

UNDERSTANDING THE DECUMULATION DILEMMA

**2015
CAP MEMBER
SURVEY**

Benefits
CANADA



WELCOME TO THE 2015 CAP MEMBER SURVEY

FOR capital accumulation plan (CAP) members, it's tough trying to save money for retirement. How much should I save? How much is actually enough for a decent retirement income? Will I run out of money in retirement? These are questions plan members ask themselves and try desperately, with the help of plan sponsors, to answer.

But retirement isn't just about accumulating money as you work. What happens once you stop working? What do you do with your money? Do you choose your own investments or do you buy an annuity? Which option is right for you?

The theme for our 10th annual *CAP Member Survey* is *Understanding the Decumulation Dilemma*.

And it's a dilemma. While CAP members still struggle with saving and knowing how much to save, they'll struggle even more with what happens when they retire. In fact, our survey shows that lack of understanding of decumulation options by plan members is a concern for 83% of plan sponsors.

It's not surprising sponsors are concerned. Only 30% of plan members said they had an excellent or very good understanding of payout options for their DC plan or group RRSP. And 42% said they don't know what happens to their savings when they retire, or the options that are available.

With older boomers on the verge of retirement in the next few years, the CAP industry will have to prepare for a slew of questions once members are ready to retire. But just how much are employers willing to help their retiring employees? Where is the line between helping and advising?

Our advisory board panellists looked at the perspectives of both plan members and plan sponsors when it comes to saving and preparing for retirement.

Read on for their thoughts and analysis.

Brooke Smith



ADVISORY BOARD

Back row from left:

Joe Nunes, ACTUARIAL SOLUTIONS INC.; **Charles Pépin**, INDUSTRIAL ALLIANCE; **Amanda Fickling**, GREAT-WEST LIFE; **Rod Smith**, GREAT-WEST LIFE; **Anna Pagliuca**, DESJARDINS INSURANCE; **Clark Steffy**, INDUSTRIAL ALLIANCE; **Angelo Pugliese**, STATE STREET CORP.

Front row from left:

Karrina Dusablon, DESJARDINS INSURANCE CORP.; **Jill Taylor Smith**, ECKLER LTD.; **Diana Godfrey**, FIDELITY INVESTMENTS; **Oma Sharma**, MERCER; **Louise Koza**, WESTERN UNIVERSITY

Methodology

The 10th annual *Benefits Canada CAP Member Survey* was conducted by Rogers Insights Custom Research Group online in July 2015, with 1,209 Canadians who participate in a DC pension plan or group RRSP provided through their employer. In addition, surveys were conducted with 206 Canadians who are offered a DC pension plan or group RRSP by their employer but do not participate in the plan. The margin of error is $\pm 2.8\%$ for plan participants, 19 times out of 20, and $\pm 6.8\%$ for non-participants, 19 times out of 20.

In addition, an online study was conducted with 103 senior representatives of Canadian organizations that offer their employees a DC pension plan or group RRSP. The margin of error is $\pm 8.1\%$ for plan sponsors, 18 times out of 20.

Due to rounding, some questions may not add to exactly 100%.

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SECTION 1

RETIREMENT SECURITY AND INCOME ADEQUACY: Are members saving enough?

Capital accumulation plan (CAP) sponsors may sleep a little better knowing that a growing number of plan members feel they are financially prepared for retirement. That's one of the positive findings of the 2015 *CAP Member Survey*, but many of this year's results are less comforting.

Of the 1,209 plan members who participated in the survey, 56% felt financially prepared for retirement—a significant jump from 40% who said the same in 2012. While she agrees that's an encouraging trend, Oma Sharma, a partner and DC consulting leader with Mercer, stresses that a lot of people still feel unprepared or unsure. "I do think the responses contain more uncertainty than I'm comfortable with, and I don't think you can conclude from these results that the majority of people feel they're on track for a comfortable retirement."

Members' anticipated age of retirement continues to creep up, rising from 63.3 years in 2014 to 63.6 years in 2015. Meanwhile, the amount plan members expect to have saved for retirement dropped to \$566,956, on average, from \$709,201 in 2014. With 49.3% of their retirement funds expected to come from their workplace retirement plan, members believe they'll actually have 59.9% of their pre-retirement income during their retirement. Most (73%) are confident their plan will provide the amount of money they expect to meet their financial objectives for retirement, and two in three (65%) said they're currently on track to meet their target for the amount they need to save.

"It's worrying that the expected level of savings has

Plan sponsors need to do more. They don't have to go back to the DB world and guarantee everything, but they've got to put more dollars in, mandate employee contributions and add more automatic features to get more people on track.

Joe Nunes, ACTUARIAL SOLUTIONS INC.



PLAN SPONSORS: What is the main reason your organization offers a DC pension/group RRSP?



plummeted to approximately \$570,000,” says Sharma. “That’s just not enough if you are heavily relying on your DC plan to fund your retirement. Members may be feeling very confident their plans will deliver the retirement funds they expect, but there may be a disconnect between the funds they expect and what this will translate to in terms of retirement income,” she continues. “Sponsors need to manage this disconnect by encouraging members in a meaningful way to plan for their retirement, and by helping them to understand whether they really are on track.”

The survey revealed a number of troubling inconsistencies that suggest a disconnect from reality. For example, plan members said they expect an average return

of 15% on their investments year over year—up from 12.9% in 2014. Women’s expectations for returns were highest (17.5%), compared to their male counterparts (12.0%). Young members said they anticipate an average return of 21.9%, while those 65 or older have more modest expectations of 8.2%. Unlike in past years, average expected rates of return are more in tune with self-described risk tolerance: 14% for those in the conservative risk group versus 18.9% for aggressive investors. More concerning is 47% of plan members used their “best guess” to arrive at their expected annual rate of return.

“A conservative investor expecting an ongoing return of 14% and even an aggressive investor expecting 19% year over year is likely unrealistic,” says Rod Smith, director, client services, central region, group retirement services, with Great-West Life. “The big drop in how much members expect to accumulate for retirement seems to contradict the high level of returns they expect on their portfolios. As well, the survey shows two-thirds of women are worried they won’t have enough saved for retirement despite their expectation of 17.5% return. So that’s another disconnect.”

SECTION 1

This year's survey also measured plan sponsor perceptions. Most (91%) agreed it's important to the organization that employees retire with adequate retirement income, and 87% agreed the financial security of employees who retire from the organization is a reflection on the company. But less than half (46%) were convinced that the average employee is financially prepared for retirement based on his or her stage of life. Plan sponsors' confidence went up to 71%, however, for members within five years of retirement.

Meanwhile, 46% of plan sponsors expressed concern about potential legal liability if employees don't retire with sufficient funds saved in their employer-sponsored CAP. More than six in 10 (62%) are more worried about the potential legal risk of providing advice to their plan members, either directly or through a financial advisor, compared to 35% who are concerned about the potential legal risk of plan members who retire with insufficient funds suing the organization for not ensuring they accumulated enough retirement income.

Plan sponsors may be dismayed that large numbers of members believe their employer is responsible for ensuring they have enough for retirement. Nearly two-thirds (63%) of members trust the default investment chosen by their employer will provide them with adequate funds for retirement, and 41% believe their employer ultimately has a responsibility to ensure they retire with enough funds to live at an acceptable standard of living.

"I hear the DB philosophy coming through in a DC world," says Angelo Pugliese, vice-president, global human resources, Canada/Cayman Islands, with State Street Corp. "It doesn't sound like a large group of plan members really understand who has the accountability for their retirement savings. I think members' lack of understanding and high expectations show that more work needs to be done in terms of preparing them for retirement. Not all plan members are looking at true measures of where they're at, and what worries me most is that they aren't going to have enough savings."

Joe Nunes, president of Actuarial Solutions Inc., is also disappointed that so many members think their employers should make sure they have enough money

Action steps:

- Target retirement education to address members' regional and demographic differences.
- Provide appropriate default funds for members who don't make decisions.
- Manage expectations by helping members understand the actual amount they're likely to have saved by retirement.
- Incorporate automatic features to encourage higher rates of saving.

Oma Sharma, MERCER





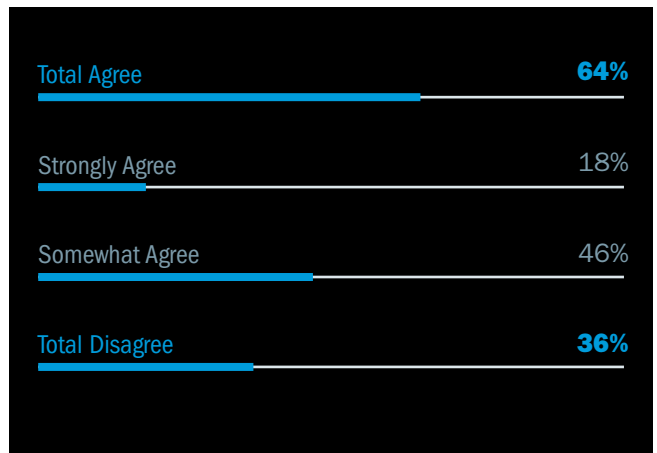
A conservative investor expecting an ongoing return of 14% and even an aggressive investor expecting 19% year over year is likely unrealistic

Rod Smith, GREAT-WEST LIFE

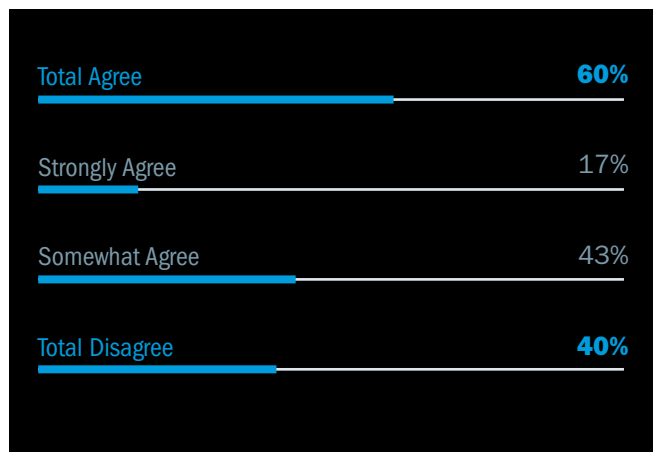
to retire. “We’ve got to shift our attention away from plan members and start pushing back on employers,” he says. “If employers are waiting around for people to take responsibility for their lives, to say this matters to them and that they understand their lifestyle is at stake if they don’t do it right, the sad reality is that many plan members aren’t ever going to do this. We’ve built beautiful programs for those who are engaged, and we try to bring everyone into the engaged group of members, but we aren’t seeing the success that we’d expect at this stage of the industry. Plan sponsors need to do more. They don’t have to go back to the DB world and guarantee everything, but they’ve got to put more dollars in, mandate employee contributions and add more automatic features to get more people on track.”

Plan Members: Do you agree or disagree with the following statements:

I would be reluctant to leave my employer because of the employer-sponsored retirement savings plan and other benefits offered as part of my compensation package.



I would be reluctant to leave my employer because of the employer-sponsored retirement savings plan offered as part of my compensation package.



SECTION 2

FINANCIAL EDUCATION AND DECISION-MAKING:

Do members have the knowledge and tools to succeed?

Capital accumulation plan (CAP) sponsors typically provide a wide range of tools to help plan members successfully save for retirement. So it must be disheartening when results from the 2015 *CAP Member Survey* show many members still don't have a very good understanding of their retirement savings plan and few actually use the resources provided.

All the providers have the shiny brochures, tools and websites, but if we aren't able to tackle member engagement in a very targeted fashion, we are basically wasting our efforts

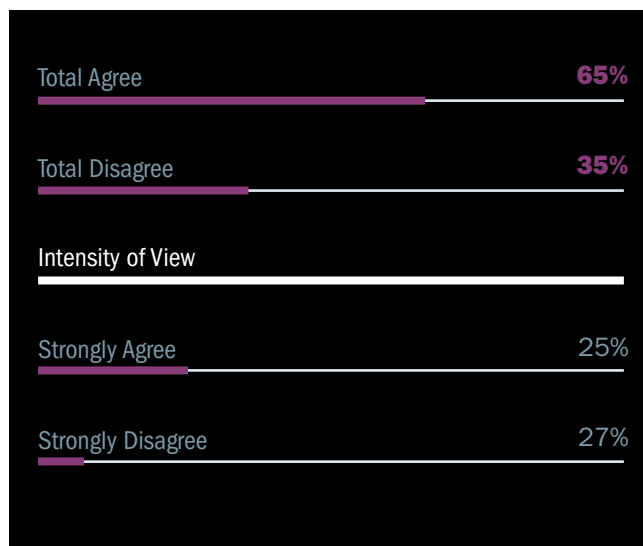
Charles Pépin, INDUSTRIAL ALLIANCE

"We need to enhance, evolve and accelerate the plan member experience," says Karrina Dusablon, national vice-president, business development, with Desjardins Insurance. "Engagement is a spectrum, and it isn't realistic to expect everyone to be entirely engaged. There are different levels of engagement; it's not an on or off switch but an evolution toward a desired attitude."

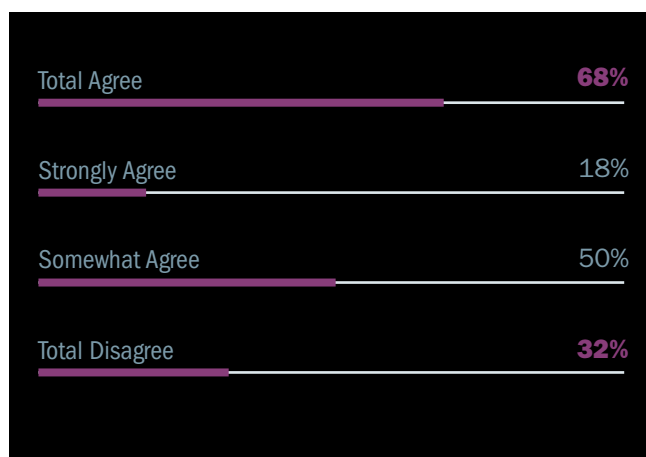
Based on this year's findings, plan sponsors have their work cut out for them in terms of boosting member engagement. "Using members' perceived level of



Plan Sponsors: We are concerned about the potential legal liability and/or reputational risk of providing financial advice to plan members directly or through a financial advisor.



Plan Members: I expect my employer will provide access to a qualified individual who will counsel me as to my options regarding my employer retirement savings plan when I'm thinking of transitioning into retirement.



knowledge allows us to determine the most effective ways of communicating with them,” adds Dusablon. “Only then can we create customized solutions that will help them move forward on the path toward engagement. We need to focus on driving incremental improvements and targeted communications so members feel accompanied throughout their journey to retirement.”

Although three in five (60%) plan members agreed their employer-sponsored DC pension plan and/or group RRSP is their primary vehicle to save for retirement, almost as many (58%) admitted they don't spend as much time as they should on their plan. The youngest members were most likely to agree on both counts (68% and 65%, respectively).

“Sponsors might assume retirement is too far into the future for younger generations to want to think about,” says Amanda Fickling, manager, marketing and communications, group retirement services, with Great-West Life. “However, it appears they're listening—65%

of younger participants acknowledge they should spend more time on their plans. Communication strategies should be developed and specifically targeted at younger age groups to convey the benefits of enrolling and investing in the plan early.”

It's good news that a growing number of plan members reported having a formal, documented financial plan that outlines the age of retirement and the amount of money needed to retire by that age—up to 36% from 30% in 2014. But it is concerning that almost two-thirds (64%) of pre-retirees ages 55 to 64 said they don't have a documented plan.

The survey also reveals conflicting attitudes regarding who has responsibility for investments in the CAP. While 94% of plan sponsors said employees have the responsibility to take an active role to ensure they can retire successfully, a large number of members see it differently. Nearly six in 10 (57%) members believed that if they don't make their own investment choices, their employer should take responsibility to ensure the contributions are invested appropriately. The same proportion (57%) agreed that their employer has a responsibility to ensure the investment choices they make in their CAP are the best choices for them. Half (50%)

SECTION 2

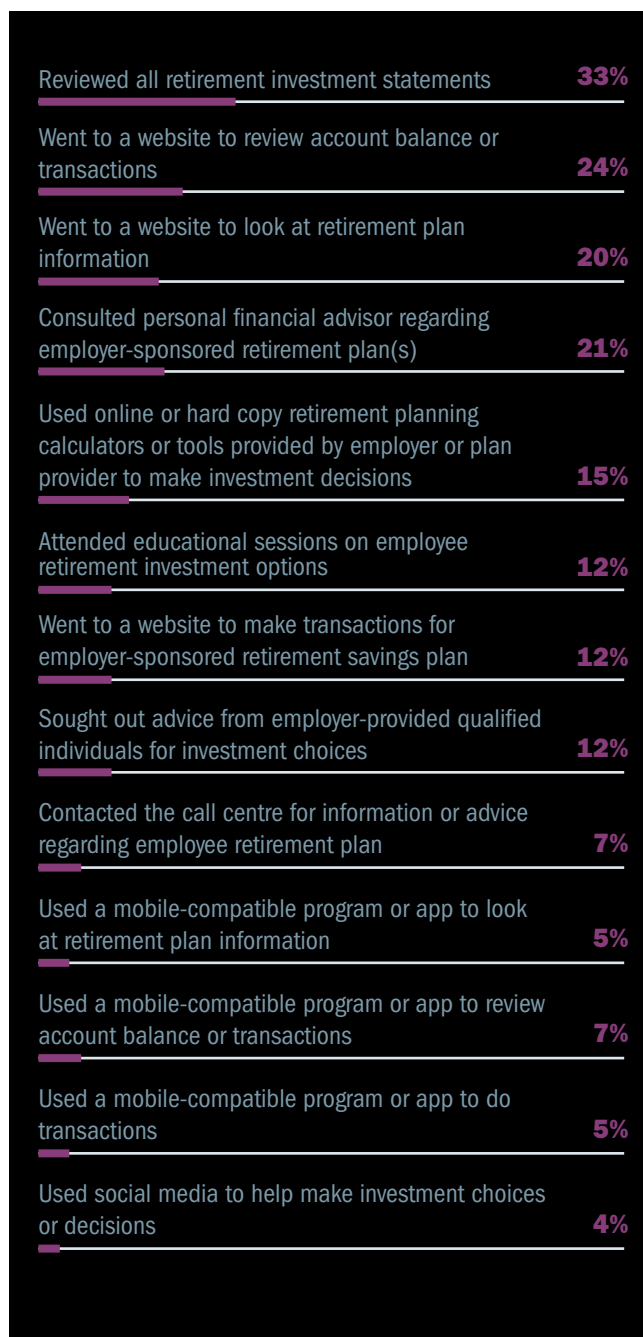
admitted they wish someone would make investment decisions for them so they didn't have to do it themselves, with women (54%) more likely to agree than men (44%). Younger plan members, ages 18 to 34 (63%), are much more likely to feel this way, compared to just 37% of those 55 or older.

"It's interesting to see the dichotomy between what employees believe their employer should do in making decisions for them and what employers believe employees should be doing in taking more responsibility in the decision-making process," says Diana Godfrey, vice-president, HR services, with Fidelity Investments. "We need to help members understand there are reasons to participate. But we can't abdicate the responsibility to a consultant or service provider because, for employees to buy into what you're doing, they need to see their employer involved as well. We need bigger involvement in communicating to our employees through multiple channels and voices."

Angelo Pugliese, STATE STREET CORP.



Plan Members: Most companies provide various services and tools around their employee retirement savings plan(s). Have you done any of the following with your employee retirement savings plan(s) within the past year?



Karrina Dusablon, DESJARDINS INSURANCE



Although a significant minority (33%) of members reported an excellent or very good understanding of their employer-sponsored CAP, 42% claimed their understanding was only somewhat good; 24% said very/somewhat poor or had no understanding. Similar trends were found regarding understanding of asset allocation (excellent/very good 30%), investment risk (31%), plan statements (36%) and the amount of money they need to contribute to their plan to retire with the amount of money they need (33%).

Plan sponsors don't have much confidence in their members' knowledge either. When asked to describe their plan members' understanding, sponsors stated that few had excellent/very good understanding of their CAP (20%), payout options when they retire (10%), the amount they need to contribute to retire with the amount they need (9%) and how to make retirement savings last for their full retirement (8%).



We need to help members understand there are reasons to participate. But we can't abdicate the responsibility to a consultant or service provider because, for employees to buy into what you're doing, they need to see their employer involved as well.

Diana Godfrey, FIDELITY INVESTMENTS

SECTION 2

Amanda Fickling, GREAT-WEST LIFE



Despite an apparent lack of understanding, most (86%) plan members reported being very or somewhat satisfied with their employer-sponsored retirement plan, and 86% said they're very or somewhat satisfied with the performance of their investments under the CAP. But, as in previous years, the bulk (59%) of members are not considered active, a status determined by whether they performed at least one activity (e.g., increasing or decreasing their contribution, changing their investment mix or withdrawing funds) within the last year.

Only 9% of members used information provided by their employer to make investment decisions—a huge drop from 30% in 2006 and 2007. In fact, although 96% of plan sponsors agreed that their organization has a responsibility to provide employees with tools and resources to help them make sound decisions regarding their employer-sponsored retirement savings plan, many members still aren't using them.

“As an industry, we believe plan sponsors can play a greater role by further collaborating with us to better target messages toward their employees,” says Charles Pépin, national practice leader, financial education, group savings & retirement, at Industrial Alliance. “All the providers have the shiny brochures, tools and websites, but if we aren't able to tackle member engagement in a very targeted fashion, we are basically wasting our efforts. The current low engagement level is very serious, and it can only improve if the message is aimed at specific audiences within a same group plan, while playing an emotional card as the door opener for an underlying rational message. And these targeted, emotion-driven messages need to be part of a comprehensive communication strategy accessible to all types of sponsors, whether big or small.”

Action steps:

- Target communications based on members' perceived knowledge of their retirement plan to boost engagement.
- Communicate to younger employees about how enrolling early can maximize retirement savings.
- Use multiple channels and voices to reach diverse segments of employees.
- Emphasize the emotional side of retirement to better engage members.

SECTION 3

RETIREMENT TRANSITION AND DECUMULATION:

What's next for CAPs?

Year after year, the *CAP Member Survey* uncovers a high degree of worry among plan members as they contemplate whether they'll have enough money saved for retirement, what payout options are available for their savings and how long those funds will last. And, once again, the results show plan sponsors and providers need to do more to boost members' confidence as they prepare to leave the workforce.

Clark Steffy, INDUSTRIAL ALLIANCE



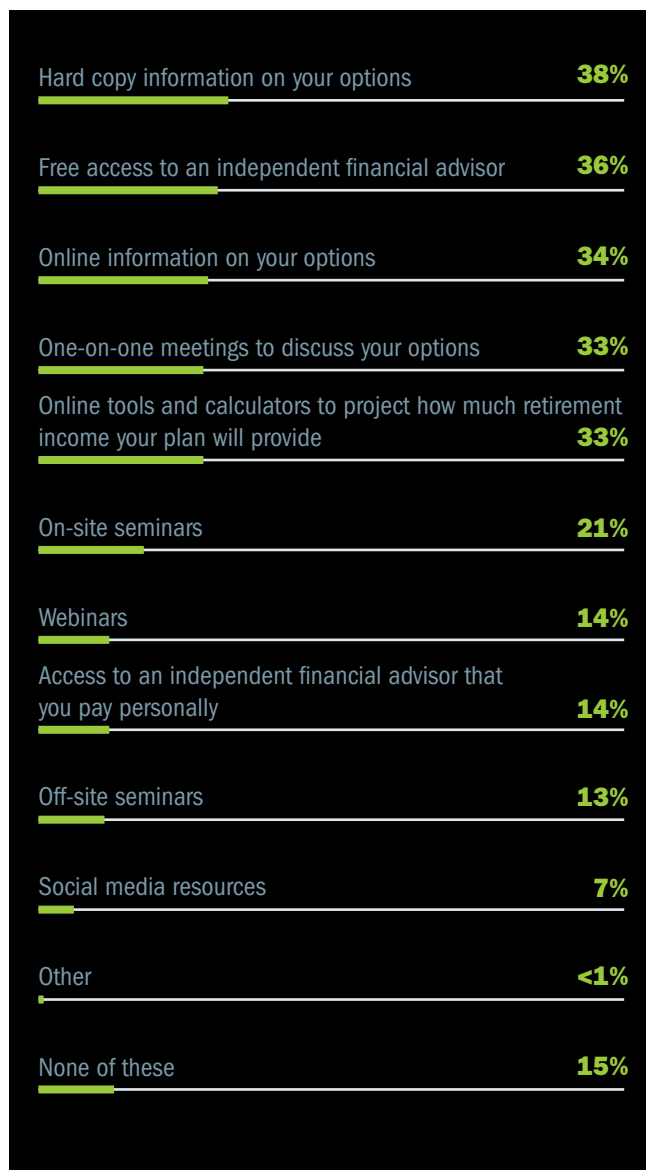
On the whole, most plan participants believe they'll be okay in retirement if they're careful: 50% said they should be able to live independently and pay their bills, while 28% said they should be able to do some travelling or other things they don't regularly do now.

Still, six in 10 (62%) worry that when the time comes they won't have saved enough funds to retire. This feeling was highest for 18- to 54-year-olds (68%), but dropped to 56% among those 55 to 64 and just 34% for those 65 or older. Women (66%) were more concerned than men (58%), while participants in the lowest income bracket (73%) worried more than those making at least \$100,000 (47%). Almost two-thirds (62%) expressed apprehension that, despite their best efforts, they'll run out of funds during retirement. Again, this feeling is strongest among younger participants (ages 18 to 54, 67%), women (66%) and those in the lowest income bracket (72%).

"It's clear younger and low-income members need the most help," says Clark Steffy, regional vice-president of sales for Ontario, Atlantic and Western Canada, group savings and retirement, with Industrial Alliance Insurance and Financial Services Inc. "They are the most pessimistic and uncertain, and the least likely to go out to get advice and support. As sponsors and providers, we should take a special interest in the needs of those plan members. The decumulation issue will get their attention if you explain what a lump sum buys spread over 25 years and how much income in retirement may be needed to cover basic expenses—that's interesting and useful information. Leave the more complicated questions about

SECTION 3

Plan Members: What types of services or assistance do you feel your employer or the plan provider for your DC pension plan/group RRSP should provide when you transition into retirement?



Retirement planning is much more difficult now than it was 10 to 20 years ago when you had a DB plan to rely on. Large numbers of people don't understand what happens to their money when they retire and don't know their income options.

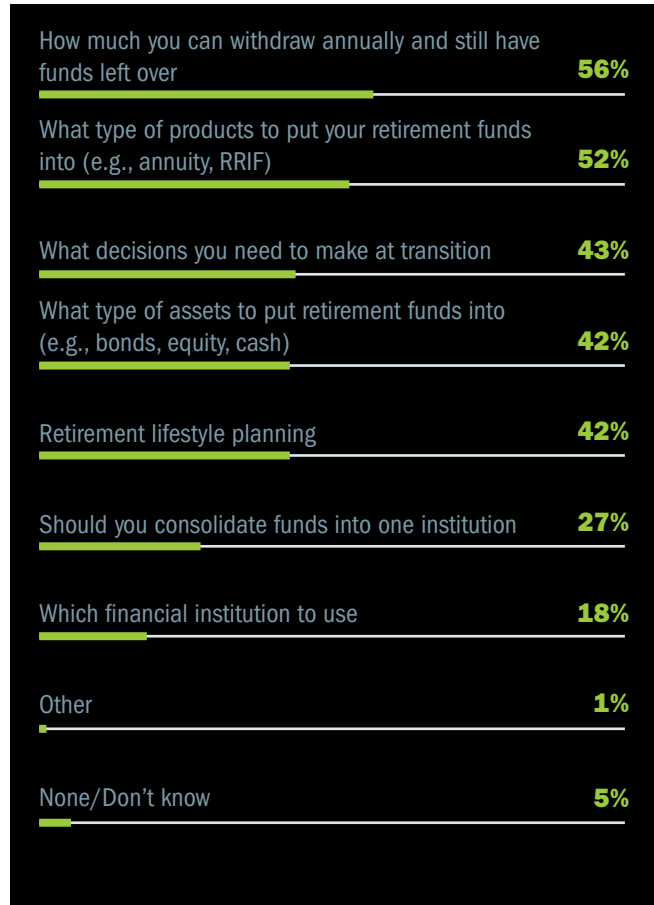
Jill Taylor Smith, ECKLER LTD.

when the next recession is going to hit or which fund is better to the high-income group and focus on the basics for younger and low-income members.”

Plan participants also expressed a strong level of uncertainty about how long their retirement savings need to last. Although 31% claimed excellent or very good understanding of longevity risk, 24% had poor understanding, and 8% admitted they had no understanding. Four in 10 (41%) said they don't know how long their money needs to last, and 50% said they don't know how long the funds from their workplace capital accumulation plan (CAP) will actually last in retirement.

“Retirement planning is much more difficult now than it

Plan Members (45 or older): What types of advice are you looking for regarding transitioning into retirement?



- Men (21%) are more likely than women (13%) to want to know what financial institution to use.
- Those making at least \$60,000 (50%) are more likely than those making less (34%) to indicate they are looking for advice on what types of assets to put their retirement funds into.

79% agreed there's a need for a wider range of products for members when they receive their CAP payout at retirement. Most (86%) also agreed that it's up to the DC industry—including providers, investment firms and consultants—to drive innovation in decumulation products and services available, and 72% said they would like more support from plan providers to help them assist employees with the transition to retirement. Still, although 78% agreed their organization should ensure retiring employees get help in choosing how to invest the

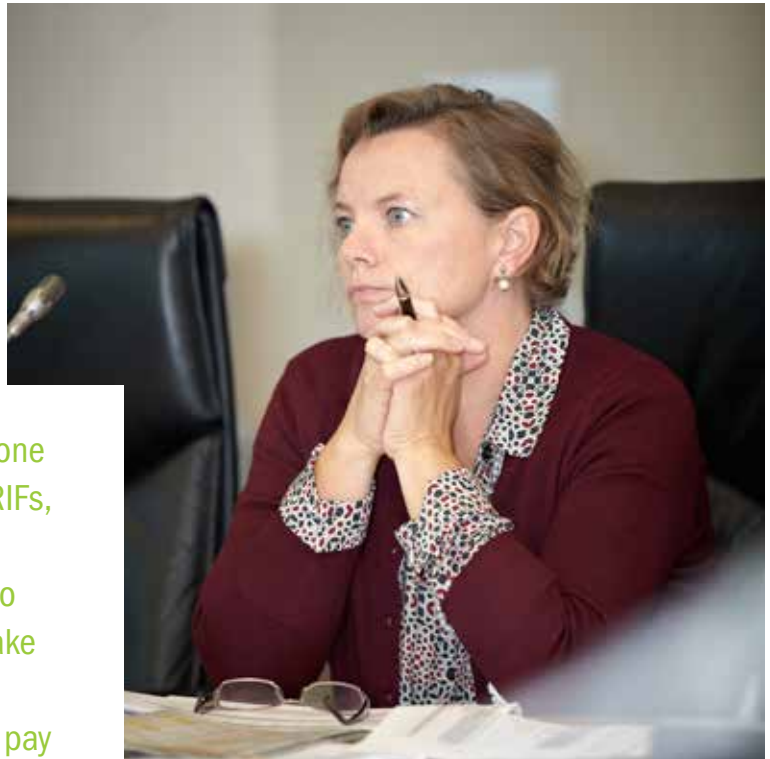
was 10 to 20 years ago when you had a DB plan to rely on," says Jill Taylor Smith, a consultant with Eckler Ltd. "Large numbers of people don't understand what happens to their money when they retire and don't know their income options. There's a big disconnect between understanding longevity and how to make their money last for their lifetime. This leads to a big risk when they take that lump sum of money and try to figure out how to turn it into ongoing retirement income. A lot of unbiased education needs to be done on the options at retirement."

Most (83%) plan members age 45 or older said that a guaranteed monthly income was more important to them than above-average investment gains (17%). But only 30% of members claimed an excellent or very good understanding of payout options for their DC plan or group RRSP when they retire, 42% said they don't know what happens to the savings in their CAP when they retire or what options are available, and 24% don't know what they'll do with the funds when they retire.

Louise Koza, director, total compensation, at Western University, isn't surprised so many members indicate a preference to guaranteed income options in the survey since they don't really understand the retirement payment options in general. "It's crazy to think you can educate someone about payment options from LIFs and RRIFs, even five years before retirement," she says. "It's so complicated—minimums, maximums, repayments, unlocking—and the only option easy to understand is a life annuity, where you take your wheelbarrow of money off to the insurance company and they promise to pay you something for the rest of your life. Annuities have a huge role to play to manage longevity and decumulation for individuals. It's the easiest thing for them to understand and take action on. The industry has some work to do to provide the idle option and to make annuities more attractive."

Lack of understanding by members of decumulation options is a concern for most sponsors (83%), and

SECTION 3



It's crazy to think you can educate someone about payment options from LIFs and RRIFs, even five years before retirement. It's so complicated...and the only option easy to understand is a life annuity, where you take your wheelbarrow of money off to the insurance company and they promise to pay you something for the rest of your life.

Louise Koza, WESTERN UNIVERSITY

funds, 75% of plan sponsors are reluctant to provide assistance—they want to help during the accumulation phase, but once an employee retires or leaves the company, they're on their own.

“Plan sponsors provided a lot of conflicting messages in the survey,” says Anna Pagliuca, national director, client relations and implementation, wealth management and life and health insurance, with Desjardins Insurance. “They want to help but massively confirmed that when employees retire, they're on their own. And, although sponsors want help from providers, they don't know what kind of help they want. Plan sponsors are still struggling with what is required to entice a plan member to take action. One solution would be to make retirement plans and retirement education mandatory in all stages of the lifecycle, not only at the pre-retirement stage. There has to be a wider timeline—10 years minimum—for members to prepare for retirement. We have to be proactive to make sure members have a concrete action plan for retirement in place.”

Action steps:

- Target communications for those who are the least confident about retirement: women, younger members and low-income earners.
- Simplify decumulation options by differentiating between income for optional lifestyle activities and income to pay for basic living expenses.
- Encourage members to use tools and resources to prepare for the transition to retirement five to 10 years prior to leaving the workforce.



Karrina Dusablon

National Vice-President, Business
Development,
Group Retirement Savings,
Desjardins Insurance.

PARTICIPANT ENGAGEMENT – RECALIBRATING THE STRATEGY



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Insurance**

LIFE • HEALTH • RETIREMENT

AFTER 10 YEARS of CAP member surveys, there has been an evolution in the solutions offered to participants. A few years ago, the focus was solely on investment choices, but the objective has evolved considerably and the industry is now focused on getting participants to take a more active role in their own retirement planning. It's an approach that puts a greater emphasis on the participant's financial well-being.

Today participants are inundated with information and they live in a world of instant gratification. Breaking through all the noise to entice, encourage and engage them will be a major challenge in the years ahead. Making it easier for them or even giving them access to a "Do it for me" approach could work in the short term, but it could also reduce their level of financial literacy even more. So what's the right balance?

DESJARDINS INSURANCE'S APPROACH: different levels of engagement for different participants

When we analyze participants' behavioural, financial and demographic data, we're able to measure their level of interest, motivation and investment knowledge. In order to make an impact, we need to pinpoint where participants are on the engagement spectrum. Then we can adapt our communication tactics to address their specific needs and deliver more personalized conversations that get them engaged.

Analysis of this big data helps us go even further: we can discover what actions and points of contact help increase participants' engagement and we can measure the results.

But that doesn't mean they will start taking a more active role overnight. This takes time. Engagement is a barometer that fluctuates based on life events. While using various innovative tools doesn't guarantee greater engagement, this tailored approach contributes significantly to meeting that goal.



Amanda Fickling
Manager, Marketing
and Communications,
Group Retirement Services

TEN YEARS OF CAPITAL ACCUMULATION PLANS

THE GROWTH OF CAPITAL accumulation plans (CAPs) in recent years has been influenced by shifts in financial markets, economic change and demographic trends. A perfect storm in the early 2000s triggered a transition in the private sector from defined benefit plans to CAPs, which enjoyed a 70 per cent* growth between 2000 and 2008. Subsequent market volatility helped fuel this trend. Other contributing factors included the looming retirement of baby boomers with increased life expectancy, and low-interest rate environments.

Throughout all this change, some Canadians have realized they need to pay closer attention to their retirement plans – whether by increasing contributions, creating a formal financial plan, re-evaluating their risk tolerance or seeking professional advice.

Over the past 10 years of the CAP Member Report, we've heard directly from Canadian plan members and discovered what's working for them and what needs improvement. Some of the industry's assumptions about members have been challenged. Despite access to many resources, a significant number of members don't enrol or don't contribute. We've learned members' desires to save don't always translate into saving behaviour, although having an employer match in place is a powerful incentive.

There's been progress to overcome members' tendencies toward inaction. More plans are narrowing the range of available funds in their investment lineups and offering more robust default options, including target date funds.

In the next decade, plan design will receive even greater attention as sponsors implement built-in solutions that encourage participation, suitable investment choices and contributions that escalate over time.

Member education and information will continue to get smarter. Expect more interactive tools, personalization, sharing of success strategies through social media and online education accessible anywhere, any time.

Moreover, we'll see a greater focus on the transition from saving to retirement, as members make the important and sometimes complex decisions needed to turn their nest eggs into retirement income.



*Benefits Canada CAP Supplier Directory 2000-2008



Clark Steffy

Regional Vice-President of
Sales Ontario, Atlantic
and Western Canada
Group Savings and Retirement
iA Financial Group

IS THE CANADIAN CAP INDUSTRY AT A SERVICE-OFFERING CROSSROADS?



IN THE LAST DECADE, the Canadian group retirement savings industry has seen most CAP providers focus much of their service improvement efforts on the accumulation phase,

and more specifically on helping members with their retirement planning. Namely, the booming multiplication of smartphones and tablets has led to a massive “mobilization”

of all member tools to accommodate today’s on-the-move lifestyle, with huge investments in technology. Plan enrolment, retirement simulations, transactions, account balance and savings performance monitoring—everything is now mostly done on the Web.

From a product point of view, the declining popularity of defined-benefit plans among sponsors has increasingly been pushing employees to look for alternative ways to achieve a guaranteed income to complement their future government pension annuities. Some CAP providers have been working to address this void through innovative products such as CAP-based deferred lifetime annuity options.

However, very little has been done to bolster services at the decumulation phase, and with the currently observed demographic shift toward a higher percentage of retirees throughout the Canadian population, the industry might just be at a service-offering crossroads.

Looking ahead at the next 10 years, we can expect CAP providers to reposition their services to better support the growing numbers of members approaching retirement in terms of payout options, in terms of helping them get the most out of their savings, and in terms of guiding them toward making the best decisions with regard to their desired retirement lifestyle.



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