January 23, 2014

Hon. Premier Wall:

I am writing to you today on behalf of the Canadian Taxpayers Federation to urge you to finish the job former NDP Premier Allan Blakeney started on government employee pension reform.

As you are aware, thanks to changes initiated by the Blakeney government in the late 1970s, most new provincial government employees, can no longer join expensive and risky (especially for the taxpayer) defined-benefit pension plans.

Instead, most new employees join less costly defined-contribution pension plans. Subsequent changes in 2002 led to Saskatchewan MLAs contributing to less expensive defined-contribution plans as well.

However, there are still a few provincial government employee groups that never made the switch.

For example, provincial judges are part of a defined-benefit pension plan. In fact, it has spiraled out of control in recent years – to the detriment of taxpayers.

In 2010, Saskatchewan taxpayers were on the hook for the plan's $89 million in unfunded liabilities. However, that number has now skyrocketed to a whopping $135 million. That's a 52 per cent increase in just three years.

Make no mistake, the government needs to offer a good pay and benefits package for judges and other government employees or it won't attract quality candidates.

However, the plan judges currently receive is grossly unfair for taxpayers – especially when you consider the latest pension data the Canadian Taxpayers Federation obtained from Statistics Canada.

As of 2010, approximately 74 per cent of people working outside of government in Saskatchewan did not have a workplace pension.

Thus, to keep asking taxpayers - who have no workplace pension plan whatsoever - to keep paying more and more for government employee plans is just not fair.

But let's be clear, we're not trying to pick on judges.

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The Saskatchewan Healthcare Employees' Pension Plan (SHEPP) is also a defined-benefit plan that is still accepting new members. As you may be aware, both employees and the employer (provincial government) are increasing contribution rates as of 2014. Meanwhile, the plan claims government already puts in $1.12 for every dollar the employee contributes.

Again, most people in the private sector don't have a workplace pension let alone someone matching their RRSP contributions each year.

Beyond the SHEPP, there are other provincially funded plans that are deep in red ink. Although it is commonly associated with the city of Regina, the Regina Civic Pension and Superannuation Plan include public school staff and some Regina Qu'Appelle Health Region workers. The plan has an unfunded liability of about a quarter of a billion dollars.

Unfortunately, reforms initiated by your government in June 2013 do not address the pension problem, nor do they address the unfairness of the situation. The decision to remove the requirement for a plan to be solvent merely kicks the proverbial 'pension problem can' down the road. There is still nothing preventing taxpayers from having to continue to foot the bill for golden pensions for a select, privileged segment of the public sector.

Perhaps some private sector data will help illustrate the costly and risky challenges involved with defined-benefit pension plans. As you can see, the number of private sector workers in Saskatchewan who have workplace pensions has held steady between 1977-2010 at just under 26%. However, during the same period there was a decrease in defined-benefit pension plan coverage and an increase in defined-contribution pension plan coverage.

Private Sector Employees in SK Workplace Pension Coverage

	1977	**2010**
Employees with Workplace Pensions	25.8%	25.6%
Employees with Defined-Benefit Pensions	19.7%	9.9%
Defined-Contribution	5.5%	13.0%
Other	0.5%	2.6%

Source: Statistics Canada, Custom Data Purchase

Given the costly and risky nature of defined-benefit pension plans, the inherent unfairness of the status quo to taxpayers, and your political opponents' track record of addressing this issue head on, we expect your government to show leadership in this area.

Specifically, we encourage your government to do three things:

First, stop allowing all new employees to join government-funded defined-benefit pension plans. They are far too risky and costly for the taxpayer. Instead, we encourage you to put all new employees in defined-contribution pension plans.

Second, we encourage you to pursue pension reform to existing plans rather than continuing to raise taxpayer contributions. Raising eligibility rates and reducing benefits are options that should be pursued rather than asking the taxpayer to continue to put in more and more. New Brunswick has led the nation in their reforms to existing pensions, reducing cost-of-living increases when pension plans are insolvent.

Third, we encourage your government to push organizations you fund – school boards, health regions, municipalities, etc. – to also pursue the aforementioned pension reform. If provincial MLAs and most other government employees have to get by with a more stable, less risky pension plan, why fund other organizations to continue offering the most expensive and risky type out there?

Thank you for considering our recommendations on pension reform.

We hope you will pursue changes swiftly as the status quo is simply not fair for the taxpayer. It's time to stop the bleeding.

Sincerely,

Colin Craig,
Prairie Director
Canadian Taxpayers Federation