AGES AND STAGES

Meeting CAP Member Needs Across the Retirement Spectrum

The **Benefits Canada** Survey of Capital Accumulation Plan Members

Benefits CANADA

Welcome to our 6th Annual Survey of CAP Members

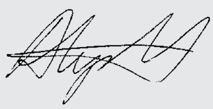
It's an age-old problem…how do you get capital accumulation plan (CAP) members engaged in retirement planning and encourage them to take responsibility for their own savings? To some extent, it's a matter of timing.

As employees go through various stages of life, their concerns and priorities change. Those in their 20s may not prioritize saving for retirement—despite the importance of actively contributing to employer-sponsored plans from an early age—because it just seems too far off to worry about. Those in their 30s and 40s are often preoccupied with more immediate financial concerns such as childcare, mortgages and paying down debt. And while those nearing retirement may be more aware of their employer-sponsored plans, they may also need more information and assistance.

How can we engage CAP members at each age and life stage? What mediums and methods work best to communicate with different groups? What role might social media play in sharing plan information? How can plan sponsors and the CAP industry at large ensure that members are receiving the guidance they need at each stage to reach their retirement goals?

Our 2011 survey tackled some of these issues. The theme of this year's research is **Ages and Stages: Meeting CAP Member Needs Across the Retirement Spectrum,** focusing on strategies and tactics for engaging *all* members—from younger plan members, to the middle-aged, to those in the pre-retirement stage. We also uncovered significant differences in the views and perceptions of different demographic groups: between men and women, between employees in different provinces and across income brackets.

The results, in some cases, were surprising. Clearly, there are gaps—in knowledge among plan members, in the messages that employees are receiving and in our perceptions of different demographic groups versus what *they* have to say. There are no easy solutions, but in this report, our expert panel offers action items to help employers address the engagement issue for employees of all ages. We hope you find the results insightful, engaging—and timely.



Alyssa Hodder
Editor, *Benefits Canada*

The 6th annual **Benefits Canada** CAP member research study was conducted by Rogers Connect Market Research Group online between late June and early July 2011, with 1,223 Canadians who participate in a DC pension plan or group RRSP provided through their employer. In addition, surveys were conducted with 109 Canadians who are offered a DC pension plan or group RRSP by their employer but do not participate in the plan.

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Photography by Johnny Lam

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Engaging Employees

Getting employees into the plan and saving early is an ongoing challenge for CAP sponsors. What are the barriers, and how can employers overcome them?

Faced with ongoing economic uncertainty, high personal debt loads and stagnating wages, many employees are preoccupied with financing general living expenses and paying off mortgages and credit cards. The concern, however, is that all of these day-to-day financial obligations may dissuade them from saving enough for retirement. Perhaps it's time for plan sponsors to be frank with members of capital accumulation plans (CAPs) about the long-term consequences of inadequate contributions.

That's one of the conclusions drawn from the 6th annual *CAP Member Survey,* which asked non-members and members of employer-sponsored retirement plans why they don't save more. Both groups had similar reasons: "currently just getting by financially" (43% of non-members and 33% of members), general living expenses (40% of non-members and 55% of members), credit card debt (28% of non-members and 19% of members), mortgage payments (18% of non-members and 24% of members) and "not a priority at this time" (19% of non-members and 14% of members).

Personal priorities appear to be influenced by stage of life. For example, plan members who are single are more likely to say "just getting by" (35%), "credit card debt" (26%) or just "not a priority" (22%), while those who are married are more likely to cite "mortgage payments" (29%). "The theme from the majority of respondents who choose not to contribute is that they don't because they can't afford it," says John McAteer, manager, pension, savings and benefit plans, with Direct Energy. "To me, this screams a need for Budget 101, where long-term savings are defined *within* your financial constraints and not *in addition to* your financial constraints. There is still a lack of understanding that retirement savings should have a place in your monthly expenses."

Anna Del Balso, associate vice-president, research and intelligence, with Standard Life, views employees' increased awareness of their financial health and their willingness to take financial responsibility by paying down debt as a positive step. "But that's just one of the steps," she says. "Now we need to make them think about the bigger, longer-term picture. The first step is to get them to join their retirement savings plan. Auto-enrollment could help since, over time, employees will start seeing a pool of assets accumulating;

"The theme from the majority of respondents who choose not to contribute is that they don't because they can't afford it"

John McAteer, Direct Energy

Besides your employee-sponsored retirement savings plan, do you have any other savings or savings programs?

Personal RRSPs	58%
Formal savings program as part of a bank account	17%
Informal savings program	17%
Non-scheduled lump sum deposits to a savings account	11%
Other personal investments	10%
Employee share accumulation plan	9%
Defined benefit pension plan through an employer	9%
Other	8%
No other savings programs	23%

it will mean something to them. They'll have more commitment when they have money in the game."

Based on this year's survey, plan sponsors have their work cut out for them to convince plan members to put more money into workplace retirement plans. The majority (83%) of plan participants agreed that the shakeup in the financial markets during the last couple of years has made them more aware of the need to save and invest for the future. But this awareness hasn't translated into higher contributions to employee retirement savings plans. In fact, both employee and employer contribution levels reported have fallen steadily over the past five years.

In 2011, the mean percentage of earnings that employees report contributing to their plan was 4.9%, down from 7.3% in 2007. On the employer's side, reported contribution rates have dropped from 6.2% in 2007 to 4.4% this year. Still, six in 10 (61%) plan participants agreed that their employer's DC plan and/or group RRSP is their primary vehicle to save for retirement—up from 56% in 2010.

While employees may be reluctant to invest more in employer-sponsored retirement savings plans, the majority (58%) of plan participants have personal RRSPs. Nearly one in five has a formal savings program as part of a bank account or an informal savings program (17% for each). One in 10 (11%) makes non-scheduled lump sum deposits to a savings account. However, there remains a significant minority (23%) who report having no other savings programs beyond their employee retirement plan.

The fact that so many people have RRSPs and other savings is an indication that members don't understand the benefits of their employer-sponsored plan, says Jennifer Gregory, vice-president, national accounts, with Great-West Life. "Group retirement savings plans have generally lower investment management fees compared with retail investment options. The whole idea of the group advantage is getting lost somewhere in the communication."

What would make employees save more in their DC pension plan or group RRSP? An increase in salary was the top response (17% of survey respondents). Other incentives include increased employer contributions (14%), matching employee contributions (12%) and more benefits and bonuses (7%). One in 20 (5%) said they are already satisfied with the existing program.

Unengaged plan members—those who had not taken any action over the past year such as reviewing plan statements, consulting a personal financial advisor or using retirement planning tools provided by their employer—were also asked what their employer could do to increase their interest in the plan. One-quarter (25%) would like their employer to provide more information or to explain the program, with women (30%) more likely than men (21%) to say so.

"We really have to try to get members to think long term," says Linda Do, consultant, investment consulting, with Towers Watson. "Although it is human nature to prioritize what needs to be addressed right now, plan sponsors can help to bridge the gap by getting members to establish a retirement goal. It helps to engage members because they can track and monitor their goal to see if they are on track. If there is a huge shortfall, this should prompt them to take action, whether they need to contribute more or whether they should

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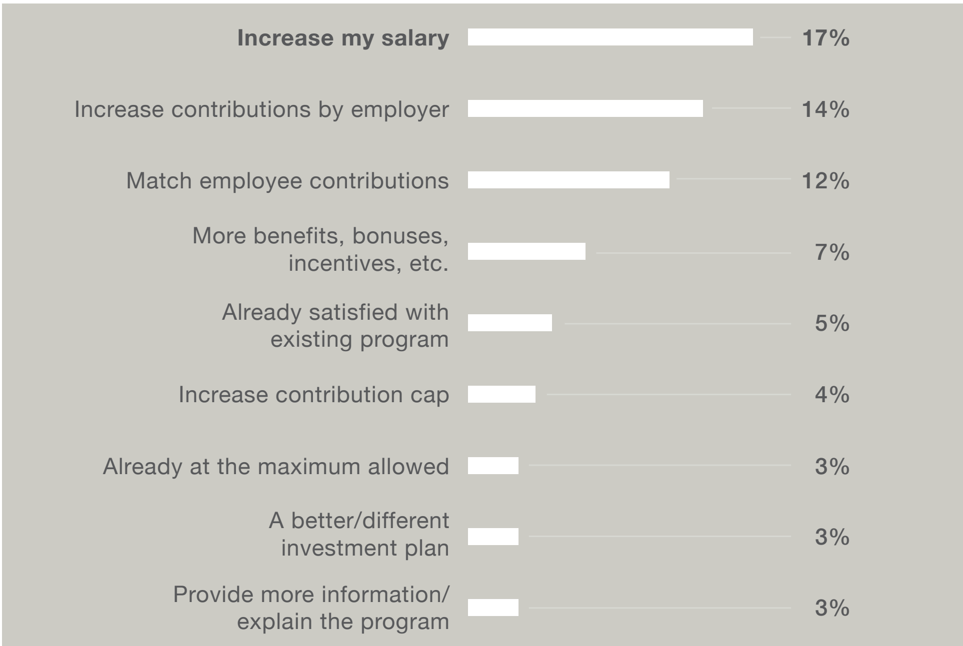
Anna Del Balso, Standard Life

What could your employer do to encourage you to save more in your DC pension plan or group RRSP?



ensure that their assets are invested appropriately."

Whether or not plan members are actively engaged, a strong majority (71%) of those surveyed said they think of their employer more positively because of the retirement plan and other benefits offered as part of their compensation—down from a high of 82% in 2008 but up from 68% in 2009 and 2010. Those in various income brackets expressed different levels of agreement: only 59% for people earning less than $30,000 a year, but 80% among members making $100,000 or more. And nearly three in five (56%) said they would be reluctant to leave their employer because of the retirement plan and other benefits.

"Getting members to understand the value of their plan is something that would help members be more interested," says Del Balso. "I can understand why young people are less interested or less involved, and I can also understand if you have a lower income, because you have less at stake. But what I find concerning is that throughout the study, females are more likely to indicate that they don't seem to understand (their plans, their risk profiles, what they need to contribute, etc.) and that they need more information to get them to participate, so whatever we are doing is not working for that population."

Do agrees that more needs to be done to boost engagement among plan members. "There is always going to be one group that are the true defaulters, who will remain disengaged and have little interest in their retirement plan," she says, adding that sponsors need to address this group by establishing an appropriate default strategy. "But there's another population within the membership that is 'somewhat' engaged, and plan sponsors should improve communication to this group. With some nudging and prompting to take action, this group has the potential to become engaged members who are more actively involved in managing their account balances."

The closer members are to retirement, the more they appreciate the plan, says Gregory, pointing out that the more money they have saved, the more they become engaged. "You need to find a way to create an emotional connection for members to understand that they have to do something to be ready for retirement. What plan sponsors need to do is nothing new: get members in sooner so that they grow their balances faster and can appreciate the plan sooner." ∎

Action Steps

- Break information down into bite-sized pieces and use a range of media to address different learning styles.
- Educate employees about basic budgeting to show them how they can pay down debt and save for retirement.
- Encourage members to establish a retirement goal and then show them how to track and monitor that goal.
- Establish an appropriate default strategy for the unengaged.
- Develop strategies to turn "semi-engaged" members into engaged members.

"You need to find a way to create an emotional connection for members to understand that they have to do something to be ready for retirement"

Jennifer Gregory, Great-West Life

What could your employer do, or provide, that would increase your engagement/interest in your DC plan?

Increasing Understanding

Many CAP members aren't confident that they understand their retirement plans and basic investment concepts. What role can targeted communications strategies play in improving their knowledge?

Sponsors of employee retirement savings plans may be disappointed to learn that this year's *CAP Member Survey* shows declining levels of understanding among plan members. While half (51%) of plan participants are considered "very knowledgeable" about their retirement plans and basic investment concepts, large segments still haven't grasped basic concepts. Such a trend emphasizes the ongoing need for frequent communication and persistent member education.

Most plan members say they receive communications of any kind regarding their employee retirement savings plan once a quarter (37%), twice a year (19%) or once a year (21%). But despite receiving regular communications, the percentage claiming to have an excellent or very good level of understanding of their employee retirement plan has dropped significantly this year to 31%, down from 44% in 2010. Within this group, the degree of understanding has weakened, with the proportion describing their level of knowledge as "excellent" falling to 8%, from 16% in 2010. Meanwhile, the number with a "somewhat good" understanding has jumped to 44% (up eight points), and the percentage at the bottom with a poor understanding has also increased (22%, up four points).

The level of understanding this year is the lowest since the survey started in 2006, notes Karrina Dusablon, national director, education services, with Desjardins Financial Security. "While we could see this as bad news, should we not be asking ourselves if people are becoming more realistic about retirement issues and admitting what they *don't* know as the years go by? Are we seeing a dramatic decline because they have a clearer picture of what they *don't* know? If that's the case, then there is a lot of potential for us as an industry to move in there to help and educate them."

When asked how well they understand basic investment strategies, about 10% fewer members rate their self-knowledge levels as "excellent" or "very good" than did last year. In 2011, only 25% of respondents claimed an "excellent" or "very good" understanding of asset allocation versus 34% in 2010; two-fifths (40%) say their understanding is "somewhat good." On understanding their own investment risk tolerance, 36% say they have an "excellent" or "very good" understanding (versus 45% in 2010), and 38% claim a "somewhat good" understanding.

Fewer than three in 10 (27%) have an

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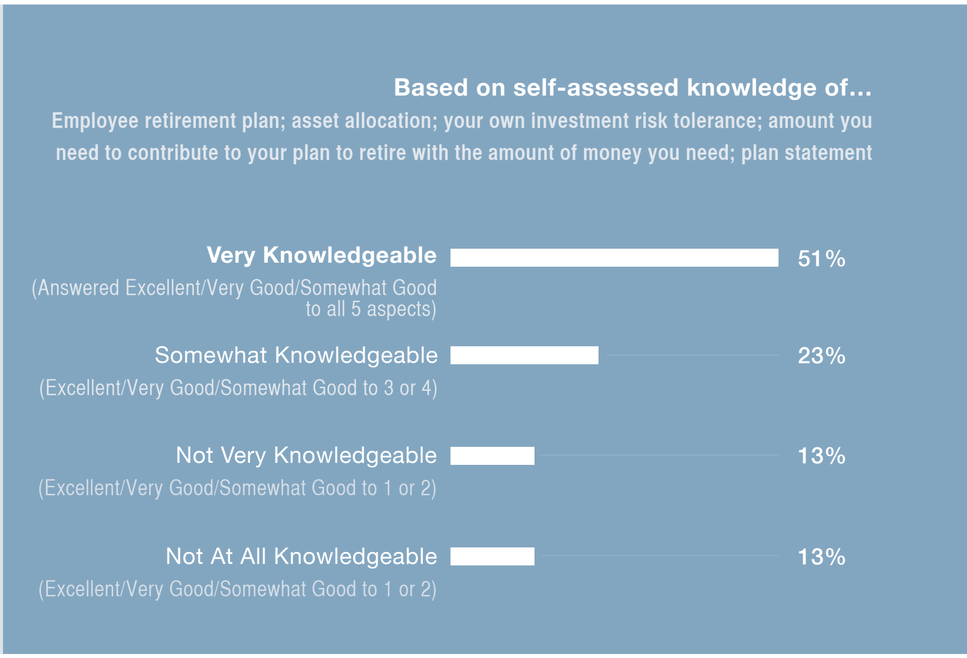
Calculated Knowledge Index



"excellent" or "very good" understanding of the amount they need to contribute to their retirement plan to retire with the amount of money they need (compared with 36% last year), while 40% say they have a "somewhat good" understanding. Only one-third (33%) report an "excellent" or "very good" understanding of their plan statements (down from 43% in 2010) versus 44% with a "somewhat good" understanding.

Considering the low levels of understanding, it's startling that when plan members were asked what is the one thing regarding their employer-sponsored retirement savings plan that they would most like to understand better or that they don't currently understand, the majority of plan members (52%) report either "nothing" or "don't know."

"I think there is a large disconnect between what members *think* they know, what they *want* to know and what they *actually* know," says Jennifer Mayrhofer, manager of group retirement savings marketing with Great-West Life. "The level of education and knowledge has declined in every section of the survey, but it is important that sponsors don't get overwhelmed as they struggle to give members every bit of information they need to know. There is a wealth of information already out there from the recordkeepers—you don't need to reinvent the wheel. Rather, you need to choose the channel, take the content that's most relevant, and repeat the message over and over and over again. The more times and the more ways you put it out there, the more people will pick up on it."

One encouraging discovery in this year's survey is that a significant proportion (21%) of plan members would turn to their employer first for advice when it comes to their employer-sponsored retirement savings plan. Other common sources include a financial advisor (29%), family (24%) and their bank or financial institution (24%). Again, when members were asked what specific information they would like to have about their DC plan and/or group RRSP, it's sad to note that nearly half (47%) said "nothing" or "don't know." The most common piece of information that members would like to have is performance statistics (13%), followed by investment information, options and strategy (8%), future payouts (6%), growth forecasts/projections (6%) and amount saved (4%).

The percentage of members who say they have a formal, written financial plan (which outlines at what age they will retire and the amount of money they will need to retire by that age) has declined steadily over the years, from 46% in 2007 to 24% in 2011. On the positive side, however, those with written financial plans may now have more realistic expectations. The average planned retirement age for these individuals this year is 62.7 years—about two years older than the age cited last year. And the approximate amount of money they expect to have saved by retirement plummeted from nearly $1.3 million in 2010 to $727,180 this year.

Only one in five (20%) of those in the accumulation phase reports having a written plan, while just 31% of those in the transition phase indicate that they have a plan. This compares with just under half (46%) who are in the retirement phase. However, a higher proportion report having a financial advisor—accumulation phase (42%), transition phase (54%) and retirement phase (42%).

Throughout the survey, the responses reveal considerable

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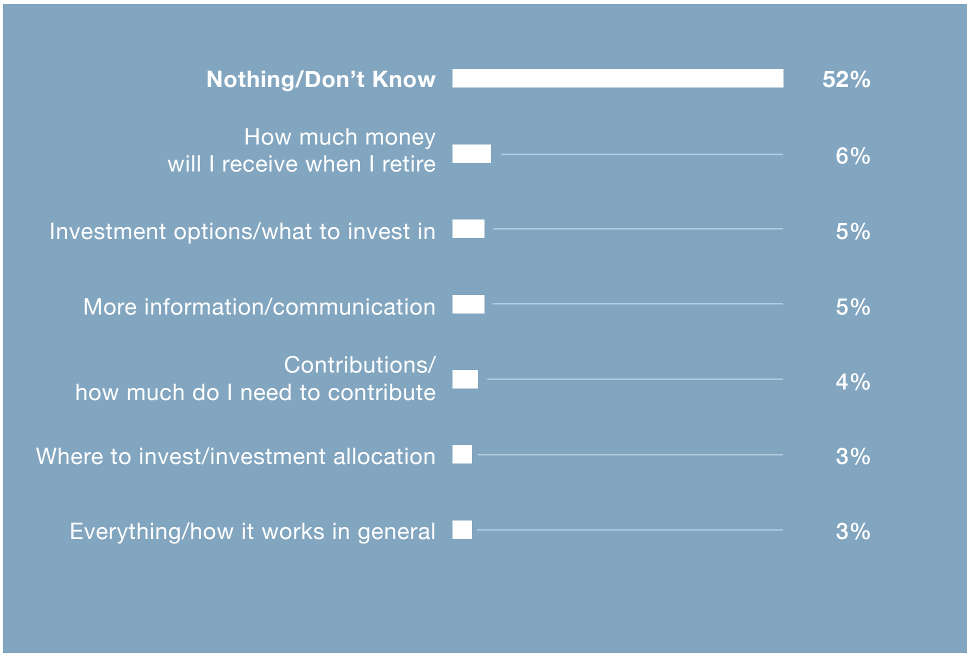
Jennifer Mayrhofer, Great-West Life

What is the one thing regarding your employer-sponsored retirement savings plan that you would most like to understand better or that you don't currently understand?



differences between various segments based on gender, age, education and income level. For example, male plan members (80%) are more likely than their female counterparts (69%) to indicate that they have an "excellent," "very good" or "somewhat good" understanding of their employee retirement plan. Three-quarters (75%) of retirement-age members are more likely than younger cohorts to have an "excellent," "very good" or "somewhat good" understanding of asset allocation. Likewise, those with a university education (75%) are far more likely to have high levels of understanding of this concept than those with less formal education (63%). And members with annual incomes of at least $100,000 (43%) are the most likely to report that they have an "excellent" or "very good" understanding of how much they will need to contribute to their retirement plan.

Shawn Cohen, national DC practice leader with Aon Hewitt, is actually encouraged that more than half of plan members "are getting it." However, he sees an issue for the industry when the results are broken out into segments.

Action Steps

- Find ways to integrate retirement planning into your organization's culture.
- Run your communication and education plan like an advertising campaign, with short, digestible chunks of information repeated over and over again.
- Keep messages simple, but think outside the box by using channels of communication that you haven't tried before.
- Use different strategies for different groups. For example, hold a pizza lunch for younger people, a coffee break in the lunchroom for women or face-to-face meetings for engaged older workers who are willing to attend outside of business hours.
- Layer each piece of communication with print and electronic components to reach multiple generations.

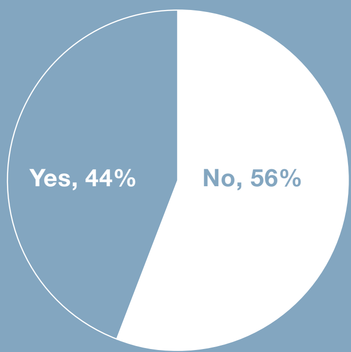
"Generally, I think it's good that when you are approaching an older age, you start paying more attention," he says. "So our message is working, and we have to continue what we are doing. But retirement isn't top of mind for younger employees, and it is going to be very difficult to change that perspective. Maybe there is a different way to think about educating people about the plan and contributions. The messaging around retirement has to be there, but it can also be about encouraging savings and making more flexible plan designs that allow members to make contributions that can be used for things that are more immediate. Then, as they get older, the retirement message is going to be picked up—and because they've started saving, they are ahead of the game."

Targeting communications to different groups—men and women, younger to older, low income to high income—is very important, agrees Anna Pagliuca, vice-president of customer experience with Standard Life. "By talking to each group in their language, with their concerns attached, you'll get the message through much easier." ∎

"Retirement isn't top of mind for younger employees, and it is going to be very difficult to change that perspective"

Shawn Cohen, Aon Hewitt

Do you personally have a financial advisor?



The incidence of having a personal financial advisor appears to increase with age, from just 36% of those ages 18 to 34 to close to seven in 10 (68%) of those age 65 or older. Among those in the pre-retirement age group (55 to 64), just over half (54%) report having a financial advisor.

The proportion of plan members with a personal financial advisor also increases with the level of personal income, from 29% of those earning less than $30,000 to the majority of those making $60,000 or more ($60,000 to $99,999: 51%; $100,000 or more: 60%).

SECTION III

Managing Expectations and Taking Action

The good news is that CAP members generally appreciate the role they play in attaining adequate retirement income. The bad news? Most just aren't there yet.

Members of employer-sponsored retirement savings plans seem to have more realistic expectations about their retirement savings now than in the past—however, a strong grasp on reality isn't consistent across the employee population.

As in previous years, the most recent survey shows that the vast majority (82%) of plan members are satisfied with their employee retirement plan. While that is good news for plan sponsors, the degree of satisfaction has eroded somewhat, with only 23% "very satisfied" compared with 30% last year. Nearly four in five (78%) say they are satisfied with the performance of their investments in their retirement plan, with 18% of that group being "very satisfied." Younger plan members ages 18 to 34 (83%) are more likely to be satisfied with the performance of their retirement plan investments than middle-aged (76%) and pre-retirement-aged (78%) members.

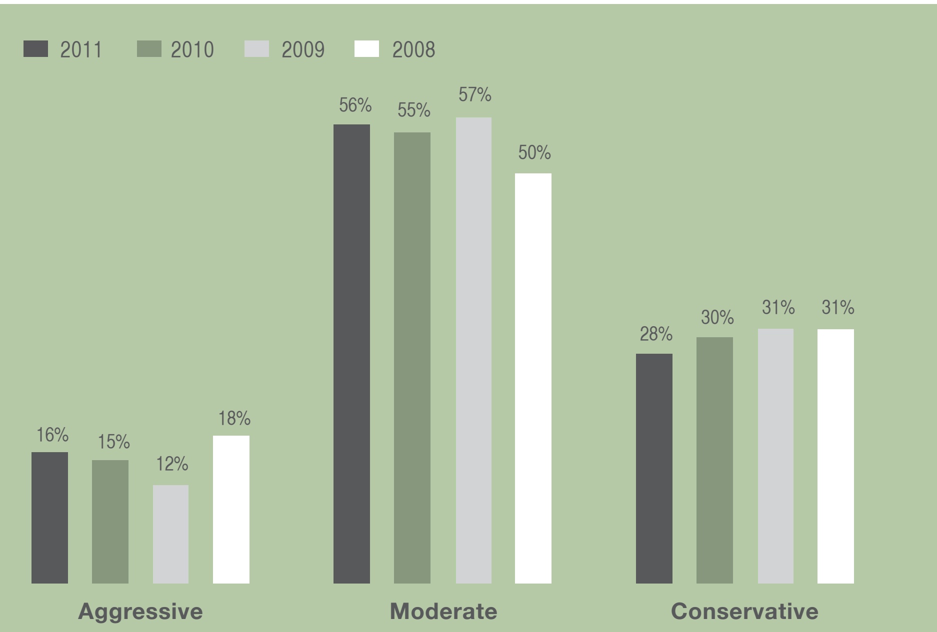
Yet despite high satisfaction rates, 40% of plan members are "not very" or "not at all" confident that their employer-sponsored retirement plan will provide the amount of money they expect from it in order to meet their financial objectives for retirement. This response has increased steadily since 2006, when only 21% expressed a lack of confidence. Younger plan members (67%) are more likely to be confident than their older counterparts (57%), and two-thirds (65%) of plan members making at least $60,000 a year are more confident than those in lower-income brackets (57%).

"Communication seems to be key, since the survey shows that if education is frequent and the content is interesting, members are more satisfied and confident," says Anna Pagliuca, vice-president, customer experience, with Standard Life. "Of course, younger members have more confidence because they have a longer period of time to contribute to the plan, and people with a higher income are more confident because they are contributing at a higher level. We need to target education and communication to different segments—young versus older,

"We need to target education and communication to different segments—young versus older, high income versus lower and women versus men—to make sure we get closer to each member's particular needs"

Anna Pagliuca, Standard Life

In general, how would you describe your own risk tolerance when it comes to your investments?



high income versus lower and women versus men—to make sure we get closer to each member's particular needs."

Brett Marchand, vice-president, distribution, group retirement solutions, with Manulife Financial, says effective communication is key to the success of any plan. The survey shows that members who are knowledgeable and engaged, work with an advisor, have a financial plan and actively monitor their accounts have more achievable expectations. "They are more confident about reaching their goals, and the goals they have are far more realistic," Marchand adds.

More than half (52%) of the plan members surveyed took no actions with their employee retirement plan over the past year. Among those who did, 18% increased the amount they contribute, while 4% decreased their contributions. Other actions included changing investment options or rebalancing the mix (16%), maximizing the company match (15%), using information provided by their employer to make investment decisions (7%) and making a withdrawal from the plan (7%). The vast majority (84%) of those who took action over the past two years expressed satisfaction with the overall results of those actions. Just under one in 10 (8%) respondents voluntarily joined their employee retirement savings plan during the past year.

"As an industry, we talk a lot about investment returns. But we aren't as clear about the contributions going in, and that's where the focus has to be," says Janice Holman, a principal with Eckler Ltd. "I'm curious about the big drop-off in the number of people who said they used information provided by their employer to make investment decisions. It's gone from a high of 30% in 2006 to only 7% the past two years. It's hard to know if it is pure disengagement or if the increase in the use of target date funds has created some of the disengagement, at least with regard to the investments."

Similar to past years, plan members expect the highest percentage (29.8%) of their retirement income to come from their DC plans or group RRSPs. While up slightly from 2010 (27.1%), this year's response is a far cry from the 49.9% cited in 2008. Members put more emphasis on government retirement programs such as the Canada Pension Plan or Old Age Security (23.5% in 2011 versus 17.4% in 2008), and they also expect a higher proportion from investments in real estate (7.3% versus 2.1% in 2008).

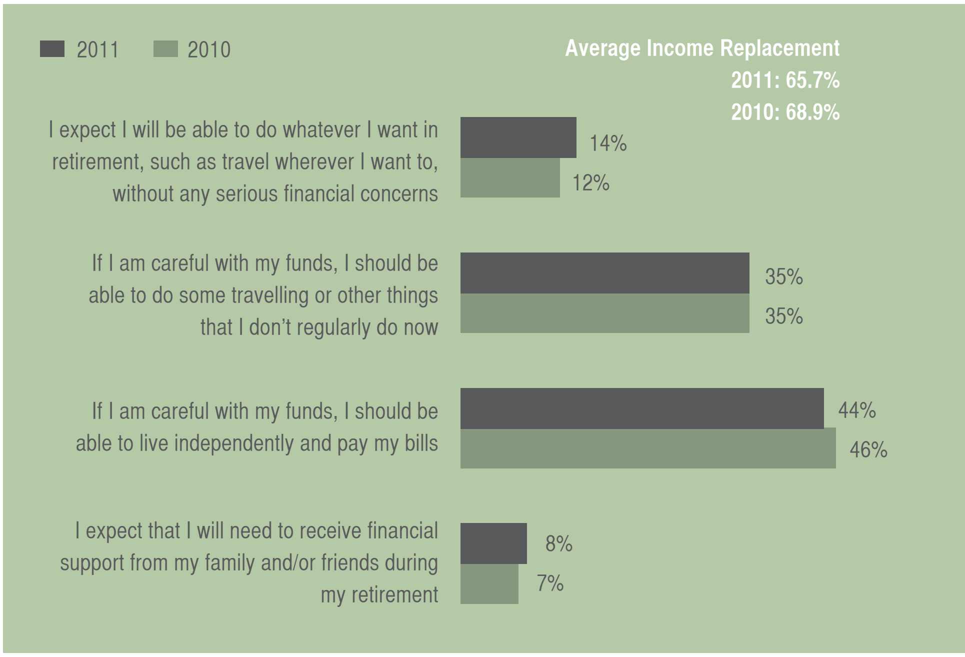
Nearly all (92%) plan members expect—at the very least—to be able to live independently and pay their bills during retirement. Only 8% said they expect they will need to receive financial support from their family and/or friends once they retire. Nearly half (44%) of plan participants acknowledge that they will have to be careful with their funds in order to live independently and pay their bills, while another 35% said if they are careful, they should be able to do some travelling or other things that they don't regularly do now. But 14% said they expect to be able to do whatever they want in retirement without any serious financial concerns.

"We need to expand access to retirement education and appropriate retirement advice that isn't a one-size-fits-all solution"

Brett Marchand, Manulife Financial

Once again, those who have a written financial plan (18%), have an advisor (18%) or can be described as very knowledgeable about their retirement plan and investment concepts (19%) are more likely to believe they can do whatever they like when they retire. But female plan members are more likely than males (47% versus 41%) to say that if they are careful, they should be able to live independently and pay their bills during retirement.
Not surprisingly, plan members with the

Which of the following best describes the standard of living that you expect you will have during your retirement?



highest level of personal income are the most likely to say they don't expect any serious financial concerns in retirement.

Yet despite these expectations, only 51% of plan participants believe they are currently on track to meet their targets for the amount of money they need to save. Only 11% said they are "definitely" on track, compared with 40% who said they are "probably" on track. Those closer to retirement (transition phase) are more likely to believe they are "on track" (69%) than those still building their investments (accumulation phase, 46%).

This year's survey also shows a gap between plan members' expected rate of return on their investments year over year (average 12.9%; median 8.0%) compared with the actual rate of return they are currently achieving (average 10.1%; median 6.0%). Those with higher knowledge levels (very knowledgeable, 12.2%, versus not at all knowledgeable, 15.7%) and engaged plan members (11.9% versus 14.7%) report a lower expected average rate of return than others.

"I don't believe that most people have a good sense of whether or not they *are* on track, and they don't understand what to do to make sure they are on track," says Gord Lewis, vice-president, consulting, with Proteus. "When you look at expectations, more than 18% of those surveyed this year have increased the amount they contribute to the plan, yet 40% say the plan isn't going to pay them enough. The survey also shows that the most important thing members want information about is investment returns. So plan members have this odd notion that their funds are going to grow on investment returns—when, in reality, the fastest way to grow their savings is to throw more money into it. As an industry, we need to drive this point home to plan members."

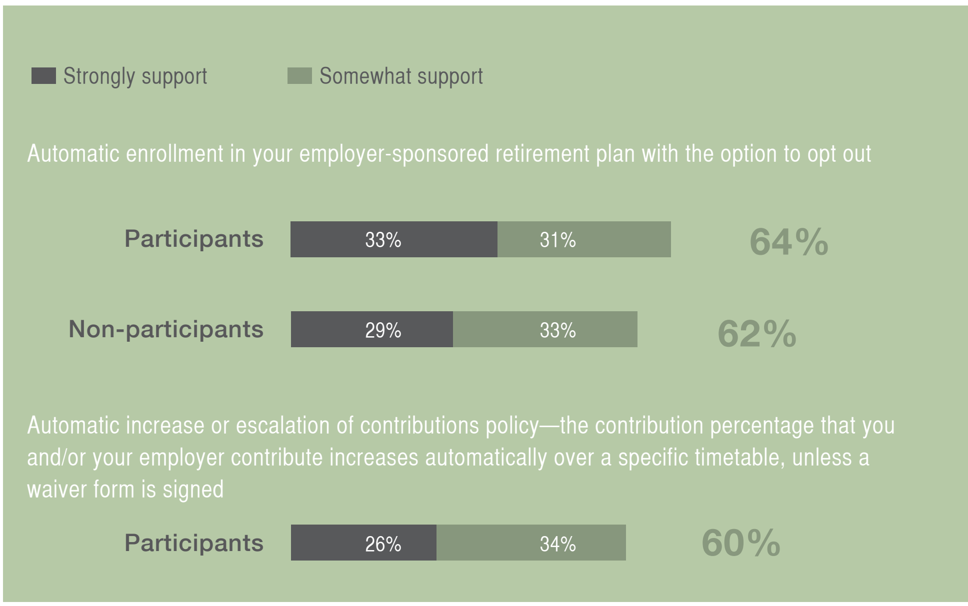
The fact that members now anticipate lower returns on investments than in the past may indicate that the current economic climate has made them more realistic, suggests Marc Poupart, general manager of pensions and retirement programs with Hudson's Bay Company. "But it amazes me that they are still looking for investment information when they aren't really doing anything of value with it," he says. "Most members don't even want to know what their expected pension payout will be, and if you try to show them, they don't want to see it. But they need to consider this in determining if they need to take action, such as save more."

Auto-enrollment and auto-escalation are often cited as the best strategies for getting members into a plan early and making sufficient contributions to provide adequate retirement income. And there appears to be support for these strategies: 63% of plan members and a similar proportion of non-members (62%) support auto-enrollment, while six in 10 (60%) participants would support auto-escalation. "We need to continue to advocate for auto-services," stresses Marchand. "We need to expand access to retirement education and appropriate retirement advice that isn't a one-size-fits-all solution. The approach has to be right for each member, although that is tough to deliver on a very basic level. Legislators and recordkeepers need to consider plan design changes to support better decisions. Mandatory participation rules, locking-in requirements, withdrawal restrictions and streamlined investment options would all prove effective." ▮

Action Steps

- Provide tools that are personally relevant to plan members to encourage an emotional reaction.
- Explain that increasing contributions will help grow retirement savings faster than investment returns.
- Provide tools to show plan members how much they can expect to receive in retirement based on their current contribution rate.
- Tell members what they need to do to close the gap between what they expect and the current reality.
- Advocate for regulatory and legislative support for auto-enrollment and auto-escalation to get members into the plan and help them grow their savings.

Would you support or oppose your employer-sponsored retirement plan implementing the following measures: automatic escalation of contributions, automatic enrollment?



Exploring New Communications

From social media to mobile apps, there are many emerging communication channels for CAP sponsors. But if you build it, will your plan members come?

Despite a growing number of options, the majority of plan members surveyed still prefer face-to-face meetings and hard-copy printed materials. But while some plan sponsors may not be ready for mobile or social media tools, they may become the channel of choice for the online generation.

Today, a solid majority (75%) of plan members are satisfied with the frequency of communications regarding their employee retirement savings plans, and 77% are satisfied with the content of the communications. Although these satisfaction levels are fairly high, 54% of plan participants rate both the frequency and the content of communications as only "somewhat" satisfactory.

That finding is concerning to Jamie Farrell, senior manager for benefits and investment programs with Rogers Communications. "They know we are doing something, but it is not good enough," he says. "I think the challenge is, although we tell DC plan members to choose and manage their own investments, they are still looking for the employer to be a partner in the decision-making process. Our biggest opportunity is to change the conversation from talking about tactical details—such as how to enrol, how to change investments and how to name a beneficiary—to how we can help them make the right choices to meet their retirement goals."

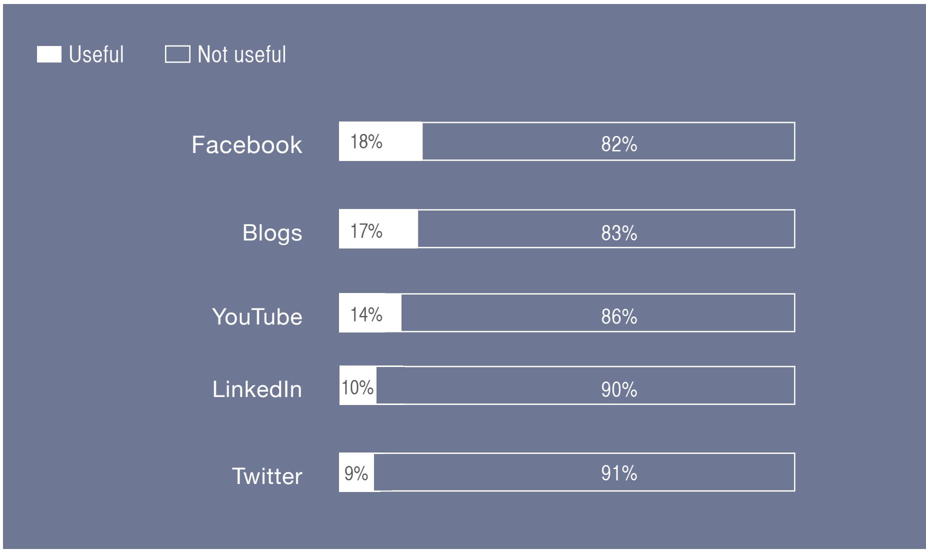
Those who are dissatisfied with the frequency (25%) and the content (23%) of the communications were asked what improvements they'd like to see. While 21% said "nothing" or "don't know," nearly one in five (17%) said that more information/information sessions would improve the communications. The same number (17%) said more frequent communication. Fewer than one in 10 (8%) would like monthly or quarterly statements, 8% want better communication, 8% suggested that newsletters/updates/memos would be an improvement, and 8% would like email notifications. Women were more likely to mention that providing more information/information sessions would help to improve communication (22% versus 14% of men), while men are looking for more frequent communication (18% versus 14% of women). Younger plan members (27%) were significantly more likely to point to information/information sessions than their older colleagues.

Whether plan members are going to a personal financial advisor, a bank or financial institution or an employer, in-person meetings are by far the top means of access. Older plan members were far more likely to report accessing a financial advisor through in-person meetings than the youngest members (92% versus 75%). Other means of access included telephone calls, email and websites.

Unfortunately, fewer CAP members seem to be using the services and tools available to provide information about employer-sponsored retirement plans. In 2008, 72% of members said they reviewed all retirement investment statements during the year, but that number dropped by more than half to 35% in 2010, and to 33% in 2011. Only 32% (compared with 45% in 2009) said they went to a website to review their account balance or other retirement plan information, and 18% (compared with 26% in 2009) used online or hard-copy retirement planning calculators or tools provided by their employer or plan provider to make investment choices.

While 20% say they consulted a personal advisor regarding their employee retirement plan (the same as

In your view, how useful would it be to you if your organization or the plan provider used the following social media to provide information...



last year), the percentage who attended educational sessions on employee retirement investment options fell to 16% from a high of 26% in 2007, and only 9% sought out advice from employer-provided advisors for their investment choices—down from a high of 24% in 2007. And fewer than one in 10 (9%) contacted the call centre for information or advice regarding their employee retirement plan, a drop from 20% in 2008. Overall, while close to two-thirds (64%) of members took at least one of these actions in the past year, about one-third did nothing.

Another disturbing finding is that 25% of plan members surveyed say their employer doesn't provide *any* information about the employee retirement plan. "I find this disconcerting," says Stephen McGregor, business development manager, national accounts, with Desjardins Financial Security. "It could mean that they don't remember what they got, or they didn't pay attention; we aren't really sure. But what it does tell us is that if plan sponsors don't do a good job promoting the plan, then they may as well do nothing—because, frankly, that's what some of their members think they are doing."

The remainder cite a wide range of communication tools and services: printed manuals (30%), toll-free call centre (26%), printed newsletters (20%), retirement plan information on an investment company website (20%), website retirement planning tools and calculators (19%), retirement plan information on an employer website (18%), education sessions during work hours (17%), a company-provided financial advisor whom they can contact free of charge for advice (14%), e-newsletters (9%) and education sessions after work hours (7%).

"Traditional channels of communication still trump everything else," notes Janice Holman, a principal with Eckler Ltd. "People still want to be hand-held, they want to meet in person, and they want hard copy so they can refer to it later. So I'd tell plan sponsors not to get too caught up in trying to reinvent what is already there—just find a better way to market what is there and make sure it is effective."

Although newer forms of communication are rapidly gaining ground within the general population, they haven't necessarily caught on yet in the CAP industry. The survey results find that employers rarely offer these communication tools: webcasts/webinars (2%), online videos (2%), Facebook pages (1%), mobile applications (1%), blogs (1%) and LinkedIn pages (1%). And less than 1% of plan members surveyed mentioned Twitter and YouTube video links.

Of the small number who reported having social media options available for their employee retirement savings plan, nearly half (48%) said they haven't used them. Among those who did, the most popular option was LinkedIn (36%), followed by Facebook (28%) and Twitter (7%). Men (69%), younger plan members (64%), those who have been in the retirement plan for less than a year (79%) and those who've been in the plan for six to 10 years (83%) are more likely than others to use the social media options available to them.

When it comes to mobile technology, nearly one in five (18%) plan members say they use applications for mobile devices to access their investments or other financial accounts, though 5% of those say they don't feel comfortable doing it. Another 17% indicate that they

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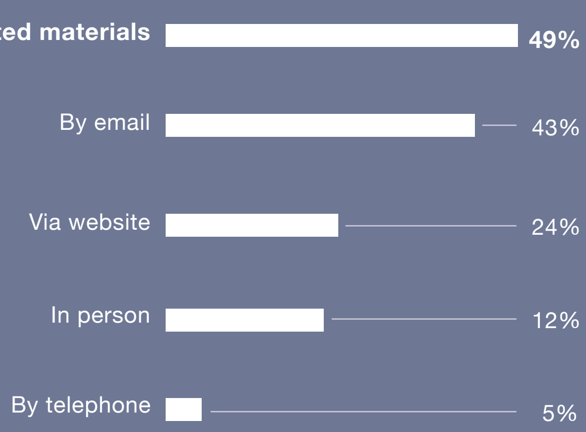
Stephen McGregor,
Desjardins Financial Security

How would you most like to receive information regarding your DC pension plan or group RRSP?



As age increases, plan members are more likely to report hard-copy materials as their preferred method of receiving information regarding their DC pension plan or group RRSP. This number increases from 45% among 18- to 34-year-olds to 55% among those age 65 or older.

don't currently use mobile apps but they'd like to. Still, the majority (65%) of plan participants report that they do not currently use this option—nor would they like to. Once again, a larger percentage of younger plan members (30%) indicate that they use their mobile device to access their investments or financial accounts. The proportion decreases with age, from 14% among those ages 35 to 54 to just 9% among those age 65 or older.

The youngest plan members have a more favourable opinion than others on the role that social media could play as a CAP communication tool. They are more likely to feel that YouTube (23% versus 14% for all ages), Facebook (30% versus 18%), LinkedIn (13% versus 10%), Twitter (17% versus 9%) and blogs (26% versus 17%) would be useful for providing information about employee retirement savings plans. But the majority (57%) of all plan participants say that social media shouldn't play *any* role in providing information or education on their retirement savings plan.

"Using social media as part of a retirement plan's strategy may seem like an interesting and fun idea, but clearly, the results reveal that members don't even see the point," says McGregor. "Rather, the closer a person is to retirement, the more they want their information delivered in person—and I don't think this is going to change in light of new technologies."

"I think we will be watching this to see what happens over the next couple of years," says Virginia Alderman, director of communications with Manulife Financial. "Looking at the social media options, the definitive phrase is 'not yet' since this is still very new. But one important trend we see right now is a tremendous request for tailored information. Members want information when they need it, in small, palatable pieces. So if it is bonus time, for example, this is when sponsors can be sending an email or instant message to say, 'Hey, check this out.'"

Support for social media may be weak right now, but plan sponsors can't simply dismiss the new technology, insists Jennifer Mayrhofer, manager, group retirement savings marketing, with Great-West Life. "There are so many variables to consider with this media, and it's changing rapidly. Recordkeepers can help plan sponsors meet their multi-channel communication needs by providing content suitable for digital channels. Employers may find that social media offers one more opportunity to have a conversation with certain segments of employees about their group retirement plan." ▮

Action Steps

- Survey your workforce to examine its views on the plan, establish a benchmark and create a communications strategy with simple, measurable objectives.
- Tweak the communications plan as needed to get results.
- Offer multi-modal, multi-generational communications with everything from printed material to websites and YouTube to capture attention.
- Say it early, say it often, say it a lot of different ways—but keep saying it so that employees understand what the plan is all about and what their responsibilities are.
- Pay attention to developments in social media and be ready to offer it, in one form or another, if the time is right.

Most companies provide various services and tools around their employee retirement plans. Have you done any of the following...

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