

Expanding access to high-quality retirement plans for modest earners

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Why focus on retirement security for modest earners?

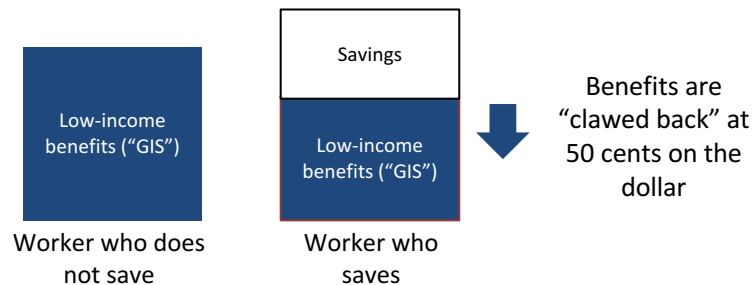
- ✓ Address gap in the Canadian system
- ✓ Reduce wealth inequality
- ✓ Build \$10,000s in long-term financial security for 10s or 100s of thousands of modest-earning, precarious workers
- ✓ Reduce turnover and strengthen sectors of the economy with precarious work

Which “modest earners” are we talking about?

- Not middle class, not poor
 - Working definition: income of \$25-50k for singles, \$40-80k for couples
- Able to save *something* for retirement
 - But likely not 10-20% of pay
- Reasonable likelihood of being GIS-eligible
- Likely to face living standard decline in retirement if save nothing

The GIS “clawback” has a punitive effect on lower-income savers

The Guaranteed Income Supplement (GIS)
“clawback”: a welfare wall in retirement



“Most financial advice fails to take into account the availability of the Guaranteed Income Supplement for low-income seniors. ... Advising a low-income person to save within an RRSP, for example, can be very bad advice... **When advising a low-income person about saving for retirement, recommend saving within a TFSA rather than in an RRSP.**”

- John Stapleton, “Planning for Retirement on a Low Income” (toolkit posted on openpolicyontario.com)

32% of Canadian seniors rely on GIS

“For many Canadians — those with employer pensions or significant wealth ... RRSPs are a very effective investment tool. **But for other Canadians, RRSPs are a terrible investment.** These futile savers have been misled. They are victims of a fraud, however unintentional.”

- Richard Shillington, “New Poverty Traps: Means-Testing and Modest-Income Seniors” (CD Howe Institute, 2003)

Myths and realities about retirement security and modest earners

Myth

shouldn't save

can't and don't want to
save

Countervailing evidence

- Government of Canada study
- Broadbent Institute study
- HOOPP / U of T research
- ONN Pensions Task Force report
- Study by pension expert Bob Baldwin commissioned by Canadian Public Pension Leadership Forum
- Financial Diaries Project research
- Vanguard research
- Polling by SEIU

Modest earners without pensions have saved very little



Retirement Savings of Canadian Families 55-64 without an Employer Pension Plan**

INCOME 2011 \$s	INCOME GROUP FOR THE ECONOMIC FAMILY				
	Total	Under \$25,000	\$25,000-\$50,000	\$50,000-\$100,000	\$100,000
AVERAGE INCOME \$	64,000	12,600	38,000	71,000	199,000
AVERAGE RETIREMENT ASSETS \$	85,000	17,600	57,000*	77,000	280,000
MEDIAN RETIREMENT ASSETS \$	3,000	0	250	21,000	160,000

* Large Error +/-25%

** Employer Pension Plan assets are less than \$10,000

Retirement Assets are RRSP's, TFSAs and Employer Pension Equity.

Families where the oldest person is 55-64

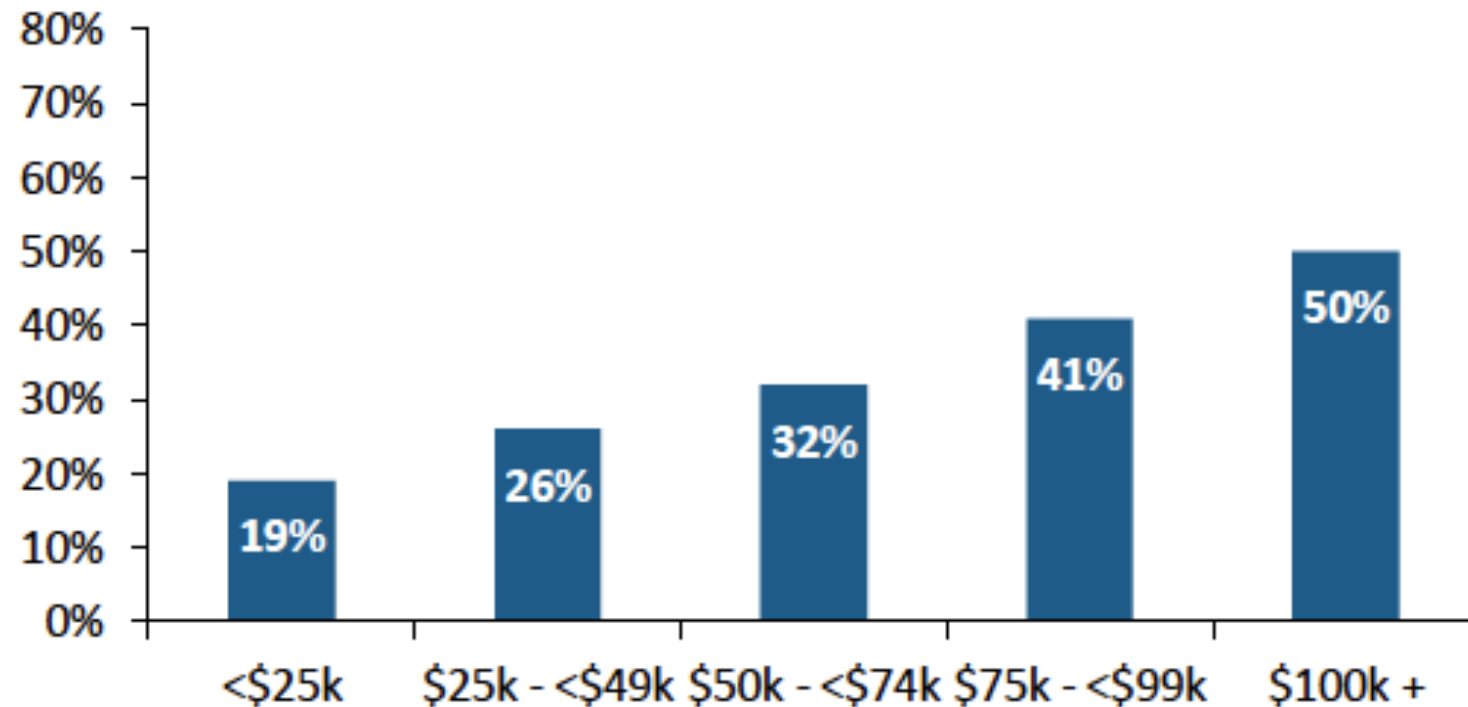
Source: Special tabulations by Tristat Resources (richard@shillington.ca) using the Survey of Financial Security.

Source: Richard Shillington, An Analysis of the Economic Circumstances of Canadian Seniors (Broadbent Institute)

Confidence in retirement readiness is lower among modest earners

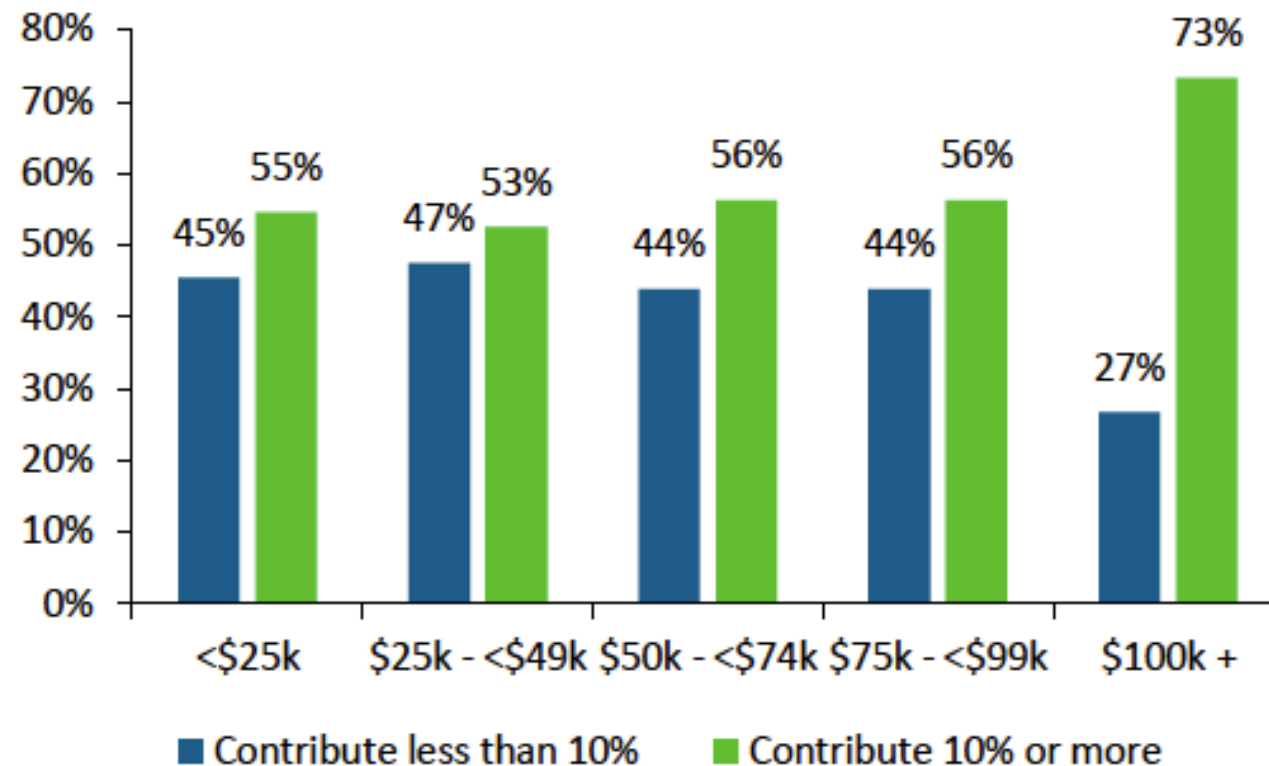


Percentage of respondents who said they have high confidence in maintaining their standard of living into retirement, by income level



CAAT Pension Plan, Designing Retirement Schemes Canadians Want: observations from a modern DB plan (April 2017) (summary and analysis of research by Bob Baldwin)

Willingness to contribute to a good retirement plan varies little across income groups

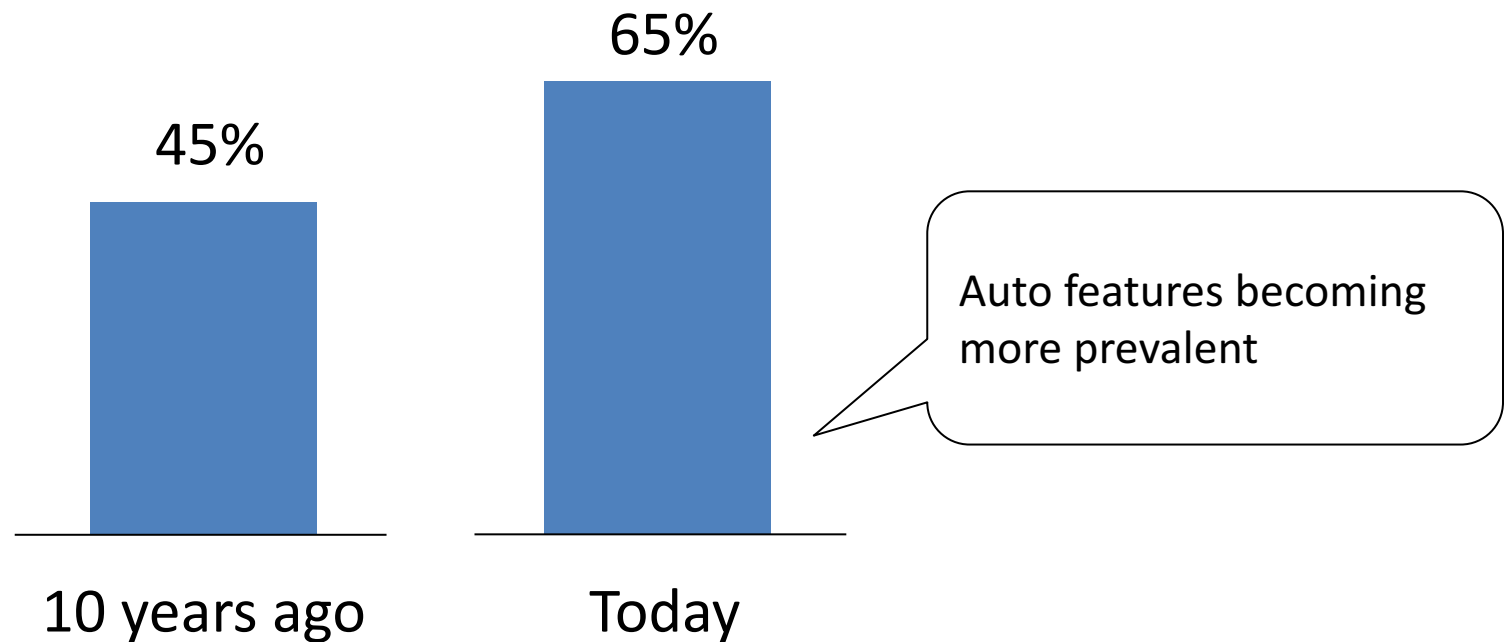


CAAT Pension Plan, Designing Retirement Schemes Canadians Want: observations from a modern DB plan (April 2017) (summary and analysis of research by Bob Baldwin)

The rise in US DC participation was highest among lower-income groups



Participation rate in Vanguard DC plans
Workers earning under \$30,000



Source: Vanguard, How America Saves 2017

Approach to solving the problem

- Goal: maximum retirement bang for the buck for members
- Don't rely solely on government; requires private / social innovation
- Build on principles and lessons from best public pension plans
- Address the realities working people face today
- Work with optimal sponsors (unions, associations, and others that have scale, longevity, and members-first orientation)
- Don't forget about distribution

Community-based distribution model

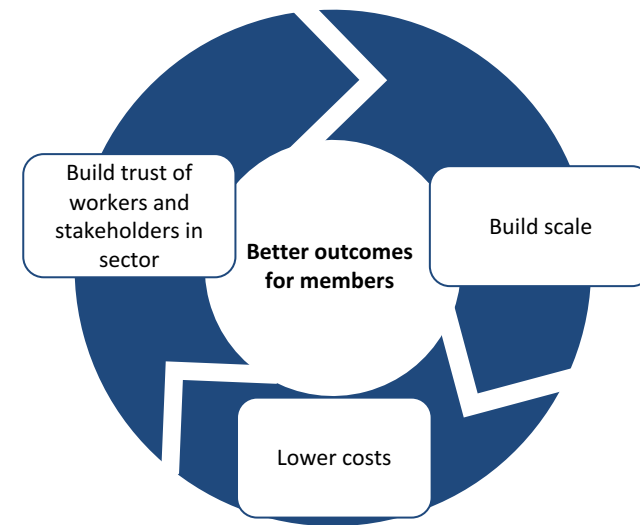
A distribution model rooted in community...

Collaboration to yield scale and portability: Sponsored by large, members-first organizations, on a sector basis (e.g., unions, associations, affinity groups), to allow the plan to grow to scale and promote portability within the sector and across geographies

Good governance: Non-profit model overseen by a board with a duty to put members' interests first

Promoted through trusted community networks: Use existing community networks and channels to encourage employers and workers to participate in the plan

... creates a virtuous circle of trust and better outcomes



my65+ case example



- Developed for ~30,000 union members with no workplace pension – mainly home care workers (average annual wage: ~\$30k)
- Plan design and set-up took over a year and involved the following:
 - Polling / focus groups with members
 - In-depth, competitive procurement for delivery partners
 - Expert interviews and stakeholder engagement
 - Legal / regulatory diligence
 - Regular, collaborative engagement with union's senior leadership



my65+ design features

- Low-fee, limited-choice approach to investments (suite of target-date funds)
- Group TFSA structure
- Portable
- Flat monthly fee for simple, self-service administration
- Open to union members, their families and former members
- Union-sponsored and branded
- Overseen by a union-appointed board
- Flexible contribution rates, with auto-escalation and opportunity to bargain mandatory contributions
- Post-retirement (“decumulation”) options to be added over time

Support for my65+

Endorsements



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES



Daily Bread
Food Bank

Delivery partners



Vanguard



CANADIAN
WESTERN TRUST

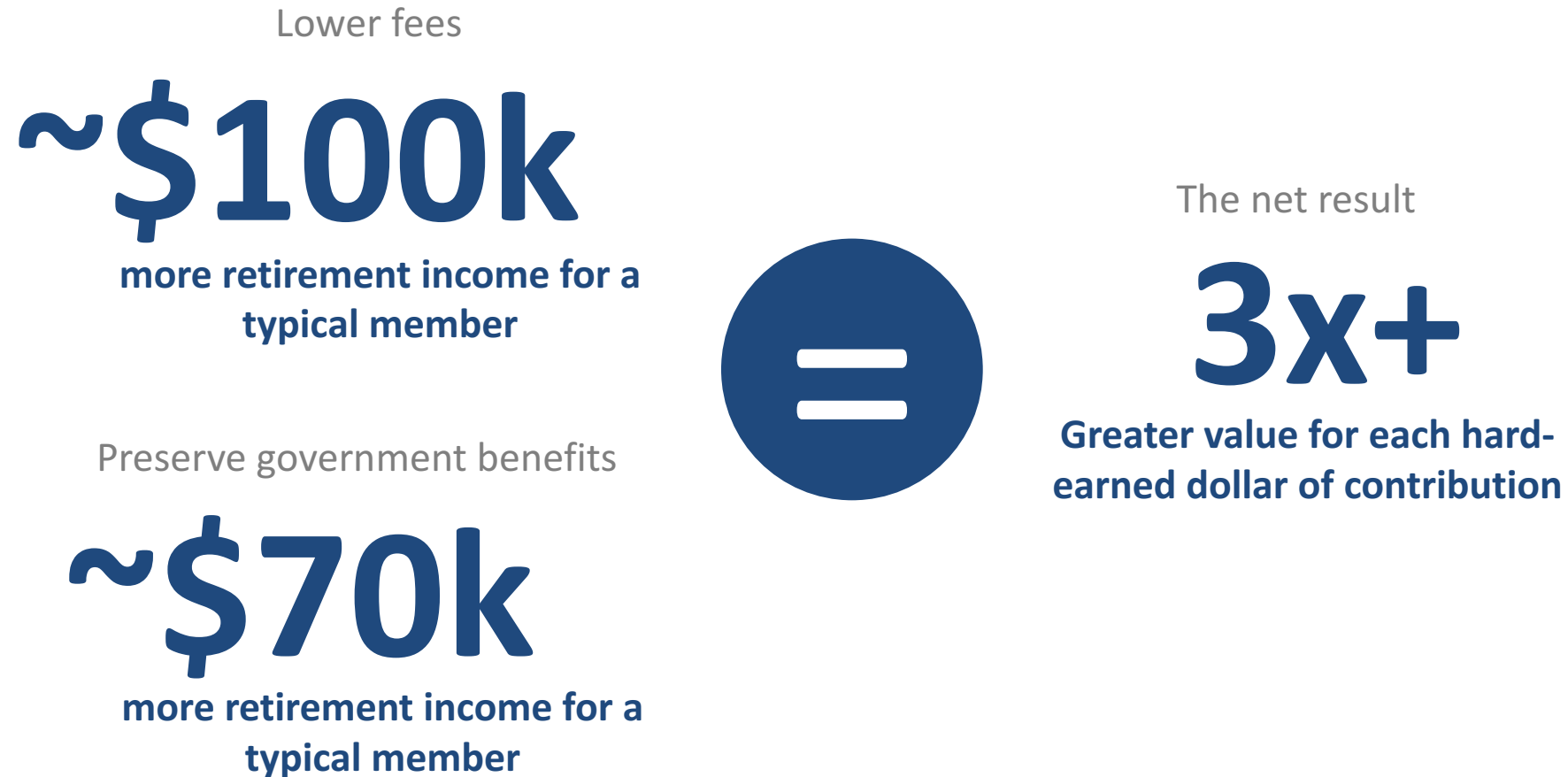


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Savings in fees and GIS alone yield 3x or more greater bang for the buck than a typical RRSP



Challenges

- Identifying sponsors with the scale and desire to tackle the challenge
- Encouraging members to enroll and stick with the program in a quasi-voluntary environment
- Balancing the need for long-term retirement saving with shorter-term liquidity / emergency savings needs