
The US Should Look to Canada to Reform its Public Pension System.

Observers of the diverse and often challenged American public pension system look north to Canada with a certain degree of admiration. Canadian public pension plans tend to be fully funded — some even have healthy surpluses. Most U.S. plans are in deficit, and several are unlikely to be sustainable. So what makes the Canadian system better? The inevitable response has to do with better governance. But it goes a lot deeper. It is the legal structure of Canadian public pension plans that enables strong governance.

Based on a new, comprehensive study of the largest Canadian and U.S. public pension systems – their design and performance – we found one feature of the Canadian model to be fundamental. If adopted in the U.S., it could reorient the relationship between employers and pension beneficiaries in the public sector, and even renew interest in defined benefit pensions for a significant group of private-sector employees.

Canadian public pension plans underwent a series of reforms starting in the late 1980s. Until then, many of them were not in good shape. In some cases, there was an unhealthy relationship between government pension sponsors and plan members. Sponsors were willing to grant benefit enhancements but did not match them with increases in pension contributions. So, both employers and employees became concerned about system solvency. Employers worried that they had made promises that would be difficult to honor. Employees worried that what seemed to be too good to be true actually was. Unions fretted that pension promises might be reneged when future governments realized they were simply not affordable.

Continue reading.

THE HILL

BY INGO WALTER AND CLIVE LIPSHITZ, OPINION CONTRIBUTORS — 07/28/20 04:30 PM EDT

THE VIEWS EXPRESSED BY CONTRIBUTORS ARE THEIR OWN AND NOT THE VIEW OF THE HILL