



The Next 150  
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2018 ACPM  
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**Québec City, QC**  
**Fairmont Le Château Frontenac**  
**SEPTEMBER 11-13, 2018**

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## Workshop 2

# Boosting Canadian Employers' Retirement Plan Offering

*Speakers:*

**Euan Reid**, *Eckler Ltd*

**Maya Hourani**, *Actuary and Total compensation professional*

*Moderator:*

**Ken Burns**, *Lawson Lundell LLP*

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# The special sauce of pension provision

Euan Reid  
Eckler Ltd.

# What does a great pension plan look like?



S table

A ffordable

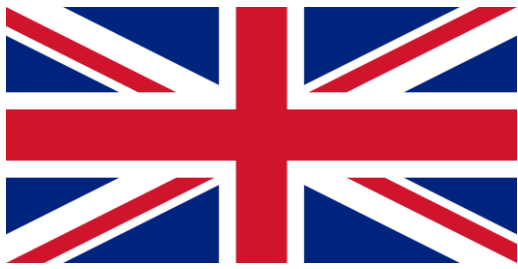
U nderstood and trusted


S afety net

E xpect to provide good income

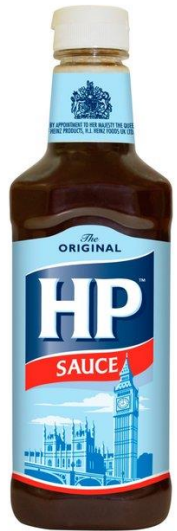


Stable	<ul style="list-style-type: none"><li>▪ Several years of legislative change</li></ul>
Affordable	<ul style="list-style-type: none"><li>▪ Solvency funding relief or removal</li><li>▪ Longer amortization of deficiencies</li><li>▪ Benefit reductions possible in some circumstances</li></ul>
Understood and trusted	<b>SEARS</b>
Safety net	<ul style="list-style-type: none"><li>▪ PBGF</li><li>▪ PfADs</li></ul>
Expect to provide good income	<ul style="list-style-type: none"><li>▪ Target benefit plans</li><li>▪ Mandatory contributions</li></ul>

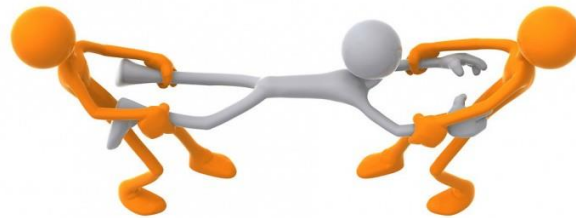


Stable	<ul style="list-style-type: none"><li>▪ Several years of legislative change</li></ul>
Affordable	<ul style="list-style-type: none"><li>▪ Deficit recovery periods based on what employer can afford</li></ul>
Understood and trusted	
Safety net	<ul style="list-style-type: none"><li>▪ PPF</li><li>▪ Prudent funding valuations</li></ul>
Expect to provide good income	<ul style="list-style-type: none"><li>▪ Auto-enrolment</li><li>▪ Save more tomorrow</li><li>▪ Defined ambition</li></ul>

# Challenges



**Different special sauce in each jurisdiction**



**Competing priorities**



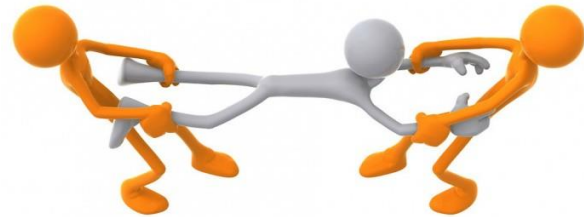
**Maintaining trust in pension system**



**Retail investment fees are high**



# Solutions



**Funding and  
benefits policies**

**SEARS**

**Be a pensions  
advocate**



**Competition**

**Innovation**

# Are we ready ?

**Maya Hourani**

**Actuary, RH and Total Compensation Professional**

# Pension Plan Environment

## 3 majors phases in Canada:

- 1960s : CPP/QPP creation
- Late 1980s: major pension plans reforms
- 2000s : several economic crisis, decline of DB plans, refresh of pension regulations in all jurisdiction

Are we in or heading towards the 4<sup>th</sup> phase.... ?

# C-Suite Perspective on Pension Plans ?

- **DO MORE WITH LESS ... A puzzle all companies are trying to solve**
- **Are we getting the expected ROI from the private pension plans ?**
- **Workforce and talent war reality: Do pension plans offerings help attract and retain workers?**
- **Finding the right balance between corporate and social as well as short-term expected financial results**



**Do we have the tools to undertake this challenge...?**

# Public Plans

CPP enhancements were overdue ... Good step towards a forced pension savings environment:

- Surveys shows that most employer will not decrease their pension offering based on this change: Changes are predictable and budgetable!
- **FLEXIBILITY** in retirement age : essential for a healthy « part-time retiree » workforce



## DO MORE WITH LESS:

- How can we leverage CPP/QPP infrastructure to create a public DC plan for small-mid employers?
- Is Quebec VRSP model efficient?
- OAS is an important component of our public retirement plan

# Private DB Plans

**C-Suite will tell you : Good but not good enough ... DB are still too rigid !**

Pros 😊😊😊	Cons 😞😞😞
😊 Funding rules changes give relief to employers, while continuing to provide “security” to plan members	😞 Uncertainty and risk remain
😊 Step toward limiting the continuous decline of DB plans	😞 Pressure from the union to spend the funding savings to enhance the plans
😊 Annuities purchase and other derisking tools help mitigate the financial weight for employers	😞 ROI: employees don’t see the benefits until late in the game
	😞 Added administrative burden over the years
	😞 Fear of overcontributing
	😞 <b>Not the core business</b> : We brew beer, we don’t manage pension plans!
	😞 Qc labor law changes (grandfather rules): The nail in the coffin

# Private DC Plan – The Savior?

**C-Suite will tell you : We can check the box with DC plans!**

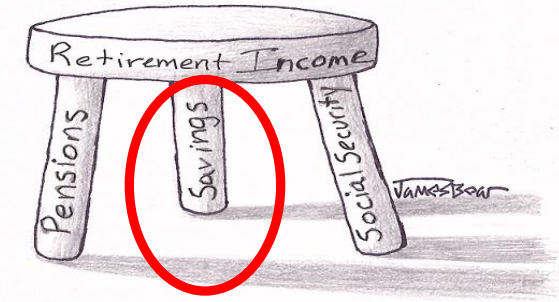
Pros 😊😊😊	Cons 😞😞😞
😊 Visibility , portability, simplicity, flexibility	😞 Tip of the iceberg: can employees afford to retire
😊 Speaks to millennials and more adapted to the future workforce	😞 No mandatory enrolment
😊 ROI: employers and employees see the benefits	😞 Decumulation strategies inexistent
😊 Budgetable, predictable and comparable	

## Potential solutions:

- Decumulation strategies: collaboration between gov, employers and service providers needed
- Mandatory enrolment & automatic contribution level increase
- Minimum level of employer contribution or/and a min mix of employee/employer contribution

# Personal Savings - It's not be an option !!!

- The largest piece missing:
  - In 2016, 22% of taxfillers contributed into an RRSP
  - RVSP is a perfect example: participation rate is less than 15%
- How can we create a better environment to force individuals to save/plan for retirement:
  - A “forced” RRSP contribution when unused room is below a certain level
  - why not a system similar to FTQ in Qc?
  - Additional tax credit (could vary by income level)
  - Gov matching with a cap? (like RESP)
  - More strict rules when withdrawing your contributions prior to age 60 or 65?





**So.... Are we ready ?**

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