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Participants urged to tout the benefits of DB plans

Canadian public plan on mission to pressure corporate sponsors

BY RICK BAERT · SEPTEMBER 4, 2017

Executives at Ontario-based public pension plans are enlisting their participants to talk up defined benefit plans to friends and neighbors in hopes of ultimately pressuring their corporate employer colleagues to keep their DB plans.



Jim Keohane said it's important to disseminate their message.

The efforts all center on grass-roots programs to educate public plan participants on the value of a defined benefit plan as the optimal structure for providing a long-term retirement. The hope, the executives say, is that participants will convince their corporate-worker neighbors about the value of DB plans and they, in turn, will call on their employers to maintain their plans and not shift to defined contribution models.

Among the efforts:

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Ontario asks participants to sing the praises of pension plans

The C\$70.4 billion (\$55.9 billion) Healthcare of Ontario Pension Plan has "Defined Benefit Ambassadors," plan participants who are educated in the plan's model, said Jim Keohane, HOOPP president and CEO. These ambassadors can then counter "any misleading or incorrect views" of defined benefit plans among people they know who work in other businesses;

OPTrust, which manages the assets of the C\$19.1 billion Ontario Public Service Employees Union Pension Plan, has a "People for Pensions" program, educating plan participants about DB plans and their benefits vs. those offered by other retirement plan models; and

The C\$9.3 billion Colleges of Applied Arts and Technology Pension Plan's "Building Plan Champions" is a participant- and employer-education program that encourages both to talk with others about the value of a DB plan.

Derek Dobson, CAAT CEO and plan manager, said surveys have shown most Canadians "want long-term retirement protection and are willing to pay up to 10% of pay to get there, with a 10% match from their employer. That would be enough to guarantee retirement security for them. The Canadian culture is such that Canadians want DB plans. The question is, how to get them access."



While executives can tout the advantages of their defined benefit plans, those themes are not always so well known among the rank and file, particularly in the public sector.

"It's about getting plan members to really know about DB," said Mr. Keohane. "There's a huge amount of information out there about DB plan sponsors. Issues like longevity and risk affect all savers. ... You're much better off in a structured pension plan like DB because of pooling and risk sharing. It's important for us to just get that information out there."

OPTrust's "People for Pensions" had a soft launch this year and has "close to 1,000 people signed up," said Hugh O'Reilly, OPTrust president and CEO. "To put that into context, we have close to 44,000 active members and 90,000 members overall. So 1,000 so early is a significant sign-up rate. We also look at how we present ourselves. We've enhanced our use of social media. And our union sponsor hosts conferences with youth and regional members." He said the "People for Pensions" program will run indefinitely.

While much of OPTrust's communication with members is done through traditional media like mail and phone calls along with email, executives there are looking to enhance their communications and "perhaps one day, create an OPTrust app to reach out to its members, talk to them, do research to see what they're looking for from us," Mr. O'Reilly said. "The closer people get to retirement, the more they care about pension funds. But we want younger members to care about it as well."

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Teaching about DB's value

As part of its "Champions" program, CAAT holds discussions with participants and employers in the plan to educate them on the value of a DB plan, Mr. Dobson said. It also holds pre-retirement seminars that include discussion of the importance and benefit of having a DB plan and knowing how it works. Members and employers are then surveyed on their knowledge of DB plans, and those with a high level of knowledge are designated as "champions."

"Early on, about 8% or 9% (of those surveyed) were designated as 'champions,' but after the seminars, we identified 35% as 'champions,'" Mr. Dobson said. "Clearly, there's a direct link that the more you understand a pension, the more value you place in it, and they can go out and defend their defined benefit plan."

More broadly, Mr. Dobson said, CAAT engages with the government and news media, "making sure key policymakers and decision-makers understand DB plans."

Strong voices needed

Mr. Keohane said the fight to promote private-sector DB plans is not just against the perception of higher costs associated with them. He said there's a strong lobby in Canada representing insurers and financial services firms that want the shift from DB to continue, which is why it's important for there to be a strong voice in support of DB plans to counter those efforts.

Lobbying from the financial-services sector, that's what policymakers hear from mostly."

Mr. Keohane said he's not sure the pension funds' promotional efforts have directly changed minds of corporate plan executives in Canada, "but it is changing the government perception" of DB plans.

"Canada has much more of a culture of social programs than the U.S.," he said. "We're going to find people pensions whether it's in DB or in social programs."

Gord Lewis, senior vice president, Proteus Performance Management, Toronto, said regulators are taking steps to keep corporate DB plans viable through easing funding requirements.

"In Ontario, regulators have floated potential changes to solvency calculation rules, which hopefully will be introduced later this fall," Mr. Lewis said. "This demonstrates that regulators are looking to find ways to materially lower overall contribution requirements for many DB plans."

Possible mergers

Mr. Dobson said there's been interest among executives at university and corporations asking about a merger with CAAT, such as its deal with the C\$100 million Royal Ontario Museum Pension Plan, Toronto, which was finalized in December. That merger was the first under regulations in Ontario that allow single-employer pension funds to be merged with a multiemployer plan like CAAT.

"News of our mergers has been out there, spreading rapidly," Mr. Dobson said. "We've talked to a closed employer that doesn't want to buy annuities. We've talked with a private-sector plan outside Ontario about a merger; we're waiting for a regulatory checkup on that to be sure we can do it. But in Ontario, we have a newspaper plan sponsor with a DB plan that moved to a DC plan, but the contributions have been sporadic, so they're looking to merge with CAAT to reintroduce a DB plan to all their employees. That's a great proof of concept for other employers. Not only are we promoting multiemployer plans, we can employ our services to other plans as well. It doesn't have to be industry-based."

Mr. Dobson would not identify the plans with which CAAT has held merger discussions.

The plans' education efforts could bear fruit in the long run, said Jana Steele, partner, pensions and benefits, at law firm Osler, Hoskin & Harcourt LLP, Toronto. However, "educating people on things like risk pooling takes time," Ms. Steele said.

Ms. Steele said that shared-risk structures like target benefit plans, which have a DB-style payout but can reduce retiree benefits if plans fall below a certain funded status, could be a middle ground for some plans.

"The focus (in Canada) is making it better for everyone," she said. "Maybe that's a Canadian attitude. It shouldn't be taking away pensions from everyone."

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