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DC plans face policy limbo ahead of April election, say experts

Josh Welsh8-10 minutes 3/25/2025

President at ASI argues why this DC product should be priority for the next federal government to act ahead of April election



Mar 25, 2025

Canadians are officially heading to the polls on April 28, but for pension industry insiders like Jason Vary, the real concern around this federal election is what isn't being talked about.

While campaign headlines focus on housing and affordability, Vary, president of Actuarial Solutions Inc., anticipates what might quietly stall or slip off the agenda, particularly for DC plans.

"One thing that's been on our radar for a while are VPLAs (variable payment life annuities). The provinces can't do what they're trying to do because of the way that federal rules are written right now," he said.

These lower-cost pooled annuities, intended to help retirees convert defined contribution (DC) and group RRSP savings into a reliable lifetime income, remain stalled at the federal level. While provinces like Ontario - who's since classified them as variable life benefits (VLBs) - and Quebec have begun consultations to enable their use, progress is limited.

Vary isn't optimistic that [VPLAs](#) will become a campaign issue but he noted the potential for action afterward but only if the next government makes it a priority. So, why hasn't that happened yet?

"There's been lots of consultations and talk, but at some point, the consultations have to stop and action needs to happen," said Vary. "VPLAs have a huge potential, but it's not being realized yet. Now's the time to finish it."

He argued the urgency stems from structural shifts in Canada's retirement landscape. With defined benefit (DB) plans disappearing from the private sector, more Canadians are entering retirement with lump-sum savings and no income-for-life guarantee.

"The provinces are trying to move on VPLAs, but they need the federal government to make some tweaks to their existing legislation regulation," Vary explained. "VPLAs can really make a difference for Canadians who have DC pensions or group RRSPs that are looking for income for life."

Meanwhile, Greg Hurst, managing director at Hurst & Associates, noted pensions aren't typically a federal election issue. He underscored the last time there was any political attention paid to pensions was in 2008 through 2010.

The only concrete result was notably the Pooled Registered Pension Plan (PRPP), which has since "never gained any significant traction," said Hurst, in a statement.

Vary acknowledged that while PRPPs "weren't a bad idea," the execution and details just didn't work and essentially "failed to launch."

He suggested one potential way to revive PRPPs might be to allow VPLAs to be housed within PRPP pools, which could create a more attractive vehicle for financial institutions.

Additionally, Vary highlighted [deferring CPP or QPP benefits](#) could be another election item that garners interest because the strategy has historically been underutilized, despite the financial upside.

"If you defer it all the way to age 70, you actually get 42 per cent more pension for the rest of your life," explained Vary.

But fear of early death often deters people from waiting. He pointed to research from the National Institute on Aging, which proposes a death benefit or "money-back guarantee" to address that psychological barrier.

"By giving them that reassurance that they're not going to lose out, hopefully they'll make better, overall, longer-term decisions," he added.

Still, it's unclear if issues like CPP deferral or VPLAs will gain traction in a campaign dominated by [housing costs and economic volatility](#). And whether pension-related policy is likely to show up in party platforms, Vary remains sceptical.

"I think more people are focused more on tariffs and the economy," he said.

However, that doesn't mean there aren't risks as election uncertainty can weigh on markets. That matters for DB plan sponsors, noted Vary, because both investment returns and interest rates can be volatile.

Hurst pointed to growing political interest in boosting domestic investment, particularly as it ties into trade diversification, interprovincial trade reform, and national security. For pension fund managers overseeing large

capital pools, these priorities could provide significant opportunities.

He believes areas likely to attract attention include expanding the Port of Churchill, building transportation links to Inuvik and Tuktoyaktuk, developing West-to-East oil and gas pipelines, increasing northern resource extraction, and enhancing Canada's military presence and manufacturing capacity to support EU alliance members.

Vary explained plans have shifted strategies in recent years, especially those with surpluses or frozen DB liabilities that may be inching toward windup. In that context, even indirect election fallout, like bond market swings or policy surprises, can pose funding risks.

"Now is the time to take less risk as far as investments and interest rates and immunize your investments," said Vary. "Pension funding is very sensitive to the interest rate environment. If long bond yields go up or down, that doesn't just impact the cost of people renewing their mortgage, it also impacts pension funding and the cost of annuities."

"That's got the ripest possibility of being an election issue," he said.

Ultimately, Vary isn't holding out any hope for drastic change around pension reform, at least not for DB pensions.

"I don't think it's going to be a big impact... it might be more of an impact for DC plans with the VPLAs if they come through," he said.

"I'm not expecting anything big. I don't think pensions are top of mind for a lot of people right now."