

2019 ACPM NATIONAL CONFERENCE



SHIFTING CURRENTS

Navigating Retirement Diversity

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VANCOUVER, BC

Fairmont Hotel Vancouver

SEPTEMBER 10–12, 2019

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Plenary III

Adapting Retirement Programs to a Diverse Workforce

Speakers:

Wanda Morris (Ret.), *CARP*
Kim Duxbury, *Sun Life Financial*

Moderator:

Darryl Mabini, *Healthcare of Ontario Pension Plan (HOOPP)*

Adapting Retirement Programs to a Diverse Workforce

Kim Duxbury
Executive Client Partner
Sun Life

What I'll cover...

- The case for diversity and how it adds business value
- Understanding the workforce
- Building for tomorrow's workers

Business case for diversity – why it matters

Diversity's dividend

What's the likelihood that companies in the top quartile for diversity financially outperform those in the bottom quartile?

15%

More likely to outperform

Gender diverse companies

35%

More likely to outperform

Ethnically diverse companies

Business case for diversity – why it matters

Leaders who give diverse voices equal airtime are nearly twice as likely as others to unleash value-driving insights, and employees in a “speak up” culture are 3.5 times as likely to contribute to their full innovative potential.

Without diverse leadership, women are 20% less likely than straight white men to win endorsement for their ideas; people of color are 24% less likely; and those who identify as LGBTQ are 21% less likely.

Source: HBR – How Diversity can Drive Innovation

Business case for diversity – why it matters

There is a significant statistical relationship between employee satisfaction with diversity and employee engagement. A study of 18 organizations demonstrated engagement increases when:

Diverse employees are treated fairly at their organization

Diverse employees are treated fairly with regard to their career advancement at their organization

Source: Employee Engagement and Diversity Satisfaction Linkage Identified, HR.com

At firms with diverse leaders, employees reported they were...



60%

More likely to see their ideas developed or prototyped



75%

More likely to see their innovations implemented



70%

More likely to have captured new market share in past year



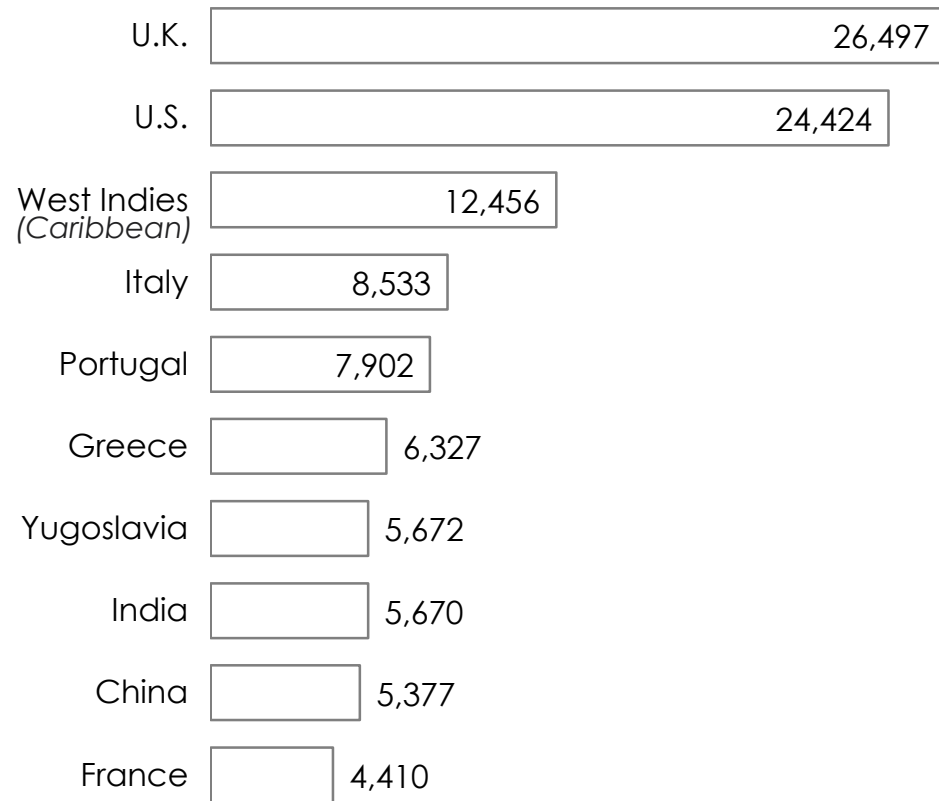
45%

More likely to have improved market share in past year

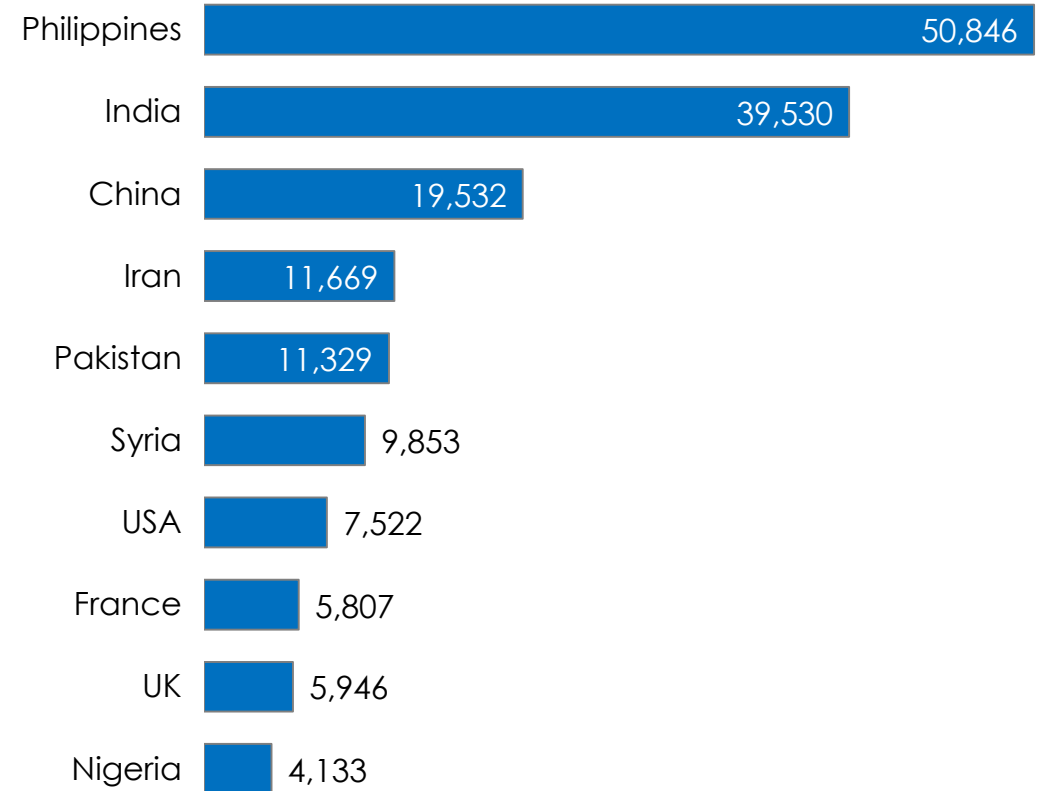
Source: Managing Bias at Facebook, <http://managingbias.fb.com/>

Top 10 countries of birth of recent immigrants to Canada

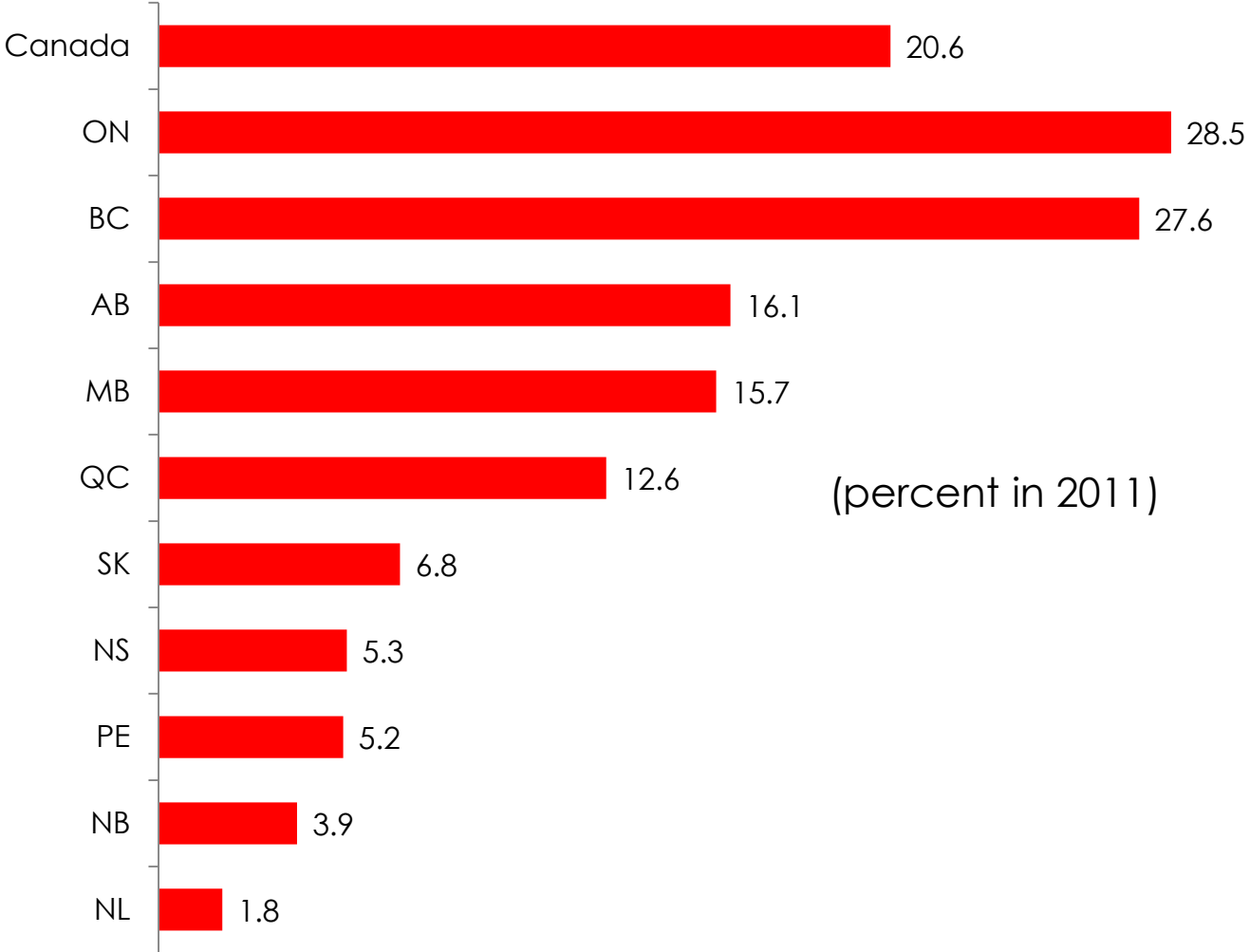
1970



NOW



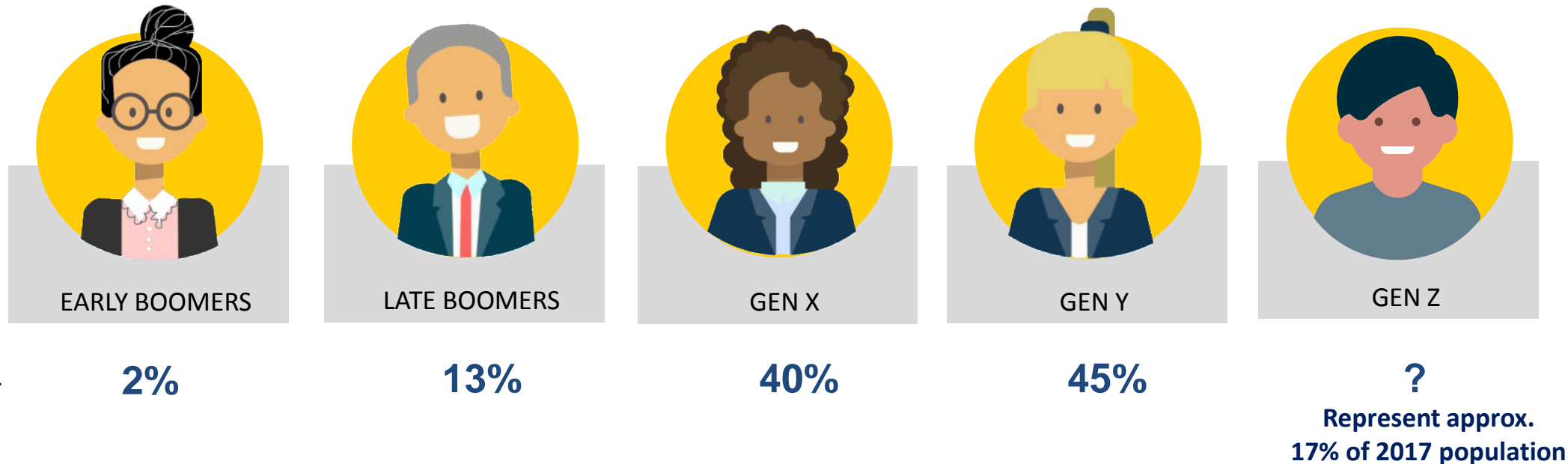
Foreign born population by region



(percent in 2011)

Dynamic and multi-generational workforce

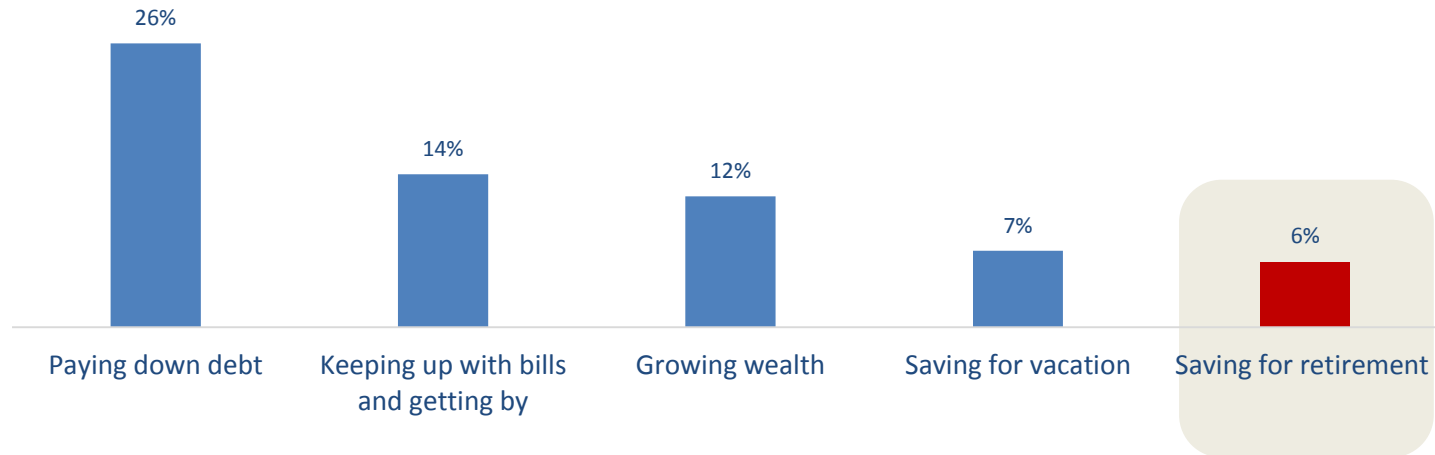
Canadian Workforce – expectations, values and preferences differ greatly



2020

Debt levels have drastically altered our priorities

Saving for retirement is not top of mind



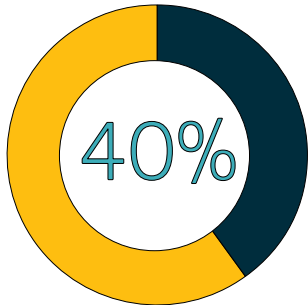
Accelerated debt payment is expected to remain a trend for years to come.

Debt repayment ranks #1 - 9 years in a row.

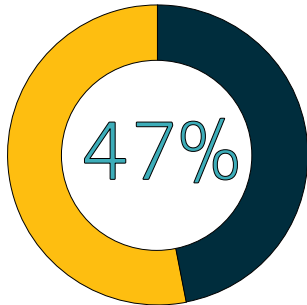
Where financial stress meets wellness

With simplification comes peace of mind

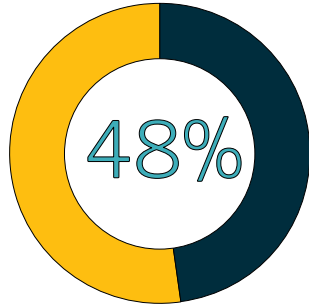
70%
of Canadian employees believe that employers have a responsibility to support employee financial wellness.



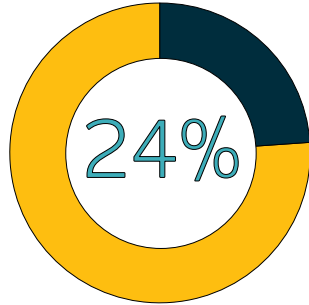
spend all their pay



save 5% or less



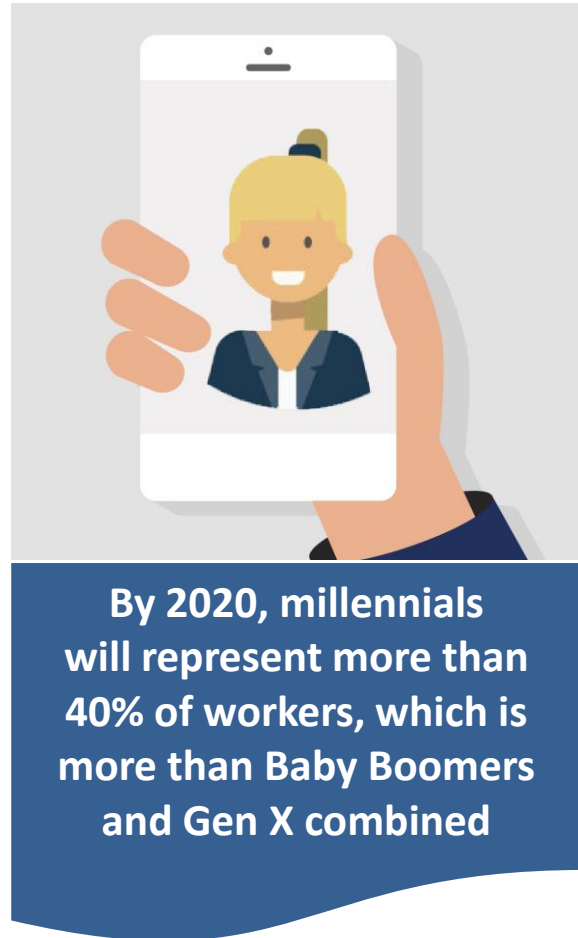
can't meet obligations if pay delayed



couldn't meet an emergency

2016 Canadian Payroll Association's Research Survey of Employed Canadians.

The retirement dilemma millennials face



53%
have less than \$1,000 saved



\$21K
average consumer debt



53%
aren't investing yet



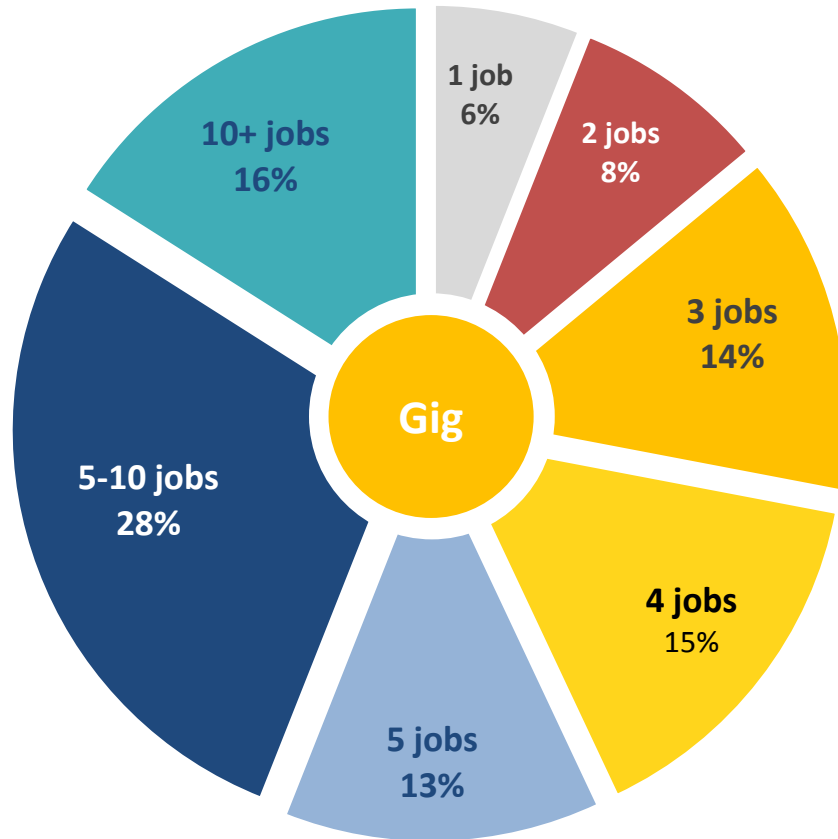
73%
lack basic financial literacy

Statistics Canada – December 2019, BMO Market Study

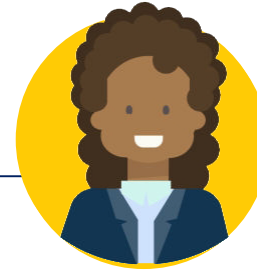
Source: Saving money – Mylo survey, Paying down Debt – transunion,.ca, Growing wealth – OSC.gov.on.ca Achieving goals –PWC.com

Long-term employment is not the new reality

Flexibility in plan design is paramount



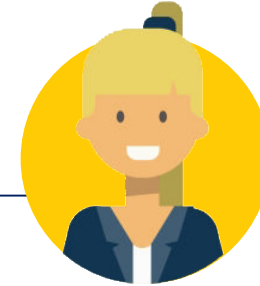
GEN X



3.4

years in each job

GEN Y



2.7

years in each job

- Less time to build relationships with employees
- Growing turnover costs – recruitment, training, etc.
- Accumulated assets with any one employer may be smaller

<https://careers.workopolis.com/advice/how-many-jobs-do-canadians-hold-in-a-lifetime/>

Expectations are evolving

Make it Digital. Make it Personalized. Make it Mobile.

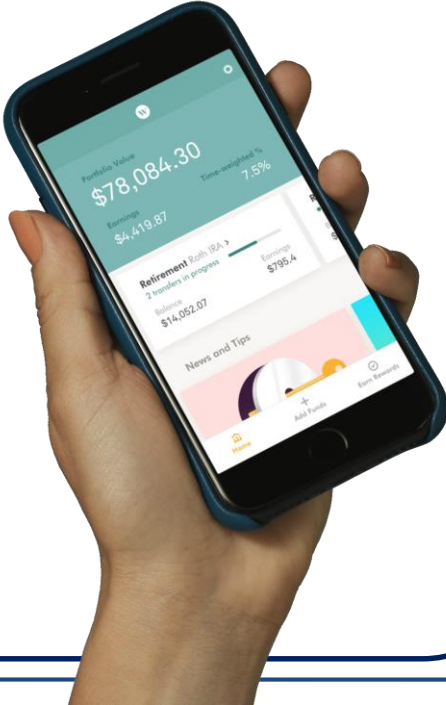
Digital-first business models



Personalized interactions



Adoption of mobile



Rethinking plan design

- Plans designed in past decades are woefully outdated
 - If you continue to rely on communication & education to motivate employees to do what should be logical and reasonable – you'll be disappointed!
- Many employers starting to think about current plan design
 - Still appropriate given changing workforce?
 - Supports attraction and retention of talent?
 - Supports employee well-being?
 - Responsive as needs evolve?
 - Achieves corporate goals/objectives?
 - Employee feedback

Designing for tomorrow's workforce

- early observations

- Growing movement towards simplification
 - Moving away from complexity for contribution formulae
 - Employer \$\$ goes to pension plan – core + matching contributions
 - Employee has discretion as to where to direct their contributions (RRSP, TFSA, Non-Registered)
 - “side car” TFSA and non-registered product to facilitate additional savings
 - Immediate participation
- If the plan is easy to understand, greater chance it will be appreciated and valued by the employees

Designing for tomorrow's workforce

- early observations

- Plan “leakage” is a growing concern
 - Are suspension rules having the desired effect?
 - Suspending employee's contributions can be viewed as a “gift” by employee
- More data = more personally relevant experiences, evidence-based decision making by pension committees
- Growing use of nudges, smart defaults
 - Think of them as ‘starter decisions’
 - US based employers taking more aggressive approaches (by Canadian standards!)
 - They get results!

Case study 1: Re-enrolment during transition

- Large US based employer – acquired company with 1,000+ employees
- Before re-enrolment: 40% participation rate and average employee savings rate of 3%
- Re-enrolled all employees with starter savings rate of 5% (to get full employer match)
- 3 weeks' notice; employee could change savings rate to 0% to opt out

Results

93% participation

Average savings rate of 5%

No complaints

6 months later – no changes

Case study 2: Large Canadian employer

Original enrolment approach (PRE APRIL, 2018)	Redesigned enrolment approach (EFFECTIVE APRIL, 2018)
<ul style="list-style-type: none">• Paper based; completed when eligible (6 months after date of hire)• Employee chose their own savings rate• Forms went to HR	<ul style="list-style-type: none">• Full digital experience• Employee encouraged to complete enrolment on day 1• Starter savings rate set at 6% and employee could change (from 0-10%)

Results

20,000 paper forms per year eliminated

(25% FTE repurposed)

56% new hires enrol using phone/tablet; 44% use desktop

Most accept 6% savings rate

To proactively prepare for the future, we must learn from the past and reflect on the present.

Diversity in Retirement Security among CARP Members

Wanda Morris

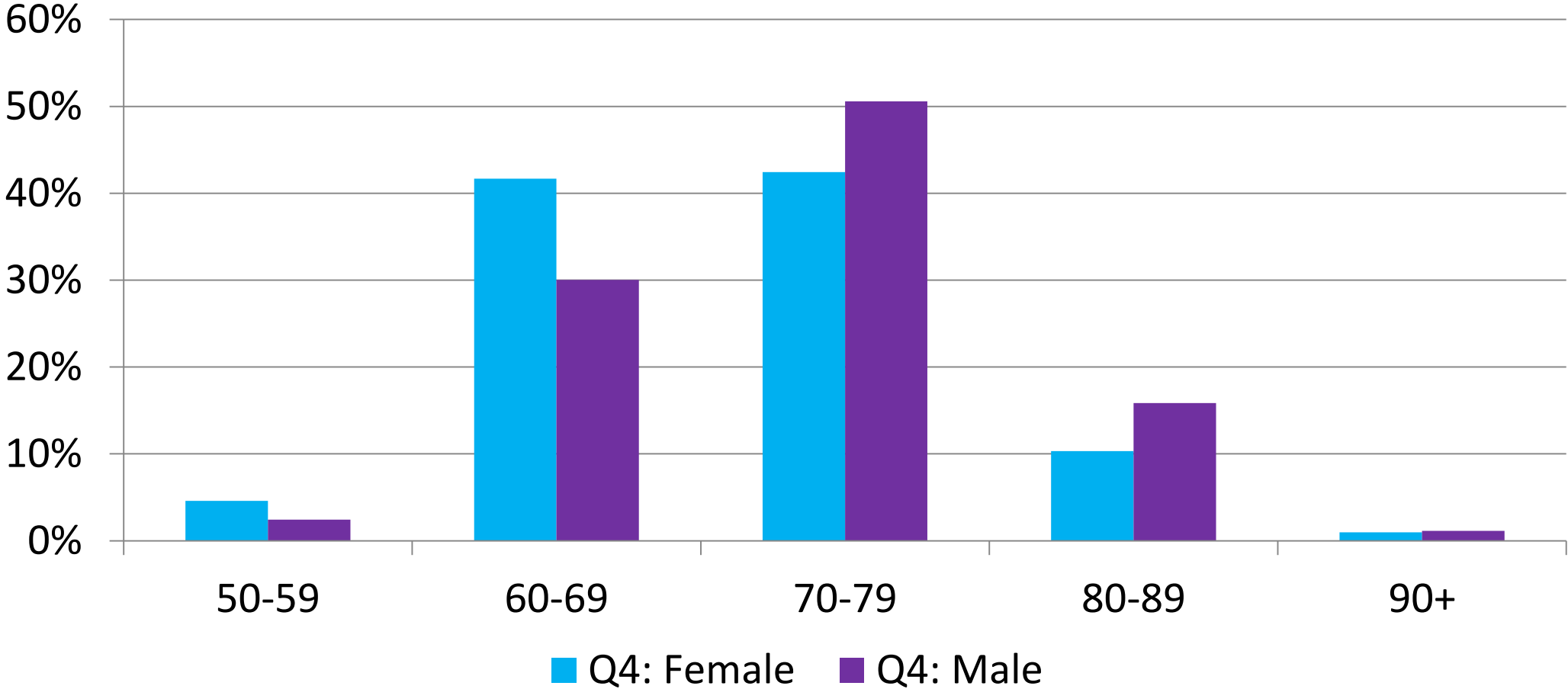
Former Chief Advocacy Officer, *CARP*

Survey Participants

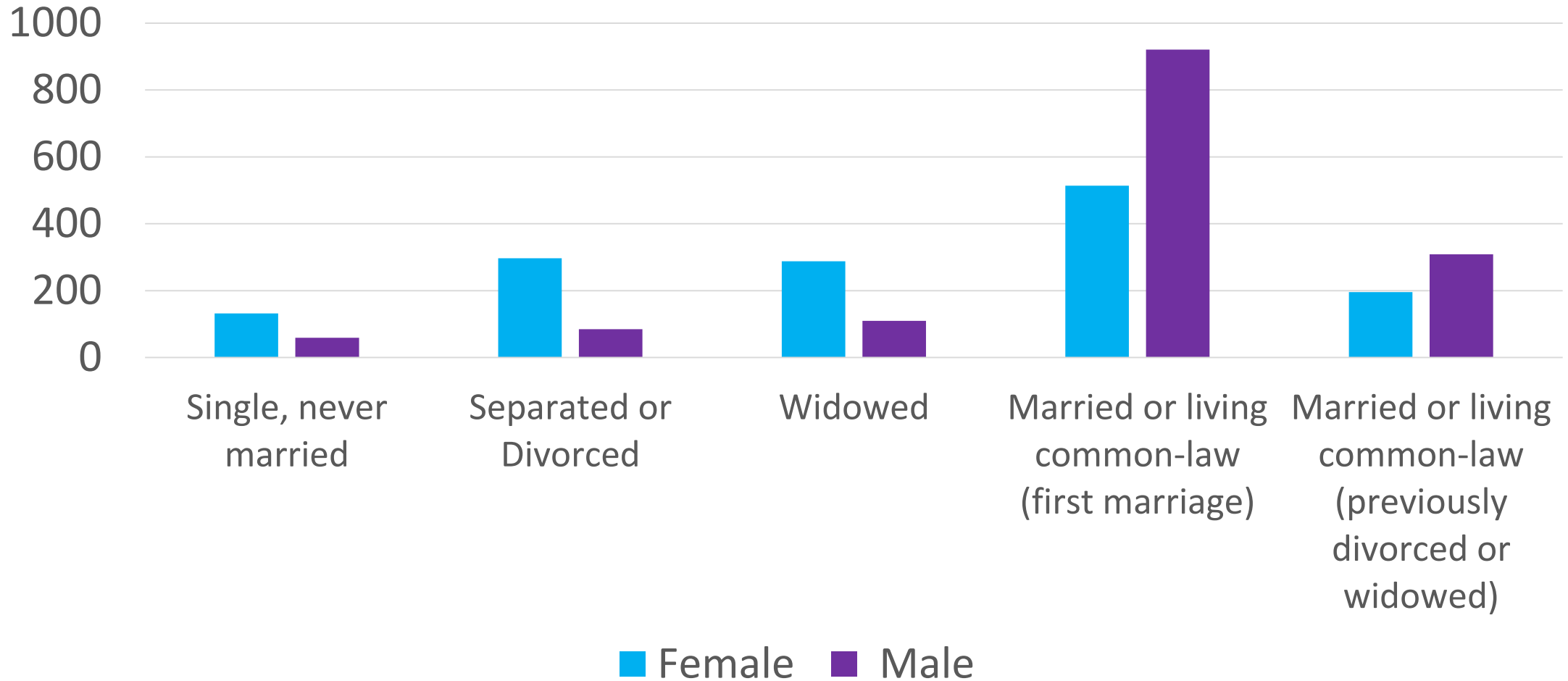
- Survey of 2,957 CARP Members
- Not a random sample
- Above average income and education
- More likely to be married or partnered
- Membership highest in Ontario

Demographics

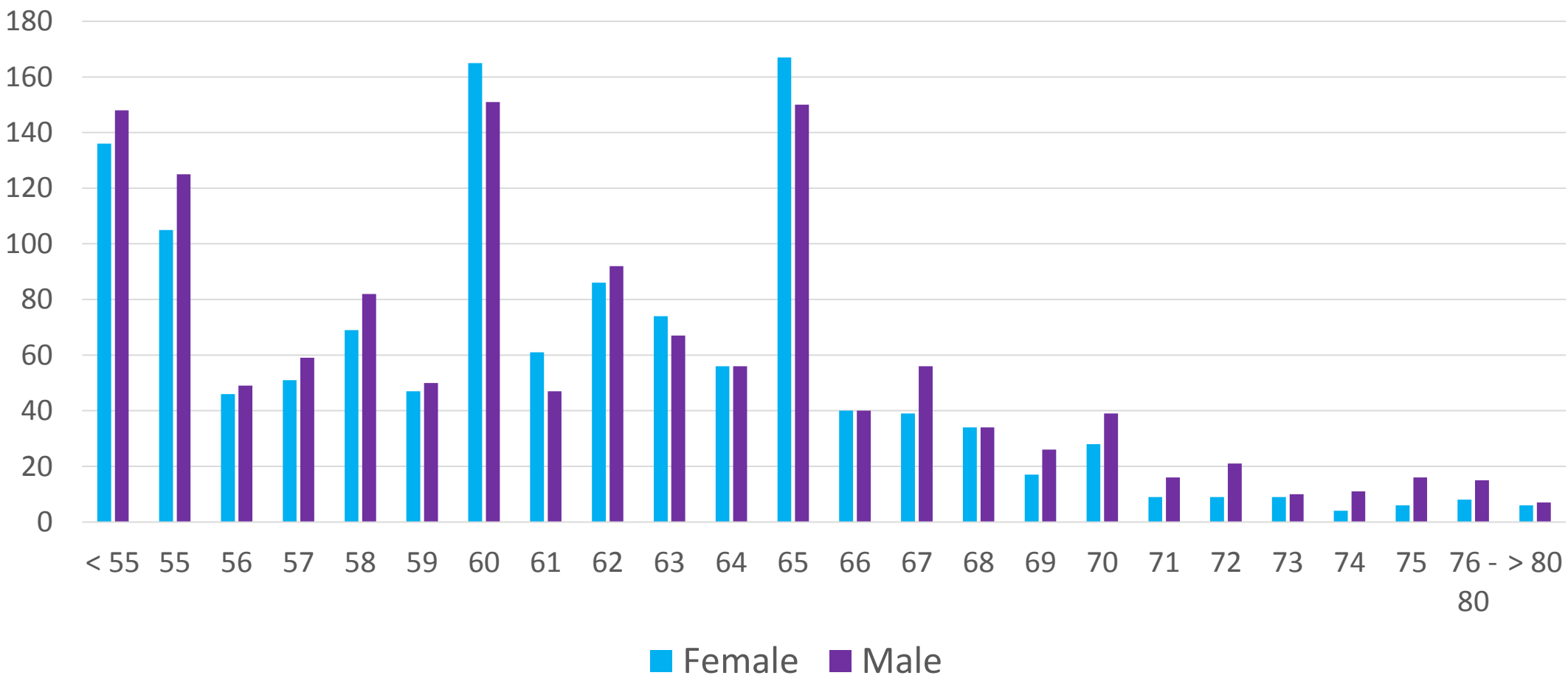
What is your age?



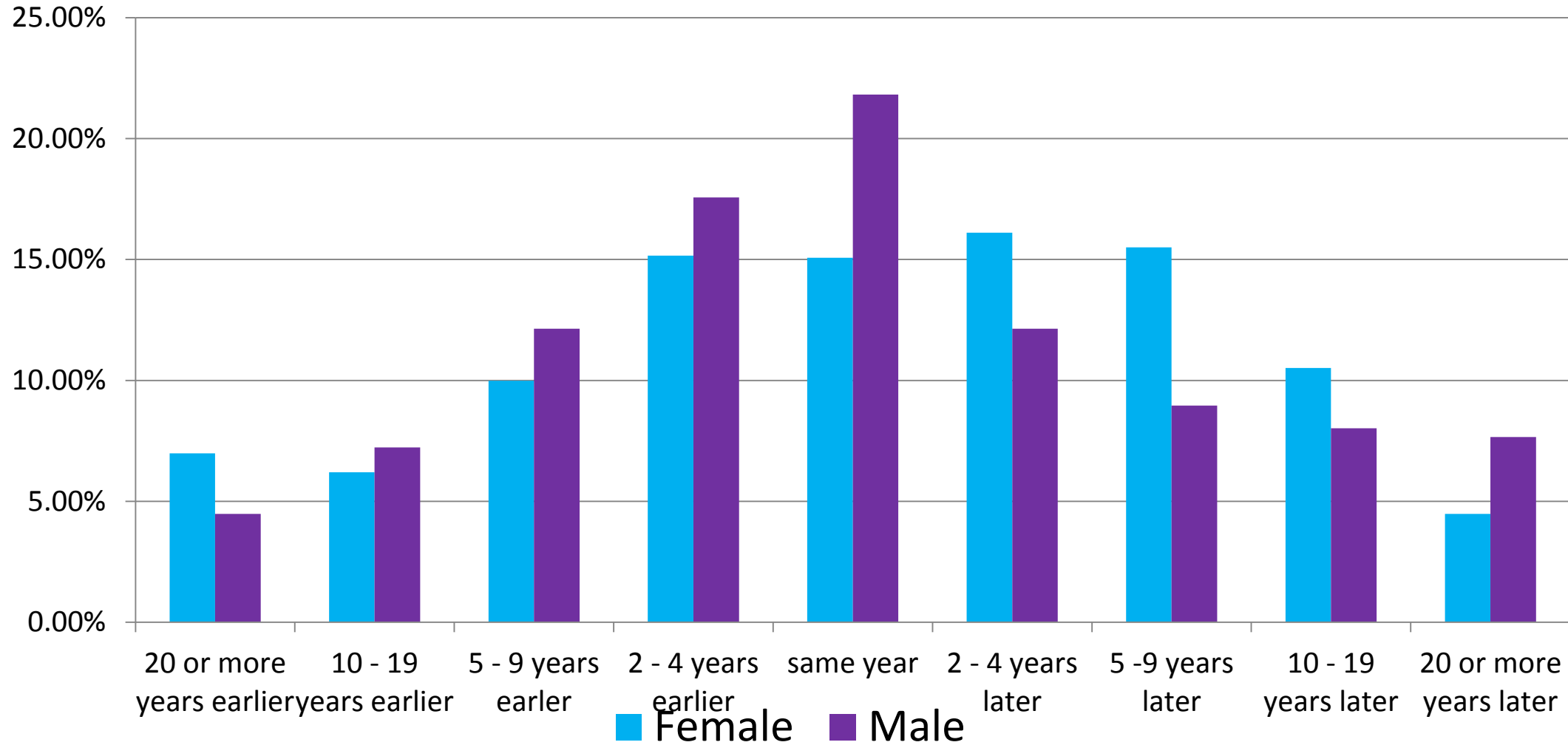
Marital status by sex



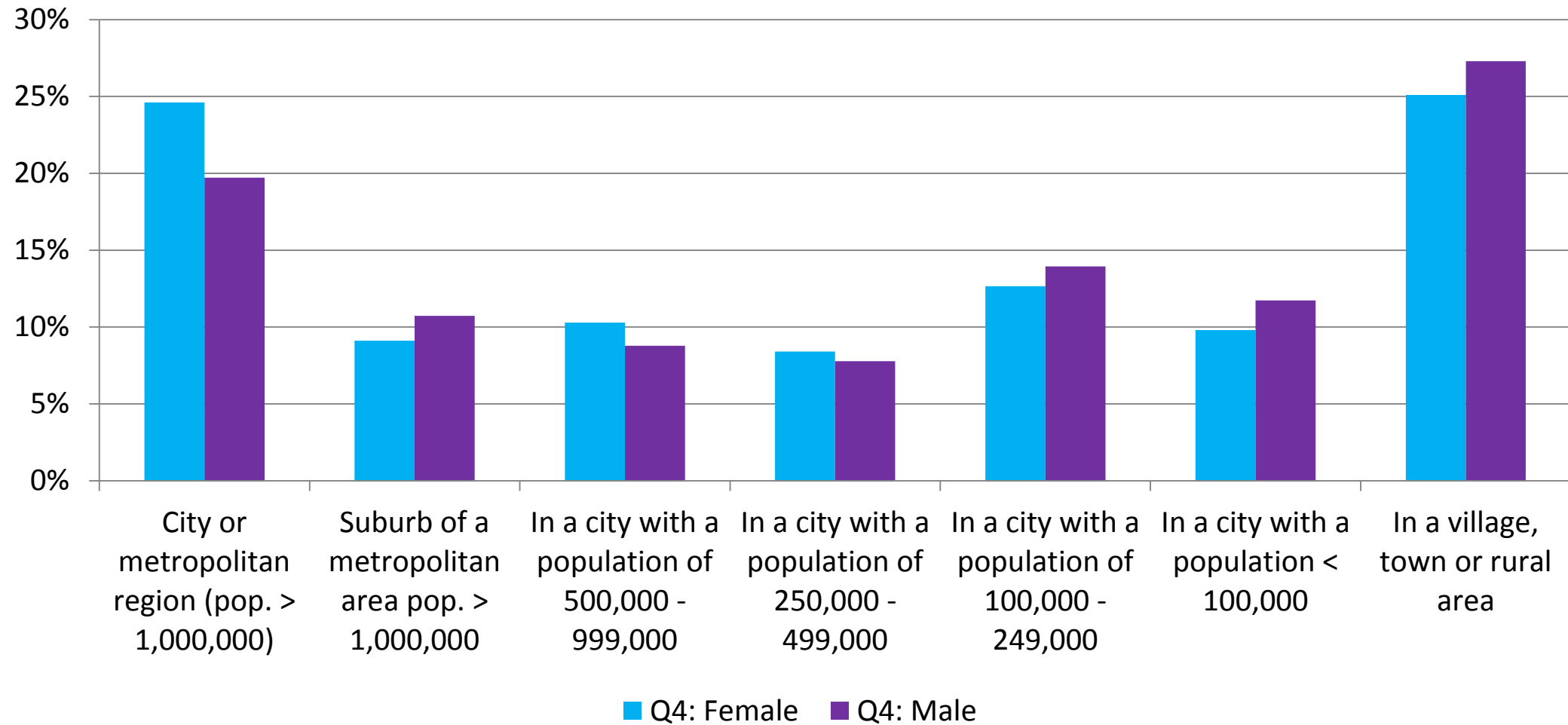
At what age did you retire?



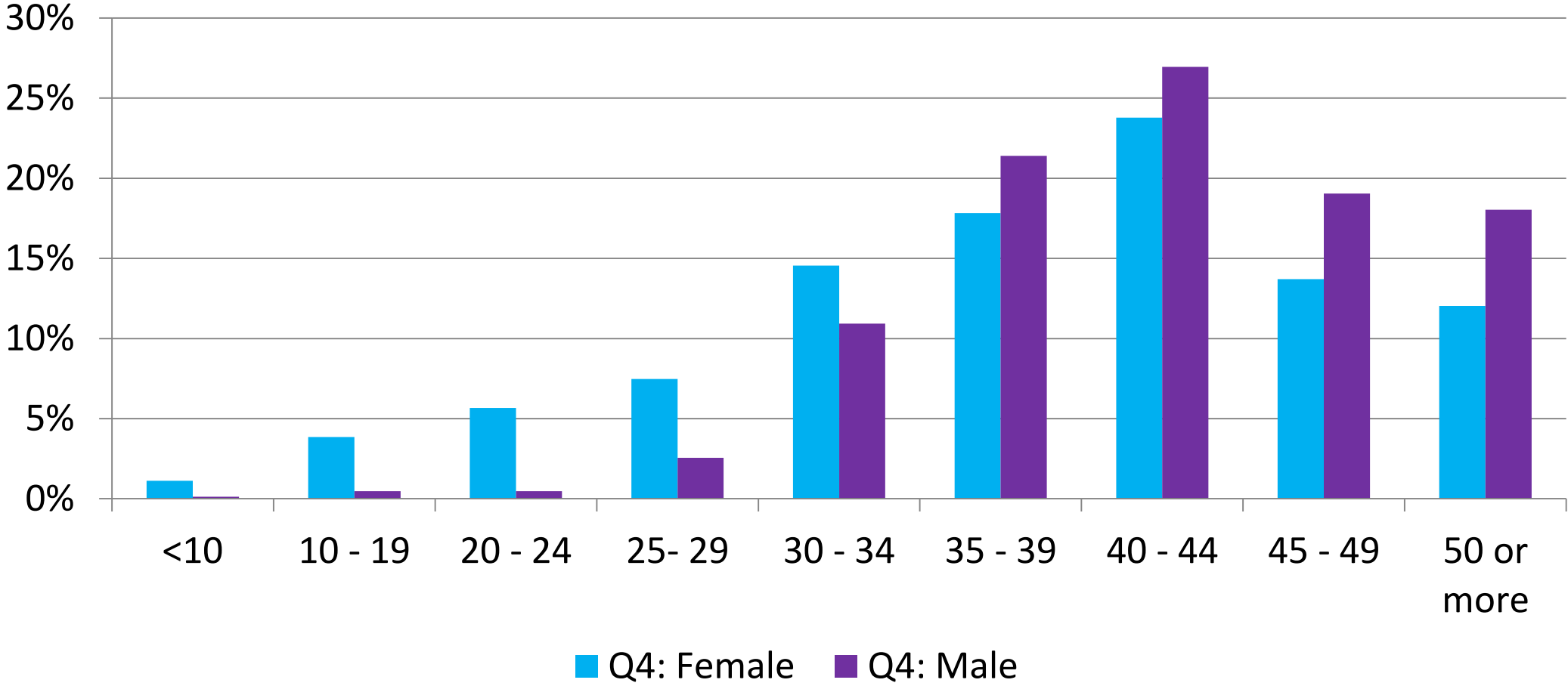
When did you retire relative to your spouse?



Where do you primarily reside?

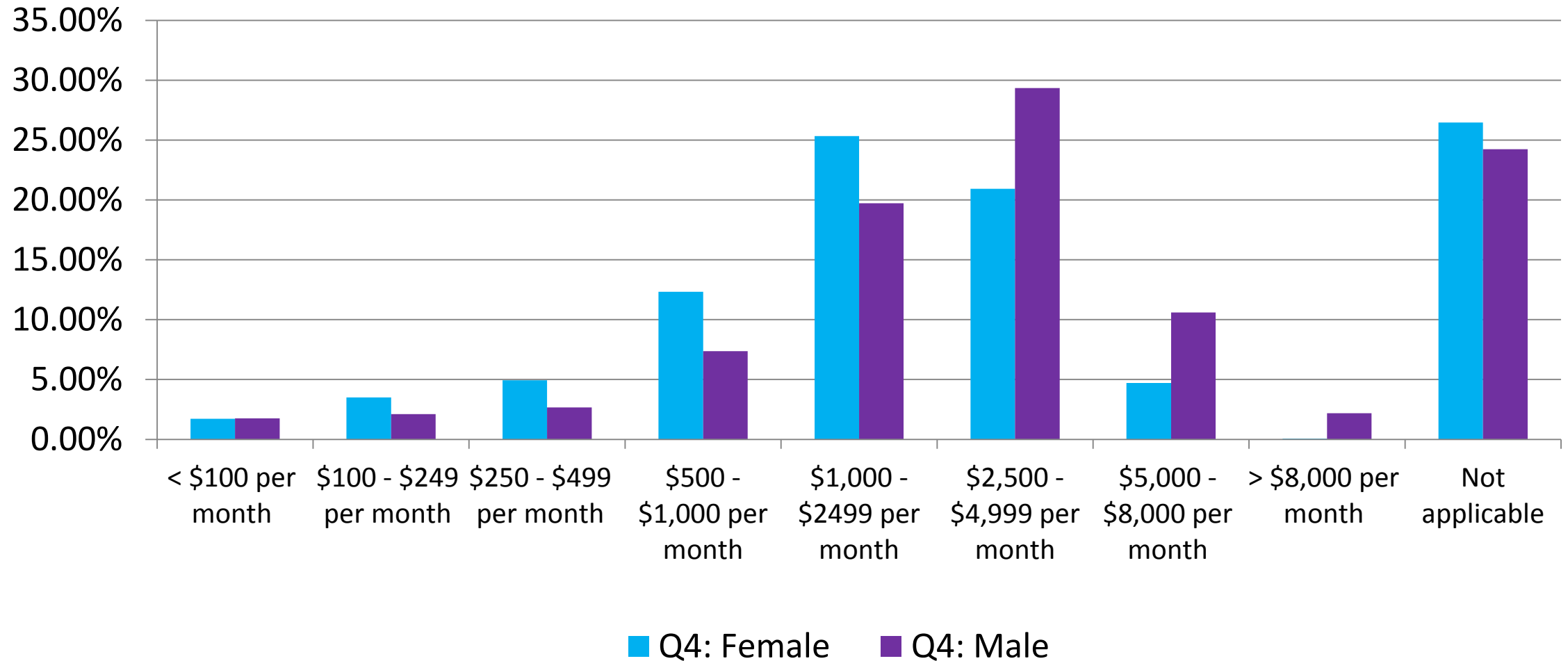


How many years did you spend in the workforce?

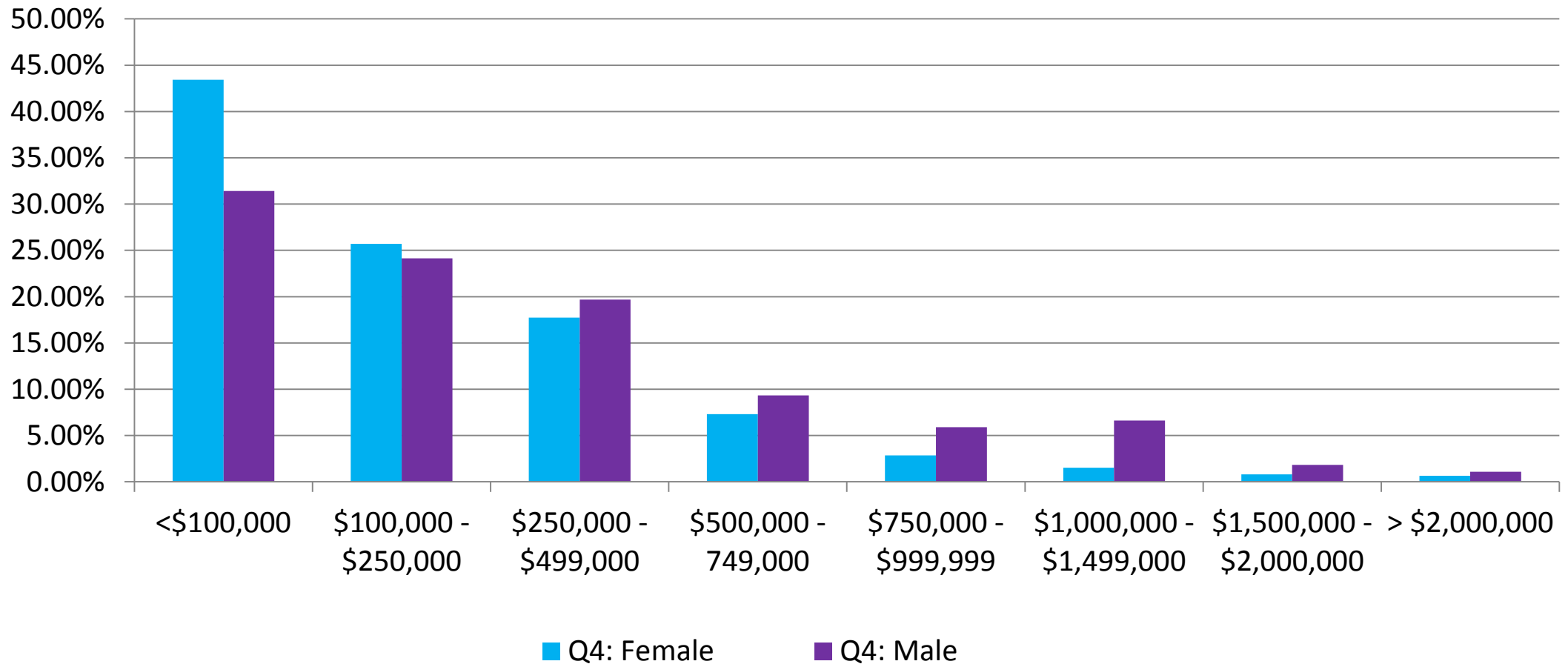


Financial Security

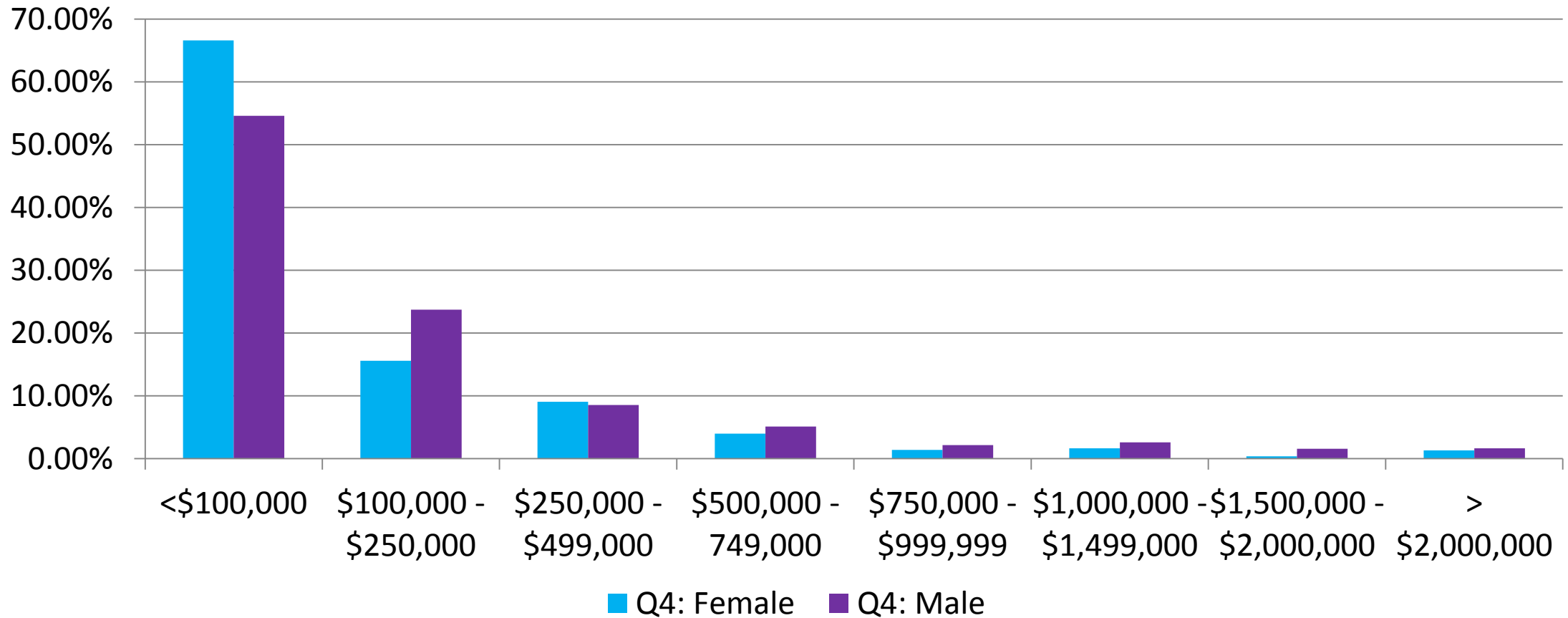
How much is your monthly defined benefit pension?



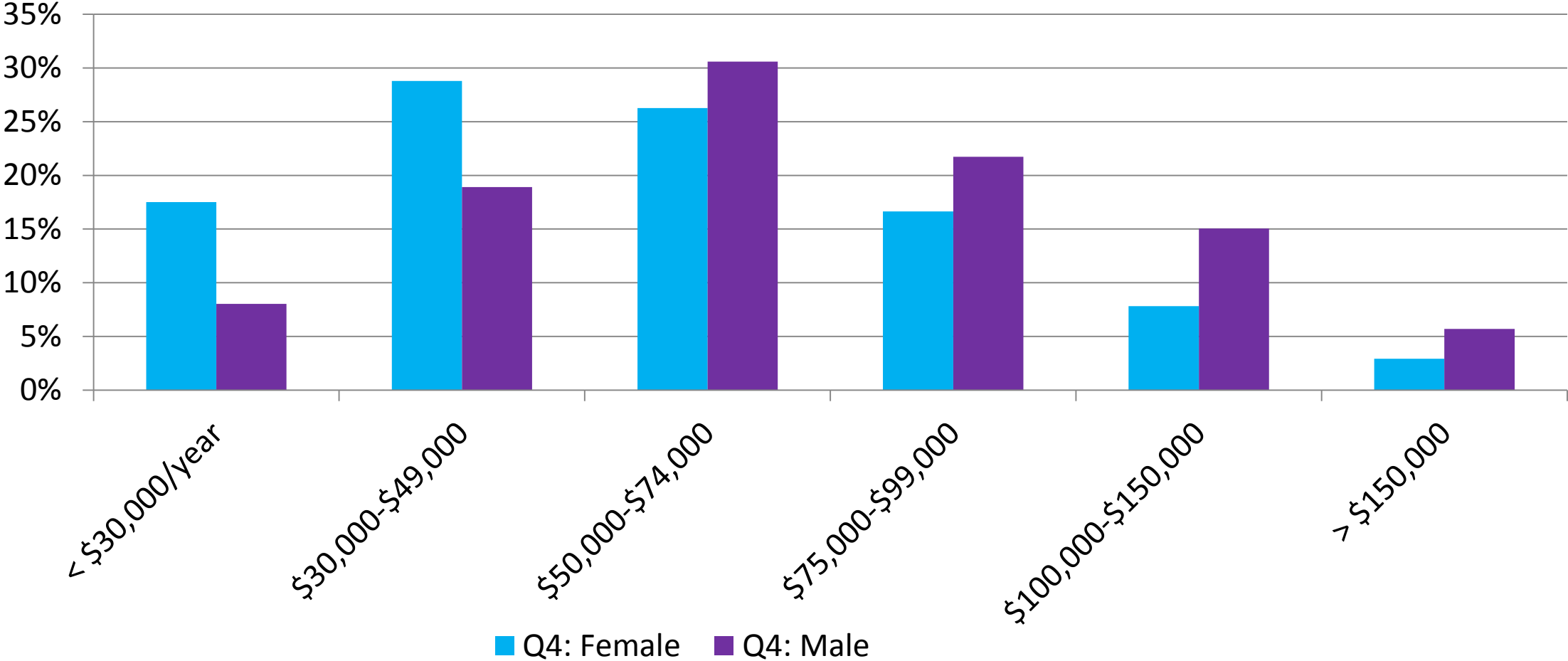
How much do you have in assets from a defined contribution pension plan, Group RRSP, RRSP or RRIF?



How much do you have remaining in TFSA's and other unregistered accounts?

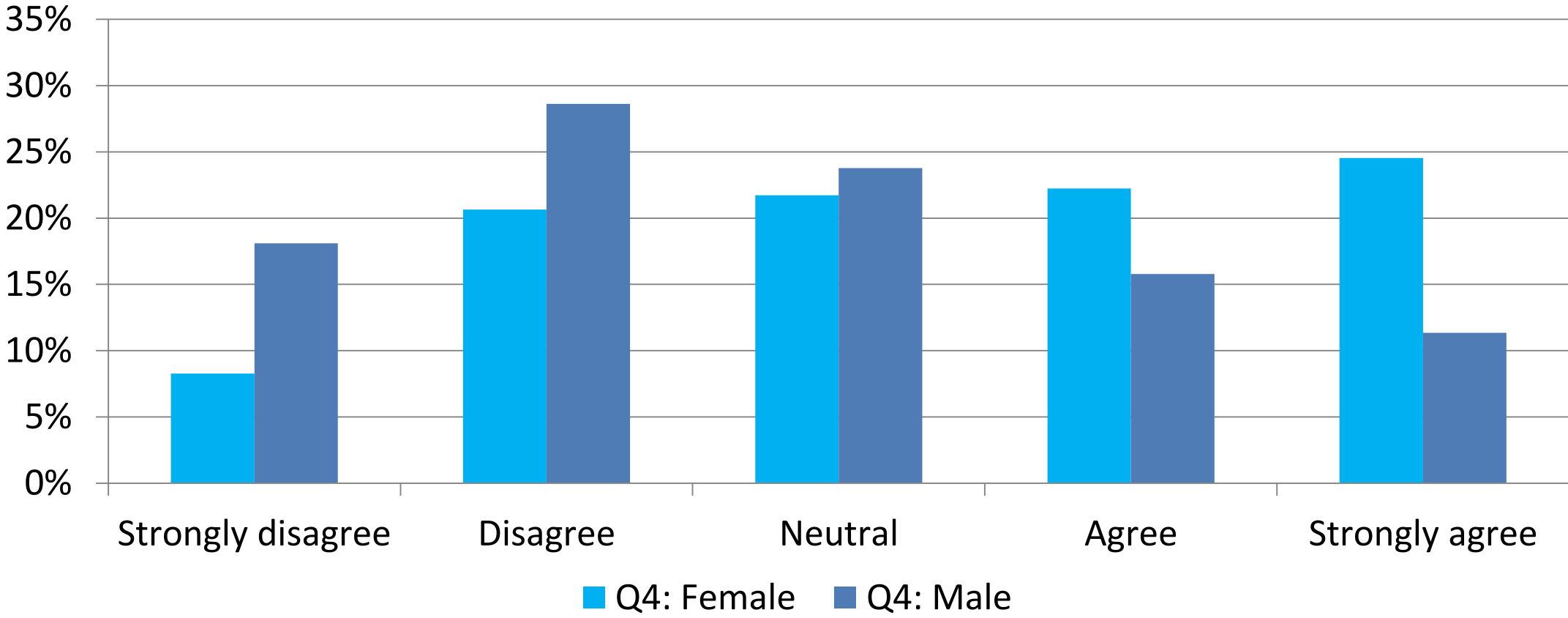


What is your annual pre-tax income?

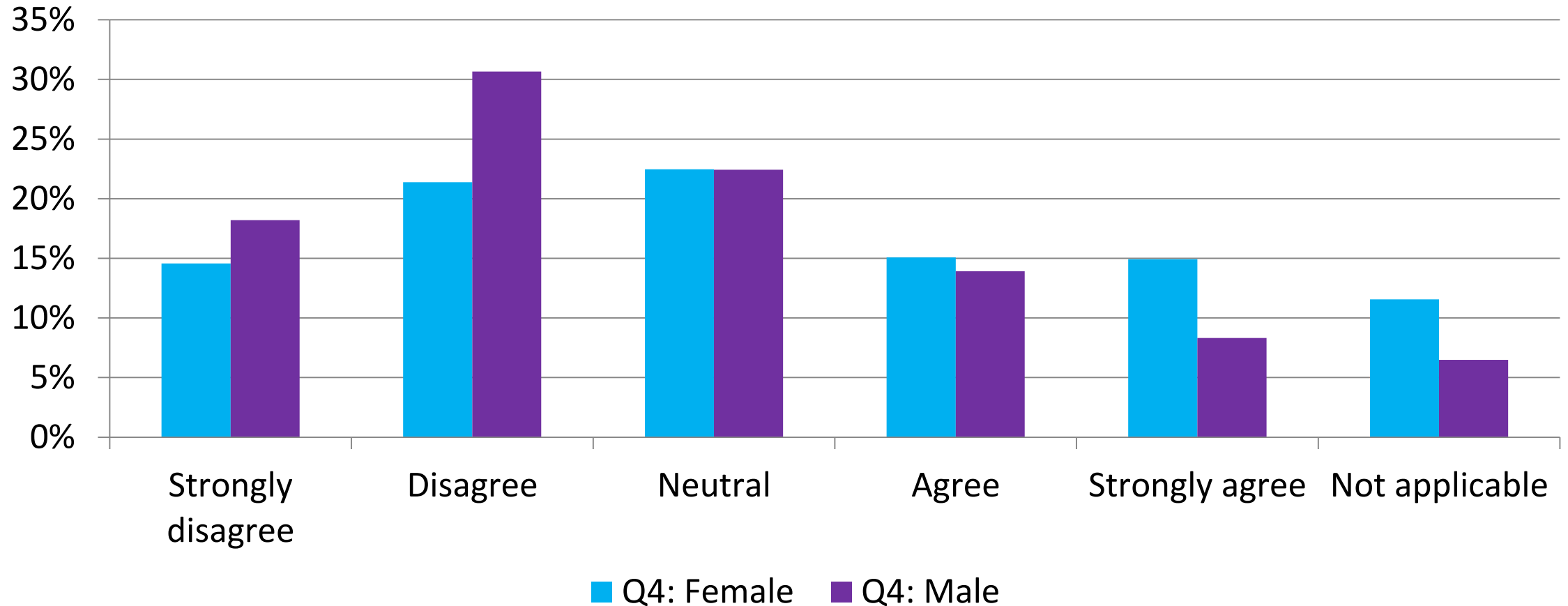


Financial Concerns

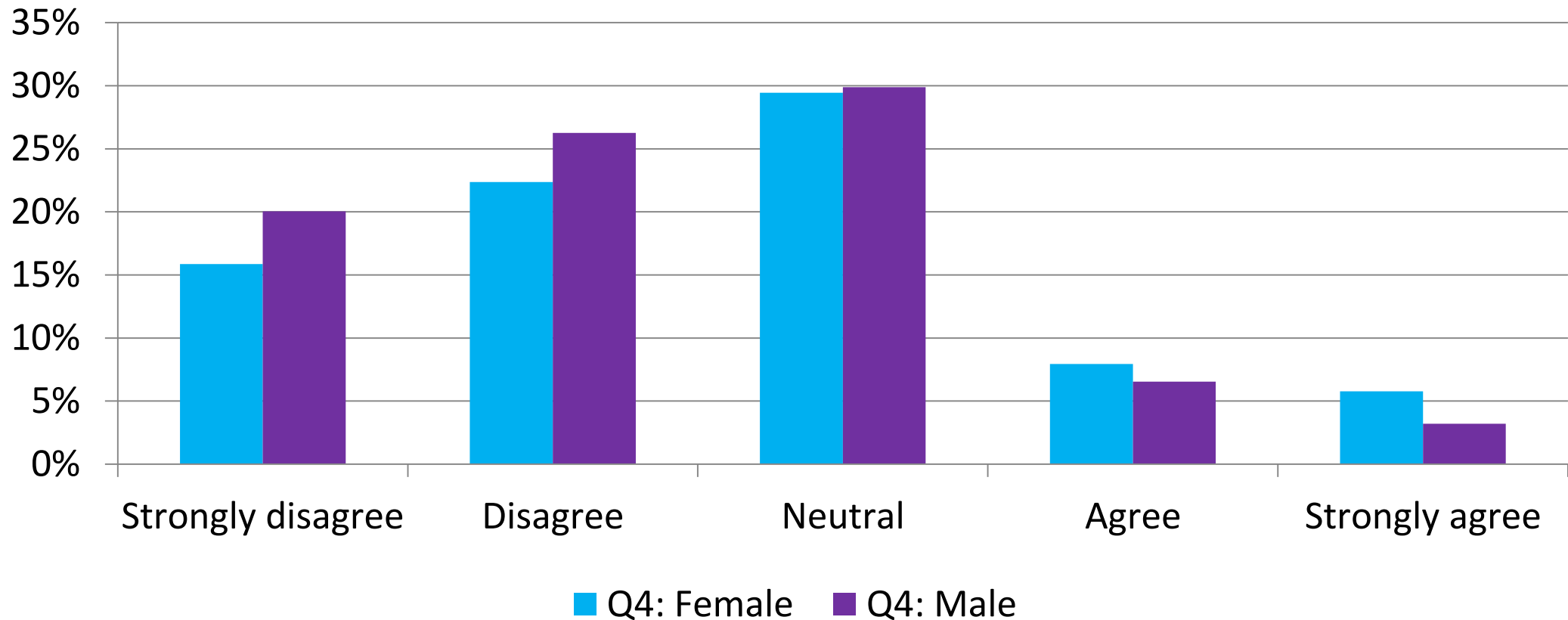
I worry I will outlive my money



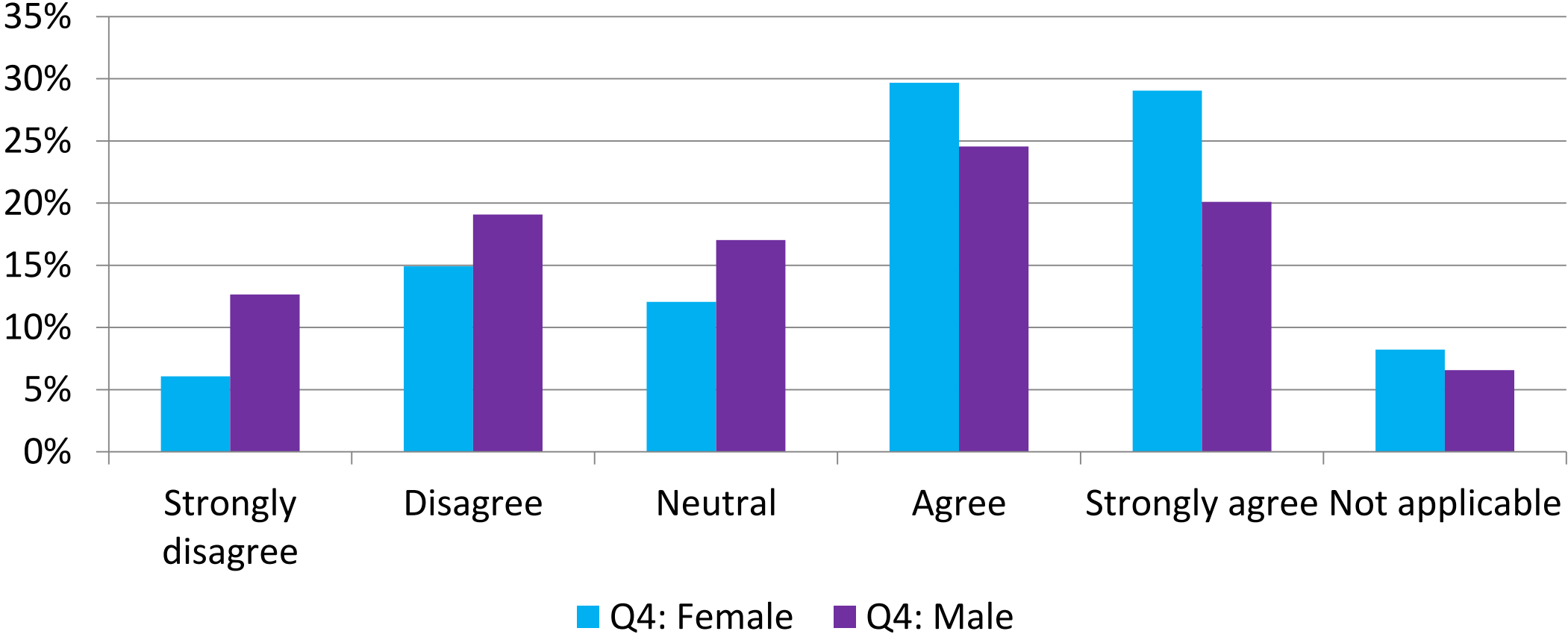
I worry that I won't be able to leave the funds I want to my family



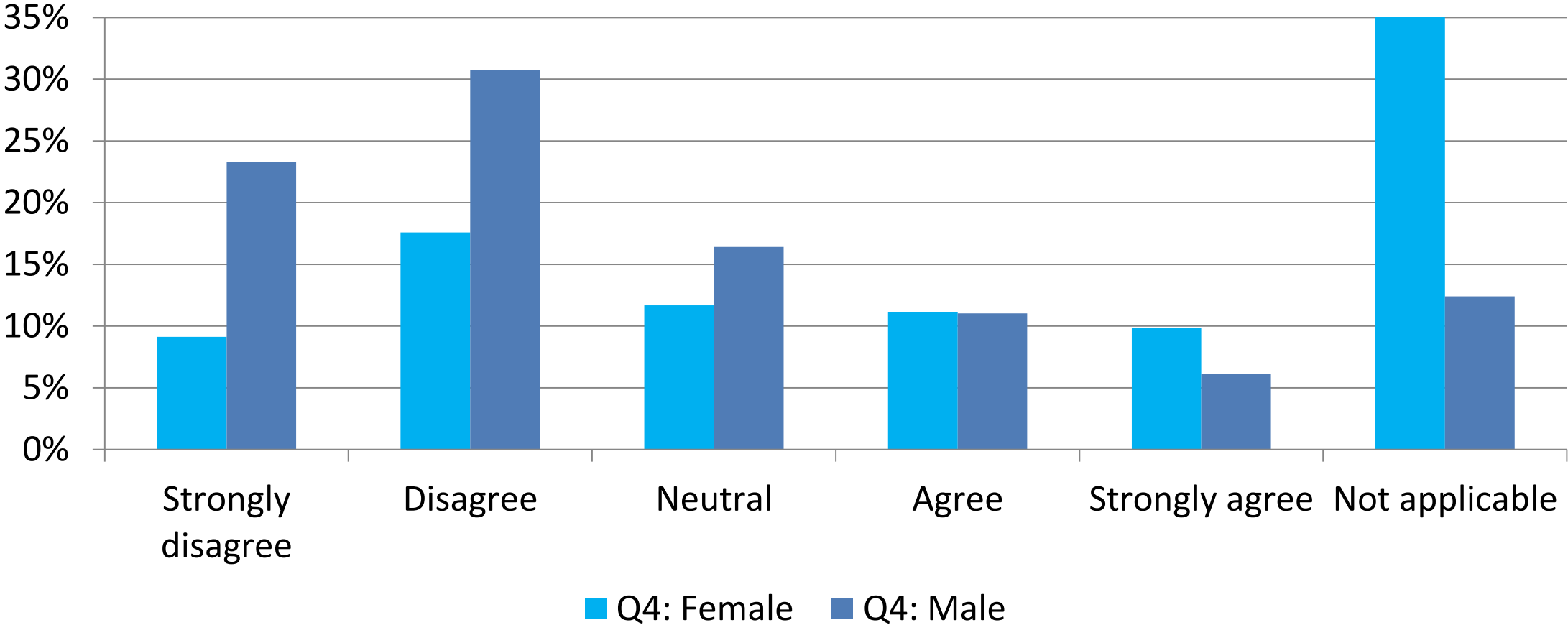
I worry that I won't be able to leave the funds I want to charitable causes



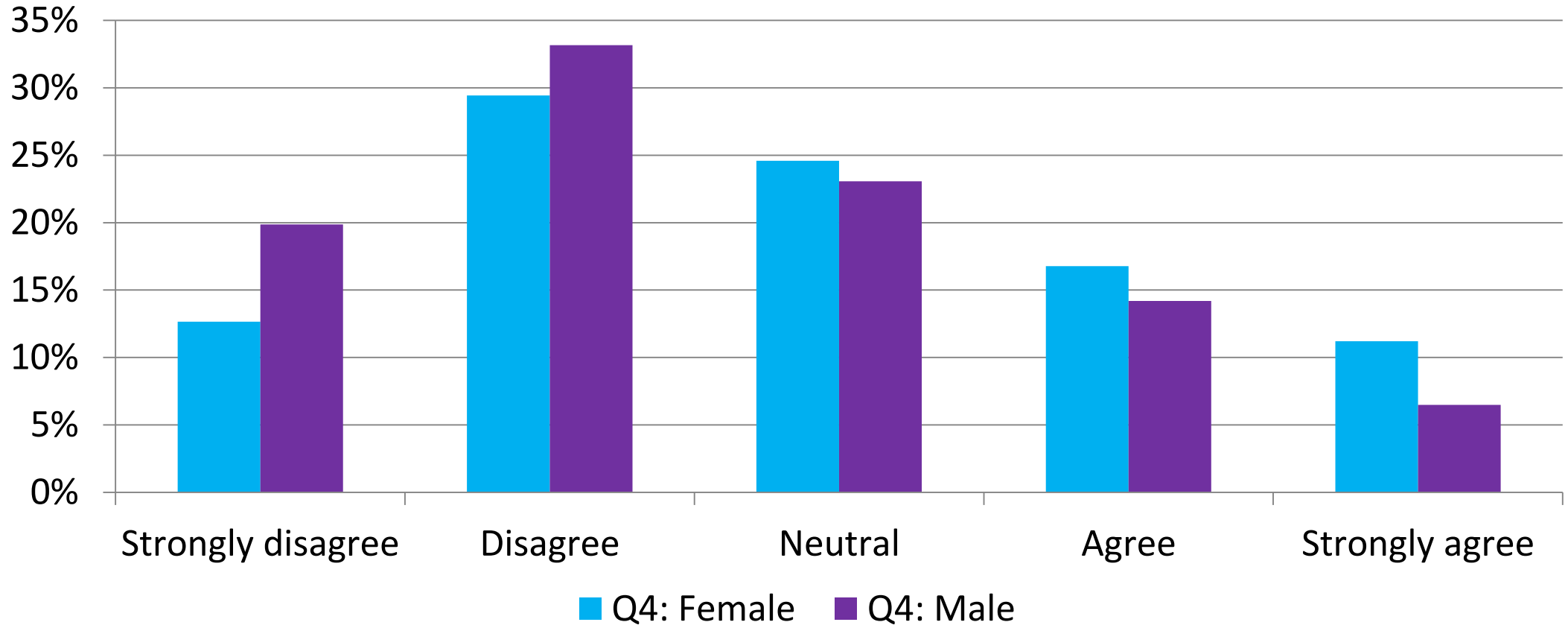
I worry that my pension won't keep up with inflation



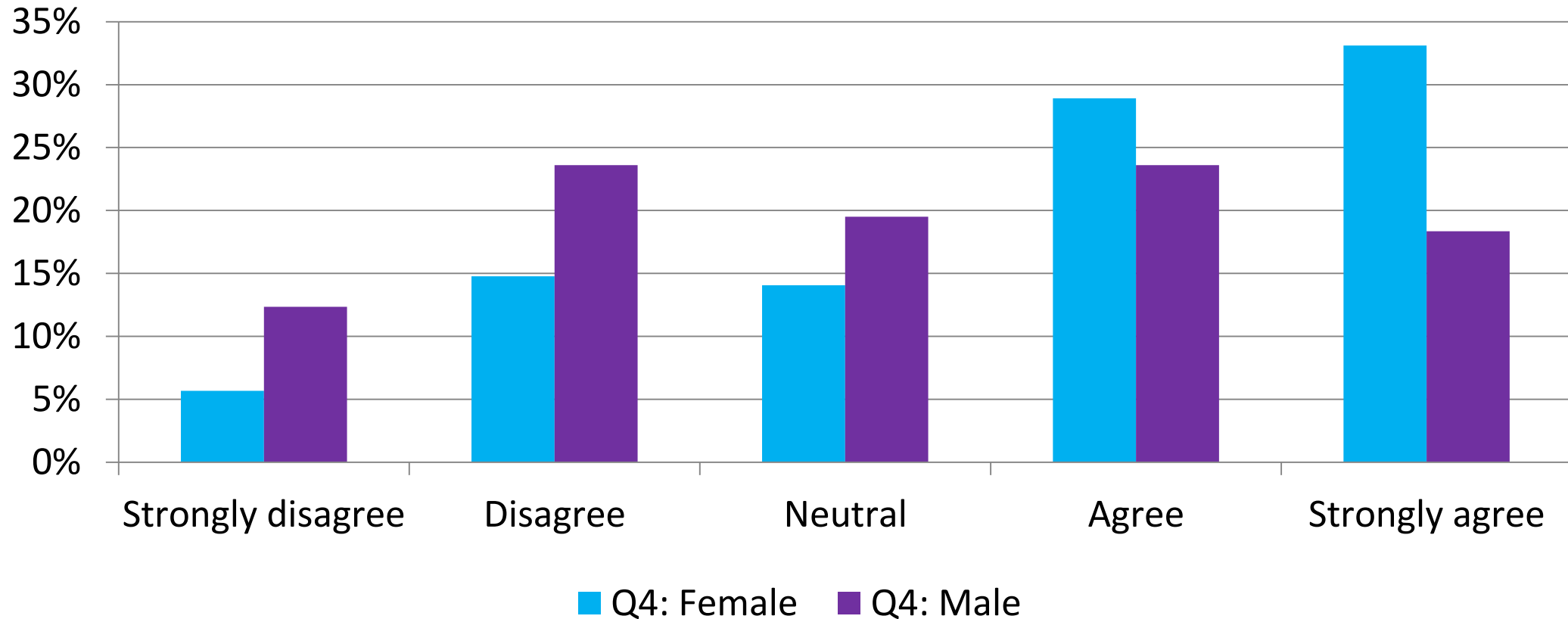
I worry that I won't have enough to live on if my spouse dies first



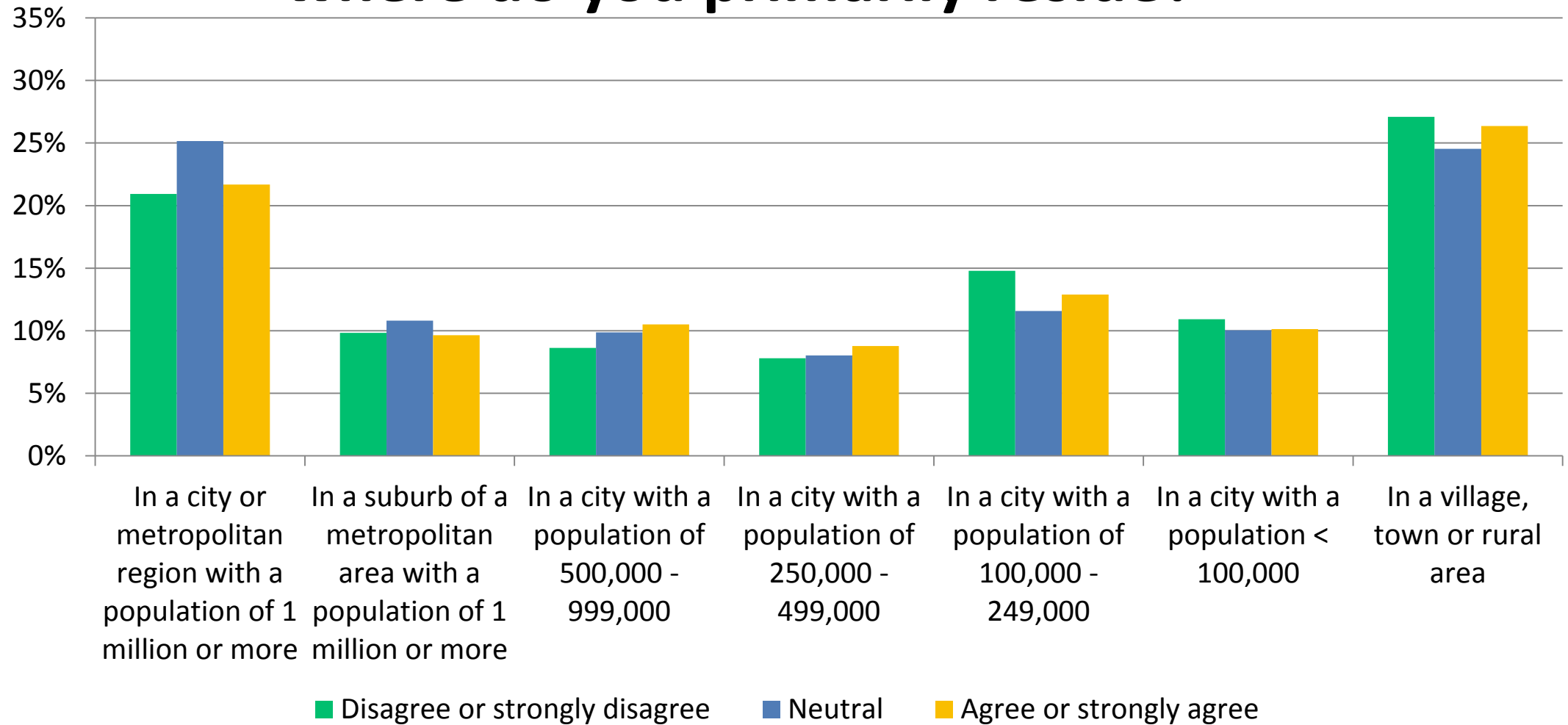
I worry that I am scrimping and saving unnecessarily now



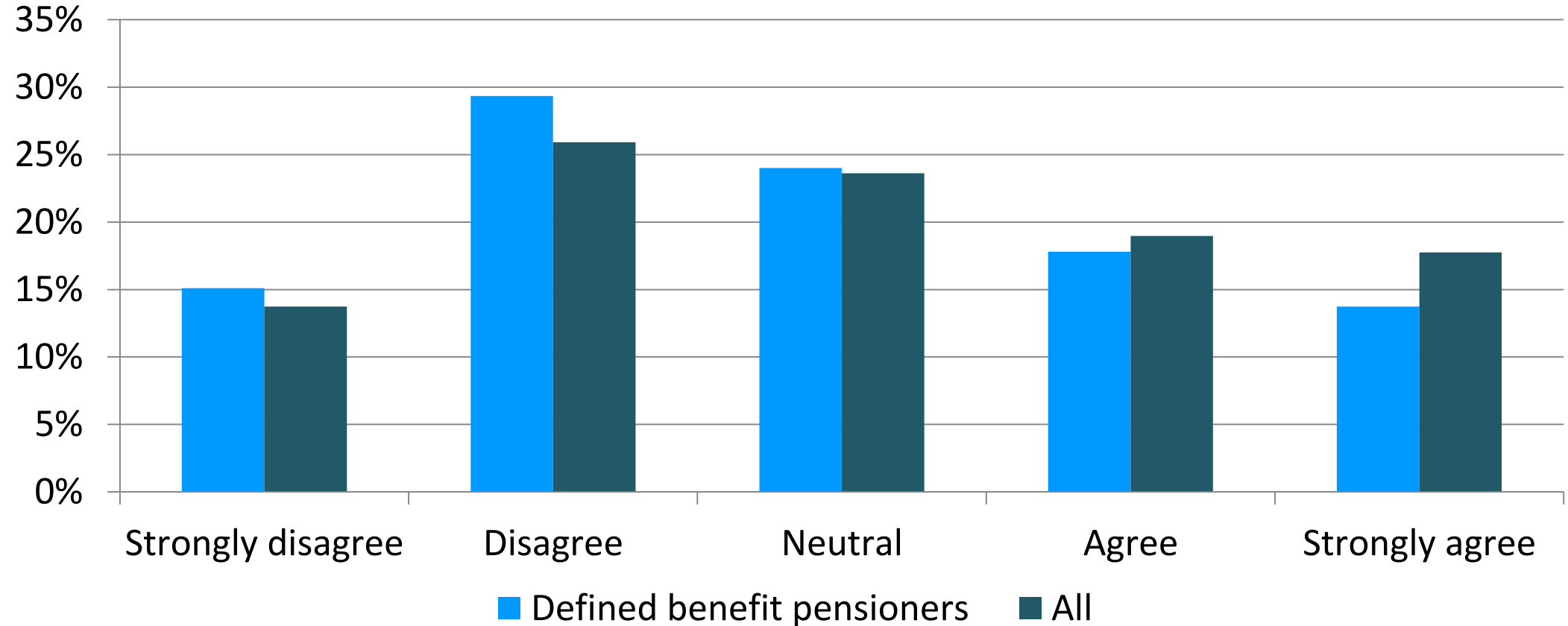
I worry that I won't be able to afford healthcare costs if I am unable to look after myself



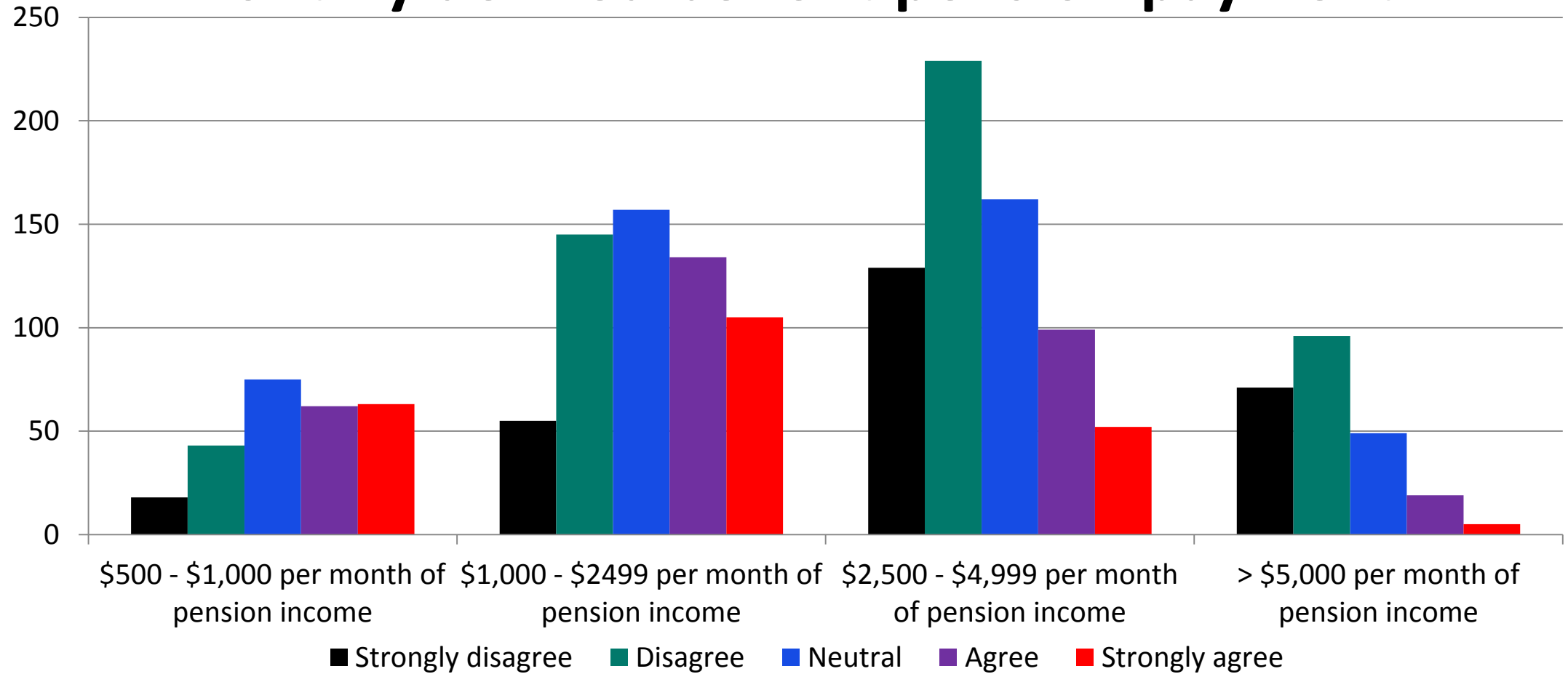
"I worry I will outlive my savings" compared to "where do you primarily reside?"



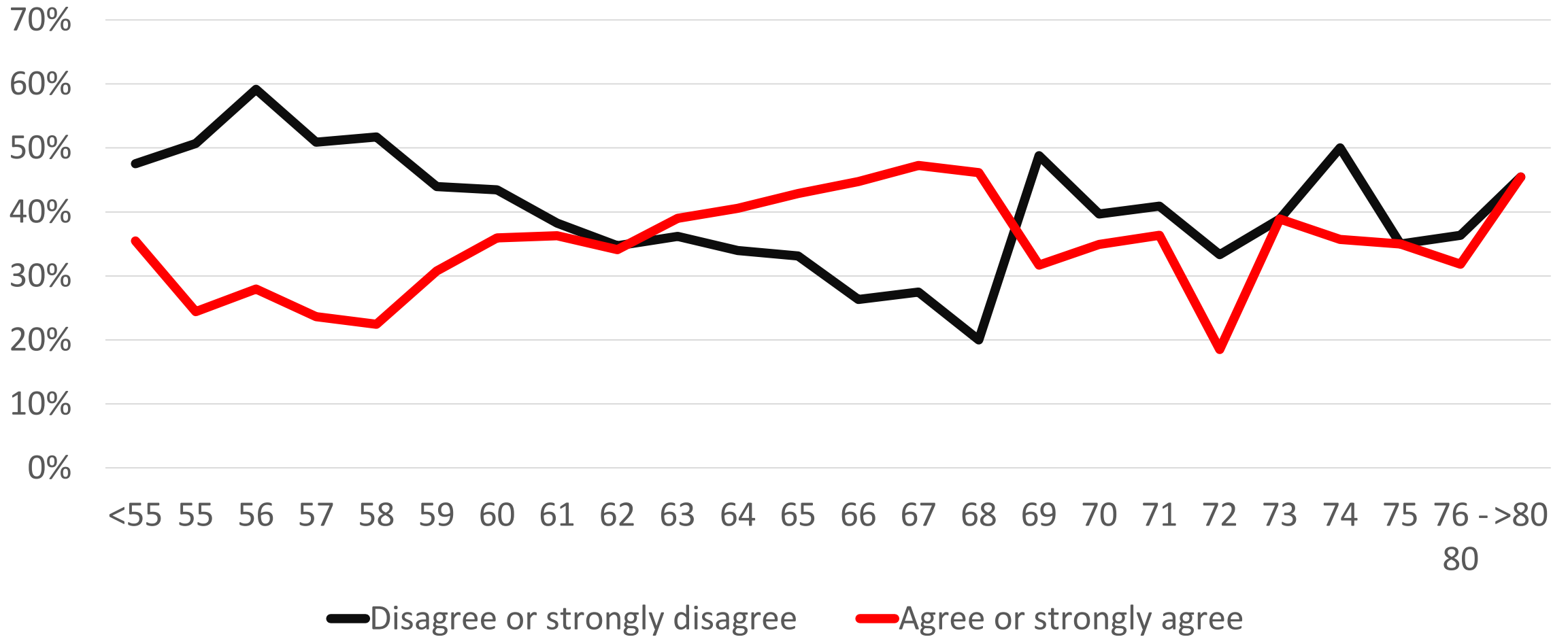
“I worry I will outlive my money” compared to “I have a defined benefit pension plan”



"I worry I will outlive my money" compared to size of monthly defined benefit pension payment

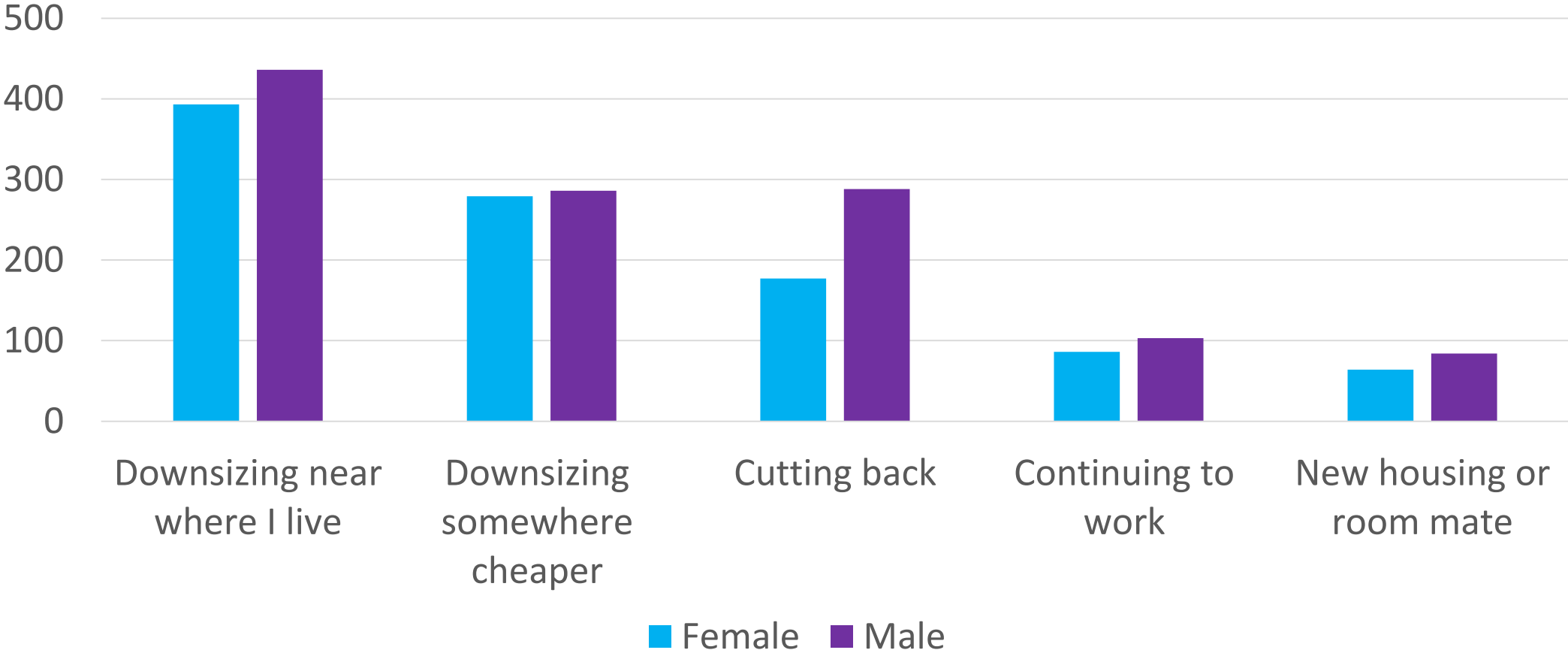


“I worry I will outlive my money” compared to age at retirement.

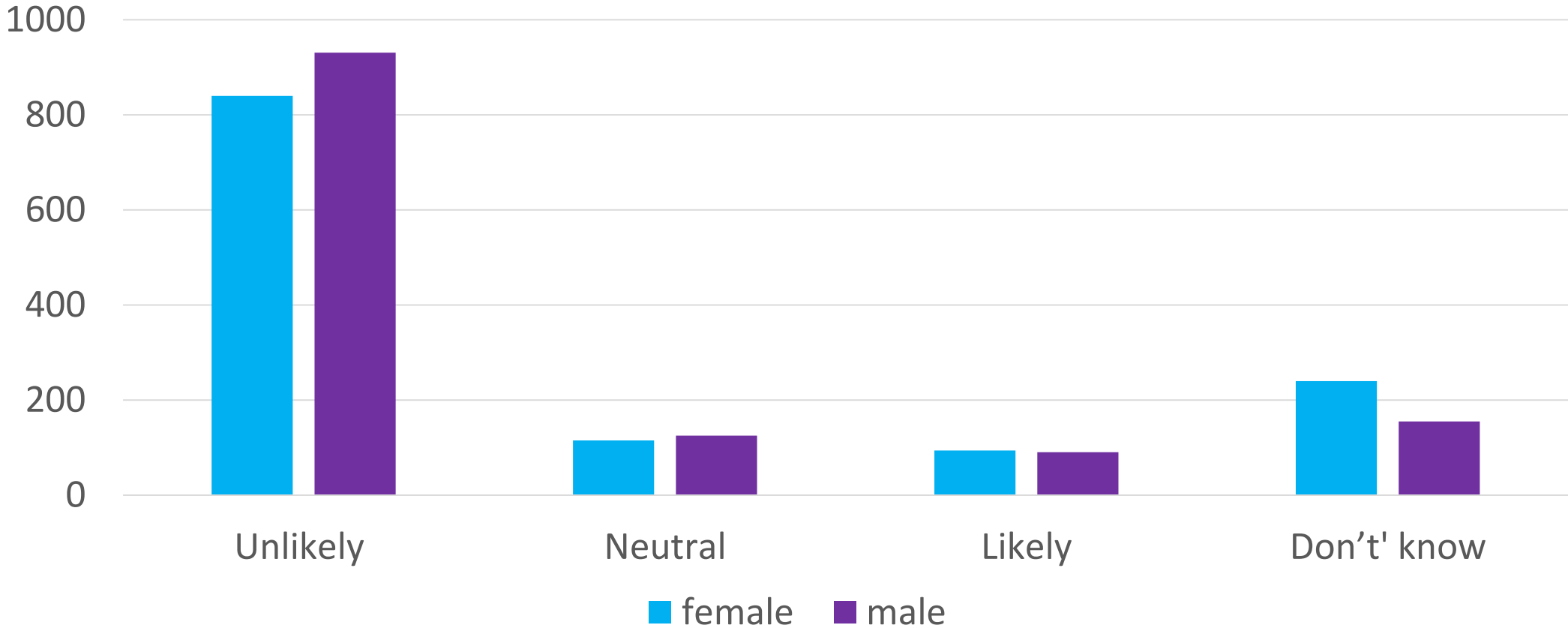


Action Steps

Ways I've addressed my financial worries

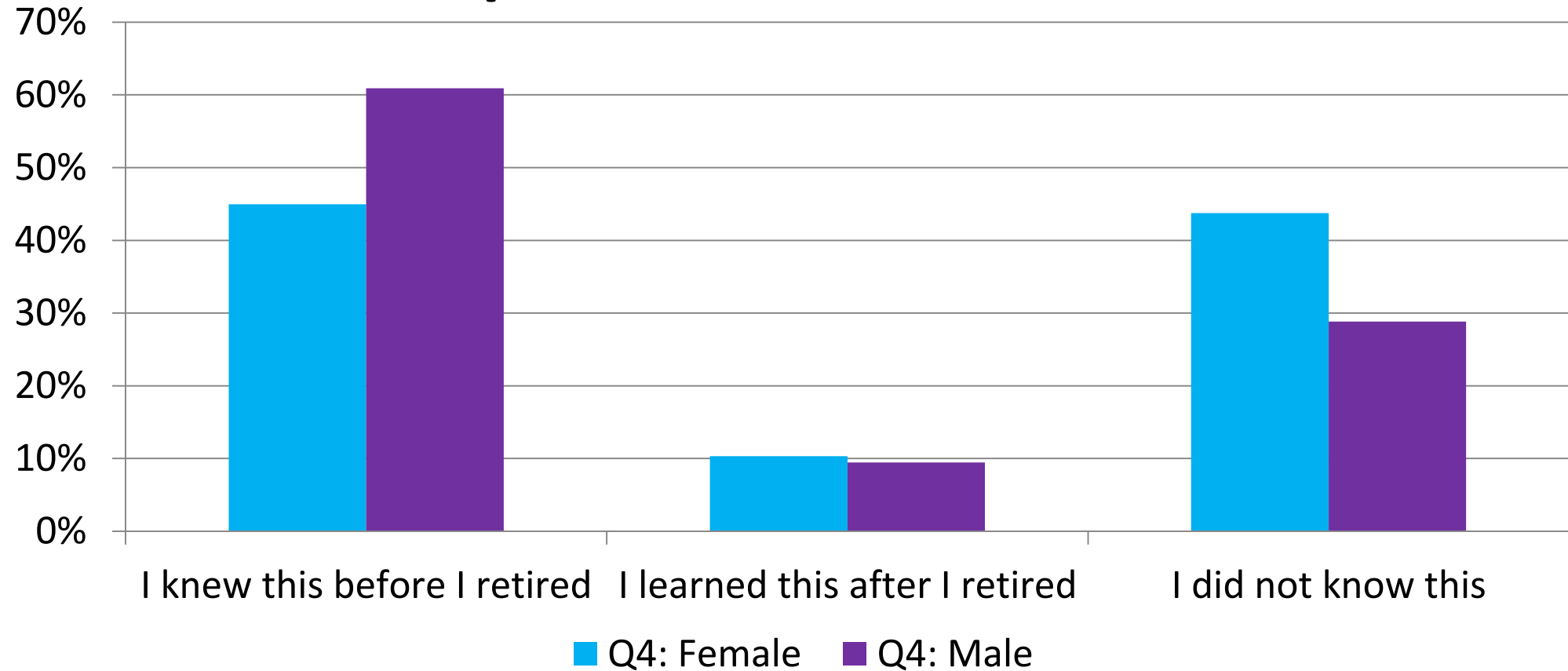


Likelihood of buying a deferred annuity

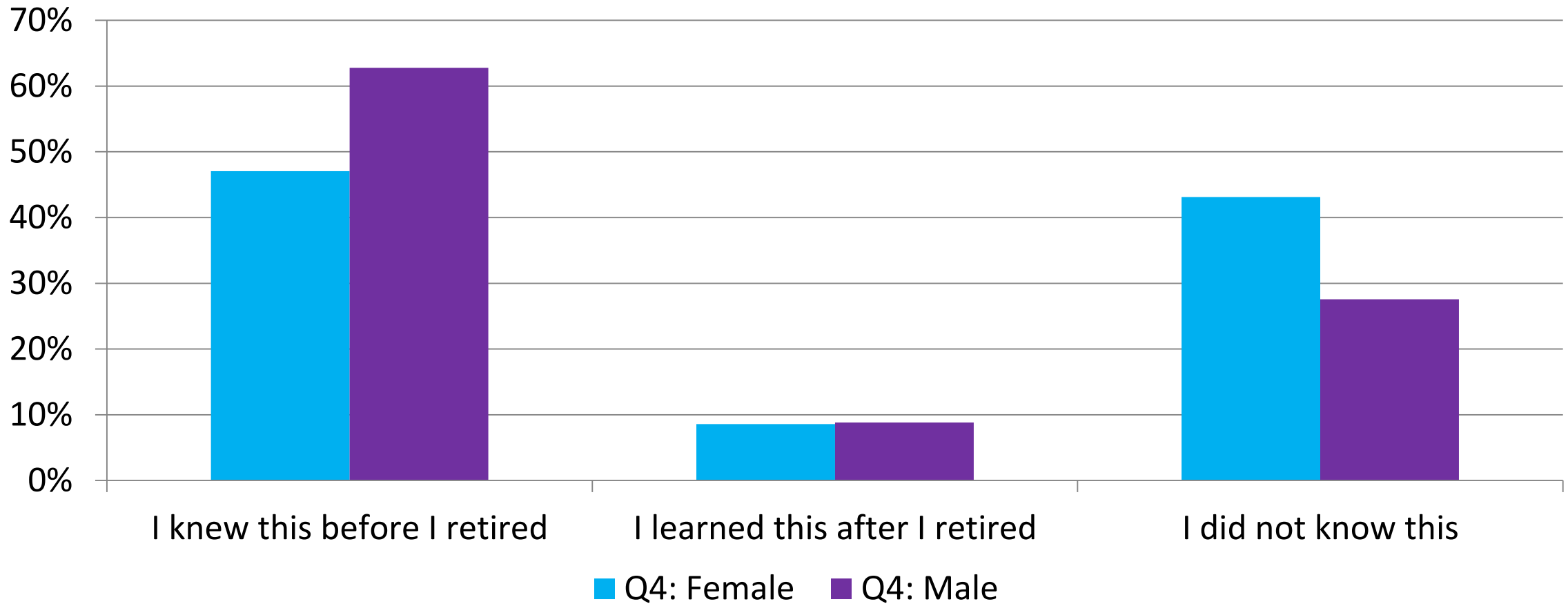


CPP Knowledge

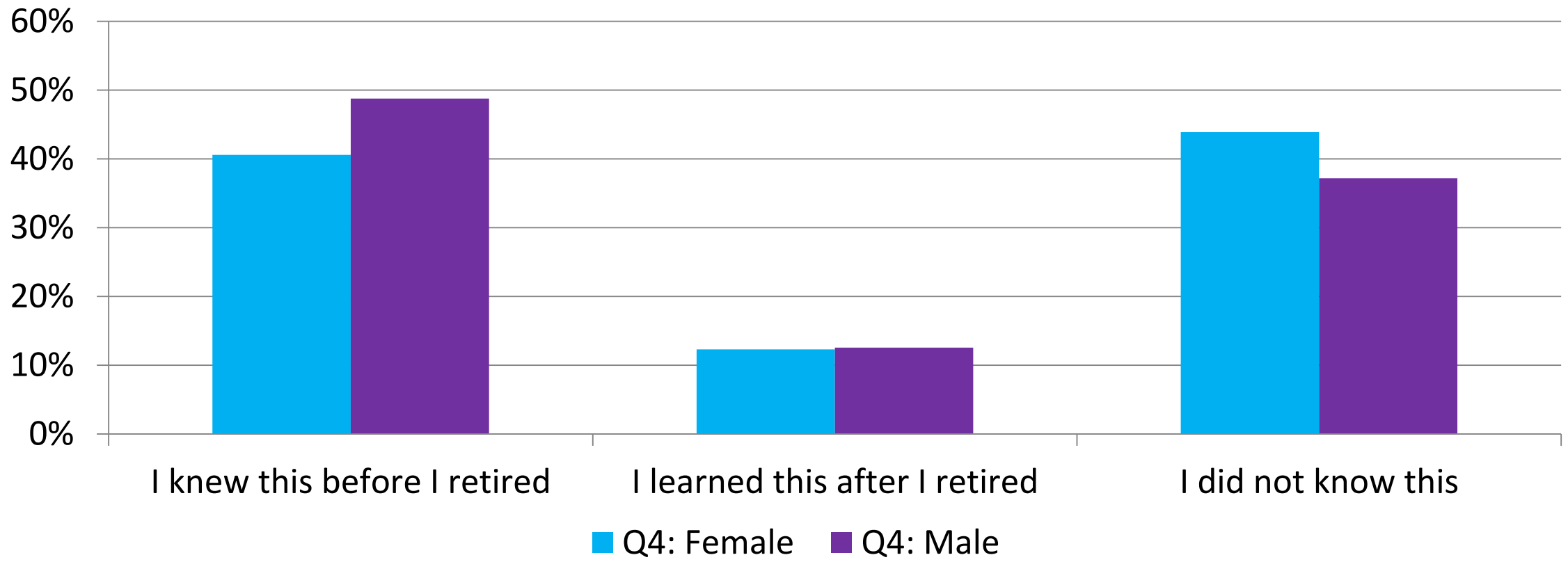
Did you know: CPP covered (only) 25% of pre-retirement income



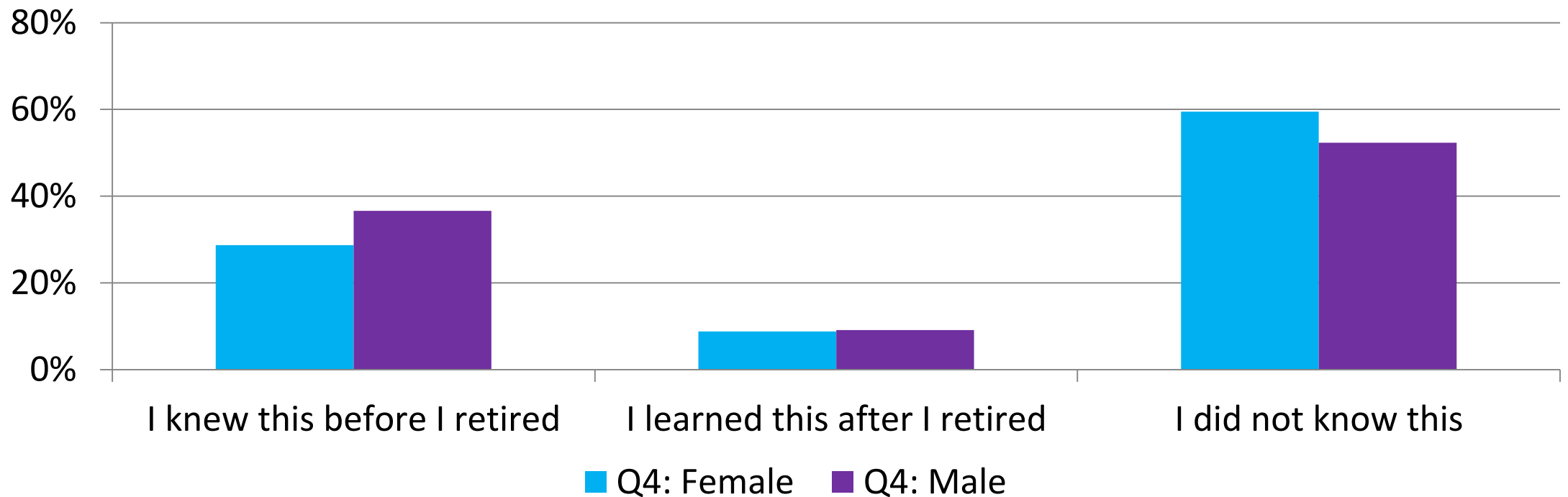
Did you know: CPP covered (only) my earnings to a set limit (\$57,400 in 2019)?



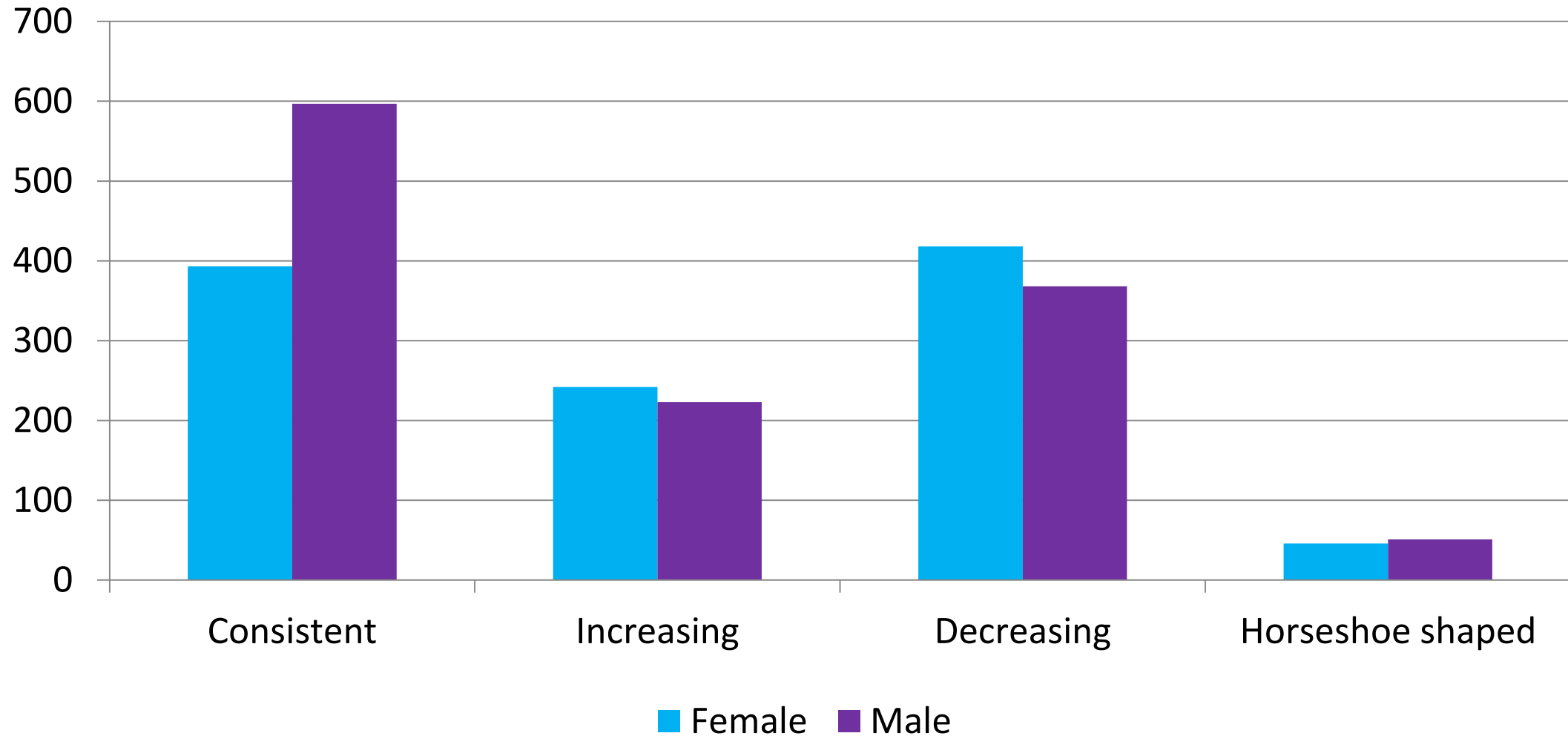
Did you know: When a spouse dies, their surviving spouse only gets 60% of their CPP?



Did you know: When a spouse dies, their surviving spouse only gets CPP up to the individual maximum even if means they get less than 60% of their spouses RRSP?



What is your spending history in retirement?



Lessons from men and women in retirement

Men: Only pay for one wife

Women: Don't marry a jerk

Diversity in Retirement Security among CARP Members

Wanda Morris

Former Chief Advocacy Officer, *CARP*

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