Forecasting the future of group retirement plans
Great-West Life

Working in partnership with Great-West Life, your organization can help build a more secure financial future for your employees. Our easy plan administration and account management, superior services and customized plan features combine to create a plan that’s right for you and your plan members.

Great-West Life administers defined contribution retirement and savings plans, offering clients the support of a cross-Canada network of group retirement specialists. Our clients benefit from first-class service and products, supported by a strong and stable organization that focuses on accuracy and dependability.

Serving the financial security needs of more than 12 million people across Canada, Great-West Life and its subsidiaries, London Life and Canada Life, have more than $410 billion* in assets under administration. The companies’ assets under investment management in the pension and group savings marketplace exceed $48.6 billion.*

Great-West Life and its subsidiaries are members of the Power Financial Corporation group of companies. In the U.S., our sister company, Great-West Life & Annuity Insurance Company (Great-West Financial), is the second-largest group retirement record keeper (measured by participant accounts), with US$460 billion* in assets under administration and more than 8 million participants in the U.S. defined contribution market.

Together with our subsidiaries, we offer the following:

• Registered retirement savings plans
• Registered pension plans (defined contribution)
• Deferred profit sharing plans
• Simplified pension plans (available in Quebec and Manitoba)
• Non-registered savings plans
• Tax-free savings accounts
• Pooled registered pension plans
• Voluntary retirement savings plans
• Registered retirement income funds
• Life income funds
• Annuities

Every business situation is unique. We look forward to working with you to develop a plan as distinctive as your organization.

*as of Dec. 31, 2015
A message from Great-West Life

Past results are often indicative of future trends. The 2016 CAP Benchmark Report supports this idea with valuable and insightful plan sponsor survey results to help you benchmark and enhance your plan. Those same results help predict the future of group retirement and savings plans in Canada — a future that’s focused on technology as the key to raising plan member participation and improving plan sponsor information about capital accumulation plans (CAPs).

Key insights into the future of CAPs in Canada:

• Group retirement websites will be sophisticated enough to link a member’s investment personality to their investments inside and outside of their group program to give a more complete picture.
• Choice overload for members will be eliminated, with simplified investment options such as target risk and target date funds.
• Technology will help members choose a strategic contribution that matches their specific retirement lifestyle.
• Member access to online or in-person advice from certified financial advisors will increase.

This year’s CAP Benchmark Report summarizes the results of updated plan sponsor profiles in the Canadian Institutional Investment Network (CIIN). Data was collected between March and August 2016 from 333 organizations offering a defined contribution (DC) plan, a group RRSP or—new this year—a deferred profit sharing plan (DPSP). The report is enhanced by insights from Great-West Life industry experts:

• Christine van Staden, Vice-President, National Accounts, Group Retirement Distribution, Great-West Life
• Avnee Patel, National Accounts Executive, Group Retirement Distribution, Great-West Life
• George Ng, National Accounts Executive, Group Retirement Distribution, Great-West Life
• David Harris, National Accounts Executive, Group Retirement Distribution, Great-West Life
• Amanda Fickling, Director, Marketing and Communications, Group Retirement Services, Great-West Life

In this 12th edition of the report, Great-West Life acknowledges the thoughtful feedback of the survey’s respondents. Their willingness to share information has helped highlight emerging trends in the industry.

With sincere best wishes,

Rob Ritchie
A snapshot of CAPs in Canada

Note: Some response categories don’t add up to 100%. This is due to rounding or questions that allowed respondents to provide multiple responses. The sample size and profile of respondents changes every year, which can influence trends and survey results.

Organization details

- Corporation/private enterprise: 76%
- Multi-employer: 8%
- Public: 6%
- Non-profit: 5%
- University (education): 3%
- Union: 2%

Primary business

- Manufacturing sector: 25%
- Finance/business services: 19%
- Services sector/hospitality: 20%
- NGO/non profit/public sector/greater public sector: 9%
- Transportation/communications/utilities: 9%
- Natural resources: 2%

Number of employees

- 1–99: 41%
- 100–199: 9%
- 200–499: 15%
- 500–999: 8%
- 1,000+: 4%
- No response: 23%

Type of plan

- DC plan only: 44%
- DPSP and DC plan: 16%
- DPSP and Group RRSP: 11%
- Group RRSP only: 8%
- DC plan and Group RRSP: 7%
- No response: 15%
Participation rate

Average market value of plan ($ millions)

Average number of plans per sponsor

Target date as default

Base: All respondents answering: DC plans n=240; group RRSPs n=164; DPSPs n=30
Investment decisions

Streamlining choices for plan members

“Behavioural finance shows that members tend to procrastinate when the number of choices is overwhelming or seems complicated,” says Avnee Patel, National Accounts Executive, Group Retirement Distribution, Great-West Life. “In past years, Great-West Life has stressed the importance of streamlining the investment menu. Doing so ensures members aren’t offered too many choices that cause them to get overwhelmed.”

Going digital, enhancing choices

Technology will continue to make selecting investments more convenient. “Group retirement websites will be sophisticated enough to link a member’s investment personality to all of their investments, inside and outside of the group program, to give a more complete picture,” predicts Patel. “Members will be able to get help to choose and make changes to their custom developed portfolios online without paperwork and hesitation.” Patel notes the group retirement services industry needs to do some work to reach this future state but, inevitably, “technology will help dramatically enhance the financial wellness of Canadians.”

What you can do now to enhance your plan

Recommended by Avnee Patel

- Streamline investment menus: have suitable investment fund options per asset class designed to fulfil specific investment objectives.
- Encourage members to complete their investment personality questionnaire regularly, and prepare a predetermined investment lineup for each investment personality as an option.
- Offer target date funds in your investment lineup and as a default option.
- Contact your plan provider to discuss how to further incorporate technology in your plan, as well as any new innovations that they’re working on, so you can assess the potential benefit for your members.
Figure 1

Types of investment options offered to members

![Bar chart showing the distribution of investment options offered to members.](chart1)

- **Canadian equity**: 89% (DC plans) vs. 90% (Group RRSPs)
- **Balanced**: 80% (DC plans) vs. 82% (Group RRSPs)
- **Fixed income**: 86% (DC plans) vs. 83% (Group RRSPs)
- **Foreign equity**: 86% (DC plans) vs. 82% (Group RRSPs)
- **Cash and equivalent**: 75% (DC plans) vs. 75% (Group RRSPs)
- **Target date asset allocation**: 59% (DC plans) vs. 61% (Group RRSPs)
- **Special equity**: 28% (DC plans) vs. 35% (Group RRSPs)
- **Target risk asset allocation**: 31% (DC plans) vs. 32% (Group RRSPs)

Base: All respondents answering: DC plans n=261; Group RRSPs n=189

Figure 2

Default investment option

![Bar chart showing the default investment options.](chart2)

- **Target date asset allocation**: 50% (DC plans) vs. 51% (Group RRSPs)
- **Balanced**: 26% (DC plans) vs. 20% (Group RRSPs)
- **Money market**: 4% (DC plans) vs. 7% (Group RRSPs)
- **Target risk asset allocation**: 6% (DC plans) vs. 6% (Group RRSPs)
- **Cash/daily interest**: 3% (DC plans) vs. 4% (Group RRSPs)
- **Other**: 9% (DC plans) vs. 6% (Group RRSPs)

Base: All respondents answering: DC plans n=244; Group RRSPs n=163
Participation

Gap remains between small and large sponsors

The gap between small sponsors (fewer than 500 members) and large sponsors (more than 500 members) offering members immediate eligibility continues to widen. Among DC plans, 27% of small sponsors offered immediate eligibility compared to 47% of large ones. These figures are consistent with the previous four years. However, the gap is even wider among group RRSPs. In 2016, 61% of large sponsors offered immediate eligibility while only 30% of small sponsors did. This is a large contrast to 2013, when the figures were 57% and 49%, respectively. George Ng, National Accounts Executive, Group Retirement Distribution, Great-West Life believes, “sponsors should consider immediate eligibility as employees are more inclined to participate as part of their on-boarding process.”

Fifty-seven per cent of plan sponsors require members to sign a waiver if they choose not to participate in their DC plan, but only 17% require that it be completed annually. “Members who may have felt they couldn’t afford to contribute to their plan a year ago may choose to enrol later on with an annual reminder,” says Ng. “Long-term employees who never enrolled may not realize they aren’t in their group retirement plan, and may be encouraged to enrol with an annual reminder.”

George Ng
National Accounts Executive,
Group Retirement Distribution, Great-West Life
Figure 3
Eligibility to participate
- DC plans
- Group RRSPs
- DPSPs

Base: All respondents answering: DC plans n=261; group RRSPs n=189; DPSPs n=22

Figure 4
DC plan eligibility by size
- 1 to 499
- 500+

Base: All respondents answering: n=261

Figure 5
Group RRSP eligibility by size
- 1 to 499
- 500+

Base: All respondents answering: n=184
Boosting participation in the future

The key lies in digital technology, predicts Ng. “In a single online session, members should be able to enrol, choose contribution amounts, pick investments and add beneficiaries, according to their plan requirements.” He foresees more simplified ‘express’ paths to help members make informed decisions by using target date funds or investment styles once they know them. Altogether, advances online will make it quick and easy for members to enrol in plans.

What you can do now to enhance your plan

*Recommended by George Ng*

- Offer immediate eligibility: members are most engaged when they’re first hired and they’re setting up their payroll and health benefits. Part of this on-boarding process should be to enrol in their group retirement and savings plan. If members aren’t offered this immediate eligibility, the chance to get them enrolled while they’re most engaged is gone.
- Consider making plan participation a condition of employment: eliminating the choice to enrol and contribute helps members avoid procrastination. Many people are interested in joining a plan, but sometimes put it off for years. If someone has that money taken off their paycheque from the start, they probably won’t miss it.
- Connect with your plan provider to see what digital options are available for express enrolment.

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**Figure 6**
If your DC plan is voluntary, do you use a waiver of participation form with the plan members that choose not to join?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>

**Figure 7**
If so, does it require a yearly signature?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>83%</td>
<td>17%</td>
</tr>
</tbody>
</table>

*Base: All respondents answering who have a DC plan that is voluntary: n=64*  
*Base: All respondents answering who have a DC plan that is voluntary and use a waiver of participation: n=12*
Contribution rates

Satisfied sponsors influence plans

This year, most sponsors aren’t planning to change their contribution levels, eligibility requirements or default investment options. They’re satisfied with their plan designs, but David Harris, National Accounts Executive, Group Retirement Distribution, Great-West Life notes that “the choices a sponsor makes dramatically influence members’ decisions.” Past CAP Benchmark survey results demonstrate that members contribute only as much as their sponsor is willing to match, and that’s not necessarily a sufficient amount based on a retirement goal or lifestyle. “For example,” explains Harris, “if a plan sponsor matches up to 2% of a member’s earnings, then the member will usually contribute only 2% and nothing more. That’s a total savings of 4%, which may not be enough for the member to retire and maintain their lifestyle.”

What you can do now to enhance your plan

Recommended by David Harris

• Review matching formula. Members tend to contribute only as much as their sponsor is willing to match—and nothing more. Sponsors can use this information to get members to save more while at the same time manage costs. One idea, match 50% of member contributions but to a higher level. For example, if the sponsor matches dollar-for-dollar of the member’s 4% contribution, most members will contribute 4% and nothing more. They’re saving a total of 8% (4% member/4% sponsor). But if the sponsor increased the amount they are willing to match to 8%, but lowered it to 50 cents for every dollar a member contributes, members will save more to get the full employer match, but the sponsor costs will remain the same. They’re saving a total of 12% (8% member/4% sponsor).
Tools and technology to match goals

The largest source of contributions in DC plans and DPSPs is member earnings, which are a fixed percentage of a member’s salary. Member contributions, where the member chooses and can adjust the amount, top group RRSPs. But can members set a strategic contribution rate that matches their retirement goals? Christine van Staden, Vice-President, National Accounts, Group Retirement Distribution, Great-West Life, suspects they can as long as they’re given the right tools and technology. “Helping members pick the right contribution rate means pulling in plan details, such as matching and eligibility, so they can see exactly how much they’re eligible for. Once they know this, members should be able to increase their contributions right away, online.” In the future, she expects members will be able to determine how close they are to achieving their goals, so they never have to wonder if they’re saving enough for retirement. “A graph showing a member hitting a target zone of retirement savings could be shown, and help push members to select a strategic contribution rate rather than one driven by how much the sponsor is willing to match.”

What you can do now to enhance your plan

Recommended by Christine van Staden

• Consider a high default contribution rate if you want your members to maximize their RRSP contribution room (9% member; 9% sponsor; total member savings 18%) or a smaller amount that increases over time (e.g., 5% member, 5% sponsor; auto-escalate by 1% every year, until 18% savings rate is reached). This is an especially effective strategy for new members.
• Work with your plan provider to offer group retirement income products for members getting close to retirement, and make tailored support available to this group.
• Discuss technological solutions with your plan provider to empower members to select strategic contribution rates.
Figure 8
What is the basis of the contribution formula for your group retirement plan?

<table>
<thead>
<tr>
<th>Basis</th>
<th>DC plans</th>
<th>Group RRSPs</th>
<th>DPSPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee’s earnings</td>
<td>72%</td>
<td>54%</td>
<td>43%</td>
</tr>
<tr>
<td>Company’s earnings</td>
<td>5%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Employee’s contributions</td>
<td>40%</td>
<td>42%</td>
<td>29%</td>
</tr>
<tr>
<td>Years of service</td>
<td>19%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
<td>18%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Base: All respondents answering: DC plans n=235; group RRSPs n=162; DPSPs n=24
Informing, but must advise more

More sponsors than ever are informing their members about DC plans and group RRSPs, but only six in 10 are providing access to financial advice. “We know with larger sponsors it’s not always feasible to offer the services of an advisor to help plan members,” explains Amanda Fickling, Director, Marketing and Communications, Group Retirement Services, Great-West Life. However, she has seen more plan providers step up to the plate and offer access to financial advisors when there isn’t one connected to the plan. “Plan providers take on the legal responsibility associated with providing advice.” Fickling has also observed an increase in robo-advisors, but notes that they may only be effective for early saving. “Members will eventually need a certified financial advisor to help validate their decisions but also empower them to take control of their financial well-being. How much or how little members use a financial advisor should be directed by the member.”

Figure 9
Within your DC plans/group RRSPs, which of the following do you provide?

![Bar chart showing the percentage of plan sponsors providing advice and education for DC plans and group RRSPs.]

Figure 10
Plan sponsors providing advice, by size

![Bar chart showing the percentage of plan sponsors providing advice and education for DC plans and group RRSPs, segmented by plan size.]

Base: All respondents answering: DC plans n=253; group RRSPs n=163

Base: All respondents answering: DC plans 1 to 499 n=90; 500+ n=133; group RRSPs 1 to 499 n=66; 500+ n=85
Finding advice online

In addition to certified financial advisors, dedicated call centre support and education sessions remain popular options to provide information to members about their plans. Looking ahead, Fickling foresees a growth in online advice through chat or over the phone with certified financial advisors. “They provide the convenience of planning from anywhere and on the member’s own time,” explains Fickling, “but offer the support of professionals when needed.” She also expects planning tools and platforms will be optimized for mobile devices.

Amanda Fickling
Director, Marketing and Communications,
Group Retirement Services, Great-West Life

Figure 11
What tools and services do you offer members who are getting close to retirement?

<table>
<thead>
<tr>
<th></th>
<th>DC plans</th>
<th>Group RRSPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated call centre support</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Pre-retirement packages</td>
<td>34%</td>
<td>19%</td>
</tr>
<tr>
<td>Seminars for members</td>
<td>58%</td>
<td>43%</td>
</tr>
<tr>
<td>Seminars for members and their spouses</td>
<td>31%</td>
<td>21%</td>
</tr>
<tr>
<td>Advice</td>
<td>27%</td>
<td>22%</td>
</tr>
<tr>
<td>Services of a financial advisor</td>
<td>38%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Base: All respondents answering: DC plans n=261; group RRSPs n=189
Consider withdrawal restrictions

Fifty-three per cent of plans have no withdrawal restrictions, and sponsors should consider implementing them so members’ savings are protected for retirement. Time plays a major role in an investment’s potential growth due to the power of compounding and investment returns; withdrawals can weaken members’ retirement incomes.

For example, if a member withdraws $20,000 at age 40 to buy a new car, they’ll have $91,000 less at age 65 due to that single withdrawal. Members’ retirement savings are better protected by changing the plan design to lock in funds until retirement. To help members save for their short-term goals, consider offering a group TFSA. Educate members about which savings vehicles are for retirement and which can be used for their more immediate needs.

Assumptions: 2% contributions, 6% return, 2% salary increase per year, withdrawal at age 40.

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**Figure 12**

What restrictions, if any, do you have for withdrawals from the group RRSP?

<table>
<thead>
<tr>
<th>No restrictions</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46%</td>
<td>53%</td>
</tr>
<tr>
<td>No withdrawals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>while employed</td>
<td>18%</td>
<td>13%</td>
</tr>
<tr>
<td>Withdrawals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>permitted</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>with employer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>consent</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Suspension</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of employer</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withdrawals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>permitted for</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>programs only</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(HBP* &amp; LLP**)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withdrawals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of employee</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>money only</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(not employer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>money)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Base: All respondents answering: 2015 n=115; 2016 n=189

*Home Buyers’ Plan; **Lifelong Learning Plan
Make savings go further with income plans

Only 21% of sponsors currently offer retirement income options, such as registered retirement income funds (RRIFs) or life income funds (LIFs), for their members who are nearing retirement. One of the most important decisions pre-retiree members face is choosing the right income option for them. The life expectancy in Canada has improved substantially over the past few decades, so members must choose investments that will last through retirements that might come close to or even equal the number of years they’ve worked.

What you do can now to enhance your plan

Recommended by Amanda Fickling

- Consider offering the services of a financial advisor.
- Ask advisors to be available in different ways, such as online chat, over the phone or even using co-browsing technology, so they can view a member’s computer screen if needed. These options provide the convenience of planning from home.
- Help members by pre-filling plan details wherever possible, such as how much they’re eligible to contribute, rather than having the member look for this information.
- Ask your plan provider to make forms available online so they can be signed electronically.
- Consider withdrawal restrictions to protect members’ retirement savings; offer a TFSA for short-term needs.
- Introduce retirement income options, such as RRIFs and LIFs, to help members continue to invest in retirement.
Going digital to save for the future

Digital technology has enhanced every facet of society and will continue to improve group retirement and savings plans. Websites and other digital tools will make it easier for members to join CAPs and reach their retirement goals.

In summary, your organization’s plan will benefit from these technological advances in the near future:

- Group retirement websites allowing members to join plans right away.
- Sites that link a member’s investment personality to a predetermined investment portfolio.
- Online selection of contribution amounts and investments, and the ability to add beneficiaries according to plan requirements.
- Sophisticated, yet easy-to-use, step-by-step online instructions for members to make informed decisions.
- Websites offering members simplified paths to fast-track their investment choices by using target date funds or investment personality profiles.
- Convenient digital information allowing members to set strategic contribution rates that match how much they’ll need for the retirement lifestyle they’d like, instead of contribution rates based on how much the employer is willing to match.
- Digital services available, literally, in the palm of members’ hands on their mobile devices.
- Certified financial advisors to provide guidance online or in person.

In the meantime, this year’s CAP Benchmark Report reveals there are several plan enhancements that can encourage member participation. Sponsors can work with their advisors, consultants or plan provider to review their plan goals and make changes that will put members on track for their financial future.
Industry experts

David Harris, National Accounts Executive, Group Retirement Distribution, Great-West Life; Avnee Patel, National Accounts Executive, Group Retirement Distribution, Great-West Life; Christine van Staden, Vice-President, National Accounts, Group Retirement Distribution, Great-West Life; Amanda Fickling, Director, Marketing and Communications, Group Retirement Services, Great-West Life; George Ng, National Accounts Executive, Group Retirement Distribution, Great-West Life.

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The staple-gun slingers.

The paint-swatch hoarders.

The YouTube-tutorial followers.

We work for people who believe in a custom-built retirement.

We work for your company.

We work for you.

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