

# STRONG COMMUNITIES

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# BUILD ALBERTA

## APEX Governance Board Update

September 25, 2019



# Scope of Retirement Programs



- APEX Supplementary Pension Plan
- MuniSERP
- Alberta Communities Pension Plan
- Group RRSP and Tax-Free Savings Account

# APEX Governance Board Directors

- Chair Barry Morishita, Mayor of Brooks
- Vice Chair Elaine Noel-Bentley, BA, MA, Subject Matter Expert (Independent)
- Robert Kallir, BA, LLB, Subject Matter Expert (Independent)
- Ellen Nygaard, BA, MBA, Subject Matter Expert (Independent)
- Gregory Yeomans, CFO of Strathcona County, Subject Matter Expert (Independent)
- Paul Benedetto, CAO City of Leduc, Employer Representative

# Financial Overview of Retirement Programs

<b>APEX</b>	Employers	70
	Participating Employees	1,369
	Assets	\$62.7M
<b>MuniSERP</b>	Employers	22
	Participating Employees	77
	Assets	\$10.7M
<b>ACPP</b>	Employers	52
	Participating Employees	509
	Assets	\$30.5M
<b>RRSP / TFSA</b>	Employers	25
	Participating Employees	265
	Assets	\$5.6M
<b>TOTALS</b>	Total Employers	<b>169</b>
	Total Employees	<b>2,220</b>
	Total Assets	<b>\$109.5M</b>

As of December 31, 2018



# Changes coming to APEX

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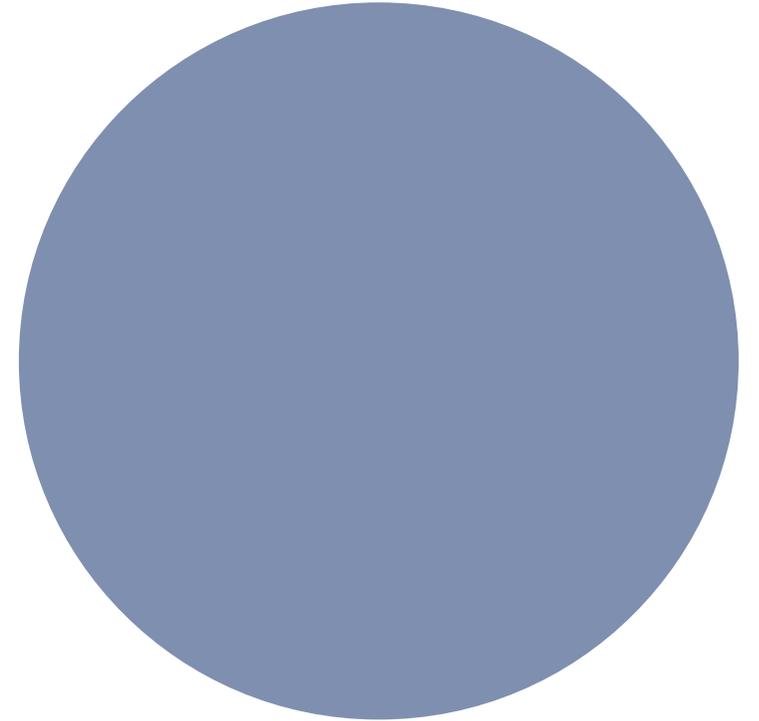


- APEX to continue being viewed as a pension vehicle and not savings vehicle
- Removing COLA (cost of living adjustment) for those taking a CV (commuted value) from the plan, future service only after December 31, 2019
- Any service before January 1, 2020 will include COLA if taking a CV
- Pensions not affected, COLA will still be included

# Speaker



Brenda Pryske, Partner, AON Hewitt





# Welcome! The “why” behind today’s conversation

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“Regardless of economic climate, money and finances (remain) the top stressor.”

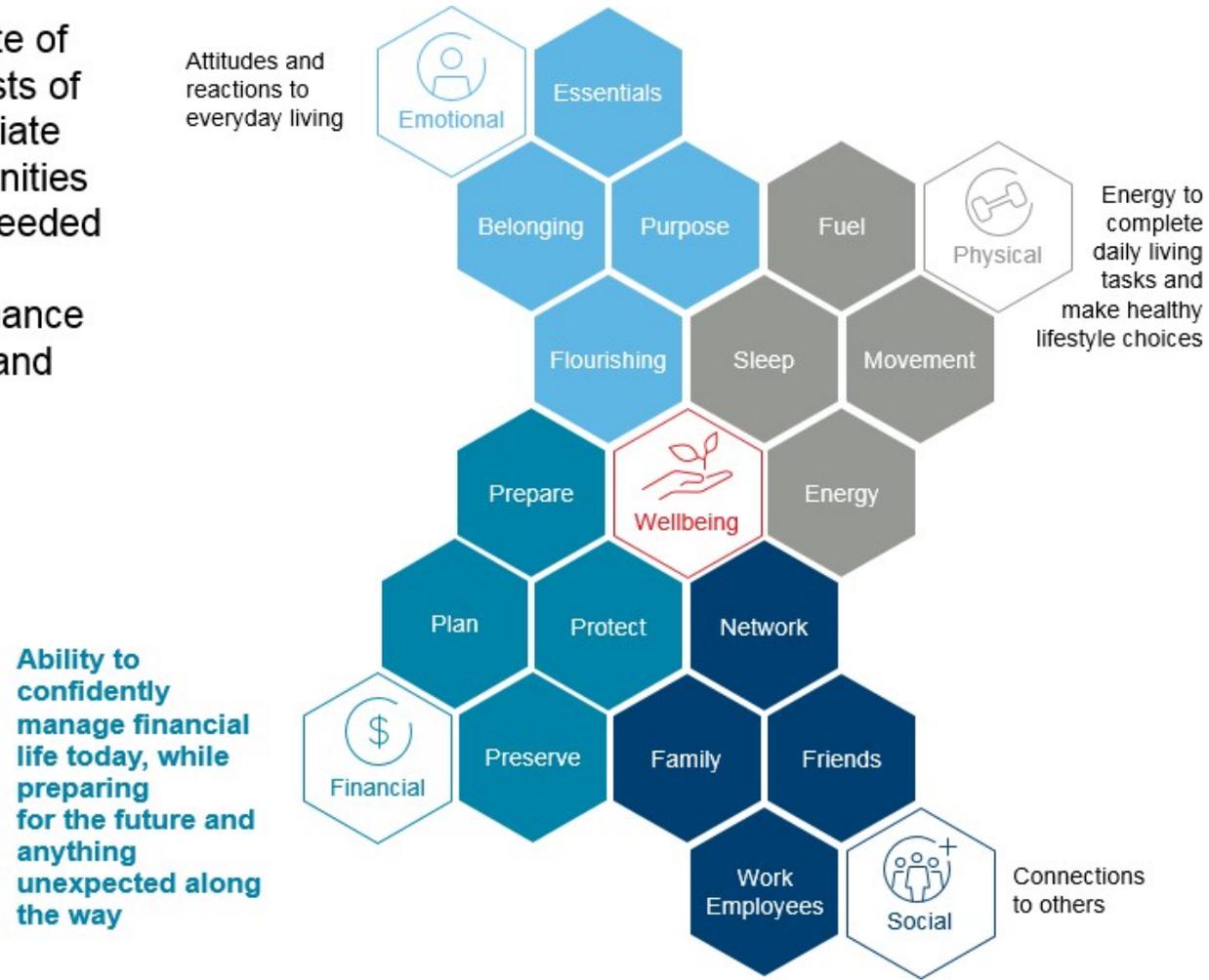
— American Psychology Association

“Financial struggles are not limited to particular types of work, specific industries, or salary ranges; financial issues impact employees and businesses across the spectrum”

—Center for Financial Services Innovation Employee Financial Health:  
How Companies Can Invest in Workplace Wellness, 2017

# How we define Wellbeing at Aon

**Wellbeing** is a state of balance that consists of having the appropriate resources, opportunities and commitment needed to achieve optimal health and performance for the **individual** and the **organization**



# Aon Financial Wellbeing Employee Survey: Perceptions not always matching reality

Overall, employees have a positive view on their current financial wellbeing and outlook.



**12%**

rate it as poor or very poor

Variations across income levels are expected, yet

**Only 27%** Low income

Perceptions not always matching reality.

Only **2 in 5**

have a retirement savings goal

Difficult to save for retirement.

**71%**

cannot afford to save as much as they would like

--- **54%**

are concerned about not having enough money to retire when they want to

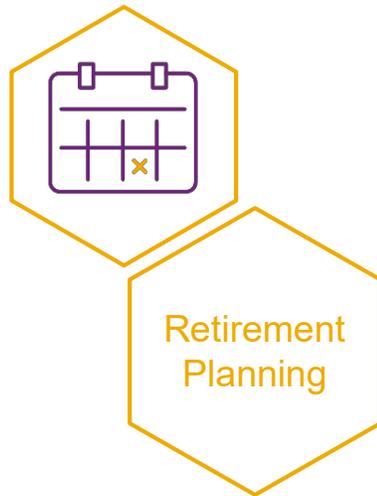
**51%**

are worried about outliving their savings



# Retirement Readiness expected to vary by generation

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The economic environment has increased the cost of defined benefit plans and decreased the cumulative value of defined contribution plans

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Younger workers will need to save more for retirement because rising health care costs are expected to outstrip wage growth

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The younger an employee is, the later their retirement age or higher their personal savings might have to be because of rising life expectancy

# Barriers to saving more



**Early career**  
Student debt  
Childcare expenses  
Housing  
Stress and mental health

vs.

**Late career**  
Children (education, home)  
Parents (long term care)  
Families (medical events)  
Stress and mental health



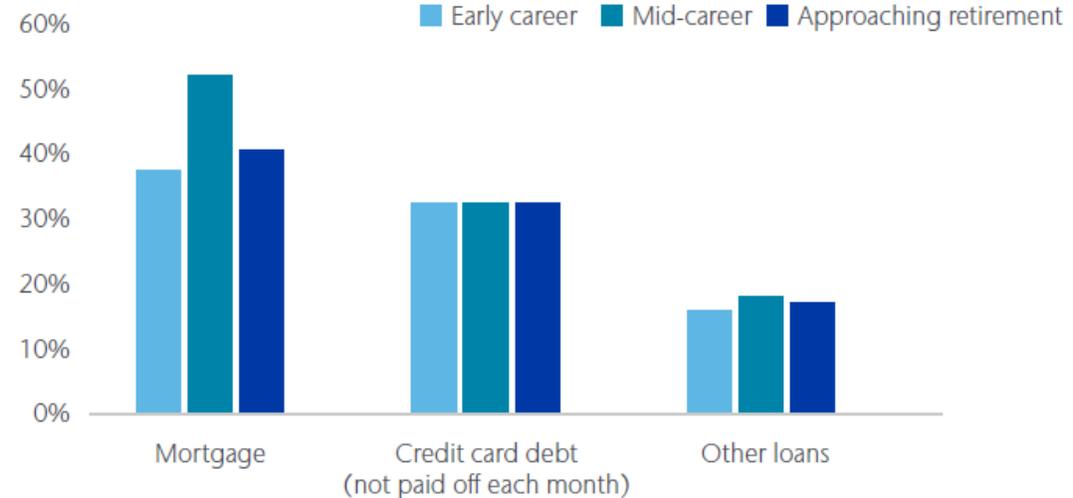
**Challenge to save more**

Employees across all age groups juggle their own unique financial priorities

Almost 50% say outstanding debts prevent from saving for retirement.



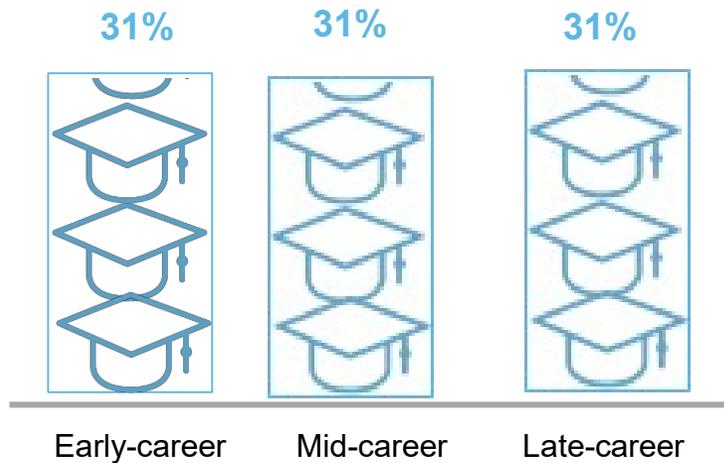
## Top 3 challenges



# Credit card debt—A universal problem

**31%** of employees carry credit card debt (not paid off in full each month)

Consistent across all career stages:

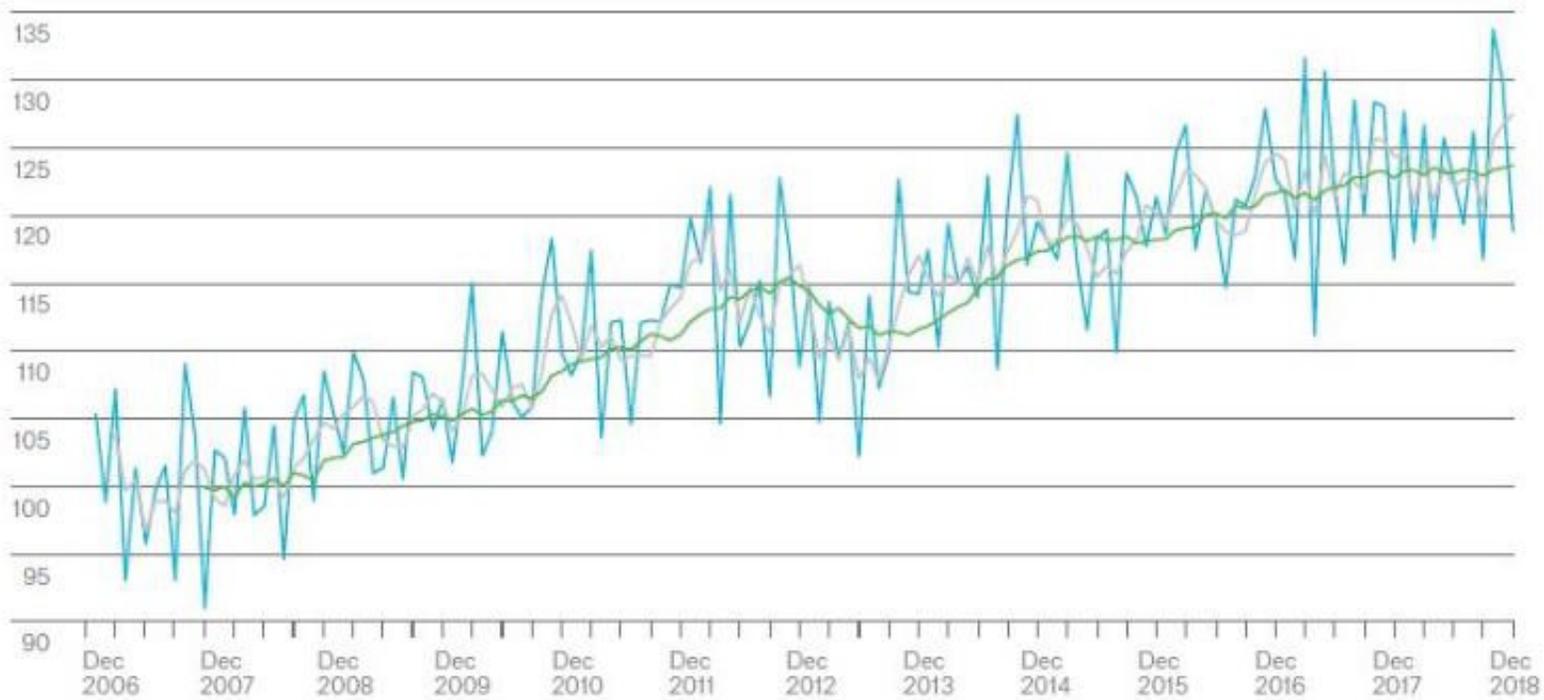


Credit card debt affects an individual's financial wellbeing:

	Credit card debt	Overall
Are just getting by financially*	<b>55%</b>	37%
Dealing with money is stressful and overwhelming*	<b>54%</b>	41%
Can't afford to save more	<b>56%</b>	43%
Other financial commitments prevent from saving more	<b>54%</b>	33%

\* Includes those who say they somewhat or strongly agree with this statement

# Which is part of the reason for higher disability incidence rates relating to mental health disorders



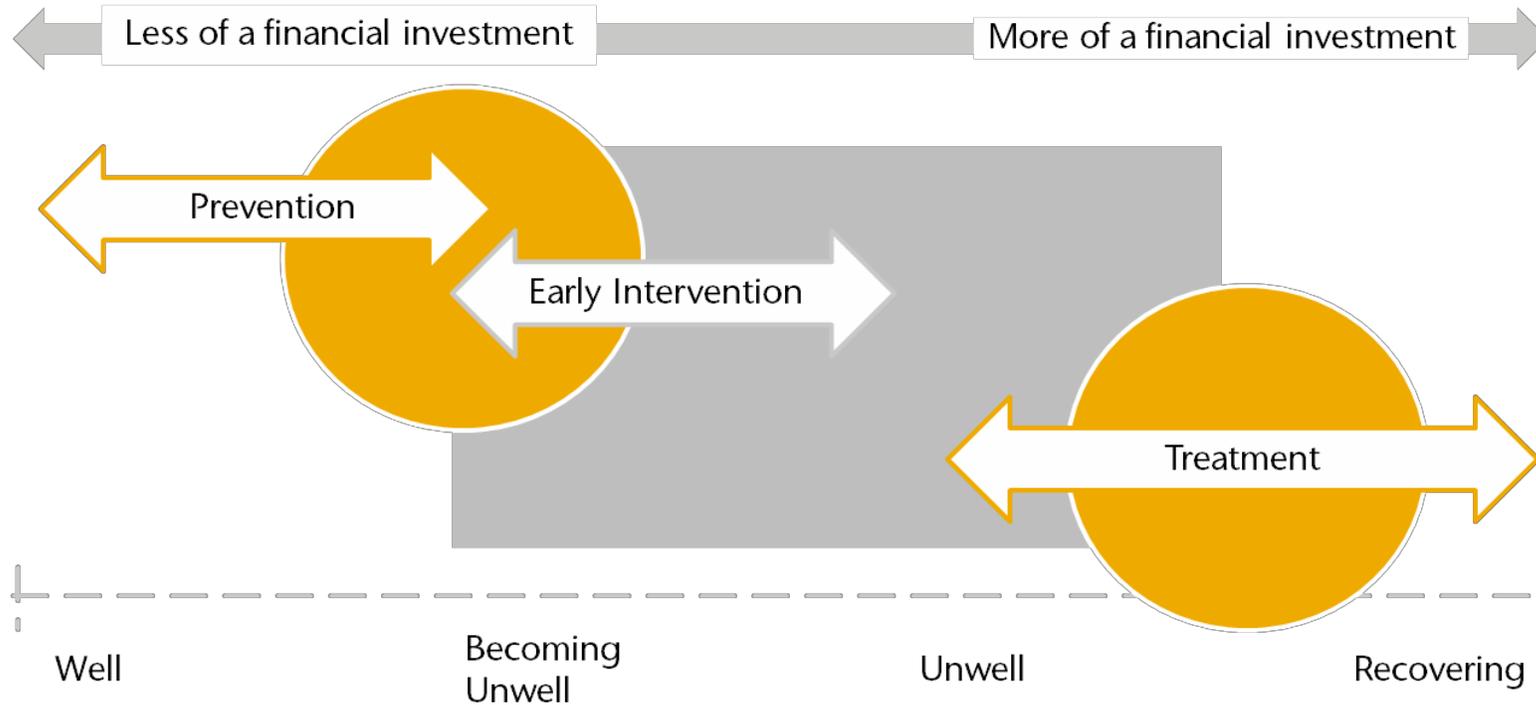
Munich Re LTD Incidence Indicator changes as of December 2018

## Key message

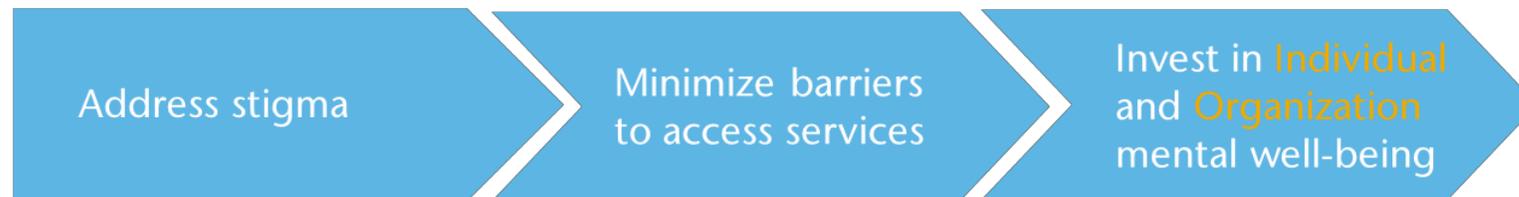
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Financial wellness is  
much broader than just  
retirement savings!

# Workplace Mental Well-being Continuum



## What can Organizations Do?



# Stigma and Costs Deter Treatment

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Symptoms  
Start

Treatment  
Received



Source: Mental Health America, State of Mental Health Report, 2018

# Workplace Struggles and Indicators

How untreated or sub-optimally treated emotional distress manifests

Symptoms of Distress	=	Impacts on Business
 Sleep problems	=	Safety-related mishaps, tardiness
 Lack of concentration	=	Procrastination and distractibility
 Slowed cognition	=	Indecision, project delays
 Aches and pains	=	Trips to the doctor, increased costs
 Forgetfulness	=	Errors and omissions
 Self-medication	=	Missed deadlines, absenteeism
 Irritability and tearfulness	=	Strained work relationships (colleagues, boss, clients)
 Low motivation or morale	=	Reduced productivity

# Why Care About Psychological Safety?

Taking steps to improve can help employers better manage risks and liabilities such as:

## Finances

- Disability
- Drugs and Health Benefits
- Staff turnover
- Recruiting
- Productivity
- Absenteeism/Presenteeism
- Profitability

## Legal

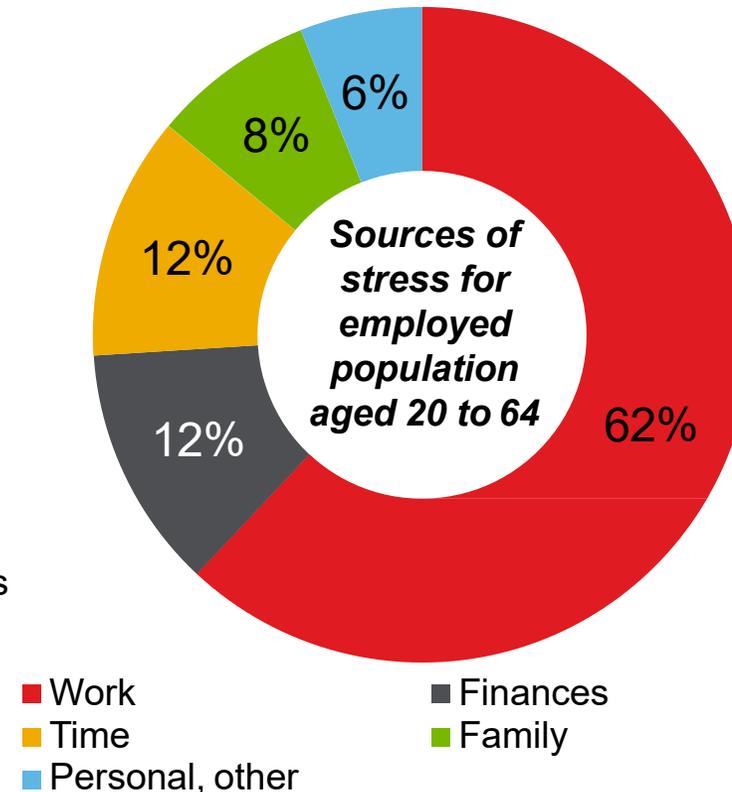
- Exposure to litigation
- Reputational
- Finance burdens

## Culture

- Morale and trust
- Fairness
- Conflict
- Complaints
- Grievances
- Engagement
- Creativity/innovation

## Community

- Impact on families
- Impact on communities
- Impact on public resources



Statistics Canada, General Social Survey, 2010.

**AON**

Empower Results™ 19

# What employers are doing

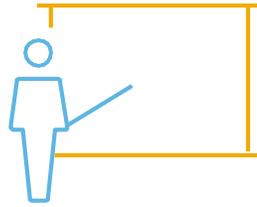
## Not just retirement, but total financial wellbeing

A holistic approach to financial wellbeing supports a strong integrated program that is highly attractive to employees

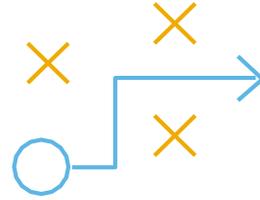


# LAPP DB plan continuing as a non-statutory plan

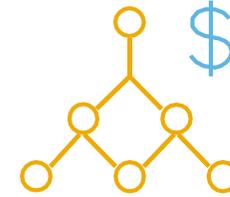
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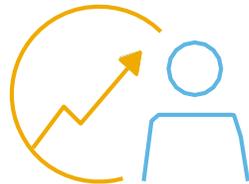
Accessible to large pool  
of employers and  
employees



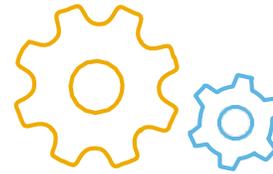
Retirement flexibility  
for employees



Increased scale  
lowers costs



Financial security for  
members



Predictable pension  
for life reduces  
stress and increases  
productivity

# Innovations happening in the DC space

## ATB Financial Innovative Financial Wellness Plan Design

(all % shown as % of covered pay)

Guaranteed retirement savings	<b>Base</b>	4% Employer Contribution
Sharing with employees	<b>Match</b>	0-4%/0-4% Employee/Employer Contribution
Broadening the lens around financial wellness	<b>Flex</b>	4% Employer Contribution that can be redirected to other savings (mortgage, RRSP, RESP). Other considerations: student tuition/education debt reduction
Supporting savings	<b>Extra</b>	0-2% Employee Voluntary Contribution



# Emerging Benefits Trends

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Shifting demographics and more generations in the workforce than ever before

Flat economy impacting pay/bonus and ability to pay and win in the “war for talent”

Benefit increases well in excess of the Canadian Price Index

Expiration of the Canadian Health Accord and the increasing privatization of services

Pharmaceutical organization’s investment in the development of high cost biologic drugs

Increased benefit plan flexibility in order to let members allocate their benefit spend in a way that they, as individuals, value/need

Increased focus on “total reward” rather than individual reward elements

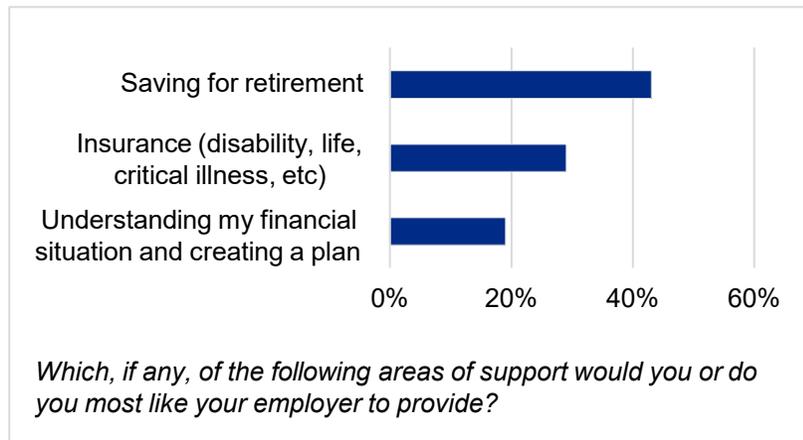
Increased communication/education to help members understand the “employee value proposition”

# Employees are starting to share what their priorities are

## Top three areas employees want more support



Saving for retirement is at the top of the list for employer support.



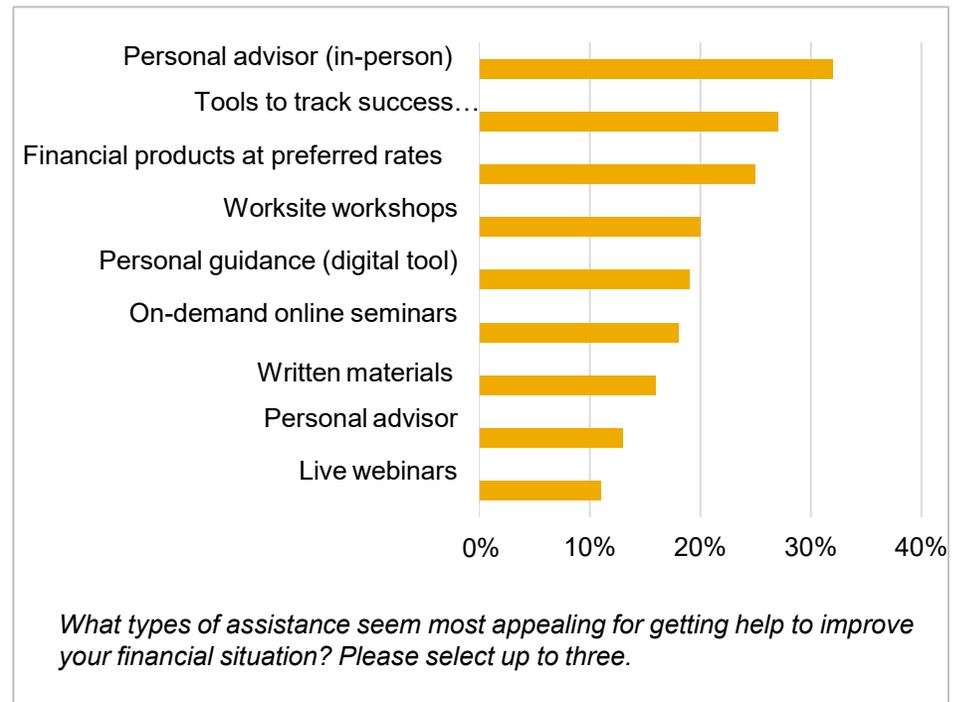
Only **1 in 3** Use employer-provided tools and resources to help them with their retirement savings goal

Almost **1 in 5** Want employers to provide broader financial services and products

## Types of assistance



1 in 5 would prefer workshops/seminars to help improve their financial situation



# What employers are doing

Employers are spending time understanding where their employees are and determine how to support them across the spectrum of financial wellbeing

 Discover - Understand your employees

 Design - Develop your strategy

 Deliver - Implement

 Review - Monitor results

## Best Practices

-  Understand employees and their unique needs
-  Offer a broad range of education, resources, and tools
-  Employ anchoring and defaults to drive smart behavior
-  Support employees through retirement

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