

Unlocking the Unknown

Don't be afraid to
change your DC plan...
learn from companies
that do it right

By Alyssa Hodder

If you want to change your DC investment lineup, switch recordkeepers or adjust plan member fees...but you're worried about how your plan members will react. Going about any change the wrong way can lead to unmet expectations and unhappy members.

But that doesn't mean plan sponsors should be afraid to make changes. "Done well, they will enhance the membership's appreciation for the benefit and help build loyalty," says Janice Holman, a principal with Eckler.

What should you do? Holman offers these three tips.

1. Start early and allocate the right internal/external resources - Make sure you have sufficient resources to handle the tasks involved, such as reviewing contracts, updating plan documentation (e.g., the plan's statement of investment policies and procedures), adjusting HR systems, creating and delivering a member communication strategy, and auditing the implementation process.

2. Define objectives - That's the first step in a successful implementation, says Holman. If you need members to take action—such as re-enrolling in the plan—to achieve those objectives, she suggests focusing on member engagement and putting strong defaults in place for those you just can't engage.

3. Communicate well - How you communicate a change goes a long way toward getting plan members on board—whether or not they fundamentally agree with it. "Be clear, honest and direct with the members about what the change means to them and what action is required," Holman advises.

This all sounds good in theory, but how does it work in practice?

Learn from DC plan sponsors on our Top 50 list and get it right.

“We didn’t want to be slotted into a vanilla-type arrangement where we couldn’t make changes we needed to make”

— Cheryl Neighbour, UBC Faculty Pension Plan

UBC Faculty Pension Plan: *How to outsource DC recordkeeping and keep members happy*

The University of British Columbia (UBC) has a long and prestigious history—including its faculty pension plan (No. 3), which has been serving members since 1967. The plan had been administered in-house since its inception, so moving the recordkeeping to an external service provider was a tough decision.

But it was the right decision, says Cheryl Neighbour, executive director, operations, for the UBC Faculty Pension Plan (FPP).

“We had done a study and found that for us to bring our systems up to date with what was available in the marketplace would have cost a lot of money and required more resources in the office. And we decided that the time had come for us to use the market tools that were available,” she explains. “Also, the fact that we could transfer the risk of running the plan to a provider made a lot of sense to us.”

So, in 2014, the plan’s board of trustees issued a request for proposal (RFP) for

DC recordkeeping services, including a website for members to access their accounts. (The trustees wanted to keep the plan administration and member communications in-house.)

Customer service and system capability were important factors in choosing a provider, says

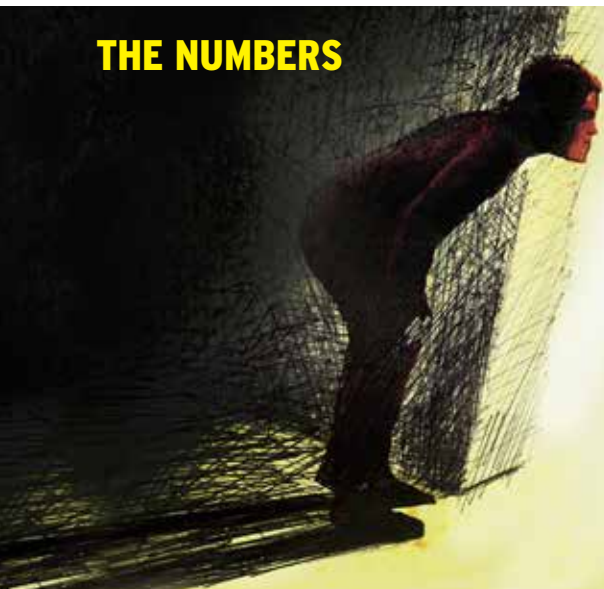
Neighbour—especially with the in-plan retirement options available to members. Unlike many DC plans, the UBC FPP has been offering lifetime income fund and retirement income fund payment options directly from the plan since 2004, when B.C. legislation first allowed it. The plan also offers a variable annuity option, which was implemented in 1986.

“The main criteria were making sure that they understood who our members were and what services were required, and that their systems were capable of handling our plan,” she explains. “That was quite a big priority for us: to make sure there was no decrease in quality of service.”

Q You offer in-plan retirement options to your members. Is it worth the effort?

A “We probably keep around 80% of our money in the plan because these options are offered. People are very happy to stay with us because they trust the plan, and the fees are the same as they would be [for an active member]. So it really works for most of our members.”

THE NUMBERS



- Total assets for the Top 50 DC plans increased from \$30.2 billion to \$33.3 billion from 2013 to 2014. That’s an increase of 10.2%.
- The Public Employees Pension Plan (Saskatchewan) retains its No. 1 spot, with a 9.0% increase in assets year over year.
- New entrants for 2015 include IBM Canada Ltd. (No. 6), Husky Injection Molding Systems Ltd. (No. 37) and George Weston Ltd. (No. 50).
- The top performer is CLAC Retirement Plans (No. 17), with a year-over-year increase of 29.4%.
- Only three of the Top 50 plans reported a decline in assets.

TOP 50 DEFINED CONTRI

2014 PENSION ASSETS (MILLIONS) ARE AS OF DEC. 31, 2014; 2013 PENSION ASSETS (MILLIONS) ARE AS OF DEC. 31, 2013

1
THE PUBLIC EMPLOYEES PENSION PLAN
 (Saskatchewan)
 Rank 2013: **1** ↑9.0%
 2014 PA: \$6,753.2
 2013 PA: \$6,195.4

6
IBM CANADA LTD.¹
 Rank 2013: **n/a** ↑9.5%
 2014 PA: \$1,208.0
 2013 PA: \$1,103.0

11
ROYAL BANK OF CANADA
 Rank 2013: **12** ↑30.6%
 2014 PA: \$850.0
 2013 PA: \$651.0

16
QUEBECOR MEDIA INC.
 Rank 2013: **17** ↑15.4%
 2014 PA: \$531.8
 2013 PA: \$460.7

21
POTASH CORP. OF SASKATCHEWAN, INC.
 Rank 2013: **21** ↓6.6%
 2014 PA: \$370.0
 2013 PA: \$396.2

2
CO-OPERATIVE SUPERANNUATION SOCIETY PENSION PLAN
 Rank 2013: **2** ↑6.3%
 2014 PA: \$3,268.1
 2013 PA: \$3,073.7

7
SOBEYS INC.
 Rank 2013: **7** ↑11.5%
 2014 PA: \$1,020.2
 2013 PA: \$915.3

12
SHELL CANADA LTD.
 Rank 2013: **11** ↑19.4%
 2014 PA: \$812.0
 2013 PA: \$680.0

17
CLAC RETIREMENT PLANS **
 Rank 2013: **19** ↑29.4%
 2014 PA: \$517.0
 2013 PA: \$399.5

22
FINNING INTERNATIONAL INC.
 Rank 2013: **22** ↑10.6%
 2014 PA: \$355.0
 2013 PA: \$321.0

3
UNIVERSITY OF BRITISH COLUMBIA FACULTY PENSION PLAN
 Rank 2013: **4** ↑10.2%
 2014 PA: \$1,927.2
 2013 PA: \$1,749.6

8
COSTCO WHOLESALE CANADA INC.
 Rank 2013: **9** ↑23.5%
 2014 PA: \$984.0
 2013 PA: \$797.0

13
UNIVERSITY OF SASKATCHEWAN
 Rank 2013: **13** ↑10.1%
 2014 PA: \$651.2
 2013 PA: \$591.6

18
HUDSON'S BAY COMPANY
 Rank 2013: **16** ↓0.9%
 2014 PA: \$501.5
 2013 PA: \$506.1

23
CASCADES INC.
 Rank 2013: **23** ↑10.0%
 2014 PA: \$340.0
 2013 PA: \$309.0

4
WESTERN UNIVERSITY
 Rank 2013: **5** ↑6.3%
 2014 PA: \$1,349.0
 2013 PA: \$1,269.6

9
THE CO-OPERATORS GROUP LTD.
 Rank 2013: **8** ↑7.9%
 2014 PA: \$919.1
 2013 PA: \$852.0

14
BOMBARDIER TRUST (CANADA)
 Rank 2013: **14** ↑11.5%
 2014 PA: \$648.9
 2013 PA: \$582.0

19
MANITOBA SCHOOL BOARDS ASSOCIATION
 Rank 2013: **18** ↑9.3%
 2014 PA: \$493.7
 2013 PA: \$451.5

24
GOVERNMENT OF NEWFOUNDLAND & LABRADOR
 Rank 2013: **24** ↑9.0%
 2014 PA: \$329.4
 2013 PA: \$302.2

5
CAPITAL PENSION & BENEFITS ADMINISTRATION (Saskatchewan)
 Rank 2013: **6** ↑8.3%
 2014 PA: \$1,296.4
 2013 PA: \$1,197.4

10
MANULIFE FINANCIAL
 Rank 2013: **10** ↑12.7%
 2014 PA: \$882.5
 2013 PA: \$783.3

15
ACTRA FRATERNAL BENEFIT SOCIETY
 Rank 2013: **15** ↑5.6%
 2014 PA: \$570.0
 2013 PA: \$539.9

20
VIDÉOTRON S.E.N.C. *
 Rank 2013: **20** ↑5.0%
 2014 PA: \$416.0
 2013 PA: \$396.2

25
CANADIAN UTILITIES LTD. PENSION PLAN
 Rank 2013: **27** ↑17.3%
 2014 PA: \$320.8
 2013 PA: \$273.6

“We were looking for creative ways to get money back into the pockets of our employees” — Colleen Falco, Niagara Casinos

BUTION PLANS

PA = PENSION ASSETS

↑ ↓ Indicates an increase or decrease in variance year over year

AGRIUM INC. **26**

Rank 2013: **26** ↑10.5%

2014 PA: \$317.0
2013 PA: \$287.0

CANADIAN YMCA RETIREMENT FUND **31**

Rank 2013: **31** ↑13.4%

2014 PA: \$271.8
2013 PA: \$239.7

TRANSALTA CORP. **36**

Rank 2013: **37** ↑10.3%

2014 PA: \$239.5
2013 PA: \$217.1

CANADIAN BAPTIST MINISTRIES **41**

Rank 2013: **40** ↑8.6%

2014 PA: \$215.0
2013 PA: \$198.0

BAKER HUGHES CANADA COMPANY **46**

Rank 2013: **41** ↑1.9%

2014 PA: \$201.8
2013 PA: \$198.0

COMINCO PENSION FUND CO-ORDINATING SOCIETY (Teck Cominco Metals Ltd.) **27**

Rank 2013: **29** ↑17.4%

2014 PA: \$311.0
2013 PA: \$265.0

APOTEX INC. **32**

Rank 2013: **34** ↑14.2%

2014 PA: \$257.1
2013 PA: \$225.1

HUSKY INJECTION MOLDING SYSTEMS LTD. **37**

Rank 2013: **n/a** ↑15.0%

2014 PA: \$230.0
2013 PA: \$200.0

GOLDER ASSOCIATES LTD. **42**

Rank 2013: **45** ↑12.8%

2014 PA: \$213.0
2013 PA: \$188.8

GLENCORE CANADA **47**

Rank 2013: **48** ↑12.3%

2014 PA: \$197.0
2013 PA: \$175.4

SASKATCHEWAN PENSION PLAN **28**

Rank 2013: **28** ↑14.6%

2014 PA: \$307.0
2013 PA: \$268.0

SUN LIFE ASSURANCE COMPANY OF CANADA **33**

Rank 2013: **38** ↑24.5%

2014 PA: \$255.9
2013 PA: \$205.5

LAKEHEAD UNIVERSITY **38**

Rank 2013: **36** ↑0.4%

2014 PA: \$222.2
2013 PA: \$221.3

PCL CONSTRUCTION GROUP INC. **43**

Rank 2013: **47** ↑18.4%

2014 PA: \$208.1
2013 PA: \$175.8

RESOLUTE FP CANADA INC. **48**

Rank 2013: **44** ↑5.6%

2014 PA: \$189.0
2013 PA: \$179.0

MAPLE LEAF FOODS INC. **29**

Rank 2013: **25** ↑2.0%

2014 PA: \$306.0
2013 PA: \$300.0

LA COOP FÉDÉRÉE **34**

Rank 2013: **33** ↑12.5%

2014 PA: \$255.2
2013 PA: \$226.8

TOROMONT INDUSTRIES LTD. **39**

Rank 2013: **39** ↑11.5%

2014 PA: \$221.9
2013 PA: \$199.1

ARCHDIOCESE OF VANCOUVER **44**

Rank 2013: **42** ↑9.6%

2014 PA: \$205.0
2013 PA: \$187.0

CITI CANADA **49**

Rank 2013: **46** ↑8.0%

2014 PA: \$186.5
2013 PA: \$172.7

CAMECO CORP. **30**

Rank 2013: **30** ↑12.6%

2014 PA: \$284.2
2013 PA: \$252.3

KPMG **35**

Rank 2013: **35** ↑11.3%

2014 PA: \$248.4
2013 PA: \$223.2

ENCANA CORP. **40**

Rank 2013: **32** ↓7.3%

2014 PA: \$220.5
2013 PA: \$237.9

NIAGARA CASINOS **45**

Rank 2013: **43** ↑10.2%

2014 PA: \$205.0
2013 PA: \$186.0

GEORGE WESTON LTD. **50**

Rank 2013: **n/a** ↑20.8%

2014 PA: \$179.6
2013 PA: \$148.7

Notes: * 2013 figure has been restated.
 ** Formerly listed as the Christian Labour Association of Canada Pension Plan.
 † Formerly ranked as a hybrid plan, IBM Canada Ltd. has now classified its plans into separate DC and DB.
Figures in this report are based on responses provided by the survey participants. Benefits Canada assumes no responsibility for the accuracy of the data provided. All totals are subject to a +/- variance due to rounding.

2014 Top 50 Total	\$33,262.8
2013 Top 50 Total	\$30,174.1
% Variance	↑10.2%

Source: Companies participating in the 2015 CIIN Pension Fund Survey or annual reports

“That’s the most important thing: to make sure the service provider understands who you are and is willing to work with you in the way that you need to work, to make sure your members are serviced properly”

— Cheryl Neighbour,
UBC Faculty Pension Plan

The RFP process narrowed the providers down to three, and the new recordkeeper, Sun Life Financial, was selected in September 2014. The new arrangement came into effect on June 23, 2015.

Getting Members on Board

With 3,400 active members, 1,500 deferred members and 900 retirees, it was critical to make sure everyone understood the change and the rationale behind it. “It was quite an iterative process,” says Neighbour. “We started as soon as we’d made the decision...to let them know that this change was going to be happening.”

Both the FPP trustees and the recordkeeper sent out letters and emails to notify plan members. A video from the chair of the board of trustees and a list of frequently asked questions were posted on the FPP website. And the recordkeeper was introduced at the FPP annual pension forum meeting in May this year, which included a demo of the new plan member website.

“We basically just bombarded our members with as much information as we could provide,” says Neighbour.

Of course, the transition wasn’t without its hiccups. The FPP’s project manager had to take a leave of absence shortly after the project

started. And moving from an in-house to an external system was more challenging than anticipated, since some of the existing administrative tools—for example, a retirement estimator—weren’t transferable and had to be custom built by the new recordkeeper, Neighbour explains.

Some plan members were concerned about potential fee increases or losing the personal touch. “They were worried they would no longer get the service from our office they are used to receiving,” she adds.

But, overall, Neighbour says the plan reconciliation and transition went smoothly, noting members were excited about the new website and the fact that the plan would now have daily instead of monthly valuations.

Her advice for other plan sponsors considering a similar change? Make sure the provider can customize its services to meet your plan’s specific needs.

“We didn’t want to be slotted into a vanilla-type arrangement where we couldn’t make changes we needed to make,” says Neighbour. “That’s the most important thing: to make sure the service provider understands who you are and is willing to work with you in the way that *you* need to work, to make sure your members are serviced properly.”

Niagara Casinos:

How to reduce fees and get a better deal for your plan members

The price of gas is rising. Your grocery bill gets bigger every month. Heading south for a little R&R? It’ll cost you. But, at the Niagara Casinos pension plan (No. 45), fees have actually gone down.

It all started two years ago, when Niagara Casinos began to question the management fees its 3,625 members were paying. The fund lineup includes target-date funds (TDFs) as well as a build-your-own platform of 13 funds, from guaranteed income to foreign equity.

“We were looking for creative ways to get money back into the pockets of our employees,” explains Colleen Falco, director, HR services, with Niagara Casinos, adding it was particularly important since they were undergoing a wage freeze at that time.

In July 2013, Niagara Casinos worked with its recordkeeper to bring fees down, ultimately reducing management fees by 15 basis points per fund.

To help plan members understand the impact, Niagara Casinos implemented a branded communications campaign around the theme of *More money in your pocket*. The focus was on how much members would save with the reduced fees over time.

The campaign used a variety of media, including a direct home mailing; a write-up in the monthly *Connections* employee newsletter (available in both hard copy and digital formats); banners on the company intranet; digital signage back-of-house at the casino; and information in the pre-shift document

TOP 10 | HYBRID PLANS

2014 PENSION ASSETS (MILLIONS) ARE AS OF DEC. 31, 2014; 2013 PENSION ASSETS (MILLIONS) ARE AS OF DEC. 31, 2013

	2014 Pension Assets	2013 Pension Assets	% Variance
1 Quebec Construction Industry	\$17,938.2	\$15,920.4	↑ 12.7%
2 Suncor Energy Inc. ¹	\$3,810.2	\$1,949.4	↑ 95.5%
3 ArcelorMittal Dofasco	\$2,088.9	\$2,042.8	↑ 2.3%
4 York University	\$1,995.2	\$1,767.3	↑ 12.9%
5 United Food and Commercial Workers Union Pension Plan	\$1,954.4	\$1,651.7	↑ 18.3%
6 Queen's University	\$1,747.7	\$1,647.3	↑ 6.1%
7 McGill University Pension Plan	\$1,401.1	\$1,344.9	↑ 4.2%
8 George Weston Ltd.	\$1,332.4	\$1,198.8	↑ 11.1%
9 University of Manitoba	\$1,091.4	\$1,031.2	↑ 5.8%
10 University of Victoria	\$960.1	\$860.2	↑ 11.6%
Top 10 Total	\$34,319.6	\$29,414.1	↑ 16.7%

Notes: IBM Canada Ltd. (formerly ranked second) has reclassified its plan to separate DC and DB plans.
¹ Suncor Energy Inc. variance is due to the consolidation of its DB plan into the hybrid.

Source: Companies participating in the 2015 CIIN Pension Fund Survey or annual reports

(distributed to employees once a week with updates on current events, promotions, departmental announcements and policy changes at work).

Niagara Casinos also announced the change on social media via its Facebook page, which reaches about a third of the DC plan population, and Twitter. It made sure there was consistent messaging on the recordkeeper's platform, too.

Even More Money in Your Pocket

Lower fees, happier plan members...mission accomplished, right? Not quite.

"During our next plan operation review, our consultant came back and said, 'You're *still* paying way too much,'" says Falco. So, in July 2014, Niagara Casinos and its investment consultant initiated a second round of fee negotiations with the recordkeeper.

Round No. 2 brought fees down by a further 15 basis points per fund. Putting both reductions together translates to an average annual per-member savings of \$150 a year.

The casino also switched out of one of its existing investment options, a U.S. market

segregated fund, and into another manager's U.S. equity index segregated fund, since the new fund has better tax implications for the plan members.

"The era that we're in, everybody's really looking at cost containment as much as possible," Falco explains. "Not only that, but you've got the *CAPSA Guidelines*, so you have an obligation to ensure the fees are competitive. And, as soon as you put the fees out in the open [on plan statements], your members are—by virtue of seeing [them]—more educated."

It also makes it easier for members to compare the plan fees with what they're paying on their personal investments, she adds.

Q Given your multi-media communications approach and 99% full-match participation, how active are your DC plan members?

A "We're a little bit ahead of the curve, in terms of engagement. We still see indicators where they're not necessarily in the right investments for their demographic, or they've got multiple investments that don't make sense—like more than a couple of TDFs. But we're certainly a lot better off than we were four years ago. We continue to chip away at it every year with an annual communication plan."

When it's time to negotiate fees, Falco advises other DC plan sponsors to trust their consultants and bring them to the table.

"The consultants are up on what the fees are really like right now," she says. "Rely on them to review your plan and ensure the fees are competitive. That's the lesson learned there—because we wouldn't have had to do it twice!"

Alyssa Hodder is editor of *Benefits Canada*. alyssa.hodder@rci.rogers.com

"The consultants are up on what the fees are really like right now. Rely on them to review your plan and ensure the fees are competitive."

— Colleen Falco, Niagara Casinos