party, receives \$102,169.

The average annual payout for all retired MPs and senators is between \$50,000 and \$60,000.

Time for a public-sector pension wake-up call

The federation wants the MP's plan to be immediately nixed and replaced by a pooled registered pension plan with contribution rates equal to those paid by public servants.

For federal public servants, the existing deal is not as sweet as for MPs.

The average public service pension payout in 2009-2010 was \$25,000 a year but that's misleading, because it includes even employees who work for government just a few years.

The plan is potentially quite rich, and indexed to inflation. For example, a deputy minister after 35 years could qualify for a \$140,000-a-year pension.

Taxpayers now cover 65 per cent of the plan's cost, declining to 60 per cent by 2013.

The issue really boils down to affordability.

Canadians cannot afford, and should not be asked to pay for, such disproportionately high pension entitlements for well-paid MPs and public servants.

It is not as though the country is experiencing a shortage of people wanting to enter politics or the federal public service.

And if these two groups were without such insulating retirement benefits, they might be more inclined to turn their attention to the problematically slim pension pickings that are out there for the rest of us.

byaffe@vancouver.sun.com

© Copyright (c) The Vancouver Sun

http://www.vancouver.sun.com/business/time+public+sector+pension+wake+call/6060313/story.html