FRANKLIN TEMPLETON INVESTMENTS

December 2017

2017 Retirement Innovation Summit

ADVANCING RETIREMENT READINESS

Are pension plan members across the country preparing adequately for retirement? What can sponsors, consultants, manufacturers and other stakeholders do to encourage greater plan participation and enhance possible outcomes? These questions and more were addressed at Franklin Templeton Investments Canada's third annual Retirement Innovation Summit, held in Toronto and Vancouver in November. At these gatherings of pension plan leaders and clients, industry experts discussed the impact of demographics, policies, legislation and other factors on the defined contribution (DC) market and retirement savings plans.

Achieving Intergenerational Fairness in Retirement Policy

- Featuring Paul Kershaw—Associate Professor, School of Population and Public Health at the University of British Columbia and founder of Generation Squeeze.
- **Retirement saving is tough for the young:** Canadians under 45 are not putting away enough for their later years, and it's not consumer spending that's the problem, reports Kershaw. The lack of earnings power of these generations has reduced their ability to set aside retirement dollars.
- **A policy rethink may be required:** Changes to public policy are needed to enable younger Canadians to save. However, reforms to retirement policy, such as expanding the Canada Pension Plan, are at best a partial solution, and will only be effective in concert with other initiatives.
- **Reduce housing expenses:** Kershaw calls for public policies that encourage increased housing supply, and therefore more reasonable costs for younger Canadians, through greater density and market efficiency, and that reduce the effects of harmful demand from empty homes and short-term rentals. Such initiatives could help free up financial assets that can be diverted into savings, representing a significant boon to the pension industry

Emerging DC Trends—The View from the US

- Featuring Drew Carrington—Head of Institutional Defined Contribution, US, at Franklin Templeton Investments, LLC.
- **Growth in DC continues:** Themes and trends in US pensions and retirement could foreshadow future developments in Canada. In the US private sector, the DC market continues to eclipse the defined benefit (DB) market. The latter space has never actually risen above 40% of private-sector pension assets historically, reports Carrington.
- **Automation works:** Within the last year, Carrington has observed remarkable increases both in US pension plans that feature automatic enrollment and those that feature automatic escalation, with an improvement of more than 10 percentage points in either case.
- **Don't forget the millennials:** Carrington reports that US millennials are actually saving at a higher rate than the baby boomer generation did at the same age, thanks in part to automatic enrollment and escalation.

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- Featuring Derek W. Dobson—CEO and Plan Manager of the CAAT Pension Plan; John A. Poos—Group Head, Pension and Benefits for George Weston Limited; and Terra L. Klinck—Partner with Brown Mills Klinck Prezioso LLP.
- **What's needed in the DC market:** Poos reports having to focus particular attention to programs for DC plan members who are retired or who are close to retirement, as the broader industry appears to be concentrated more on asset accumulation. There is an acute need in the Canadian marketplace for solutions that address the needs of retirees in DC plans, he notes.
- **Leverage technology**: The continued advancements in financial technology have represented both benefits and risks for the pension industry, notes Dobson. The banking sector, for example, is far ahead in its use of technology compared to the pension space, which has raised the service-level expectations of plan members. The issue of security and potential data breaches are also omnipresent for plan sponsors.
- **Watch the legal environment:** The Canadian legislative framework surrounding registered pension plans is still structured with DB plans in mind, says Klinck, with less consideration of the shift towards DC programs. While there have been some jurisdiction-by-jurisdiction legislative changes at the provincial and federal level to account for DC plans, the law as a whole has not caught up to ongoing changes to the industry. The lag impacts the use of technology as well, with legislation not yet allowing for innovations in member communications.

IMPORTANT LEGAL INFORMATION

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