

2019 ACPM NATIONAL CONFERENCE



SHIFTING CURRENTS

Navigating Retirement Diversity

www.acpm.com

VANCOUVER, BC
Fairmont Hotel Vancouver
SEPTEMBER 10–12, 2019

DIAMOND SPONSOR



Sponsored by:

sagitec

Workshop 2

Moving from DB to DC: The Insider Perspective

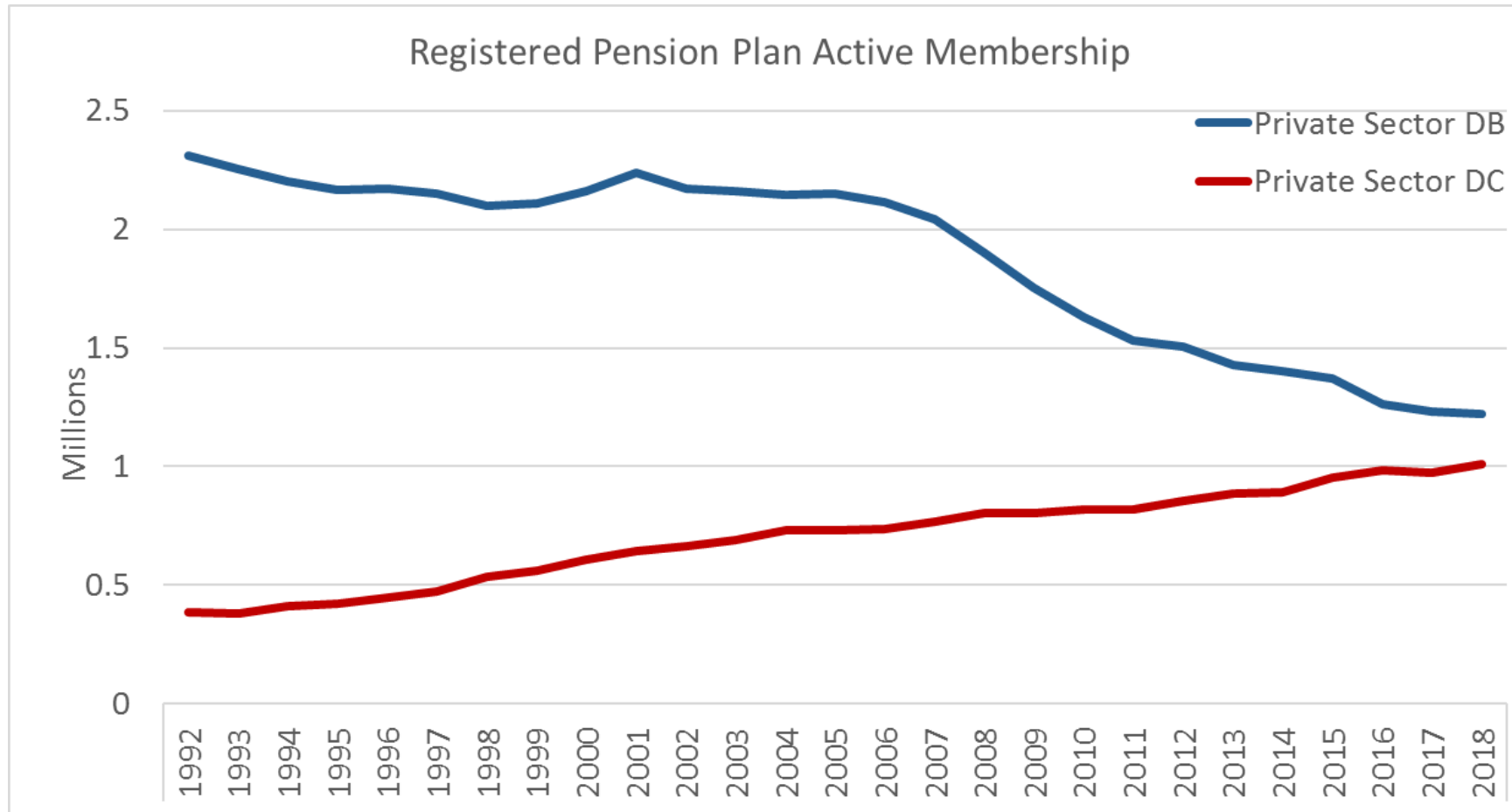
Speakers:

Ed Lee, Vice President, *Morneau Shepell*
Carol Craig, Director, People & Culture (Benefits & Pensions), *TELUS*
David Lawson, Vice President, Investment Management, *TELUS*

Moderator:

Glen Oikawa, Aon

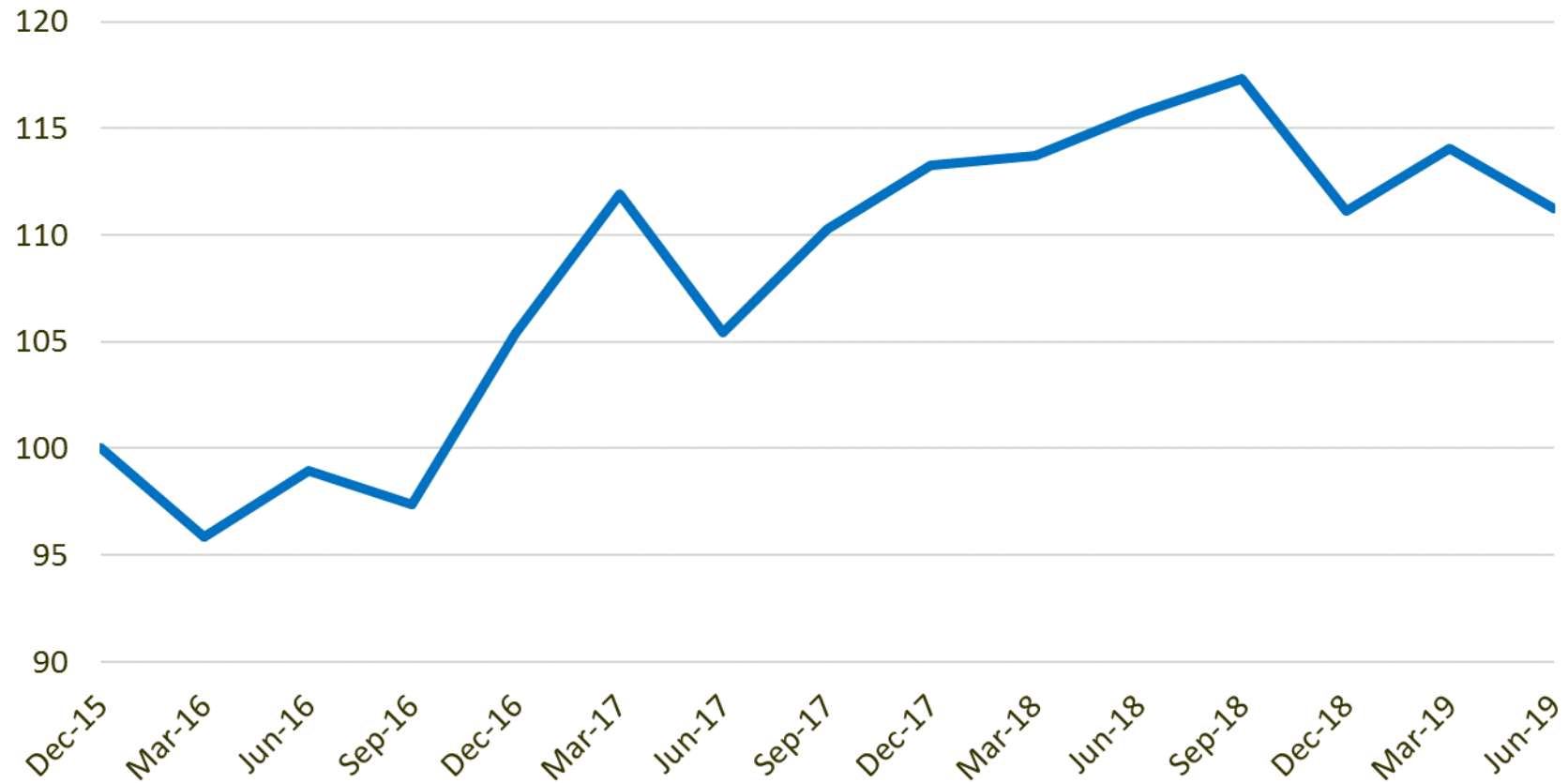
DB/DC active plan membership in Canada



Source: Statistics Canada

Improved solvency funded status for DB plans

Evolution of Solvency Funded Ratios Since December 31, 2015

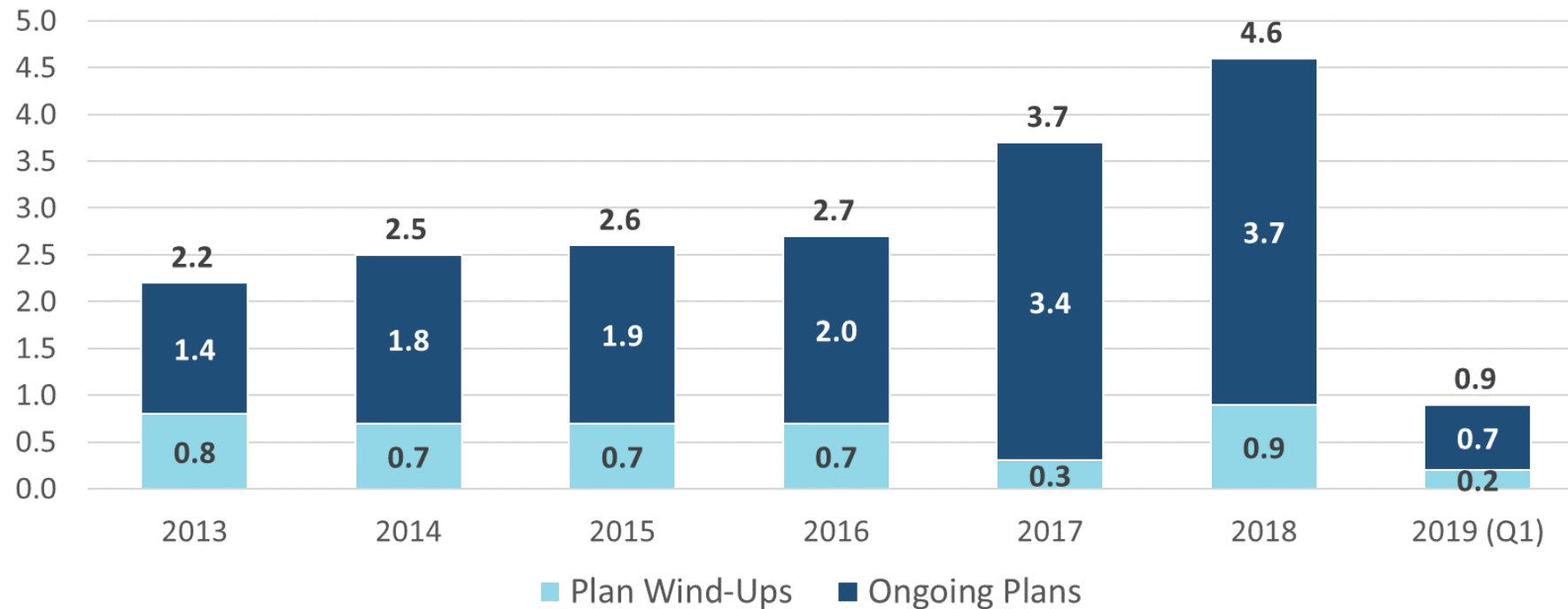


Source: Morneau Shepell

Closed DB plans are maturing

- Increased demand for de-risking solutions and annuity purchases

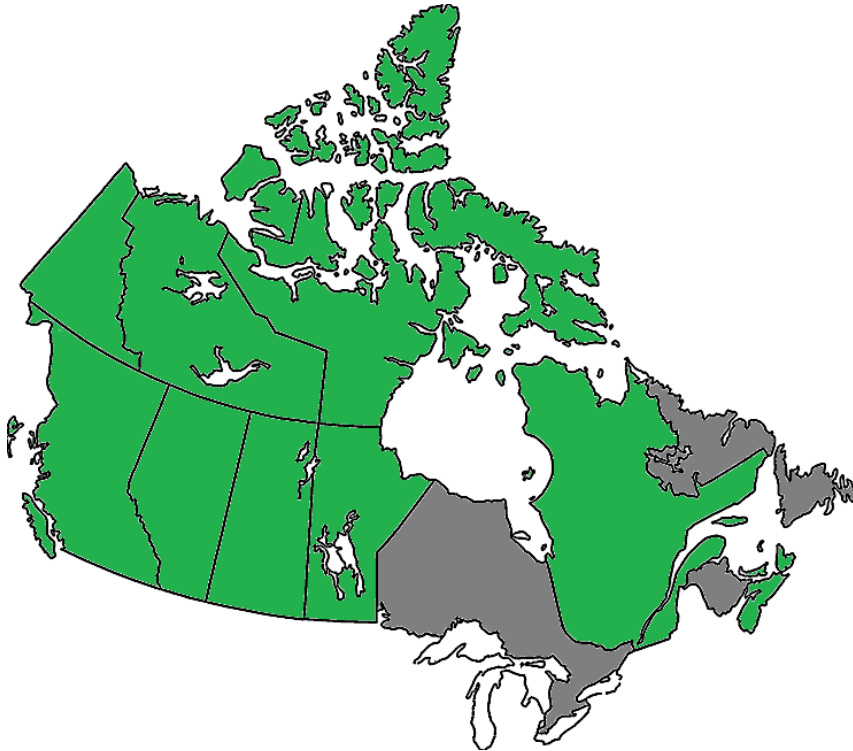
Canadian Group Annuity Transactions (\$ Billion)



Source: Morneau Shepell, insurer data, and LIMRA

DC plans maturing as well

Increased focus on decumulation



| Jurisdiction | Permit Variable Benefits from DC Plan |
|-------------------------|---------------------------------------|
| Federal | Yes |
| Quebec | Yes |
| Ontario | Soon* |
| Alberta | Yes |
| B.C. | Yes |
| Manitoba | Yes |
| Saskatchewan | Yes |
| New Brunswick | No |
| Nova Scotia | Yes |
| PEI | Yes |
| Newfoundland & Labrador | No |

* Approved recently; working through legislative channels to be implemented.



Moving From DB to DC

September 10, 2019

Carol Craig

Our story



From DB to DC –
the People &
Culture perspective

Culture of well-being



The five dimensions of well-being



Financial Well-being

Being financially well means we can manage our day-to-day needs while saving for important purchases (like a car, home, or vacation), dealing with unexpected emergencies, and retiring comfortably. Regardless of your stage in life, there are ways to protect your financial well-being now.

Changing from DB to DC

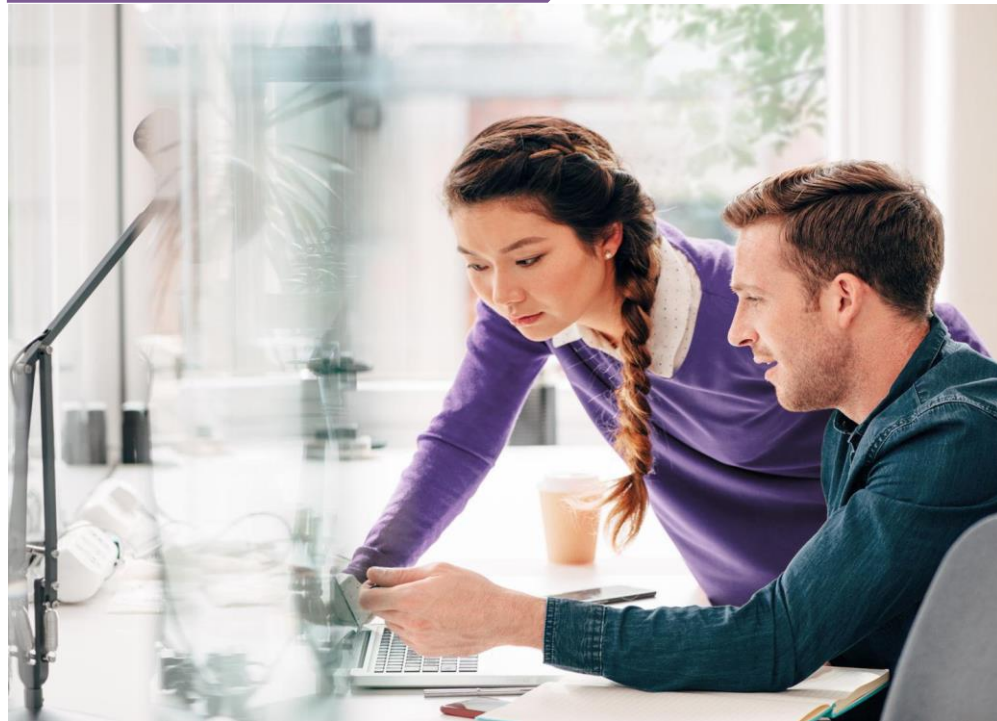


Objective

Reduce financial risks to TELUS while continuing to support team members in their journey to financial security in retirement.

Key considerations

- Manage cost
- Understand market trends
- Income adequacy in retirement
- Respect team members desire for choice



Drivers for change



- First introduced Defined Contribution Plan as an option in 1996
 - In response to changing needs of both our team members and the business
 - Contributions mimicked those of the DB plan
- Closed DB plans to management in 2007
 - Competitive landscape
 - Cost considerations
 - Introduced DC plan design changes

Current TELUS programs



- Four legacy DB plans
 - active team members – 4,000
- Two DC plans
 - one federally regulated; one provincially regulated
 - active team members – 17,000
- New hires participate in DC
 - with exception of union members hired in BC

Challenges



Communication



Engagement



Retirement Outcomes



Attraction / Retention

Our response



Communication

- Targeted
- Generational
- Customized to audience



Engagement

- Listen
- Defaults



Outcomes

- Measure to understand data
- Plan design considerations
- Supplemental plans



Attraction/Retention

- Supplemental plans
- Retention levers

Some recent highlights

- Took advantage of an opportunity
- Simplified investment structure
 - Modified in-flight based on team member feedback
- Engaged over 6,800 team members in education sessions over a 4 week period
- Over 5,200 active investment decisions
- Contribution levels increased by ~1,000 team members

Looking forward

- Leverage technology / data to simplify
 - At every stage – enrolment, contribution level, choosing investments
 - Personalize communication
 - Investigate future use of artificial intelligence / apps
- Continuous measurement and monitoring
 - Retirement income adequacy
 - Investment options
- Decumulation
 - Developing a comprehensive decumulation program to enhance retirement outcomes for team members
 - Multiple products being considered
 - Targeted implementation Q4 2019



TELUS Pensions

Finance & Investments

September 11, 2019

David Lawson
Vice President, Pension Investments
TELUS

TELUS Closed DB Overview



- 4 legacy defined benefit plans
- Federally regulated
- \$9.5 billion in assets
- Weighted average funding:
 - > 130% going concern
 - > 105% solvency

Evolution of Plan Maturity

Plan demographics

- 70% retirees in 2013  80% retirees in 2018

Time horizon & Contributions

- Current service cost will drop by 50% in 10 years and to near \$0 in 20 years
- With dwindling active members the contributions are negligible relative to the asset size

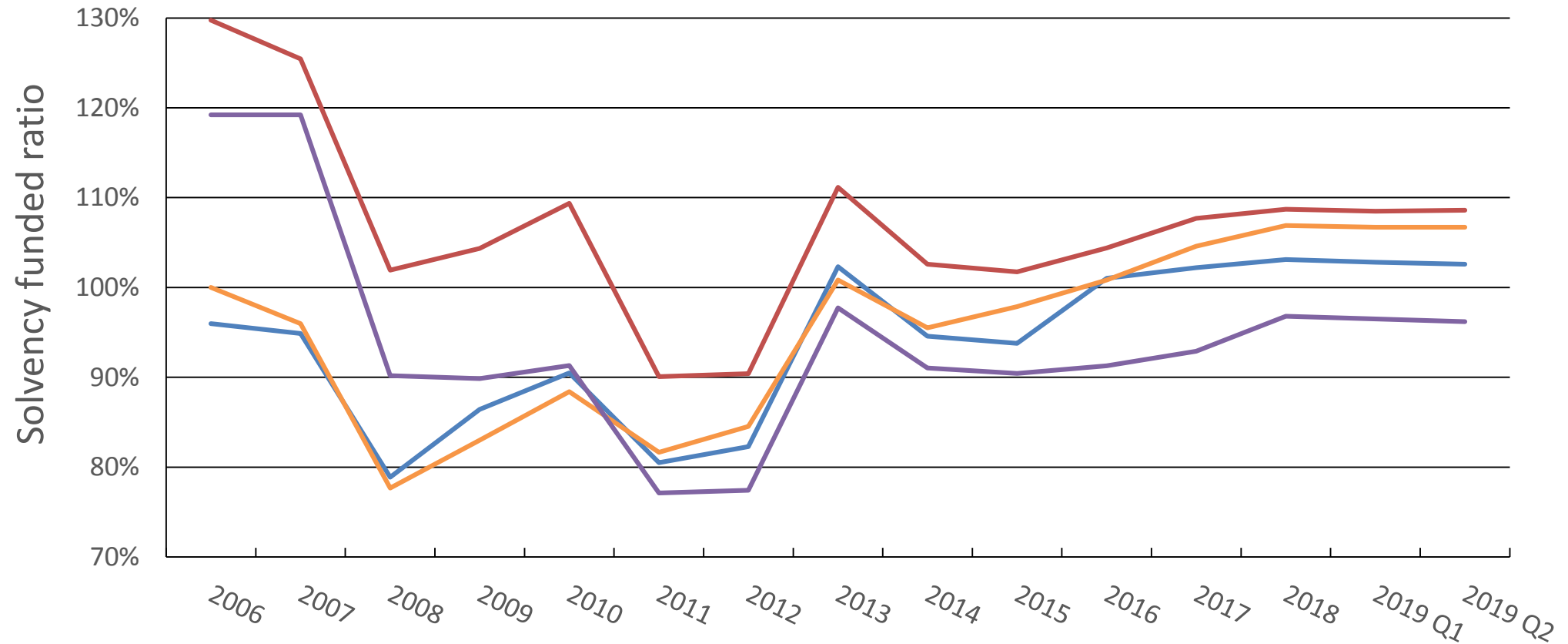
Benefit payments

- Annual benefit payments are approx. 4.5% of asset value and growing



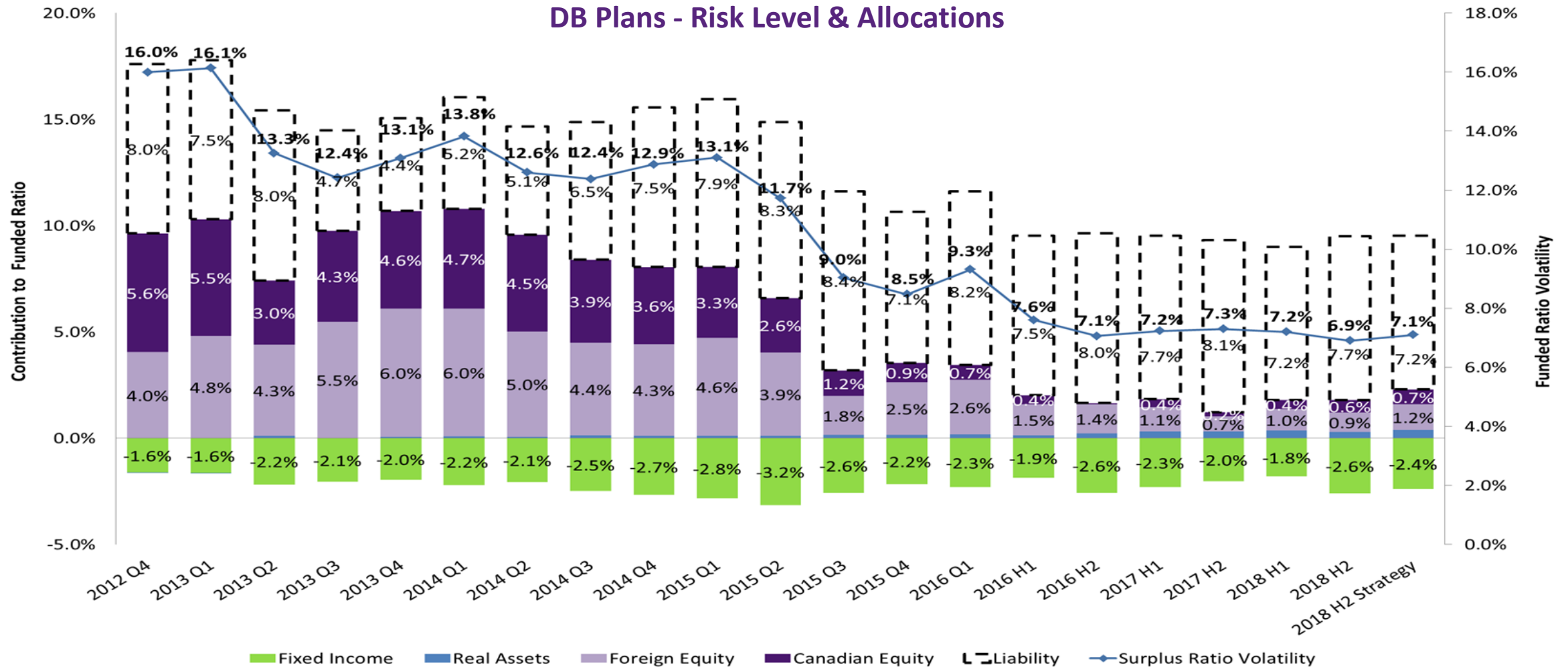
Funding Levels & Strategy

Historical Solvency Funded Ratios by DB Plan



- As funding has improved the asset liability risk has been reduced and solvency funding has stabilized

Investment Risk - Funding Risk



Liquidity Management

Short Term

Liquidity for net negative cash flow, private assets & portfolio management

Long Term

Liquidity for de-risking optionality



The Conundrum of Conditional Benefits

- Conditional benefits give rise to a desire to seek return
- While contribution stability is driving the desire to reduce funding risk
- A difficult risk/return trade off needs to be made by the governing fiduciaries

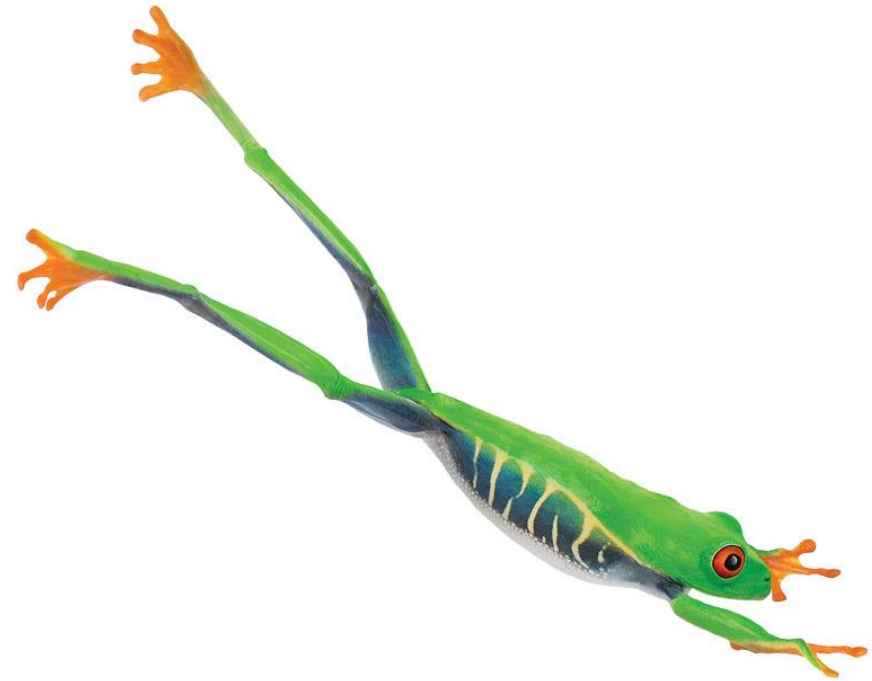


The Long Term Exit Plan



- Phase 1: Reduce the asset liability mismatch
- Phase 2: De-risk guaranteed benefit enhancements
- Phase 3: Reduce longevity risk through longevity swaps or buy-in annuities
- Phase 4: Buy outs & wind ups

Thank you



Sponsored by:

sagitec