FUTURE INDEFINITE
How can plan sponsors navigate a changing world – and get it right for tomorrow? The world is changing fast – seemingly in the blink of an eye. In just a few years, the global economy has undergone a tectonic shift, with emerging business models and technologies challenging borders and boundaries in unprecedented ways. For long-term investors like pension funds, this breakneck pace of change means understanding and grappling with a future that can be hard to envision – let alone invest in. How can you plan for the long-term with the short-term landscape evolving so quickly? The 2016 Investment Innovation Conference is focused on our changing present and where it will take us in the future – what are the long-term strategies, asset classes and themes Canadian pension plans should focus on, and how should plan sponsors ensure their portfolios are positioned for this shifting economic and investment landscape?

KEYNOTE SPEAKERS
Todd Buchholz
Bestselling author and former White House director of economic policy

Duncan Stewart
Director of Technology, Media & Telecommunications research for Deloitte Canada

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CPP DEAL OFFERS REPRIEVE FOR GROUP RRSPs

By Yaelle Gang

Group registered retirement savings programs were in the hot seat when the Ontario government declared they wouldn’t be comparable for the purposes of the Ontario Retirement Pension Plan. But now that Ontario is backing away from the ORPP after the June agreement to enhance the Canada Pension Plan, what’s the impact on group RRSPs?

The deal reached in June does, of course, raise CPP premiums by one per cent each for employers and their employees. The phased increase will begin in 2019 and will bring the premium to 5.95 per cent (for both employers and employees) over a five-year period. That rate applies to the year’s maximum pensionable earnings. Beginning in 2024, a separate premium rate (expected to be four per cent each for employers and employees) will apply to a new upper earnings limit. The deal provides for the earnings range to reach a projected $82,700 in 2025 (up from $54,900 in 2016).

John McIntosh, a senior consultant at Willis Towers Watson, doesn’t foresee employers moving away from group RRSPs as a result of an enhanced CPP, as may have been the case under the ORPP, but he suggests some of them may decide to reduce their contribution levels to account for the premium increase.

There are many benefits of a group RRSP, even if the employer doesn’t contribute to it, according to Thak Bhola, manager of pension, investments and administration at Goodyear Canada Inc. “It’s a way where people can put money into an RRSP without paying retail prices.”

Bhola also doubts an expanded CPP will have much of an impact on group RRSPs, even as both employees and their employers face higher premiums. “I don’t believe it will mean the death of the group RRSP because I think people will realize that the money they have coming to them from OAS and CPP may not support the lifestyle they want to have in retirement,” he says.

Impact on employers

Scott Clausen, a partner at Mercer, says plans with higher contribution levels may move to an integrated formula that carves out the increased CPP premium. Alternatively, some companies may take the CPP changes as an opportunity to review the adequacy or competitiveness of their contributions under their plans, he notes.

Workplace retirement and savings programs, including RRSPs and pension plans, can help companies stand out as employers of choice, says Fraser Wiswell, assistant vice-president for group retirement solutions at Manulife. “Employers are looking to distinguish themselves as an employer of choice. For that, they should be looking to offer workplace savings programs beyond the government benefits available to all working Canadians,” he says.

Joe Nunes, president of Actuarial Solutions Inc., notes that the ORPP’s focus on registered pension plans led him to question whether employers would continue to offer group RRSPs, as they weren’t comparable to — and thus exempt from — the Ontario plan. “At that time, I was of the opinion that RRSPs would return to [their] original purpose: ancillary savings over and above the pension plans offered by governments and employers,” he says.

“We are only just starting to digest the change in direction from the ORPP to an expanded CPP, but the conclusion is likely to be different. I expect that employers that have a group RRSP as their primary retirement savings vehicle will continue with that program, although they might reduce contributions to offset the increasing cost of the expanded CPP.”

Yaelle Gang is a conference editor at Benefits Canada: yaelle.gang@rci.rogers.com.