MERCER
MAKE TOMORROW, TODAY

IS YOUR DC PLAN SET TO ENSURE OVERALL BETTER OUTCOMES FOR EMPLOYEES?

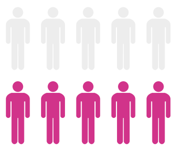
HAVING A RETIREMENT FOCUS FOR YOUR DC PLAN IS NOT ENOUGH.

'To meet the evolving needs of employees, it's time for the focus of Defined Contribution (DC) plans to shift to broader financial wellness.'

"Approximately half of Canadians need help with their retirement portfolios".[1] But as the makeup of the workforce shifts to include a range of millennials to baby boomers, employees' needs are also changing.

Employees will benefit from receiving help in making the best decisions to suit their own financial circumstances – not necessarily focusing solely on their retirement plans.

Only **10%** of millennials are worrying about saving for retirement.[2]



5 out of 10 Canadians would find it difficult to meet their financial obligations if their paycheque was delayed by a single week.[4]

Nearly **half** of respondents don't link their retirement readiness to their level of savings.[3]

39% of Canadians feel overwhelmed by their level of debt.[4]

We pose a number of questions focusing on real issues that either do or will concern employees. By thinking more broadly, not just as fiduciaries, but as trusted resources, employers can play a role in helping employees achieve better outcomes.

1. Benefits Canada, "Canadians need help with their retirement portfolios" February 2015.
2. Mercer's Inside Employees Mind Survey (2015).
3. EBRI, The 2014 Retirement Confidence Survey (2014).
4. Canadian Payroll Association Survey (2015).

1

ARE ALL THE TOOLS AND PROGRAMS OFFERED TO HELP EMPLOYEES ADDRESS THEIR FINANCIAL READINESS ACTUALLY UNDERSTOOD AND UTILIZED?

Many employers offer or facilitate employee access to tools and programs such as:

- retirement income projection tools.
- algorithms to recommend asset allocations.
- access to voluntary benefit coverages.
- investment counseling/advice.
- general education sessions/seminars.
- access to EAP or intranet communications.

Given this complexity of very useful options, unsurprisingly, many of these programs are underutilized.

Which employee segments would benefit from these programs? How can you help to connect employees to the support that will benefit them and reduce downtime from work? Conducting a financial wellness assessment can help employers understand whether the programs in place are being utilized, and whether there are any gaps that are easy to address. Putting the right infrastructure in place can assist employees to find the services most useful to them and improve overall financial wellness.

2

IS YOUR INVESTMENT LINEUP WORKING FOR YOUR EMPLOYEES?

With new investment options making their way into the Canadian market, now is the time to take a closer look at your DC plan member demographics and investment behaviors, and assess how appropriate your **investment line-up** is for your employees. Consider an investment structure that may encourage better outcomes and custom investment options that may provide participants with access to greater diversification without adding complexity to their investment decision-making process.

3

WHAT HAS YOUR SIPP DONE FOR YOU LATELY?

With new investment guidance issued by the Financial Services Commission of Ontario (FSCO) for DC plans, now is the time to make your Statement of Investment Policies and Procedures (SIPP) work for you. At the same time you begin the exercise of updating your documentation, take an opportunity to review the effectiveness and efficiency of your governance processes.

4

ARE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS A CONSIDERATION FOR YOUR INVESTMENT LINE UP?

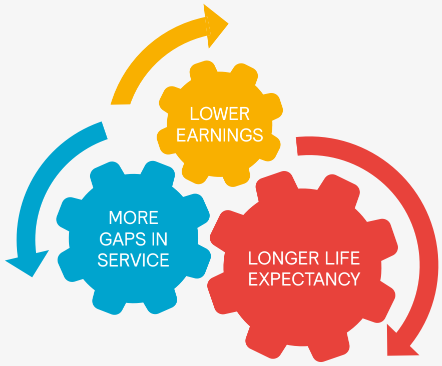
Recent Ontario legislation and FSCO guidance requires that plan sponsors clarify how ESG factors are considered in selecting and monitoring plan investments. Regardless of whether they consider these factors, more employers are having valuable discussions on implications to investment decision making, transparency for employees and how fund managers are incorporating ESG considerations into their investment processes.

5

DO YOU KNOW HOW DIFFERENT THE RETIREMENT EXPERIENCE OF MEN AND WOMEN IS LIKELY TO BE IN YOUR ORGANIZATION?

Women suffer from a triple bind: lower salaries, more employment gaps and longer life expectancy. They also report experiencing far more stress around financial issues than men.

Analysis shows that women typically have retirement balances 30%-40% lower than men. Use analytics to understand these differences and develop targeted communication and support strategies to address these realities.



6

HAVE YOU EVER THOUGHT ABOUT THE CHALLENGES THAT RESULT FROM HAVING RETIREMENT ASSETS IN 7 OR 8 PLACES?

Lifetime employment is extremely unlikely these days; as 7 or 8 jobs over a career is a more likely reality for many employees. Have you considered encouraging participants to consolidate their balances into your plan? Most participants would benefit from having all retirement assets in one place making it far easier to understand and manage retirement savings objectives, investment strategies, and to minimize investment fees – which are typically far lower in a group retirement plan arrangement. In addition, higher assets within a group retirement plan can drive down costs for everyone through economies of scale.

7

IT'S TIME TO REVIEW THE DESIGN OF YOUR DC PLAN, AND DETERMINE WHETHER ANY CHANGE IS WARRANTED

As DC plan assets grow and an increasing number of employers make the decision to either start to offer or transition towards a DC plan – the competitive landscape for plan design is changing. Also, when considering the impact of provincial government retirement programs (such as the Quebec Voluntary Retirement Savings Plan and the proposed Ontario Retirement Pension Plan), many employers are starting to consider potential changes to their plan design, administration practices and the positioning of their retirement benefits to ensure a competitive offering into the future, geared to attracting and retaining top talent in an increasingly competitive talent landscape.

8

WHAT CAN YOU DO TO SUPPORT EMPLOYEES WITH THE CHALLENGES OF MANAGING DEBT?

Many people are approaching retirement with levels of debt that will be a drag on their ultimate retirement income, and younger employees are often saddled with high levels of student debt and credit card debt. The traditional approach encouraging employees to enroll early, contribute more, and remain engaged may not be resonating with them. It's time for employers to consider broader financial wellness objectives – employees who are financially stressed are often less productive, which is bad for the bottom line. Employees may receive far more value from receiving education and assistance based on their own financial circumstances – not necessarily focusing only on retirement plans. If you can help those millenials get out of debt faster, you're more likely to get them to refocus on retirement saving. Every little step towards improving financial wellness helps increase workforce productivity.

9

ARE YOU HELPING EMPLOYEES MAKE BETTER DECISIONS AT RETIREMENT?

"At-retirement" optimization can provide significant benefits to retiring participants.

This includes making different investment decisions, medical coverage decisions, tax optimization and when to draw from which retirement product.

10

IS IT TIME TO CONSIDER AN OUTSOURCED SOLUTION FOR YOUR RETIREMENT PLAN?

Increasing regulatory pressures, new investment strategies to promote retirement readiness and different forms of employees communication to encourage engagement are all adding up for most plan sponsors. Plan governance has become complex and require more time and expertise. Consider outsourcing your plan governance to a professional leaving you to focus on what really matters – your business and your employees.

Learn more about Mercer's turnkey retirement savings program **Mercer Planisphere™**

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