

## "Some Pension Points from a Novice:"

Recently, my mind turned to my pension situation....How secure is it?

So here are some of the facts that I found out. However, what I basically concluded, is that in my remaining life time ( may it be long and prosperous) , I should not have any concerns about whether there are there sufficient funds in the "pot" to look after my retirement and survivor benefits....

### PUBLIC SECTOR INVESTMENT PLAN:

As I have understood my Public Service Pension situation.....the current generation of employees plus the government share, are paying for the current generation of retirees....But for how long will the current balance continue as we are living longer and the pensioner and survivors are collecting pension and survivor benefits longer?.

First, according to the 2014 Spring Report of the Auditor General of Canada, the net Pension Liabilities ( for retirees from the Public Service, the Canadian Forces, the RCMP etc.) in 2012/13 the overall net Pension Liabilities totaled almost \$152 billion dollars\* while Pension Assets (managed by the Public Service Pension Investment Board) stood at \$72.2 billion.\*\*

There were 430,000 contributors AND 291,000 pensioners and almost 82,000 survivors involved with the plan as at March 31, 2012 and these 3 groups accounted for 95% of the government's pension liability. The remaining includes Reserve Forces (members since 2007 \$.3 billion) members of Parliament (\$.4 billion), federally appointed judges (\$2.3 billion) and various retirement compensation arrangements (\$4.2 billion).

The Pension Plans comprise of two types of accounts created under legislation: superannuation accounts and pension fund accounts. The Superannuation accounts record employer and employee contributions made BEFORE April 1, 2000 but hold no actual assets (remember the pension surplus court case????) Net contributions by employees and the employer (Gov't of Canada) since that time have been credited to the pension investment accounts and the funds invested under the Management of the Public Service Plan Investment Board.

The latest Report for the Public Service Pension Investment Board through to August of 2014 now records the fact that assets under the management of the PSPIB are now \$93.7 billion\*\*( a substantial increase from 2012 quoted above). In the last year where did the increase come from????..... Well, Investment income was recorded at \$12.6 billion but, in addition, there was a transfer of \$5.0 billion from the Gov't of Canada representing the amount not spent on current pensioners vs. the amount contributed to the pension fund from current employees and the government share.

So for the Pension monies under the management of the PSPIB....things look optimistic. The Chair of the Board offered a prediction that by 2035, with current contribution rates

and potential investment returns the PSPIB net assets under management could reach \$425 billion! Hmm, that's more than 20 years from now! Will I (or you) still be around???(Be optimistic and think of it as ONLY 20 years).

#### CANADA PENSION PLAN:

Before closing on this issue of OUR PENSIONS let's take a quick look at the GIANT of all Pension Finds the Canada Pension Plan.

This Plan was created in 1966 and, at that time, the contributions to the plan (for ourselves) were integrated into the existing schedules so that the combined contributions to it and our Public Service Pension Plan in total stayed about the same and the pension payout in retirement, in total, would meet the schedule of 2% per year times the number of years employed (the same).

Today it is one of the World's largest and fastest growing institutional investors and, at current contribution rates (for individuals and employers); the fund is considered by the Actuary for Canada to be stable for a 70 year time horizon.

As at June 2014 it had Net Assets under management, of \$226.8. In the last 10 years its cumulative investment return amounted to \$98.8 billion net..... and, most recently, in the last reported 3 month quarter(June 2014) it had a return \$3.4 billion in Net Investment Income while it is still receiving \$4.36 billion in net CPP contributions.

#### CONCLUSION:

As things stand we, as Federal Retirees, don't seem to have anything about which we should be concerned. However, we are just receiving what our contract (understanding) was when we "signed up".

For today's employee, things are not so clear.