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EMPLOYEES PENSION AND RETIREMENT PLANS

There is little information available on the cost and the adequacy of protection provided by employees pension plans in Canadian industries. A survey carried out by the Dominion Bureau of Statistics (Survey of Industrial Pension and Welfare Plans, 1947) was mainly concerned with the extent of coverage and certain other characteristics, but did not contain any data on the amount of contributions and benefits under existing pension plans.

The following information was compiled from twenty-nine booklets which companies had attached to their completed questionnaires in the above mentioned survey. These booklets were issued for the purpose of acquainting employees with existing pension plans. Not all companies having pension plans in operation have such printed material available, and, as no request for such material had been made by the Bureau, only a small number of companies sent in their booklets. Because some of these were printed for certain companies "and subsidiaries", it is impossible to say how many firms and employees they actually cover.

Therefore, these notes give a description of different types of plans rather than an indication of their extent. There is a certain amount of uniformity, however, in some of the features and for that reason the information presented here is thought to be of interest.

Source of Funds

Ten of the firms under study have non-contributory plans, i.e. plans where the employees do not contribute to the cost. One company has a contributory plan for salaried employees and a non-contributory plan for hourly paid employees. Several firms have contributory annuity plans supplemented by company financed pensions. In one case an annuity plan is financed by employees only, but supplemented by company paid pensions.

Only in some cases does the fact of a plan being contributory make for higher benefits than the usual formula described below.

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In most cases the company bears the entire cost of contributions for past services; only in one case is the cost for past service borne entirely by the employees.

The amount of employers' contributions is generally not stated; by some it is given as "not less" than a certain percentage (ranging from 1 to 5 per cent). In one case employees' and employers' contributions are equal. The amount of employees' contributions is usually a fixed percentage of earnings (3 to 7 per cent), in one case it varies also with the age at joining the plan, younger employees paying a lower percentage. In all cases the employees' contributions are deducted from the wages.

Some of the companies having non-contributory plans emphasize in the regulations the fact that the plan has been instituted voluntarily by the company and that it does not establish any contract rights for the employees.

Benefits

Where a pension plan is administered by the Annuities Branch of the Government of Canada, benefits are in accordance with the schedules. As annuities are limited to $1,200 a year, they are in some cases supplemented by another pension plan.

The most frequent formula for the calculation of benefits is 1 per cent (in some cases up to $1\frac{1}{2}$ per cent) of the average annual earnings (mostly the average of the last ten, or the highest paid ten, years of service) for each year of service. For years of past service the percentage is under some plans slightly lower than the one for the years of future service. Under one plan it is stated that benefits are 13 per cent lower for women in view of their higher life expectancy. One company reports benefits as a fixed amount, instead of a percentage of earnings, for each year of service; another sets an annual benefit of 1/60 of the total earnings since joining the plan, and under one contributory plan the annual pension is 45 per cent of the employee's total contributions.

In some cases a minimum benefit is guaranteed, mostly an amount from $240 to $360 a year, but under one plan it increases according to length of service. A few non-contributory plans also set an upper limit ranging from $900 to $2,500 a year, or a certain percentage of earnings.

One non-contributory plan provides that pensions from other sources may be deducted, but generally it is provided under company paid plans that other income is not deductable except if derived from a competitive business.

One non-contributory plan provides slightly reduced benefits for married males in order to cover also survivors.

In cases where the employee leaves the employment before qualifying for pension the usual provision is that he is entitled to the benefits resulting from his own contributions. Under one plan an employee gets the benefits also from a certain percentage of the employer's contribution after at least 5 years service.

Eligibility for Participation in the Plan

Under plans where classes of employees are excluded from participation, the classes are mostly part-time and temporary employees, or those paid on a

commission basis only.

In many cases a certain length of service is required varying between the different plans from three months to five years. In one case the period is three years for male employees and five years for female.

Age also appears as a determining factor in some plans, the upper limit being the retirement age or other ages ranging from 40 to 65 years. In some cases this limit is 5 to 10 years lower for females. Where a minimum age is required, it is between 20 to 34½ years, in some cases 4 to 5 years higher for females.

Eligibility for Receipt of Benefit; Retirement Age

The normal retirement age is generally 65 years; many plans provide for a lower age (55 or 60 years) for female employees. One plan extends the limit by up to 5 years for male employees who join the plan at a higher age.

Several plans, among them most of the non-contributory plans, require a certain length of service, ranging from 15 to 25 years. After 30 years service, age requirements are sometimes reduced. Some plans provide for pensions regardless of age in cases of disability after 15 years of service.

Under two plans retirement is compulsory at the age of 65 years for all employees. Under the remaining plans provisions are made for earlier or later retirement under certain circumstances.

Under one plan the normal retirement age is 70 for male employees and 60 for female. In this case, the benefits are based on 1½ per cent of average earnings for each year of service; voluntary retirement is possible at 65, at lower benefits.

Administration

Plans are administered either by commercial companies, a trust fund, or by the Annuities Branch of the Government of Canada.

Participation

Participation under all contributory plans is voluntary for employees on the staff when the plan is instituted. Under some plans participation is compulsory for new employees; one is compulsory for new male employees only.