

Retirement Issues:

Keeping Older Employees on the Job Good for Business
Public Sector Pensions Unfairly Generous and Should Be Rolled Back
Canada Pension Plan a Major Failure
Business Panelists and Friends to Retire Later than They Expected

BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
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1.0. Overview

Retirement has become an increasing issue of discussion partly because of the end to compulsory retirement and partly because of the decline in the value of many pension plans. This week's poll explored a variety of retirement related issues. Key findings are that CEOs and business leaders on the COMPAS business panel:

- Continue to believe that keeping older employees on the job good for business;
- Perceive public sector pensions as unfairly generous compared to their private sector counterparts, for which reason a special Commission should be created for the purpose of rolling back their provisions;
- Judge the Canada Pension Plan to be a major failure, inadequate as a retirement tool for the average Canadian; and
- Plan to retire several years later than they had originally anticipated.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

2.0. Findings

Panelists

- Continue to believe that companies benefit when employees work past normal retirement age because



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older workers who stay are more stable and knowledgeable, as shown in table 2a;

- Perceive public sector pensions as unfairly generous compared to their private sector counterparts, for which reason a special Commission should be created for the purpose of rolling back their provisions, as shown in table 2b. Almost none perceive public sector pensions as fair;
- Judge the Canada Pension Plan to be a major failure, inadequate as a retirement tool for the average Canadian, as shown in table 2c; and
- Plan to retire on average 4 years later than they had originally anticipated, as shown in tables 2d and e.

Table 2a: (Q1) As you know, there is continuing talk about the role of older employees who stay on past normal retirement age. On a 7 point agreement scale where 7 means strongly agree and 1 strongly disagree, how much do you agree with the following opinions about keeping employees past the traditional age of retirement. RANDOMIZE

	2009	2008	2009							
	Mean	Mean	7	6	5	4	3	2	1	DNK
It helps make available more individuals with knowledge and experience to mentor the young	5.5	5.8	24	35	23	10	4	4	1	0
Companies benefit because older workers who stay are more stable and knowledgeable	5.5	5.6	20	40	26	7	2	4	1	0
Companies are harmed by higher salary and benefit costs	4.0	3.8	9	12	17	24	17	13	9	0



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	2009	2008	2009							
	Mean	Mean	7	6	5	4	3	2	1	DNK
Bringing in new blood and new thinking becomes difficult	3.9	3.8	6	13	20	19	18	16	8	0

Table 2b: (Q2) There's been talk about public sector pension plans and how they are very generous compared to private sector pensions and what the self-employed are able to save for retirement. Which of the following opinions is closest to your own?

	%
Public sector pension plans are so unfairly generous compared to what is available to other Canadians that a special Commission should be created for the purpose of rolling back their provisions.	64
Public sector pensions are more generous than what is available to people in the non-profit or private sector but it would be unfair to change these provisions after the fact.	28
The generosity of public sector pensions is fair when all other aspects of public sector jobs are taken into consideration.	7
Don't know or no opinion	1

Table 2c: (Q3) How satisfactory is the Canada Pension Plan as a retirement tool for the average Canadian? Please score its adequacy on a 100 point school report card-type scale?

MEAN	DNK
40	1



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Table 2d: (Q4) Thinking back 20 years, what was the typical age that you and your closest friends expected to retire?

MEAN	DNK
62	1

Table 2e: (Q5) Today, what is the typical age that you and your closest friends expect to retire?

MEAN	DNK
66	0

The following verbatims provide a nuanced sense of panel opinion:

Employers and employees that wanted to work past 65 always had the option to work on a contract basis and usually worked out to be favorable to both parties. It was fair to both and should never have been changed.

Having older employees can be a blessing or a curse - it really depends on whether they are adding value. Bringing in new blood can be beneficial in terms of bring new views and ideas which may benefit the company especially in cases where old blood has not been able to keep and bring innovative ideas to the table.

There is no long term accountability in the public sector, so the pensions and benefits can be allowed to balloon out of control. The politician that gives in to a ridiculous demand, that they know can't succeed long term, will suffer very little direct consequence of his or her decision. No different than the management teams at the North American automobile companies.

[The public sector] lacks an internal competitive environment, where every task is truly held to the scrutiny of



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a market force. So, the only default for government to "outsource" as much as possible to save cost. Which in effect is government saying "we can't manage this". Which is truth. And probably just fine.

I have accepted the fact that I will probably die on the job.

Public service contracts--i.e. sick days are also over the top.

My views on public service pensions are based on the assumption they are actuarially sound. That is that the employee and employer contributions will maintain a financially sound base over the life of the plan. If that is not the case now, it is the contribution rates that should be adjusted not the benefit rates. If this is not viable for either party, then the benefits should be reduced over a reasonable time horizon to enable employees to adjust to the specter of a pension lower than they planned to have in retirement.

Older employees have to be considered on their individual merits. Not all are an asset, and some are a tremendous asset. You can't retroactively roll back pensions for employees who have been promised a defined benefit. But a roll-back could be phased in for people who would still have time to plan for a reduced government pension and top it up on their own.

Encouraging older workers who have something to offer, particularly through mentoring, to work part time in the 60's and even their 70's can benefit both the company and the worker.

As much as I don't agree with a mandatory retirement age, I do think people become less productive after 70.

If there are changes to the Public Service Pension Plans they should be not implemented over time so that those now close to retirement age are not affected as much as those 10, 20, 30 etc. years from retirement.



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We have a structural problem in Canada. The large union employee groups, especially in the public arena have been out of touch with reality. Governments have also given the wrong signal to businesses with unions using those as yardsticks to force them to match the high cost base. In addition, the work rules ensure continuity of employment and are such that they create additional jobs, all adding to an unrealistic tax burden. When times are good, it may not be as bad as when times are bad and when unemployment is reaching for 9% plus. Those poor people would like a government job so that they can be assured of a pay cheque.

At age 74 retirement is far from my mind, but I am blessed with good health

Some people still want to retire at age 50 or 55 if their finances are strong enough or they simply do not like doing the job they hold. Those who enjoy doing what they are doing - like me - really do not think much about a specific retirement age.

I think the real issue with respect to public sector pension plans is the defined benefit nature of them. We have reached the point where there is no more free lunch. Public sector plans should be converted to defined contribution plans to relieve those of us on our own private sector defined contribution plans from the burden of taking the investment risk for the public sector defined benefit plans.

Keeping older workers may become a necessity due to the low birth rate affecting the availability of replacement staff. This recession will not last forever and when things start to boom once more this problem will become very evident.

At the end of the day it's all about personal accountability. Some expect the government to take care of them and others take their own responsibility for their welfare. The shame is "most" people will expect some type of safety net.



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Either way, it's about saving along the way and that costs money and means sacrifice. No easy answer, but certainly public employees should not receive disproportionate advantage over those who choose to work in the private sector.

Although I expect to fully retire later, most of my friends and I do expect to cut back on our hours once we are in our late 50s. Many organizations have a 3-yr transition to retirement program where you work 80% the first year, 60% the second and 40% the third. I would like to work 30-35 hrs/wk in my 50's and 20-25 hrs/wk in my 60s.

Although, I could retire I'm having too much fun.

I'm 80 and spent all April in China getting business. The elderly can generate if they stay active and watch health issues.

3.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted July 7 - 9, 2009. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=113 are deemed accurate to within approximate 9.3 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

