Context is everything
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 13 million people across Canada, Great-West Life and its subsidiaries, London Life and Canada Life, have more than $420 billion* in assets under administration. The companies’ assets under investment management in the pension and group savings marketplace exceed $54 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 Sept. 30, 2017
A message from Great-West Life

The plan sponsors we work with understand the deep value of a capital accumulation plan (CAP). They see, day to day, that it makes employees feel more financially secure and confident about their future. They observe, in job interviews, as it helps to attract high-quality employees. They review turnover statistics that indicate CAP plans enhance loyalty and retention. What they don’t always know, and what they often ask us, is how their plan stacks up.

Comparing your defined contribution (DC) registered pension plan, group registered retirement savings plan (group RRSP) or deferred profit sharing plan (DPSP) to others from organizations of a similar size with a similar plan design puts your CAP in context. That’s important as you plan for the short and long term, making critical choices about investments, eligibility, contributions and member support. Fundamentally, it can help you build a better plan—and it’s the central reason that we, at Great-West Life, are pleased to bring you the CAP Benchmark Report.

Our goals in the 2017 edition are to help you:

- Understand industry trends, with new questions added to offer insight into contribution rate highs and lows
- Benchmark your plan against competitors and identify the areas for improvement that will have the biggest positive impact for your members
- Determine the right mix of investment options and other plan design elements to help meet members’ retirement goals
- Plan educational campaigns and other types of member support to maximize participation and contributions
- Create a long-term strategy for your plan with incremental changes leading towards well-defined goals

Great-West Life has been taking the pulse of CAPs in Canada for more than a decade. We’re grateful, as always, to our survey’s respondents for generously sharing the details of their plans and hope the 2017 CAP Benchmark Report helps you see where you stand relative to other organizations so you can help your members meet their saving goals.

Sincerely,

Brad Fedorchuk

Brad Fedorchuk
Senior Vice-President,
Group Customer Experience and Marketing
Great-West Life
A snapshot of CAPs in Canada

The 2017 CAP Benchmark Report summarizes the results of updated plan sponsor profiles in the Canadian Institutional Investment Network (CIIN). Data was collected online between May and September 2017 from 254 organizations offering a DC plan, group RRSP or DPSP. We queried DPSPs in only the past two years, so there's limited information to indicate trends over time. The report is enhanced by insights from Great-West Life industry experts:

**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 locations**

- West: 36%
- Ontario: 48%
- Quebec: 12%
- Atlantic Canada: 4%

**Primary business**

- Financial/ Business Services: 26%
- Services/ Hospitality/Trades: 7%
- Manufacturing/ Construction: 22%
- Greater Public Sector/Non-Profit: 26%
- Arts/ Communications: 12%
- Transportation/ Utilities: 4%
- Natural Resources: 3%

**Upfront**

Amanda Fickling
Assistant Vice-President, Marketing and Communications, Group Customer, Great-West Life

David Harris
Senior Account Executive, Group Customer, Great-West Life

George Ng
Senior Account Executive, Group Customer, Great-West Life

Avnee Patel
Senior Account Executive, Group Customer, Great-West Life

Christine van Staden
Regional Vice-President, Group Customer, Great-West Life

Context is everything
Target date as default

- **DC plans**
- **Group RRSPs**

Number of employees

- 41%
- 28%
- 6%
- 13%
- 11%
- 28%
- 23%
- 15%
- 6%
- 41%

Average = 1,295

Type of plan

- **DC Plan**
- **Group RRSP**
- **DB Plan**
- **DPSP**
- **TFSA**

Average market value of plan (millions)

- **DC plans** n=181; **group RRSPs** n=168; **DPSPs** n=41

- **DC plans** $52.4
- **Group RRSPs** $55.1
- **DPSPs** $49.9

Participation rate

- **DC plans**
- **Group RRSPs**
- **DPSPs**

Base: All respondents answering: DC plans 2010 n=202; 2011 n=225; 2012 n=308; 2013 n=257; 2014 n=235; 2015 n=204; 2016 n=244; 2017 n=181

Group RRSPs 2010 n=118; 2011 n=145; 2012 n=180; 2013 n=122; 2014 n=164; 2015 n=117; 2016 n=163; 2017 n=168
Offering a less-is-more investment menu—an opportunity for differentiation

The 2017 survey suggests plan sponsors are making more investment choices available to members every year, instead of streamlining the investment menu to simplify decision-making and encourage investment in categories that are best positioned to achieve members’ retirement saving objectives. Between 2014 and 2017, the availability of every category of investment was up—including cash and equivalent funds, which generally can’t provide the long-term returns members need to reach their goals.

It’s possible this trend is being motivated by a desire to accommodate an aging workforce, with large numbers of members approaching retirement and looking for more conservative investment options. But there are alternatives, including target date and target risk asset allocation funds, that can better meet the needs of all demographic groups. Over the past four years, many more plans have embraced these types of products. In 2014, target date funds appeared in 27% (2017 – 67%) of DC plans and 33% (2017 – 63%) of group RRSPs, and target risk funds appeared in 16% (2017 – 31%) of DC plans and 20% (2017 – 33%) of group RRSPs. But, with the overall trend headed towards greater complexity, plans can differentiate themselves by offering a more carefully curated investment menu.

Making target date or target risk funds the default can be an even more powerful way to enhance retirement readiness—and we are seeing more plans use target date funds as the default, though there’s still room for improvement. In 2014, target date funds were the default in 33% of DC plans and 30% of group RRSPs; by 2017, those numbers were up to 54% and 46%, respectively. Target risk funds’ popularity as the default has remained within a relatively narrow range over the past four years, hovering between 6% and 9% for DC plans and group RRSPs.

The default is critical because it can be difficult to motivate members to take a proactive approach to retirement planning. We’re concerned that 7% of DC plans and 13% of group RRSPs continue to use cash and equivalent funds, money market funds or GICs as the default investment option, when there are much better alternatives available.

### Availability of cash and equivalent funds up significantly over four years

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC plans</td>
<td>52%</td>
<td>49%</td>
<td>75%</td>
<td>73%</td>
</tr>
<tr>
<td>Group RRSPs</td>
<td>58%</td>
<td>64%</td>
<td>75%</td>
<td>73%</td>
</tr>
<tr>
<td>DPSPs</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>66%</td>
</tr>
</tbody>
</table>
FIGURE 1  Types of investment options offered to members

- **Canadian Equity Funds**
  - DC plans: 89%
  - Group RRSPs: 92%
  - DPSPs: 88%

- **Foreign Equity Funds**
  - DC plans: 87%
  - Group RRSPs: 86%
  - DPSPs: 85%

- **Fixed Income Funds**
  - DC plans: 86%
  - Group RRSPs: 83%
  - DPSPs: 83%

- **Balanced Funds**
  - DC plans: 76%
  - Group RRSPs: 79%
  - DPSPs: 78%

- **Cash and Equivalent Funds**
  - DC plans: 66%
  - Group RRSPs: 73%

- **Target Date Asset Allocation**
  - Balanced Funds: 67%
  - GICs: 63%
  - Other: 71%

- **Target Risk Asset Allocation**
  - Cash and Equivalent Funds: 31%
  - Money Market: 33%
  - GICs: 34%

- **Special Equity Funds**
  - DC plans: 27%
  - Group RRSPs: 29%
  - DPSPs: 37%

- **Other**
  - DC plans: 8%
  - Group RRSPs: 14%
  - DPSPs: 7%

**Base:** All respondents answering: DC plans n=181; group RRSPs n=168; DPSPs n=41

FIGURE 2  Default investment option

- **Target Date Asset Allocation**
  - DC plans: 54%
  - Group RRSPs: 46%
  - DPSPs: 51%

- **Balanced Funds**
  - DC plans: 24%
  - Group RRSPs: 22%
  - DPSPs: 27%

- **Target Risk Asset Allocation**
  - DC plans: 9%
  - Group RRSPs: 2%

- **Cash and Equivalent Funds**
  - DC plans: 3%
  - Group RRSPs: 6%
  - DPSPs: 5%

- **Money Market**
  - DC plans: 2%
  - Group RRSPs: 4%
  - DPSPs: 5%

- **GICs**
  - DC plans: 2%
  - Group RRSPs: 3%
  - DPSPs: 2%

- **Other**
  - DC plans: 7%
  - Group RRSPs: 5%

**Base:** All respondents answering: DC plans n=181; group RRSPs n=168; DPSPs n=41
Overcoming barriers to enrolment—strategies to boost participation

The wait for eligibility has remained relatively constant over the years we’ve published this survey, with immediate eligibility the most popular option among DC plans (39%), group RRSPs (55%) and DPSPs (34%). However, a significant number of plans still require employees to wait before they start participating—a delay that may miss the window of focused attention and interest that’s often associated with starting a new job. Three months, six months, 12 months or longer down the road, any salary increase employees got when they joined your organization will have been absorbed into their household budget. Allow them to participate right away and they’re more likely to put that excess income to work for their future.

It’s worth noting that immediate eligibility is much more common in large companies than small companies—53% versus 16% for DC plans and 67% versus 38% for group RRSPs. Interestingly, for DC plans, immediate eligibility is more common in mandatory plans than voluntary plans (48% versus 18%); however, for group RRSPs, immediate eligibility is more common in voluntary (58%) than mandatory (30%) plans. One reason might be that companies match employee contributions in a mandatory group RRSP, but may not provide a company match for the voluntary group RRSP. Low participation rates may also be due to a member’s inability to contribute to a plan—even when a company match is offered. Canadians entering the workforce following post-secondary education carry an average of nearly $27,000 in student loan debt, according to a 2015 survey by the Canadian University Survey Consortium. Paying down such high debt early in their career means members often postpone traditional life goals like home ownership, having children and saving for retirement. Plans that allowing members to receive an employer-matched contribution to their group retirement and savings plan in recognition of their Canadian and provincial/territorial government student loan repayments can help members participate earlier. That said, whether your organization is large or small, whether you offer a DC plan, group RRSP or both, and whether your plan is mandatory or voluntary, offering immediate eligibility is one of the easiest things you can do to streamline administration, manage administrative risk and boost member participation.

Clearly, so is making your plan mandatory—and there’s a longer-term DC plan trend towards this. Over the 10 years between 2008 and 2017, DC plans moved to 71% mandatory from 61% mandatory. On the other hand, over the same time period, Continued on page 10
FIGURE 3  Eligibility to participate

Base: All respondents answering: DC plans n=181; group RRSPs n=168; DPSPs n=41

FIGURE 4  DC plans eligibility by company size

Base: All respondents answering: 1 to 499 n=67; 500+ n=113

FIGURE 5  Group RRSPs eligibility by company size

Base: All respondents answering: 1 to 499 n=71; 500+ n=97
group RRSPs moved to 12% mandatory from 16% mandatory. Mandatory DC plans are more likely in large companies versus small companies (80% versus 57%); however, mandatory group RRSPs are less likely in large companies versus small companies (9% versus 15%). DPSPs are more evenly split between mandatory (41%) and voluntary (56%).

Our recommendation is that plan sponsors seriously consider making participation mandatory. It’s a move that may lead to increased contributions as well as increased enrolment. In fact, organizations with mandatory group RRSPs are far more likely to contribute to their plan than organizations with voluntary group RRSPs—90% versus 40%.

Another strategy to increase enrolment is to have employees who choose not to participate sign a waiver of participation. This approach is used by 63% of voluntary DC plans, 22% of voluntary group RRSPs and 30% of voluntary DPSPs. Waivers appear to be more popular among smaller companies for both DC plans and group RRSPs, but it’s important to note that the sample size for voluntary DC plans is small. Driving the point home, a small number of organizations with voluntary plans require the waiver to be signed every year (9% for DC plans, 13% for group RRSPs, 29% for DPSPs)—a trend-setting and virtually cost-free way to bump up enrolment numbers.
Working to ensure sufficient contributions—highs and lows are revealing

The amount members have at retirement depends heavily on contributions—but are employees and organizations contributing enough?

The good news is that 92% of DC plans include member contributions, while 96% include contributions from organizations. Among group RRSPs, 98% include contributions from members, but only 46% include organization contributions. The numbers are similar for large and small organizations, except that smaller organizations (62%) are much more likely to contribute to group RRSPs than larger organizations (34%). One reason might be that larger organizations may have a DC plan as well as a group RRSP and focus their contributions in the registered pension plan.

About half of DC plans use fixed contribution formulas (51%), with a contribution rate based on a set percentage for all members; significantly fewer use variable (22%) or combination (25%) formulas. A similar percentage of group RRSPs use variable contribution formulas (50%), with a contribution rate that changes based on an employee’s choice or a factor such as years of service or job level; significantly fewer use fixed (28%) or combination (17%) formulas. DPSPs are more evenly split between fixed (54%) and variable (41%) contribution formulas.

While combination formulas are not the top choice for any type of plan, they can be a powerful way to motivate higher employee contributions. Often, they’re structured to contribute a fixed rate to all employees (say, 2%) plus a match of each employee’s contributions up to a maximum (say, 5%). This type of structure is more commonly used by large companies with DC plans (30% versus 18%) and by small companies with group RRSPs (21% versus 13%). Plans may be reluctant to go this route because there’s more of an element of cost uncertainty, since the organization’s contributions depend on member behaviour. However, the maximum puts a cap on the expense—and it’s a good way to engage members by making them more accountable for the success of their CAP.

Averages, of course, tell only part of the story. That’s why this year we delved into contribution rate highs and lows for plans with fixed contributions based on a percentage of earnings.
Looking at member contributions first, the mean rate for DC plans with a fixed formula is 4.3%, ranging from 2.0% to 7.5%. DC plans with a variable or combination formula range from a mean of 2.0% to 6.9%. The mean rate for group RRSPs with a fixed formula is 3.9%, ranging from 1.0% to 7.0%. Group RRSPs with a variable or combination formula range from a mean of 1.6% to 10.4%. For both DC plans and group RRSPs, the range between mean low and high is widest in larger companies.

What this suggests is that some employees are setting aside a healthy amount—as much as the often recommended one-tenth of salary—but a substantial number are not. Analyzing your employee population’s contributions can help you deliver targeted education towards those who are contributing less than the average, with the goal of boosting contributions to a rate that’s more likely to help sustain their desired retirement lifestyle.
When it comes to plan sponsor contributions, the mean rate for DC plans with a fixed formula is 4.8%, ranging from 1.0% to 9.4%. DC plans with a variable or combination formula range from a mean of 3.1% to 7.3%. The mean rate for group RRSPs with a fixed formula is 3.8%, ranging from 1.0% to 8.5%. Group RRSPs with a variable or combination formula range from a mean of 1.9% to 7.5%. Among plans with a fixed formula, the average rate is higher for larger companies than for smaller companies (5.0% versus 4.4%) and for mandatory plans compared to voluntary plans (5.0% versus 4.0%). Among plans with a variable or combination formula, the range is widest in large companies.

This year’s survey also looked at the match rate and discovered that 64% of DC plans and 61% of group RRSPs match dollar-for-dollar—by far the most popular choice. Just 20% of DC plans and 24% of group RRSPs match less than dollar-for-dollar, with a mean match of 50% and 37%, respectively. Even fewer—12% of DC plans and 8% of group RRSPs—match more than dollar-for-dollar, with a mean match of 123% for DC plans. The overall average match rate, on average, is just under dollar-for-dollar—93% for DC plans and 99% for group RRSPs.

Matching dollar-for-dollar gives members an easy way to calculate the value the plan sponsor is adding to their plan. Worth considering, because it’s not yet common, is that a match rate higher than dollar-for-dollar could be a recruitment and retention competitive advantage for your organization.

1. The sample size is too small to report the mean match for group RRSPs.
Supporting employees through education, advice and plan design—set a new standard

The vast majority of DC plans (91%) and group RRSPs (81%) provide education to members. However, far fewer provide advice: 40% of both DC plans and group RRSPs. Worse, this represents a five-year low. The five-year high was 57% for DC plans in 2016 and 63% for group RRSPs in 2015. Meanwhile, a small number of plans (7% for DC plans and 14% for group RRSPs) provide neither education nor advice.

Organizations that provide both education and advice can set a new standard of member support—and help turn the advice trend line around. Advice provides a level of individualized guidance that’s not possible in a large-group education session. It can help members set goals and map out a path towards them—a path that may include doubling down on contributions, which is good for members and healthy for your plan.

FIGURE 11 Provide education and advice

Education
Providing information to plan members about the DC pension plan, group RRSP and/or about investments or retirement planning principles

Advice
Providing recommendations on investment strategy personalized to a member’s specific situation, needs and long-term goals; providing access to a third-party financial advisor
We’re seeing a positive trend towards group RRSPs providing the services of a financial advisor as members get close to retirement (41% in 2017, up from 38% in 2016 and 16% in 2015). However, fewer than half provide a range of other pre-retirement support, such as seminars for members and their spouses, dedicated call centre support and pre-retirement packages. Helping with decumulation may be just as critical to members achieving a sustainable retirement income stream as helping with accumulation. Furthermore, watching their older peers retire with confidence can help to build loyalty among younger employees and make it more likely they’ll stay with your organization to retirement.

Plan withdrawals can diminish members’ savings by the amount of the withdrawals plus the missed opportunity for growth on the withdrawn amount. There’s also a direct cost to members in taxes. Placing restrictions on withdrawals as a plan design element can help members remain invested—yet an increasing number of group RRSPs have no restrictions on withdrawals while the member is employed (53% in 2017, up from 47% in 2016 and 45% in 2015).

**FIGURE 12  Offer pre-retirement tools and services**

<table>
<thead>
<tr>
<th></th>
<th>DC plans</th>
<th>Group RRSPs</th>
<th>Base: All respondents answering: DC plans n=181, group RRSPs n=168</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seminars for members</td>
<td>42%</td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Dedicated call centre support</td>
<td>39%</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Services of a financial advisor</td>
<td>37%</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Pre-retirement package</td>
<td>24%</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Seminars for members and their spouses</td>
<td>19%</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Advice</td>
<td>20%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>None of the above</td>
<td>13%</td>
<td>18%</td>
<td></td>
</tr>
</tbody>
</table>
Plan sponsors may be concerned that restricting withdrawals will make members more reluctant to contribute because there’s a level of comfort that comes from knowing money is accessible if needed. However, it’s important that a group RRSP not be seen as an in-and-out account. It’s a dedicated fund for retirement and, in that way, should be seen by members and plan sponsors as more like a DC plan than a tax-free savings account (TFSA).

**FIGURE 13 Restrictions on withdrawals from the group RRSP**

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>No restrictions</td>
<td>45%</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Withdrawals permitted for government programs only</td>
<td>14%</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>With employer consent</td>
<td>13%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>No withdrawals while employed</td>
<td>N/A</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Suspension of employer contributions</td>
<td>11%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Withdrawals of employee money only (not employer money)</td>
<td>15%</td>
<td>16%</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>
Another plan design element that can help members get the full benefits of the plan you’ve invested in for them is to offer a seamless transition into an income-generating plan. To date, that’s uncommon. In fact, 77% of plans (80% of group RRSPs and 74% of DC plans) do not provide the option of a client-sponsored group retirement income fund (RIF) or life income fund (LIF) to retired members, and these numbers were stable from 2016 to 2017. Pair this with increased education and advice for members who are moving into retirement and you can offer well-rounded support that helps meet members’ needs through their years of employment and their years of retirement.
What’s your long-term strategy?

Most plan sponsors are quite happy with the status quo. More than eight in 10 (84%) do not plan to make any changes to their plan before the end of the year. A very small number will increase the employer match (3%), change the default investment option (3%), change the eligibility requirements (2%) or add a new plan type (1%). And just 19% of those who don’t provide advice say they plan to start in the next 12 months.

Yet—is your plan perfect? Are there adjustments you could make to enhance participation, boost contributions, minimize withdrawals, ease the transition into retirement or improve the plan in any other way? Some strategies with little to no cost can have a big effect on the success of your plan and the ability of members to meet their savings goals. For example, you may want to:

- Streamline your investment menu
- Set a more appropriate investment default
- Introduce immediate eligibility
- Make enrolment mandatory
- Require non-participants to sign an annual waiver
- Re-evaluate your contribution formula and match rate
- Offer more education, advice and pre-retirement support
- Restrict plan withdrawals
- Sponsor a group RIF or LIF for retirees

Consider what you can do in 2018—that’s your short-term goal. And then plan for the longer term, year by year, to get your plan exactly where you want it to be.
Industry experts

David Harris, Senior Account Executive, Group Customer, Great-West Life; Avnee Patel, Senior Account Executive, Group Customer, Great-West Life; Christine van Staden, Regional Vice-President, Group Customer, Great-West Life; Amanda Fickling, Assistant Vice-President, Marketing and Communications, Group Customer, Great-West Life; George Ng, Senior Account Executive, Group Customer, Great-West Life.
We work

for the wanderers.

The passport-stamp collectors.

The frequent fliers.

The guidebook gurus.

The language learners.

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

We work for your company.

We work for you.

With more than 130 sales and service experts working in 12 offices across the country, we provide group retirement solutions as diverse as you.

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