

The pension crisis has exploded on the Premier and public sector retirees are furious.

In an ongoing series of meetings over the current pension debacle the province has tried to bring its case before current retirees. These meetings have been very boisterous events filled to over capacity.

In the style of former MP David Dingwall retirees are telling the New Brunswick government they are entitled to their entitlements and will refuse to budge on the issue.

Although there appears to be little incentive for retirees to accept the current reforms, they will pay a for not going along. The plans are threatened with bankruptcy. New Brunswick is not alone and a few weeks ago the Premier of Newfoundland warned the plans could go bankrupt unless public sector unions compromise with the province.

The internet is filled with videos of the pension debates and some of them are very emotional.

Our organization is preparing for an upcoming report in the House of Commons on income inequality. It is very clear that the current crop of public sector retired employees is a protected class of economic elites.

For our research into the issue of income inequality we conducted a series of informal Tim Hortons surveys. The survey spoke with groups of retired seniors. The first group was one concerned about the rising cost of property taxes, higher utility bills and whether telephone service should be disconnected to pay for food. Another group of retirees was worried about the high cost of travel insurance and wondering if they should cut back their Mediterranean cruise to two weeks from three or if it was time to sell the second home in Florida. One of these groups were retired government employees.

Of course this is a hypothetical study as Statscan shows 50% of retirees in the province have income less than \$21,000 and they can't afford Tim Hortons. The other group has since upgraded to Starbucks.

On video shows a very emotional retiree understandably upset potentially seeing her \$2,000 a month pension cheque reduced. This same retiree is usually eligible for another \$12,500 a year in Canada Pension and \$6,500 on Old Age Security pensions as well. This places her retirement income well above the \$33,300 that Statscan shows is the average working wage for a New Brunswick worker.

A big part of the debate for the retirees focuses on the 31 years of work they put in and the contributions they made to their pension plans over that period. A problem for taxpayers is that in Canada many of these plans have collected \$1 in contributions but will pay out \$20 in pension income for the current group of retirees. The taxpayers has to pick up any shortfalls.

There will also be a large burden on current employees in the system who are now contributing in the range 13% of their salary with taxpayers putting in even more. They are concerned that they are paying into a plan that won't be there for them when they arrive a retirement.

It is commendable that the government has realized they need to make changes to the pension system.

Pensions are a third rail issue and avoided by most politicians at all costs. One insight into the need for urgent pension reform was highlighted in one meeting by the Finance Minister. He told the audience he has not slept for 2 years as the province continues into its downward spiral. A major part of this spiral is the pension problem.

In 2006 the government budget planned on spending \$125 million in pension costs. This year's budget shows that the government expects to fund \$247 million. Also the Finance Minister mentioned an extra commitment to \$50 million in additional pension spending for 2013. It was not clear if this was an additional amount over the planned budget spending.

The government knows that this spending on pensions will start to seriously drain the revenues from the coffers of the treasury. Despite the huge injections of cash flow in the plans for public sector employees the plans are still an estimated \$1 billion shortfall. All taxpayers should be worried that this is money diverted away from healthcare and education.

The premier is in a real pickle. On the some side he has the protected class of government retirees mad at him for trying to implement a miracle pension plan brought to him by advocates on Bay St. On the other side he knows he should be closing these plans to protect taxpayers and the future economic prosperity of the province.

It is time for bold and courageous action and we with the Premier the best.

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