

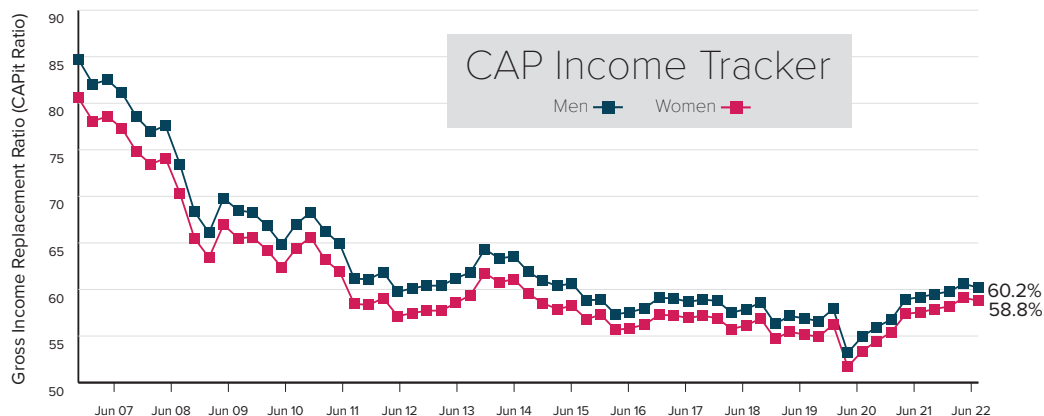
CAPit

Capital Accumulation Plan Income Tracker

August 2022

The positive impact of rising interest rates for CAP Members

Rising interest rates and the corresponding rise in annuity rates helped to offset the falling investment markets and Capital Accumulation Plan (CAP) member outcomes saw only a modest decline in the second quarter. A typical male member retiring at the end of June 2022 achieved a gross income replacement ratio of 60.2% and a female member achieved 58.8%.



Last year we spoke about the movement to improve member outcomes through the active decisions of both regulators and plan sponsors which included six recommendations put forward by the FSRA/OSFI DC Technical Advisory Committee (TAC). The Canadian Association of Pension Supervisory Authorities (CAPSA) has now released a draft update of [CAPSA Guideline No. 3 \(CAP Guidelines\)](#), which focuses on several key areas, centered on improving member outcomes.

These areas include:

1) Shift in focus away from accumulation

- Additional direction on decumulation and post-retirement savings vehicles.
- Recognition that the accumulation and decumulation phases are equally important when it comes to the wellbeing of members.

2) Member education

- Encouraging active education and communication with CAP members.
- Providing members with retirement income projections to better understand income in retirement.
- Making members aware of CAP features that may improve their potential outcomes (e.g. employer contribution matching).

3) Enhanced transparency

- Additional information on investment fees and reasonableness of those fees and ensuring that CAP members consider the impact of fees on their savings.
- Ensuring any potential conflicts of interest are reported to members and sponsors.
- Encouraging plan sponsors to brand employee communications to help facilitate a trusted employer/employee relationship.

THE CAP INCOME TRACKER

The CAP Income Tracker assumes the member made annual contributions at a rate of 10% starting at age 40, will receive maximum Old Age Security and Canada/Quebec Pension Plan payments, and will use their CAP account balance at retirement to buy an annuity. The member's CAP account is invested based on a balanced strategy. Salary has been adjusted annually in line with changes in the average industrial wage, and is set at \$69,377 at June 30, 2022.



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We believe these draft guidelines are a critical step toward improving retirement outcomes for plan members. CAPSA is seeking feedback on the Proposed Guidelines before August 15. Eckler has consulted with clients who sponsor CAPs and will be submitting our comments. If you wish to contact us with feedback, please reach out to your Eckler consultant. If you wish to provide your own feedback, you can find more information on the [CAPSA website](#).

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