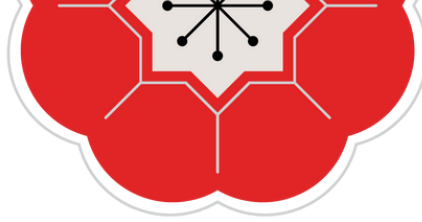


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Poll Numbers Show Pension Confusion

Whose Pensions Are Most at Risk?

A recent poll by Leger shows declining support, even among UCP supporters, for pulling Alberta out of the Canada Pension Plan and establishing an Alberta Pension Plan in its place. That doesn't mean the issue is settled - far from it. The Smith government will remain deeply committed to their attack on Canadian social programs, and the CPP is target number one. They're almost certainly going to come back with another advertising blitz, hoping to establish enough momentum to have a chance of winning a referendum on the issue.

Other polls released last fall do include some ironic results. Apparently, opposition to the APP is highest among older Albertans, while support for the proposal is highest among those aged 18 to 29. A small majority of the latter (54%) think an APP would be an "okay" or "very good" idea. So, where's the irony? Well there are two things:

First, older Albertans, the group most opposed to the APP, are a crucial part of the UCP's electoral base. This is not good news for the UCP/TBA.

Second, younger Albertans arguably have the most to lose if the province leaves the CPP and the APP turns into a fiasco.

Why? If Smith's government succeeds in establishing an Alberta Pension Plan (and the polling numbers suggest that's unlikely), it won't happen overnight. On the contrary, the whole process is likely to be complicated and lengthy. It will involve complex negotiations, possible court cases, a referendum and, if the referendum passes, creating new public bodies (or drastically upscaling existing ones) to administer the plan and invest its assets.

No one knows how long this will drag on, but a reasonable guess is a minimum of four to six years. That means seniors are probably guaranteed at least that amount of CPP pension. And even after that, seniors' benefits are probably safe for a few years. Even if the APP turns into a complete fiasco, it won't happen overnight.

For younger Albertans, those currently between 18 and 29, it's a completely different story. By the time they reach retirement age, the APP will have had three or four decades for its fundamental flaws to make their appearance. These flaws, to name just three, include its smaller size (which makes it more vulnerable to market fluctuations), its vulnerability to political interference, and the likely disappearance of the province's current demographic advantage (a younger population than the rest of Canada), something that even the LifeWorks Report acknowledges.

If the plan to leave the CPP and establish an Alberta Pension Plan poses a greater threat to the retirement incomes of younger Albertans, why does this group show so much support for the idea? Various explanations have been advanced:

- 1.Younger people don't think much about or care much about retirement,
- 2.Younger people don't care about the CPP because they think they can do a better job of managing their own savings than can professional investors with a proven track record, or
- 3.The whole topic just bores them, so their response to the APP is "why not?"

These explanations are unsatisfactory for two reasons. First, they're speculative, and not based on any actual data. Second, they are disrespectful toward young Albertans, giving them no credit for actually having thought about the issues.

There is a better explanation for this anomaly: that younger Albertans have been persuaded by one of the great myths of Canadian politics, that the CPP itself is fundamentally flawed, and that "it won't still be there by the time I'm ready to retire". This myth first emerged in the mid-to-late 1980s, and became a favourite theme of right-wing politicians and media.

To the extent that this argument had any foundation at all, it was this: the CPP was established as a pay-as-you-go pension (PayGo) . That means that the pensions of current retirees are paid for by the contributions of people currently working and contributing to the plan. In the 80's, plan actuaries warned the governments involved that demographic trends (meaning the Baby Boomer generation) could pose a problem for the plan in the future. Put simply, as the large number of Boomers hit retirement age, the costs of supporting their pensions would start to climb, and the required contributions might place an unreasonable burden on younger plan members. To prevent this, the governments involved made some crucial changes to the CPP.

While the foundation of the CPP would remain PayGo, contribution rates would be raised slightly, with the new money put into a fund, making the CPP now a partially funded pension plan. With these higher contributions and the returns from investing the funds, the plan could handle these demographic changes without contribution rates that would be unsustainable.

Despite these changes, and despite the success of the CPP investment fund, the myth has persisted over the years and, like other political myths, has gone largely unchallenged. The technical details of the argument hardly matter, though, because three-and-a-half decades after the idea was first advanced, the CPP is still here and still delivering pensions as promised. In fact, the plan is now stronger and more resilient than ever, and is in the process of increasing benefit levels for future retirees. Of course the younger you are, the more you stand to gain from these benefit improvements.

So what the polling data suggests is that we need a wider discussion of these pension issues, one based on facts and logic rather than on myth and condescension. That's the best and only way to protect one of the most valuable social programs in Canadian history.