

Decumulate or Bust? Fresh Perspectives on Retirement Income

Hosted by the Ontario Regional Council

October 16th, 2019

Sheraton Centre Toronto

Toronto, ON

Introduction

Stephanie J. Kalinowski

Chair, Pension, Benefits and Executive
Compensation Group

Hicks Morley

Chair, Ontario Regional Council

Speakers

Krista Heuston, Director, Product Design and Management,
Group Retirement Services, *Sun Life*

Louise Koza, Director, HR Digital and Operations, *Western University*

Joe Nunes, Co-founder and Executive Chairman, *Actuarial Solutions Inc.*

Retirement Age

CIA Paper

- Almost 2 years of work
- Profession treading very carefully when there is ‘no right answer’
- A group of very smart actuaries + Joe Nunes
- Collection of papers on subject
- Review of government action in other countries
- Support from Canada’s Office of the Chief Actuary for data

CPP/QPP

By retiring at age 67, Canadians will receive **16.8%** more benefits upon retirement than retiring at age 65

Raise retirement age from 65 to **67**

Raise early retirement age from 60 to **62**

Raise maximum retirement age from 70 to **75**

OAS

By retiring at age 67, Canadians will receive **14.4%** more benefits upon retirement than retiring at age 65

Raise retirement age from 65 to **67**

Raise maximum retirement age from 70 to **75**

Registered pension plans and RRSPs

Later retirement options give **more flexibility** to Canadians for managing their retirement savings

Raise maximum retirement age from 71 to **75**

Allow employers to change the target retirement age from 65 to **67**

Changes could be phased-in over time, for example, by increasing the target retirement age by three months each year from 2021 to 2029.

Our proposal means Canadians could decide to take their retirement benefits later to receive **higher lifetime retirement income**



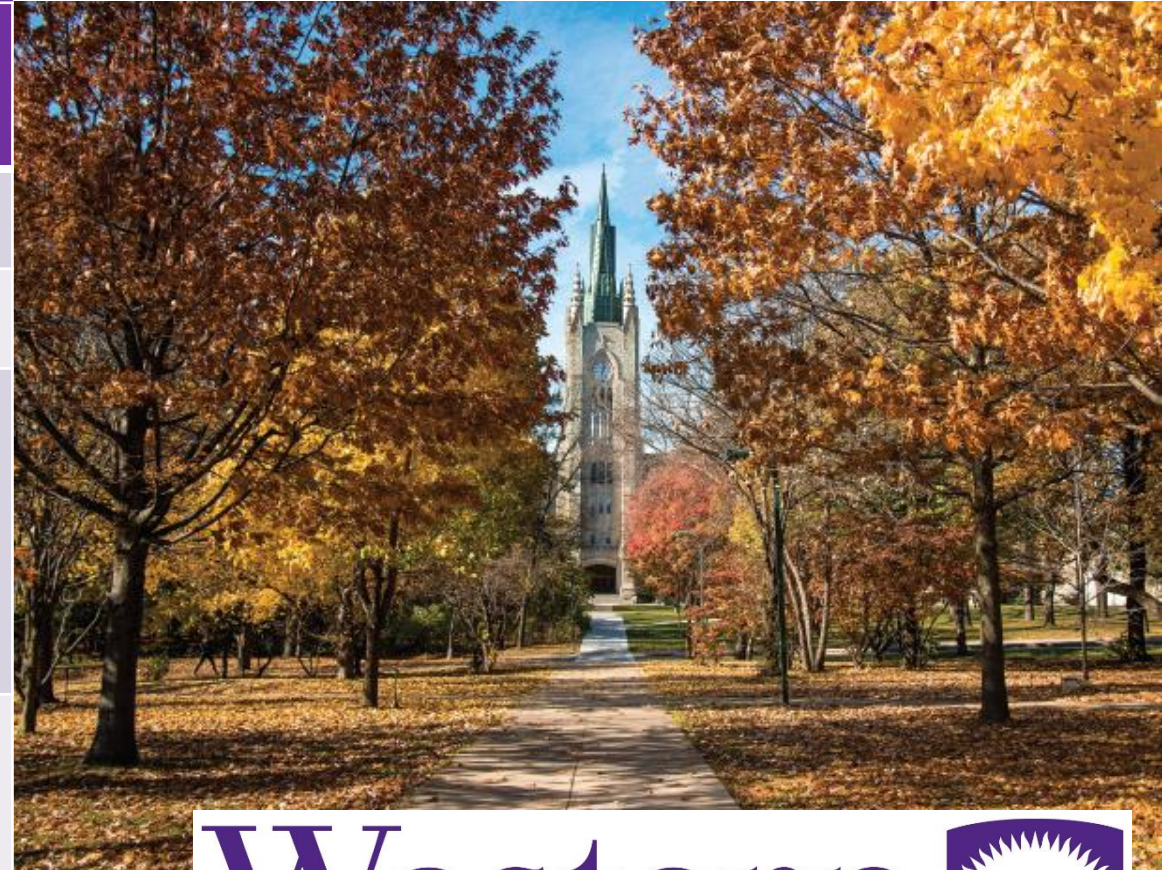
Reaction

- Actuaries
- Media
- Government

DC Variable Benefits

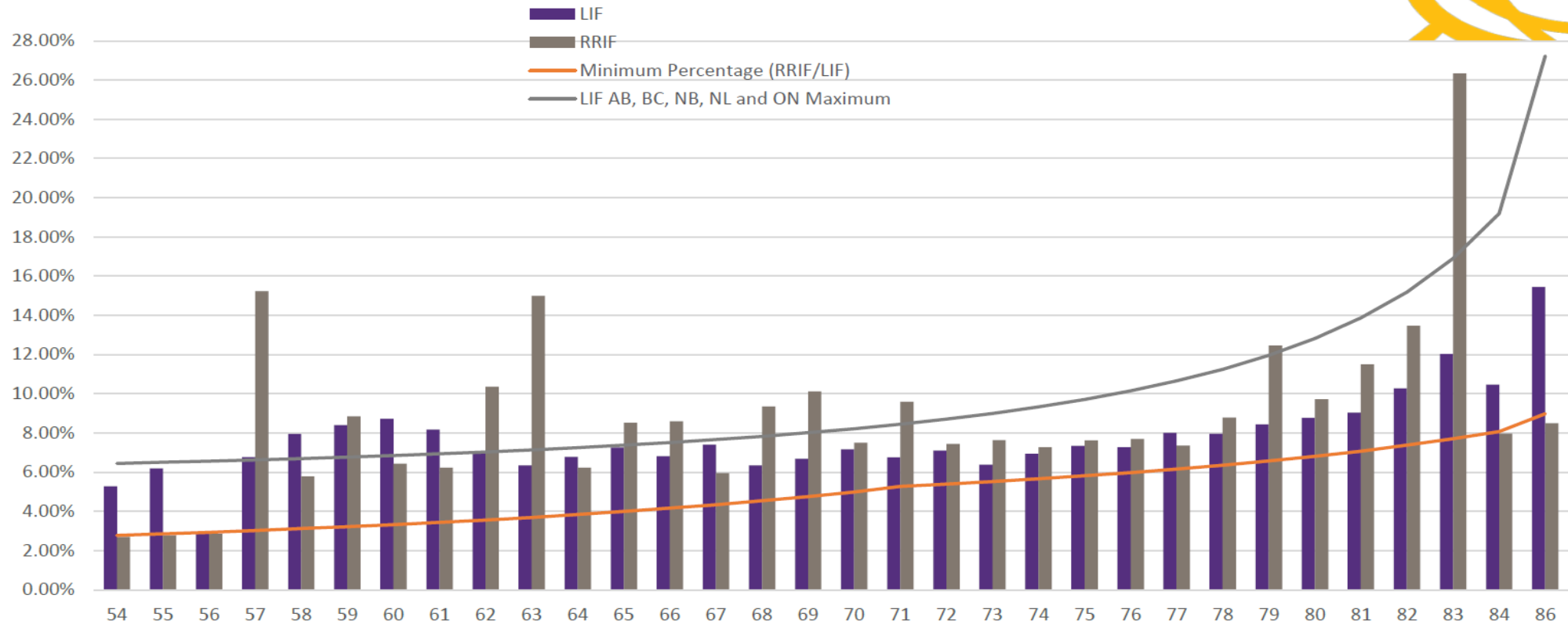
Western University – Retirement Plans

	DCPPs	RIF/LIF (Sun Life)
Members	7,000	640
Assets	\$1.2 B	\$340 M
Average Account	Academic \$227,000 Admin \$116,000	\$525,000
Annual Withdrawals	\$109 M	\$27 M



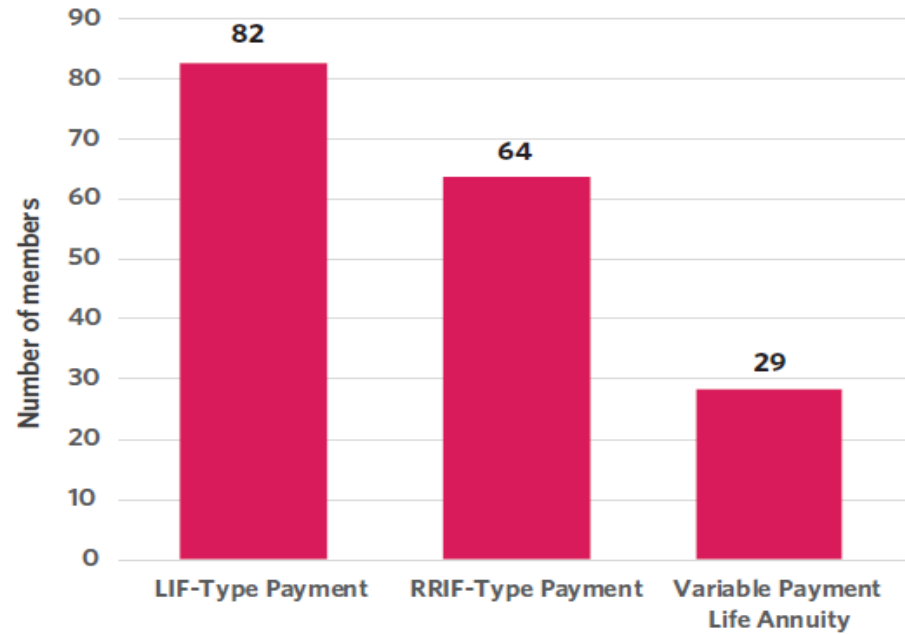
Sun Life Retirement Savings Plan for Western Retirees

Minimum vs. Actual RRIF/LIF Withdrawal Percentages 2018



UBC Experience

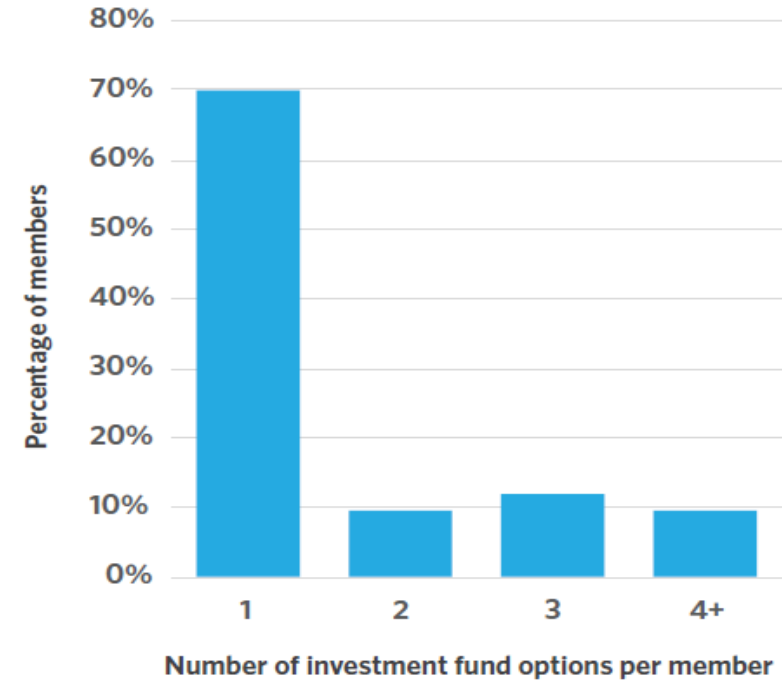
Retirement Incomes started in 2018



Total assets transferred to retirement income within the Plan: **\$105.4M**

75% of retiring members' assets stayed in the Plan

Fund Options Usage



UBC FACULTY PENSION PLAN 2018 Annual Report 6

UBC Experience



- About 22% of retiring faculty elect the VPLA
- Most use 100% account, unless unlocking
- Average size of account about \$500,000
- Not a lot of people are splitting between the two options (7% or 4%), but those that do generally do a 50/50 split

UBC Experience

Appendix

Annual Investment and Survivorship Adjustment to VPLA Pensioners

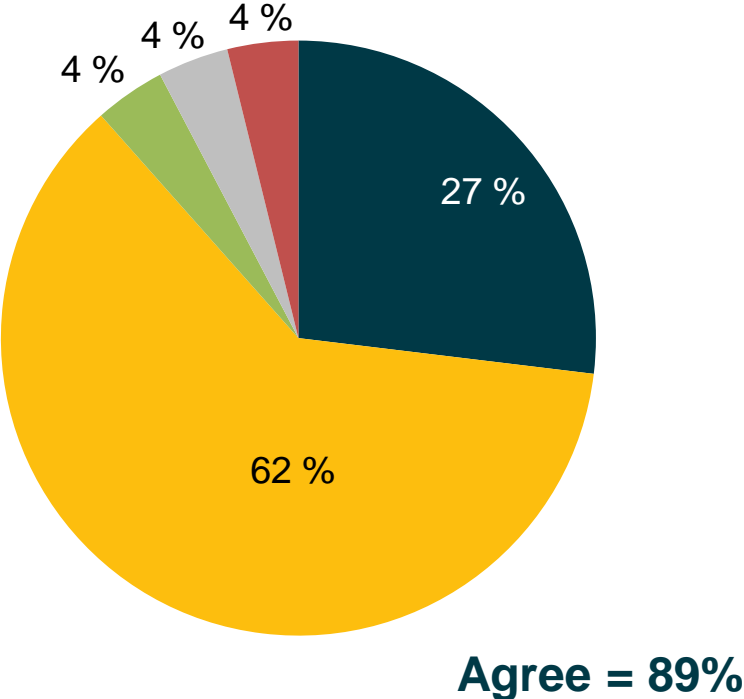
Year	7%	4%		Year	7%	4%		Year	7%	4%
2002	-7.17%	-4.46%		2008	-4.94%	-2.22%		2014	4.84%	7.88%
2003	-10.81%	-8.24%		2009	-19.78%	-17.48%		2015	3.08%	6.03%
2004	4.51%	7.54%		2010	2.82%	5.78%		2016	-1.57%	1.29%
2005	0.86%	3.79%		2011	1.16%	4.06%		2017	-6.86%	-4.17%
2006	3.71%	6.71%		2012	-5.09%	-2.34%		2018	0.94%	3.85%
2007	5.78%	8.85%		2013	1.82%	4.74%		2019	-8.06%	-5.42%

This article has been prepared by the UBC Pension Administration Office for information purposes only. Pension plans and the legislation that governs them are complex, so not every detail can be contained in a communication such as this. In the event of any discrepancy or misunderstanding, benefits will be administered according to the official Plan documents and the applicable legislation.

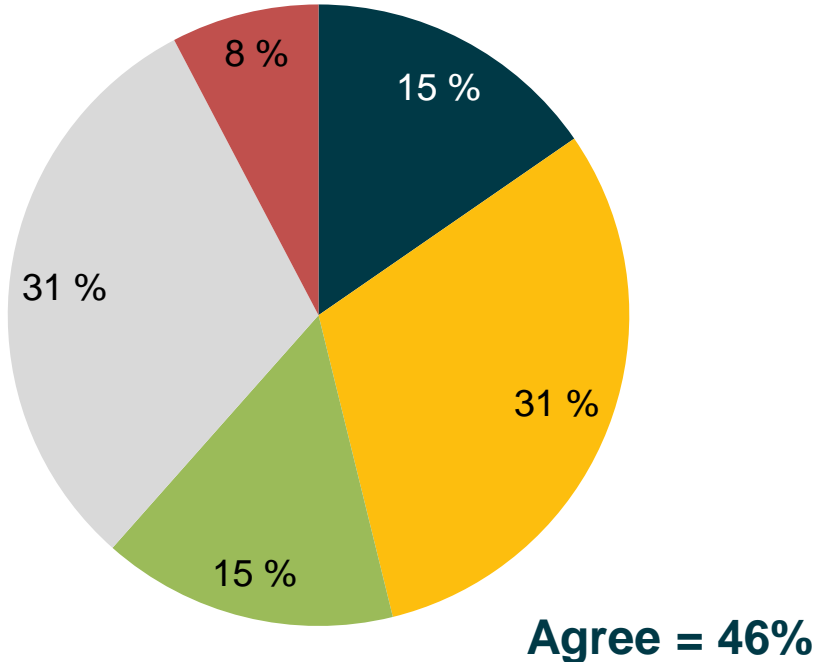
Thoughts on Plan Sponsor Responsibility:

We feel it's our **responsibility** as an employer and plan sponsor to help our employees prepare for their retirement years.

When an individual leaves employment with us, **our responsibility to them ends**

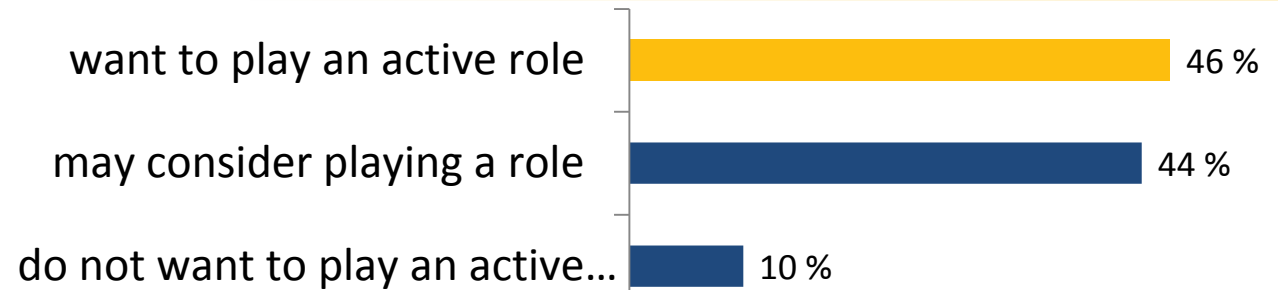


- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree

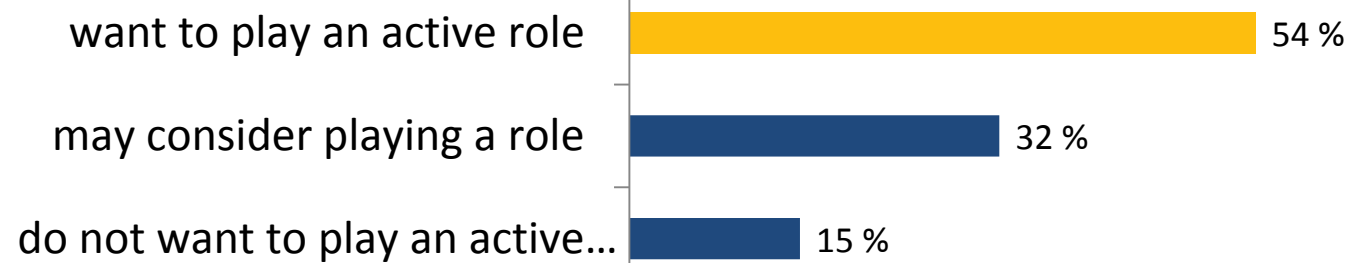


Sponsors want to help...

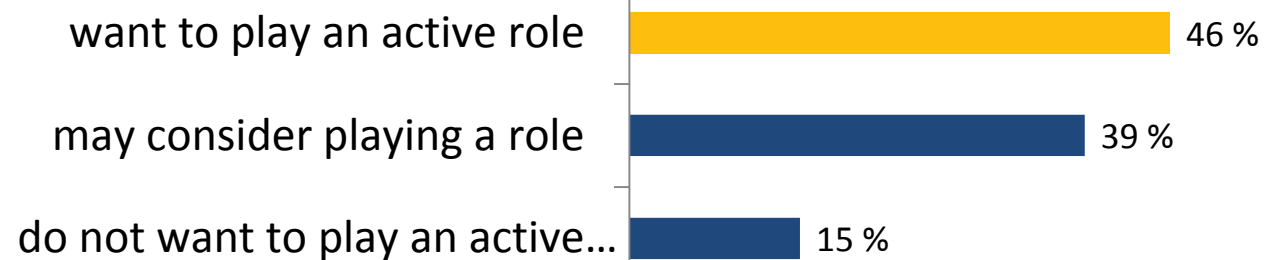
Helping employees understand the retirement income their accumulated savings can generate



Helping employees determine the level of retirement income they will need to support their desired lifestyle in retirement

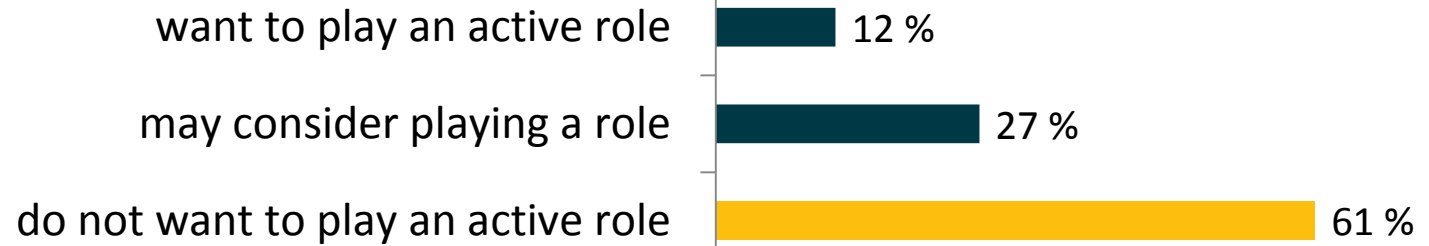


Helping employees understand the various decumulation products available



...but they don't want to influence a member's decision

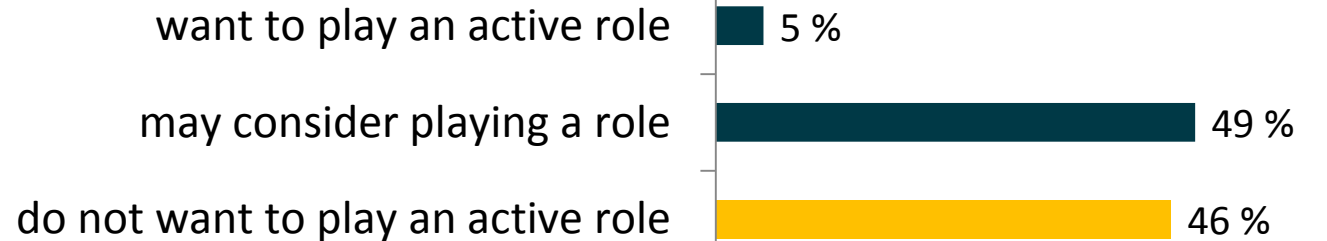
Helping employees select their decumulation solutions provider



Sponsoring a group decumulation solution on behalf of retired employees

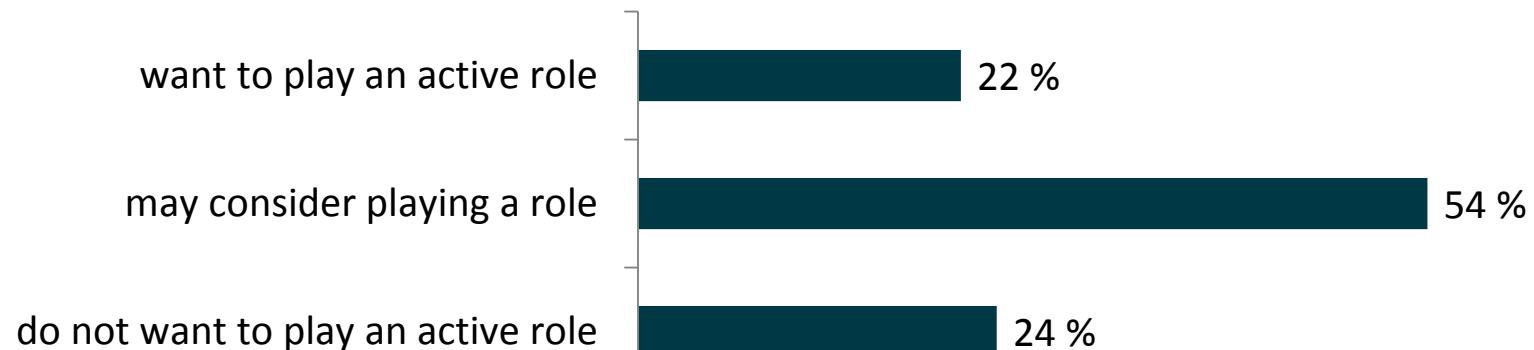


Defining a recommended or default decumulation solution at retirement



ok, maybe a little

Helping employees find a trustworthy source of financial advice



Helping employees plan their retirement income and manage their assets in the decumulation period when they retire



Variable Payment Life Annuities (VPLA)

- Life annuity with similar options to traditional annuities; including guaranteed term, joint & survivor options, etc.
- Mortality risk and investment risk pooled across participants
- Retirees in pool bear mortality and investment experience risk (i.e. it's not transferred to an insurer or another third party)
- Usually only 1 investment offering (typically a balanced fund)
- Periodic (typically annual) assessment of mortality and investment experience
- Annuity payments adjusted up or down based on difference between actual and expected experience

Variable Payment Life Annuities (VPLA)

- Available under a DCPP or Pooled Registered Pension Plan (PRPP)
- Only available to plans with 10 or more retired members
- Available for Federally regulated businesses initially, but expect provinces will amend legislation to follow suit
- Product was previously available in Canada until the late 1980s when it was closed by Regulators
- A small number of plans had the solution at the time and were grandfathered
- Sun Life currently administers two of the grandfathered plans
- The other plans are large self-administered plans

Advanced Life Deferred Annuity (ALDA)

- Life annuity that is purchased at retirement, but payments don't start until age 85
- Manages longevity risk
- Retirees can manage their draw downs for a specific period knowing that they have guaranteed income that kicks in if they live beyond age 85
- Can include options such as joint & survivor and indexing

Advanced Life Deferred Annuity (ALDA)

- Can be purchased with registered assets from RRSP, DPSP, RPP, PRPP, and RRIF
- Purchase is limited to 25% of account balance to a maximum of \$150,000 (indexed after 2020)
- Legislation changes are to Income Tax Act so should be available nationally
- Death benefit, if any, cannot exceed premium paid for the annuity less any annuity payments made
- Cannot be commuted (cashed out) or have a guaranteed payment period

Where do we go from here?

Questions?

Upcoming Events

ACPM National Session Event

Finance and Stress:



Can Plan Sponsors and Administrators ease the pain?

DATE and LOCATION

Wednesday Nov. 20th; Toronto, ON; Sheraton Centre Toronto

SPEAKERS

Jeremy Evanson, Innovation Partner, *Morneau Shepell*

Tyler Fleming, Director, The Investor Office, *Ontario Security Commission*

TBA

MODERATOR

Ian Edelist, Member of ACPM Financial Literacy Subcommittee; Principal, *Eckler Ltd.*



SAVE THE DATE!

2020 ACPM
**NATIONAL
CONFERENCE**

The premier retirement income industry event for plan sponsors, administrators, trustees and service providers.

www.acpm.com



Ontario Regional Council