Some Downsides to Increasing Eligibility Ages

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Outline

• What I liked; and what I would do differently

• Two cases:
  – Canada Pension Plan reforms, 1995-1997
  – BC College Pension Plan, 2011-2016

• The paper’s case for raising eligibility ages

• General response to the report
What I liked:

• Retirement age / eligibility age distinction

• Recognition of fairness & progressivity issues

• International overview

• Consideration of alternatives

May have done differently:

• Develop further and adhere to

• More balance on options
“Eligibility Age” refers to a parameter of a pension plan:

p. 7; “Usually the eligibility age is the age when the person may – or is required – to retire from his or her regular workplace, or when the person is eligible to a “regular” old age pension.”

p. 8; (as used within the paper) “refers to the age at which an individual is eligible to begin receiving full benefits.”

p. 22; “… eligibility age is 62, i.e., the earliest possible age at which income benefits are available.”
Canada Pension Plan Reform - 1995-97

Pension Benefit % of average adjusted eligible earnings

Age At Retirement

Existing  Proposed
College Pension Plan - Pension Accrual Rates
for New Plan Design; and Pre-2016 below and above the YMPE

Age at Retirement

Accrual Rates (lifetime pension)

Pre-2016 Below YMPE
Pre-2016 Above YMPE
New Plan Design
The Case for Raising Eligibility Ages

• Demographic/economic factors → lack of sustainability → intergenerational unfairness
• Not increasing EA is making a decision
• Double effect: increases contribution period and decreases benefit period
• Retain skilled older workers; increase labour supply; health effects; economic benefits
• Not a benefit cut
• Natural response to increasing longevity
• Everybody is doing it
General Response

• I agree that any lack of financial sustainability presents intergenerational fairness issues and should be corrected.

• I agree that increasing Eligibility Age is an option that deserves careful consideration in these situations.

• I don’t believe that increasing Eligibility Age merits any presumption, pre-judgement, or pride of place.
  – The current plan design, the problems to be addressed, and the reform objectives should always be the starting point.

• For flexible pension plans “eligibility age” is a function of both plan design parameters and communications strategy.