



Position Paper

Reduce the Expanding Inequity between Public and Private Sector Pensions

Approved by the NLEC Executive November 19th, 2010

Overview

It is the position of the Newfoundland and Labrador Employer's Council (NLEC) that the federal government should reduce the expanding inequity between public and private sector pensions. The federal government must rectify the inequality and restore an equivalent balance.

Government must improve the pension situation; no taxpayer should have to finance a lucrative public sector pension plan. The NLEC is proposing an increase in federal public sector employee pension plan contributions to 50 per cent, a ratio presently used by the Newfoundland and Labrador (NL) Public Service Pension Plan (PSPP).

Inequity between Public and Private Sector Pensions

Currently, in NL, the PSPP is structured such that employer and employees allocate equally the overall cost of the benefits being earned. Therefore, the employer's payment is equal to the payment of its employees. Federal government employees only contribute 34 per cent of their total pension contributions and the federal government finances the remaining 66 per cent. Persons working in the federal public sector reap benefits from very magnanimous defined benefit (DB) pension plans.

On August 17, 2010, PSAC issued a report saying that 100,000 employees signed PSAC's petition to preserve Canada's federal public sector pensions. Public sector employees are crying foul because they believe their pension is a martyr in the media, due to recent pension reform consultations. The attempt to garner support from the masses is an obvious attempt to defer pension reform that would result in any changes to existing public sector pension premiums. Taxpayers help subsidize the public sector pension plan, while federal public sector employees reap the benefits from indexed DB pensions.

Private sector employees cannot enroll in a pension arrangement that, in the federal public sector, delivers exceptional retirement benefits. The low administrative and agency costs associated with federal public sector pensions are due to the large employee enrollment, whereas, a smaller business is unable to afford the luxury of a similar pension plan. Yet, those same private sector small businesses, together with their employees help fund the federal public sector pension.

Conclusion

With the current structure, the federal government is supporting the 'have' federal public sector employees, and, placing the rest of Canada in a 'have not' category. Government is currently paying for unreasonably generous retirement benefits to a select group of Canadians. It is untenable that industrious lower and middle-class Canadians fund bountiful federal public sector pension plans. The diverse treatment is inequitable and increasingly unacceptable. Government, is, in effect, competing with the private sector for human resources, using tax dollars to fund the competition.

For this reason, the NLEC endorses an immediate modification of the current federal government pension plan contribution ratio. Federal public sector employees should be required to contribute at least 50 per cent of their pension costs. Implementing a 50/50 contribution ratio will help restore a healthy fiscal balance and eliminate the pension inequality.