

## **Greener Pastures: Understanding the Impact of Retirement Incentives in Defined-benefit Pension Plans**

For the *Commentary* by Tammy Schirle, [click here](#).

### **The Pension Incentives Calculator:**

To Download Instructions (PDF), [click here](#).

To Download the Simulation Model (Microsoft Excel), [click here](#).

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*The Tammy Schirle/C.D. Howe Institute Pension Incentives Calculator*

### **Project Summary and Methodology:**

Defined-benefit pension plans have traditionally been an important source of retirement income for seniors in Canada. These plans have often been criticized by those concerned with the implications of an aging population for Canada's labour force needs. First and foremost, this study focuses on concerns about the early retirement incentives contained in these pension plans. I use a simulation model to illustrate the implications of these retirement incentives. The model approximates the lifetime retirement benefits that would be available to individuals participating in various Canadian defined-benefit pension plans. In particular, I consider provisions in the Ontario Teachers Pension Plan, the Federal Public Service Pension Plan, the Ford Canada - Canadian Auto Workers pension plan and the pension plan covering Steelworkers at Stelco Canada.

What appears common to these plans are clear incentives to enter retirement as soon as a person is eligible for unreduced retirement benefits. Special retirement provisions, such as the Ford-CAW 30-n-out program, provide workers with clear incentives to enter retirement at age 60. The use of penalties for early retirement, in the form of reduced pensions, can be used to retain workers while allowing for some flexibility in the choice of retirement age among workers