2015 PENSION OUTLOOK AND FEARLESS FORECAST

ARE WE ENTERING A NEW ERA FOR PENSIONS?

HALIFAX
29 JANUARY 2015
TODAY’S SPEAKERS

JONATHAN CROFT
Investments

DOUG BRAKE
Retirement

BENOIT HUDON
Retirement

TODD SAULNIER
Investments
FEARLESS FORECAST
2014 Fearless Forecast
A Few Surprises

- Interest rates dropped even lower
- Despite many headwinds, equity markets performed well
- Canadian dollar weakened significantly

Typical pension plan return 10-15%
### 2014 Fearless Forecast

#### The Economy

<table>
<thead>
<tr>
<th></th>
<th>2014 Forecast</th>
<th>2014 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Canadian GDP Growth Rate</td>
<td>2.0%</td>
<td>2.3% (est.)</td>
</tr>
<tr>
<td>Real Global GDP Growth Rate</td>
<td>3.5%</td>
<td>3.3% (est.)</td>
</tr>
<tr>
<td>WTI Crude Oil Price (US$)</td>
<td>$95</td>
<td>$53</td>
</tr>
<tr>
<td>US/CAD Exchange Rate</td>
<td>0.93</td>
<td>0.86</td>
</tr>
<tr>
<td>Spot Price of Gold (US$)</td>
<td>$1,200</td>
<td>$1,184</td>
</tr>
</tbody>
</table>

Source: Bloomberg, IMF
### 2014 Fearless Forecast

**Long-term Yields**

<table>
<thead>
<tr>
<th></th>
<th>2014 Forecast</th>
<th>2014 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE TMX Canada Universe Bond</td>
<td>1.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>FTSE TMX Canada Long Bond</td>
<td>0.5%</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

Source: Datastream

**84%** Expected rates to stay unchanged or to increase

Long term yields dropped by 0.90%
2014 Fearless Forecast
Equity Markets ($CDN)

1-year Canadian Dollar Returns

<table>
<thead>
<tr>
<th>Index</th>
<th>2014 returns (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P/TSX</td>
<td>15.0%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>15.0%</td>
</tr>
<tr>
<td>MSCI EAFE</td>
<td>15.0%</td>
</tr>
<tr>
<td>MSCI ACWI</td>
<td>13.0%</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>19.5%</td>
</tr>
</tbody>
</table>

2014 Returns
Survey of Canadian and global institutional investment managers

Includes predictions and views of the economy and capital markets

46 managers surveyed

Surveyed in December 2014

“There are two kinds of forecasters: those who don’t know, and those who don’t know they don’t know.”

John Kenneth Galbraith
Looking Ahead to 2015

<table>
<thead>
<tr>
<th>A few tailwinds including:</th>
<th>But also many challenges including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low interest rate environment</td>
<td>Our high household debt and overvalued residential market in Canada</td>
</tr>
<tr>
<td>US and UK moving in the right direction</td>
<td>Potentially higher interest rates in the US and the UK</td>
</tr>
<tr>
<td>Trans-Pacific Partnership within reach</td>
<td>Potential recession in Eurozone and Japan</td>
</tr>
<tr>
<td>Efficient responses to Ebola and ISIS</td>
<td>Slower growth in China</td>
</tr>
<tr>
<td></td>
<td>Political uncertainty in countries such as Russia and Greece</td>
</tr>
</tbody>
</table>
## 2015 Fearless Forecast
### The Economy

<table>
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<tr>
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<td>0.87</td>
</tr>
<tr>
<td>Spot Price of Gold ($US)</td>
<td>$1,184</td>
<td>$1,200</td>
</tr>
<tr>
<td>CDN Inflation Rate (CPI)</td>
<td>2.2%*</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: Bloomberg, IMF, Bank of Canada  
*YTD to November 2014
Expectations of managers: **Interest rates increasing or decreasing over 2015**

**LONG-TERM (10+ YEARS)**

- 47% of managers expect long term rates to increase by 0.25% or more (vs 51% last year)
- 37% expect rates to remain at current levels +/- 0.25%
- 36% expect rates to increase by 0.25% to 0.75%
- 13% expect rates to decline by 0.25% to 0.75%
- 4% expect rates to decline by 0.75% or more
- 11% expect rates to increase by 0.75% or more
# 2015 Fearless Forecast
Investment Benchmark Returns

## I. FIXED INCOME

Forecasted at **December 31, 2015**

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>RETURN</th>
<th>UNIVERSE</th>
<th>HIGH YIELD</th>
<th>LONG</th>
<th>REAL RETURN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td></td>
<td>-3.3%</td>
<td>-8.3%</td>
<td>-6.1%</td>
<td>-5.1%</td>
</tr>
<tr>
<td>High Yield Bonds</td>
<td></td>
<td>1.5%</td>
<td>3.8%</td>
<td>0.9%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Long Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Return Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## II. EQUITIES

### S&P/TSX COMPOSITE
- Forecasted at December 31, 2015
  - Year-end forecast: -6.5%
  - Historical range: 2.4% to 10.6%

### S&P 500 (C$)
- Forecasted at December 31, 2015
  - Year-end forecast: 7.5%
  - Historical range: 2.4% to 11.1%

### MSCI EM (C$)
- Forecasted at December 31, 2015
  - Year-end forecast: 8.0%
  - Historical range: 0.0% to 13%

### MSCI WORLD (C$)
- Forecasted at December 31, 2015
  - Year-end forecast: 8.0%
  - Historical range: -0.3% to 11%
### 2015 Fearless Forecast
Investment Benchmark Returns

#### III. ALTERNATIVES

<table>
<thead>
<tr>
<th>Category</th>
<th>Forecasted at December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CDN DIRECT REAL ESTATE</strong></td>
<td><img src="chart1.png" alt="Chart" /></td>
</tr>
<tr>
<td>-2.4%</td>
<td>5.0%</td>
</tr>
<tr>
<td></td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>PRIVATE EQUITY</strong></td>
<td><img src="chart2.png" alt="Chart" /></td>
</tr>
<tr>
<td></td>
<td>3.3%</td>
</tr>
<tr>
<td></td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>HEDGE FUNDS</strong></td>
<td><img src="chart3.png" alt="Chart" /></td>
</tr>
<tr>
<td>1.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td></td>
<td>8.3%</td>
</tr>
<tr>
<td><strong>INFRA</strong></td>
<td><img src="chart4.png" alt="Chart" /></td>
</tr>
<tr>
<td>2.4%</td>
<td>5.8%</td>
</tr>
<tr>
<td></td>
<td>8.3%</td>
</tr>
</tbody>
</table>
2015 Fearless Forecast
Capital Markets

Top and bottom performing sectors of the S&P/TSX Composite Index in 2015

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage of Managers Who Forecast to Outperform</th>
<th>Percentage of Managers Who Forecast to Underperform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>Discretionary</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Staples</td>
<td>55%</td>
<td>9%</td>
</tr>
<tr>
<td>Energy</td>
<td>21%</td>
<td>15%</td>
</tr>
<tr>
<td>Financials</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Health Care</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Industrials</td>
<td>33%</td>
<td>6%</td>
</tr>
<tr>
<td>IT</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>Materials</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
<td>58%</td>
</tr>
</tbody>
</table>
“In what time frame, if any, do you believe the integration of environmental, social and corporate governance (ESG) performance indicators will become a common component of mainstream investment decision-making?”

92% of managers anticipate an increase in use of ESG factors.

- 15% Over the next 1-2 years
- 46% Over the next 3-5 years
- 31% Over the next 5-10 years
- 8% Never
2015 Fearless Forecast
Conclusion

Find ways to capitalize on a low interest rate environment

Improve diversification

Revisit currency hedging strategy
2

THE FUTURE OF THE CANADIAN RETIREMENT SYSTEM
Ontario introduces ORPP, PRPP legislation

NDP commit to rescind shared-risk public pension model in New Brunswick

Published on August 23, 2014

FREDERICA rinsed to share risk with public pension retirees, who have said it puts pensioners in financial jeopardy.

Cardy unveiled the Fairness For Pensioners Act on Saturday and committed to passing a bill within the first legislative session of an NDP-led government.

The proposed legislation would rescind the shared-risk deal with public pension retirees, who have said it puts pensioners in financial jeopardy.

The government moved to a shared-risk public pension model late last year for the 17,000 current and former government employees covered by the Service Superannuation Act.

The New Brunswick Pension Coalition filed a petition against the province earlier this summer, alleging the Alward government breached pensioners' rights.

The New Brunswick election is scheduled for October 22.

Alberta's new pension legislation takes effect in September

CANADIAN POLITICS

TRENDING

Moseley | Maguire | Howe | Ghomeshi | NHL | Quinn | Cosby | Ferguson | Ottawa

Liberals introduce bill to create mandatory Ontario pension plan because ‘workers not saving enough’

KEITH LESLIE, CANADIAN PRESS | December 8, 2014 4:03 PM ET

More from Canadian Press
A Look At 2014

- PRPPs introduced with no impact
- CPP expansion - debated
- No clear answer for individuals
The ORPP – A Move Forward?

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings covered</td>
<td>Up to $90,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>1.9% for employees and employers</td>
</tr>
<tr>
<td>Benefit</td>
<td>15% of earnings for a 40 year career</td>
</tr>
<tr>
<td>Service</td>
<td>Prospective from 1.1.2017</td>
</tr>
</tbody>
</table>

Design is expected to be fully funded by contributions with no intergenerational transfers
The ORPP – Details To Sort Out

Issue 1

- Definition of Comparable Workplace Pension Arrangement

Issue 2

- The Right Minimum Earnings Threshold
The ORPP – The Details

Coverage - Ontario employees who are not covered by a “comparable” workplace pension plan

<table>
<thead>
<tr>
<th>Key Features of the ORPP</th>
<th>Canada Pension Plan (CPP)</th>
<th>Defined Benefit Pension Plan (DB Plan)</th>
<th>Target Benefit Multi-Employer Pension Plan (TB MEPP)</th>
<th>Defined Contribution Pension Plan (DC Plan)</th>
<th>Pooled Registered Pension Plan (PRPP)</th>
<th>Group Registered Retirement Savings Plan (RRSP)</th>
<th>Deferred Profit Sharing Plan (DPSP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Benefit Provided for Life (Longevity Pooling)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>2. Indexed to Inflation</td>
<td>✓</td>
<td>Varies by Plan</td>
<td>Varies by Plan</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>3. Mandatory Employer Contributions</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>4. Pooled Investment Risk</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>5. Locked-in Funds</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
</tr>
</tbody>
</table>
DC plans should be considered comparable

GRRSPs, TFSAs and PRPPs likely not comparable

If you have a GRRSP, TFSA or PRPP what to do?
- Switch to a DC Plan?
- Reduce contributions?
- Get rid of your plan?

What do national employers do?
The ORPP - Earnings Threshold

• Mirror CPP
  - Year’s Basic Exemption - $3,500

• ORPP benefits subject to OAS and GIA clawback at lower income levels

EARNINGS THRESHOLD NEEDS TO BE HIGHER
Defined Benefit Plans

Momentum behind elimination or reducing emphasis on solvency funding

Solvency Reserve Accounts in Alberta
3 RISK MANAGEMENT
Where Are Interest Rates Going? Are We At The Bottom Yet?

In 2014...

...84% of investment managers thought that long-term interest rates would remain flat, or increase.
The Financial Position Of Pension Plans Has Generally Deteriorated In 2014 Despite Favourable Investment Returns…
The only function of economic forecasting is to make astrology look respectable  -- John Kenneth Galbraith
Where Are Interest Rates Going? Is The Current Level Unusual?

Government of Canada Long-Term Bond Yields
(January 1936 to November 2014)

1964-1984
4.0% annual GDP growth

1984-2004
3.2% annual GDP growth

2004-2014
1.9% annual GDP growth
Will Long-term Interest Rates Go Anywhere From Here?

Assets of Canadian DB pension plans

$1.2 T

...with many looking for more de-risking opportunities
Record Volume Of Pension Risk Transfer Transactions In 2014 Despite Prevailing (And Declining) Interest Rate Environment

$2.5 billion group annuities purchased

Largest pension risk transfer transactions ever

Motorola US settled $3 billion of pension obligations (30,000 retirees)
Zooming In On The Canadian Annuity Market
The Annuity Market In Canada Is Growing At A Rapid Pace

Volume (number and size) of transactions is increasing
Why Is Activity Increasing?

- Fiduciary duties
- Appetite for risk
- Economic outlook
- Size and nature of liabilities
- Financial uncertainty
- Plan windup or closure
Pension De-risking Transactions
2014 Forecast And Current Expectations

 Likely to be seen in the coming years...

- First jumbo annuity transaction
- Significant increase in activity level
- First longevity swap

 All of the above remains true, plus...

- Significant increase in capacity
  - reinsurers and new entrants
- Competitive pricing in the short term, but likely less so in the future
  - more conservative view on longevity
  - increase in demand
- Increased market efficiency
  (e.g., with online auctions)
Global Trends
The Growing Variety Of Solutions To Manage Cost And Risk

Liabilities
- Cash-outs
- Liability management
- Risk transfer

Assets
- LDI
- Dynamic de-risking
- Cash-flow driven

Funding
- Solvency reserve
- Special contributions
- Contingency funds

Complex Structures
- Captives
- Combinations
Non-indexed annuities can be attractively priced relative to a matched bond portfolio. Residual risks remain: *longevity, credit, reinvestment, etc.*
Making LDI More Competitive

LDI (matching) Bond Mandate

Greater Provincial Exposures

Greater Corporate Exposures

Less Liquid Exposures

Mortgages

Private Debt
Indexed annuities are much more expensive

Residual risks remain: deflation, longevity, credit, reinvestment, etc.
Options For Dealing With Indexed Pensions

**Bearing the Risk**

(particularly in respect of potential deflation)

**Transform COLA?**
Reducing Risk Within Public Equities

Various Styles
- Value
- Growth
- Low volatility
- Momentum
- Small cap
- Style neutral
- Indexed
- Factor biased
- Etc.

Some Concerns
- Benchmarking?
- Interest rate sensitivity?
- A crowded trade?

Solutions to Consider
- Fundamental defensive-quality low volatility strategies
- More active systematic low volatility strategies
The Role Of Alternative Asset Classes

Diversifiers

- Tail risk hedging strategies
- Hedge Funds (Non-directional)

Real Assets
- Real Estate
- Infrastructure
- Timber
- Agriculture

Commodities

Private Equity
- Venture capital

Inflation-sensitive

Return-focused
Hedge Funds Should Hedge

Performance seeking strategies

Consistent return strategies:
*to build a core, low volatility absolute return exposure*

Hedging strategies:
diversifiers against systemic risk

- Short bias (equity and credit)
- Tail risk hedging funds
- Managed futures
- Defensively oriented strategies
4 GETTING THE MOST OUT OF GROWTH ASSETS
The Return Perspective
Searching For Yield

• Many institutional investors continue to seek ways to enhance returns
  – Emphasis on *optimizing returns from growth assets*

• Opportunity set available within:
  – Fixed income (growth-oriented)
  – Equities
  – Alternatives (return-enhancing)
Growth Fixed Income Opportunity Set

- Unconstrained Bonds
  - High Yield Bonds
  - Private Debt
  - Bank Loans
  - Multi-Asset Credit
  - Absolute Return Bonds
  - Emerging Market Debt
Unconstrained Bonds

- A “go anywhere” global fixed income portfolio
- No constraints on the sectors and types of securities
- No constraints on duration
- Not linked to any benchmark – focused on generating absolute returns consistently
Unconstrained Bonds
Strategic Rationale And Return Drivers

- Dynamic beta management
- Capture best performing segments through the market cycle
- Security selection and currency positioning
- Interest rate management
- Access to duration and credit risk premia
Equities
Opportunity Set

- Canadian Equities
- Global Equities
- Small Cap Equities
- Emerging Market Equities
- US Equities
- EAFE Equities
- Low Volatility Equities
Equities
Opportunity Set

Global Equities
Small Cap Equities
Canadian Equities
Emerging Market Equities
EAFE Equities
US Equities
Low Volatility Equities
Building Better Equity Portfolios

*Mercer’s Equity Portfolio 1.0*

- Low Volatility
- Global Equity Developed Markets
- Small Cap
- Emerging Markets

RECENT YEARS
Building Better Equity Portfolios

Mercer’s Equity Portfolio 2.0

RECENT YEARS

Bias Toward Key Return Drivers

Global Equity Broad Market

Low Volatility

Small Cap

Emerging Markets

Niche
Optimizing Equity Structure
The Style Factor Perspective

Better understanding of the drivers of return
What Factors To Bias Toward?

- Size
- Value
- Momentum
- Profitability
- Low Volatility
- Sustainability
Diversification Matters
Factors Move In And Out Of Favour Over A Market Cycle

- Value
- Low Volatility
- Momentum
- Profitability
- Size

Recession | Recovery | Expansion | Contraction
Alternative Investments
Opportunity Set

Diversifiers
- Tail Risk Hedging
- Short-Biased Hedge Funds
- Non-Directional Hedge Funds
- Private Debt

Inflation Sensitive
- Commodities
- Natural Resources
- Shipping

Core Real Estate & Infrastructure
- Timber
- Agriculture

Opportunistic
Real Estate & Growth
Infrastructure
- Directional Hedge Funds
- Private Equity

Emphasis on Return-Focused Strategies

Return Focused

MERCER
Summary

• In the “quest for yield”, we forecast that:
  – Growth fixed income will garner greater attention
  – Equity portfolio construction will further take into account those factors that drive returns
  – Alternatives will continue to move into the mainstream, with a re-focus on return enhancement strategies
5 DEFINED CONTRIBUTION BUILDING BETTER OUTCOMES
Half of DC plan members don’t feel financially prepared for retirement.*

Of DC plan sponsors feel that the average employee is financially prepared for retirement.*

On average, DC plan members expect to retire at age 63 with $709K saved.*

$47K = Average DC plan member account balance

* Benefits Canada 2014 CAP Member Survey
** Mercer DC client data as at June 30, 2014
Defined Contribution
Defining The Issues: Retirement Readiness

DC plan members who contribute at a level to receive the max employer contribution* 19%

Sun Life estimates that Canadians are missing out on as much as $3Billion in company matched DC plans**

Employers paying out just 40-50% of available matching funds**

* Benefits Canada 2014 CAP Member Survey
** Postmedia December 3, 2014
DC Participants Have High Investment Return Expectations

17.8% Average long term expected return of DC participants*

<table>
<thead>
<tr>
<th>10 Yr. Annualized Performance to Dec. 31, 2014</th>
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<tr>
<td>S&amp;P 500 CAD</td>
<td>7.3%</td>
</tr>
<tr>
<td>MSCI EAFE CAD</td>
<td>4.6%</td>
</tr>
<tr>
<td>MSCI World CAD</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

* Benefits Canada 2014 CAP Member Survey
Are DC Plan Members Taking Enough Risk? Appropriate Risk?

Mercer DC Plan Governance Report Exhibit

Member Asset Allocation
Maximum (Benchmark + 10%)
Minimum (Benchmark - 10%)
Linear regression of Individual Asset Allocation

% in Equities vs. Age

0% 20% 40% 60% 80% 100%

20 25 30 35 40 45 50 55 60 65 70
Misuse Of Target Date Funds Within DC Plans

- Are TDF’s being used appropriately?
- Simple solution may still be used inappropriately by “do it for me” investors

<table>
<thead>
<tr>
<th>Step 2</th>
<th>Ideal Target Date Fund</th>
<th>Income</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
<th>2045</th>
<th>2050</th>
<th>“Odd” Target Date Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 35</td>
<td>2050</td>
<td>3</td>
<td>12</td>
<td>8</td>
<td>4</td>
<td>7</td>
<td>9</td>
<td>19</td>
<td>22</td>
<td>11</td>
<td>62</td>
</tr>
<tr>
<td>35-44</td>
<td>2040</td>
<td>2</td>
<td>8</td>
<td>5</td>
<td>11</td>
<td>24</td>
<td>57</td>
<td>44</td>
<td>4</td>
<td>3</td>
<td>53</td>
</tr>
<tr>
<td>45-54</td>
<td>2030</td>
<td>11</td>
<td>19</td>
<td>38</td>
<td>107</td>
<td>95</td>
<td>18</td>
<td>13</td>
<td>2</td>
<td>4</td>
<td>87</td>
</tr>
<tr>
<td>55+</td>
<td>2020</td>
<td>13</td>
<td>34</td>
<td>77</td>
<td>20</td>
<td>4</td>
<td>3</td>
<td>9</td>
<td></td>
<td></td>
<td>29</td>
</tr>
</tbody>
</table>

In this case 231 out of 720 members (almost one-third) were in “odd” target date funds
What Should Plan Sponsors Do?

1. Use analytics to understand what is happening in your Plan
2. Develop strategies to help plan members save enough for retirement
3. Ensure plan members have the tools and investment options to invest appropriately
Improving Savings Levels

Push communications to those not maximizing benefit

80% of DC plan sponsors feel auto-features would be effective in helping ensure plan members have adequate retirement savings*

- Auto-enrollment
- Auto-default contribution rate to maximize employer contribution
- Auto-escalation of contribution rate
- Put onus on employee to opt out or reduce contribution level

* Benefits Canada 2014 CAP Member Survey
Improving Savings Levels

- Few employees contribute above what is matched
- Consider making the match more attractive

<table>
<thead>
<tr>
<th>Contribution segment</th>
<th>Existing</th>
<th>Alternative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unmatched employer base</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Employee contribution range</td>
<td>0% – 3%</td>
<td>0% – 6%</td>
</tr>
<tr>
<td>Employer match on above</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum employer cost</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Total (employee + employer)</td>
<td>8%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Improving Savings Levels

Gen Y vs. Gen X vs. Baby Boomers
- Which messages should be emphasized, and when?
- Develop a written communication strategy, and re-visit it regularly

Re-market the DC plan regularly
- Think of it like an ad campaign
- Keep it fresh and fun
- Use the right media and messages
- Make it personal and relevant

Behavioural Finance Considerations
- Assess plan member behaviour
- Develop targeted education strategies to address gaps
Plan sponsor focus should be on enabling better outcomes by assisting plan members to make the best decisions where possible and defaulting them to the best options if they do not.
Types of Investors

Do It For Me

INVESTORS

The focus of plan sponsors should be:

- Protecting them against the worst outcomes
- Providing them with intelligent diversification
- Providing them with exposure to an appropriate level of risk at each life stage
- Target Date Funds – a smart investment default for DC plans

Let Me Do It

INVESTORS

Support informed investment decision-making, in general:

- Less is more
- Keep it simple
- Use specialized funds with caution
- White labelling
- Automatic re-balancing
- Focus should be on the best outcome, net of fees
Building better outcomes for DC Plan members is not simple, but not impossible.

Our forecast (or hope) is that Plan sponsors will take an active role to address some of these issues to build better outcomes for DC plan members and assist to get them “retirement ready”
Thank You!

A copy of today’s presentation will be emailed to all attendees.

Your feedback is important to us. Please take a moment to fill out the feedback form.
TODAY’S SPEAKERS

JONATHAN CROFT
Investments

DOUG BRAKE
Retirement

BENOIT HUDON
Retirement

TODD SAULNIER
Investments

Jonathan.Croft@mercer.com
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