The province has developed a solution to the pension crisis that has been touted across North America as the solution to the public sector employee's pension crisis. Last week the Wall Street Journal referenced it.

In New Brunswick, the Task Force on Protecting Pensions came up with a novel approach to the pensions crisis that many believe will solve the pension problem. They were able to come up with this approach despite not having produced any financial analysis or any long-term projections in their report. It is a miracle indeed.

The solutions will work only as long as there is the political will to fix the problem. Our organization, Fair Pensions For All sees this as the potential downfall to any pension fix. Politicians have been reluctant to make any changes across the country, as most benefit themselves from the current system.

In the private sector, the pension problem has been solved as companies have closed down the defined benefit pensions. Employee's receiving a defined benefit pension in the private sector have dropped to 1.5 million in 2011 from 2.1 million in 2006. At the same time, public sector pensions have seen increased membership, rising to just short of 3 million.

The current pensions system in Canada has been called "pension apartheid". This is in reference to the gap between what public sector employees will receive in retirement and what those in the private sector will get.

The pension crisis has been clearly understood. Many plans are coming to the point where there will be more retirees in them than employees contributing into the plans. Many retirees will collect more in pension income than they paid in and they will live longer in retirement than they did working.

Over the past decade Canada saw one of the largest legal asset re-allocations in the history of the world. Some call it pension envy, some call it pension apartheid but it really is a pension ponzi. This has all combined to provide a major challenge for taxpayers who fund a significant portion of the pension income. Now we have government employees who have been promised the gold-plated pensions and politicians who need to find the solutions to fix the pensions.

For taxpayers, the crisis has meant increasing contributions into the public sector employees plans during this time. For example, total contributions into Canada's public sector employee pensions were $9 B in 2000 and by 2011 that had increased to $31 Billion. This contrasts with the retirement savings for taxpayers who contributed $29 B in 2000 into RRSP's, and by 2011, that amount was up to $34B.

The current shared risk plan calls for pensions to be changed if they do not have sufficient assets in them. Changes will be made to the pensions of current employees and to current retirees as well. This does not sit well with today's retirees and they have contemplated taking the pension changes to court. This complaint by retirees will most certainly slow down the pension fix. This is a legitimate complaint by the retirees who will see benefits stripped away under the current proposal. The most recent pension issue that wound it's way through the courts, regarding the surplus on the federal employee pension plan, took over a decade to get a resolution.

Finally, politicians have had a hard time making changes to the current pension system as most of them will be getting pensions as an elected official and are already collecting a second pension for time spent in the public sector. A study in Nova Scotia showed that 54% of the provincially elected officials had spent a career in the public sector and would be benefiting from pensions.

In 1951, when someone went into retirement at age 65, they were expected to live to 68 and a half. When the CPP was introduced at age 65 the life expectancy was 72. Today someone who reaches age 65 will live to be 85. So at a time when retirement ages should be extended, they have actually shortened for government employees. Now, the average employee retirees at age 59, and police and fire are eligible to retire as early as age 55. In fact, for taxpayers, the federal government just moved the retirement age for Old Age Security to age 67.

Today, to pay for the pension promises that have been made, the CD Howe Institute estimates that it will cost 58% of salary. The current contributions made by city taxpayers and city employees falls far short of this requirement.

The shared risk plan that is being heralded as a breakthrough by the provincial government seems to be a lot of smoke and mirrors. If changes are needed to the plan the changes should be needed now, but the politicians want to put this off until after they leave office and are guaranteed their golden retirements. A valuation report should have been put in place for the city of Saint John and a calculation done on the true cost of the plan today, but for some unexplained reason, the provincial pension board spent 18 months and unlimited resources but was unable to come up with a definitive report on how much the pension plan needs to be adjusted.

As far as taxpayers are concerned, they are no better off today than before the new scheme was hatched. The city is still saddled with an additional $165 million of payments into the employee pension plan that has already accumulated $327 million in taxpayer money. This will be money diverted away from helping the most vulnerable, fixing city potholes or fixing the water system.

The story of the new plan sounds great, it makes sense on paper, but will the elected officials have the fortitude to make it work or will it be left for your children and grandchildren to solve?

Bill Tufts

Bill Tufts is the founder of Fair Pensions For All