



My65+: an innovative retirement plan for modest-earning workers with no pension

Overview

March 2017

Why SEIU Healthcare chose to take action on retirement security

Half of members (~30,000) have no pension

Retirement security is a top priority for members

No existing product / plan for the needs of our members and working Canadians like them. Current offerings suffer from high fees, lost government benefits, and a lack of portability.

Believe that labour needs to provide solutions for challenges facing working people, in collaboration with progressive businesses, governments, and other stakeholders

High fees for RRSPs can significantly reduce a worker's savings

Canada has the highest mutual fund fees in the world

Results of a recent global survey on mutual fund fees¹



A



B/B-



C+



D+



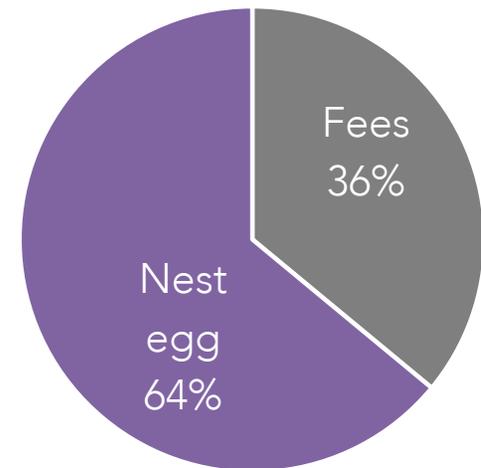
D-



Ranked last of all 25 countries surveyed

These fees can erode a third or more of a worker's savings

Impact of fees on a typical SEIU member²



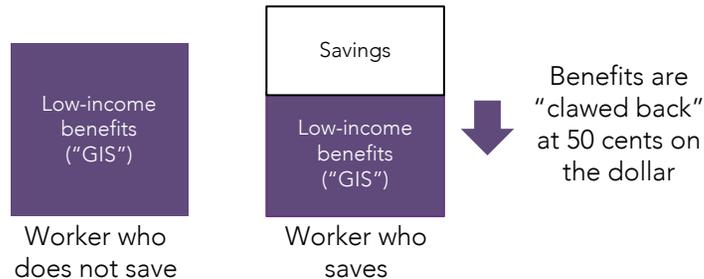
¹ Morningstar, Global Fund Investor Experience Study (2015)

² Assumptions: 5% annual contributions. Start saving at age 25. RRSP has fees of 2.2% (average Canadian mutual fund fee). Starting salary of \$30,000 with 2% wage inflation. Withdraw 4% per year from nest egg from age 65-90. Gross returns of 5.3% age 25-65 and 4% post age 65

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

Results in a loss of 50 cents of government benefits for every dollar withdrawn

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



32% of Canadian seniors rely on GIS

A typical SEIU member who saves through an RRSP could lose \$70,000 or more of government benefits

"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)

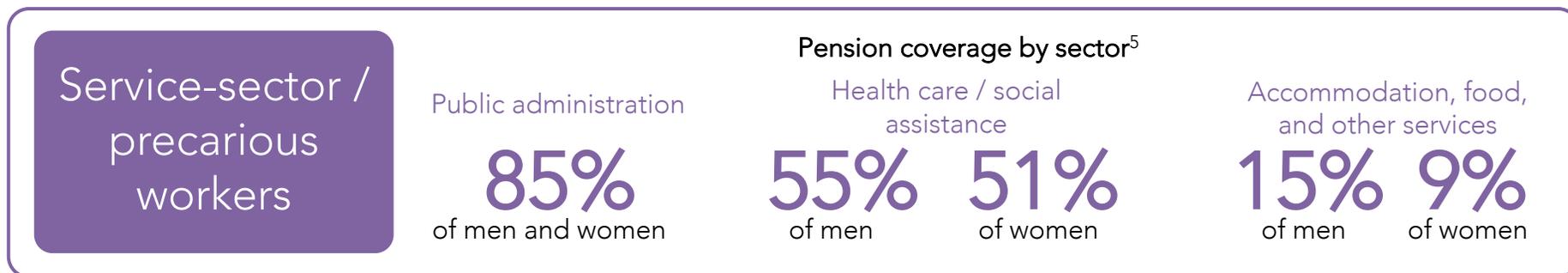
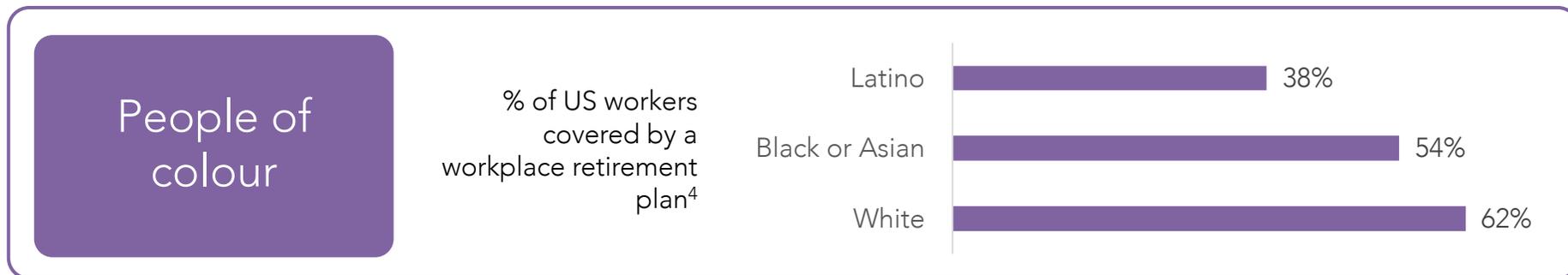
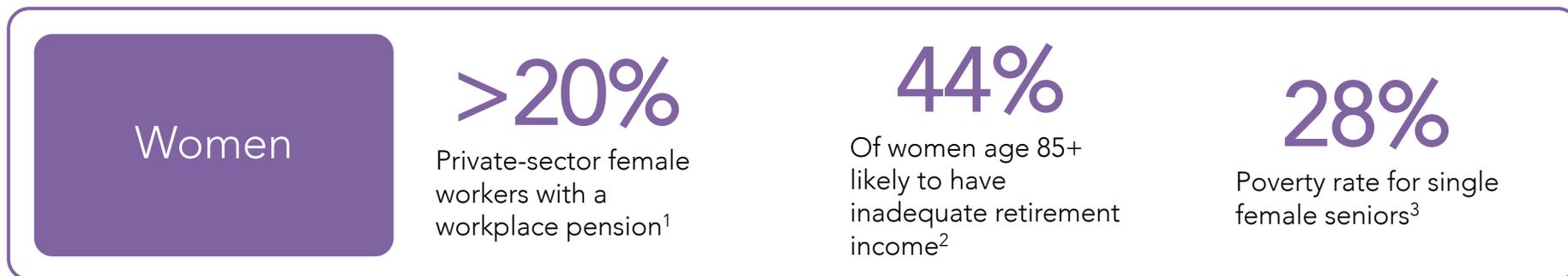
"[T]he GIS clawback ... provides a **disincentive for poorer Canadians to save for retirement**... [F]or poorer Canadians, saving money in an RRSP is the last thing they should be doing, because they will actually lose more than a dollar for every dollar they have in retirement income."

- Diana Chisholm & Robert Brown, "Negative Effects of the Canadian GIS Clawback and Possible Mitigating Alternatives" (2007)

"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)

Workers like SEIU Healthcare's members are less likely to have access to a pension



1 Sheila Block, Canadian Centre for Policy Alternatives, Presentation to the National Institute on Aging Conference (2016)

2 Healthcare of Ontario Pension Plan, Health and retirement security research (2016).

3 Richard Shillington, An Analysis of the Economic Circumstances of Canadian Seniors (Broadbent Institute, February 2016).

4 National Institute on Retirement Security, Race and Retirement Security in the United States (2013). Analysis on pension coverage from a race perspective does not appear to be available in Canada due to data limitations.

5 Statistics Canada, New facts on pension coverage in Canada (December 2014).

Introducing My65+



My65+ is a new retirement plan, sponsored by SEIU Healthcare, designed for working Canadians with no pension earning less than \$50,000 per year

- ✓ Can deliver 3-4 times more retirement value for money than a typical RRSP
- ✓ Designed based on the principles used by some of the world's best pension plans
- ✓ Puts members' interests first

Low, transparent fees

0.22%

Investment fee



\$7

per month

Administration fee



Compared to an average RRSP...

~\$100k

more retirement income for
a typical member¹

¹ Assumptions: 5% combined employee/employer contributions. Start saving at age 25. RRSP has fee of 2.2% (average Canadian mutual fund fee). Starting salary of \$30,000 with 2% wage inflation. Withdraw 4% per year from nest egg from age 65-90. Gross returns of 5.3% age 25-65 and 4% post age 65. Calculation of lost government benefits assumes GIS clawback rate of 50% and does not factor in that clawbacks can in some cases be higher, or that income from RRSPs can affect eligibility for other government supports (e.g., housing, prescription drugs).

Preserves government benefits

The plan is registered as a Group Tax Free Savings Account with the Canada Revenue Agency

TFSA
structure

**No GIS
clawback**



Compared to an average RRSP...

~\$70k

more retirement income for
a typical member¹

¹ Assumptions: 5% combined employee/employer contributions. Start saving at age 25. RRSP has fee of 2.2% (average Canadian mutual fund fee). Starting salary of \$30,000 with 2% wage inflation. Withdraw 4% per year from nest egg from age 65-90. Gross returns of 5.3% age 25-65 and 4% post age 65. Calculation of lost government benefits assumes GIS clawback rate of 50% and does not factor in that clawbacks can in some cases be higher, or that income from RRSPs can affect eligibility for other government supports (e.g., housing, prescription drugs). Analysis does not factor in taxes.

My65+ case study

Amy and Frank are two typical SEIU Healthcare members with a lot in common. They both:

- Start their careers at age 25 with salaries of \$30,000, receiving 2% wage increases each year
- Save 5% of their salary each year for retirement (starting at \$1,500 at age 25)
- Retire at age 65, withdrawing 4% of their nest eggs each year until age 90

But Amy and Frank use different retirement plans. Amy contributes to My65+ from SEIU. Frank contributes to a typical RRSP from a financial institution. The difference their retirement incomes is significant.

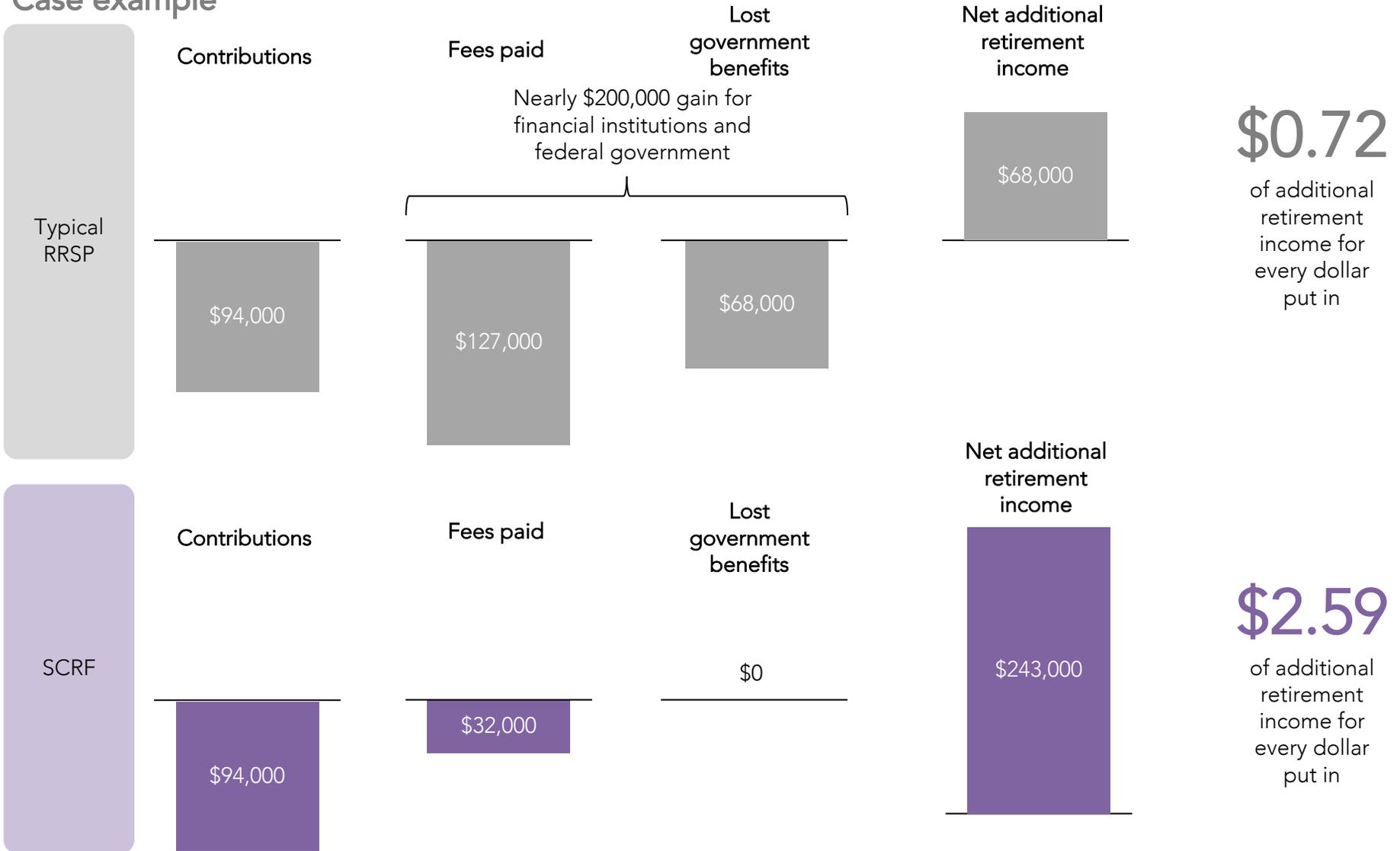
	Amy Saves with My65+	Frank Saves with a typical RRSP
Nest egg at age 65	\$253,000	\$173,000
Additional retirement income at age 66 (4% of nest egg)	\$10,100	\$6,900
Lost GIS benefits	\$0	(\$3,450)
Net additional retirement income per year (age 66)	\$10,100	\$3,450

Loses 50 cents of benefits for every dollar withdrawn from his RRSP

Assumptions: 5% combined employee/employer contributions. Start saving at age 25. RRSP has fee of 2.2% (average Canadian mutual fund fee). Starting salary of \$30,000 with 2% wage inflation. Withdraw 4% per year from nest egg from age 65-90. Gross returns of 5.3% age 25-65 and 4% post age 65. Calculation of lost government benefits assumes GIS clawback rate of 50% and does not factor in that clawbacks can in some cases be higher, or that income from RRSPs can affect eligibility for other government supports (e.g., housing, prescription drugs). Numbers may not add due to rounding.

My65+ can provide 3 to 4 times more value-for-money for a lower-income person than a typical RRSP

Case example



Assumptions: 5% combined employee/employer contributions. Start saving at age 25. RRSP has fee of 2.2% (average Canadian mutual fund fee). Starting salary of \$30,000 with 2% wage inflation. Withdraw 4% per year from nest egg from age 65-90. Gross returns of 5.3% age 25-65 and 4% post age 65. Calculation of lost government benefits assumes GIS clawback rate of 50% and does not factor in that clawbacks can in some cases be higher, or that income from RRSPs can affect eligibility for other government supports (e.g., housing, prescription drugs).

Portable

Stays with the member from job to job and into retirement.

Members can contribute through their bank account or through their employer (where the employer participates).

Members-first

My65+ has a fiduciary duty to put members' interests first.

The plan will be overseen by a non-profit board composed of a mix of union representatives and experts.

Open to all SEIU Healthcare members and their families.

Simple

No complex investment decisions.

Members' contributions will be invested in low-cost, diversified "target date" funds from Vanguard.

Simple, self-serve, online administration.

Statements of support for My65+



"Mainstream RRSPs just don't pass the logic test for people earning less than \$50 thousand per year. They need a savings plan that won't end up costing them money in their most vulnerable time of life. SEIU's plan allows them to hold on to all the retirement income they're entitled to, and that makes so much sense."

Gail Nyberg, Executive Director of Daily Bread Food Bank in Toronto (Canada's largest food bank)



"SEIU's My65+ will provide an innovative, low-cost option for hard-working families to build private savings for retirement. It has the potential to serve as a much-needed model to expand coverage for low- and moderate-income workers across Canada, as well as in the U.S., where nearly one-half of private sector workers lack access to a retirement plan at work."

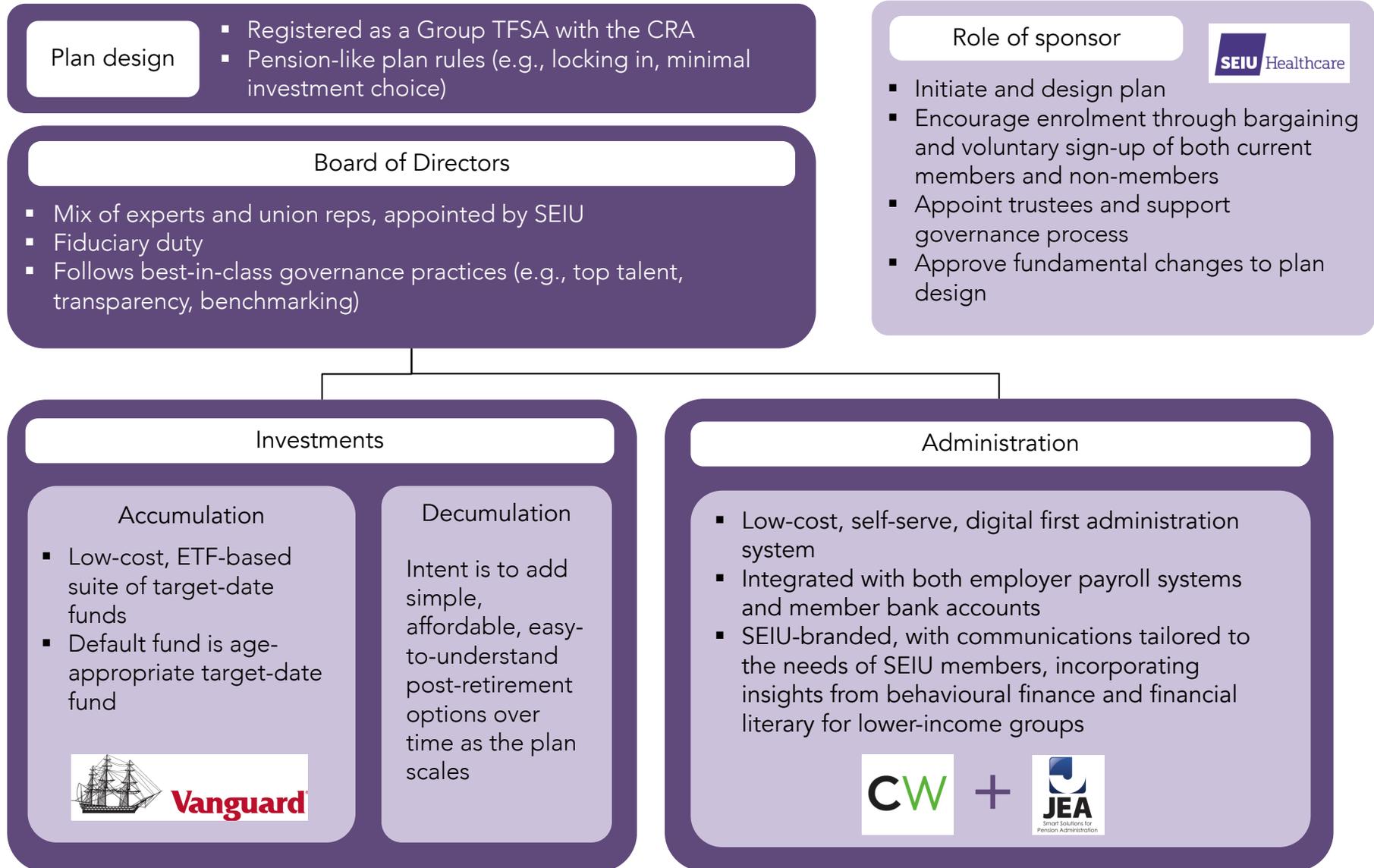
Jeremy Smith, Associate Director at the Aspen Institute Financial Security Program



"This plan is a concrete step forward that will help workers in precarious jobs save for their retirement. It has an innovative approach, using tax policy to benefit low-wage workers. It is tailored to increasing retirement security and incomes for low-wage workers who take care of vulnerable Ontarians."

Sheila Block, Senior Economist, Canadian Centre for Policy Alternatives

My65+ governance and delivery model



Delivery partners for My65+

Investments



SEIU Healthcare has selected a suite of target date funds offered by Vanguard Investments Canada Inc., as the investment solution for My65+. Vanguard Investments Canada Inc., is an indirect wholly-owned Canadian subsidiary of The Vanguard Group, Inc., which was founded in Valley Forge, Pennsylvania, USA in 1975. Over the decades, Vanguard has grown to become one of the world's largest investment management companies. As of December 31, 2016, Vanguard manages US\$3.9 trillion in assets through its 17 office locations, serving more than 20 million investors worldwide. It is also the largest provider of target date funds in the US, with more than US\$449 billion under management. Worldwide, Vanguard's core purpose is to take a stand for all investors, treat them fairly, and give them the best chance for investment success.

Administration



James Evans and Associates (JEA) is a Canadian pension administration software company with nearly four decades of pension experience. JEA provides pension solutions for many public sector organizations, health care workers, and large unions, as well as most of the federal government pension plans. These plans together administer the pensions of nearly 1.5 million members. JEA is creating an innovative, simple, self-service version of its pension administration software that will support My65+ and its members.



Common Wealth is a Toronto-based pensions firm that has partnered with SEIU Healthcare to design, build, and administer My65+. Common Wealth specializes in creating high quality retirement plans to serve those without pensions. It also advises some of the world's leading pension organizations. Common Wealth's team includes former pension plan executives with a combined 50+ years of pension administration experience with some of the world's leading pension plans.

Custodian



Canadian Western Trust (CWT) will serve as trustee and custodian of My65+. CWT is the retirement and investment arm of Canadian Western Bank, the largest Schedule I chartered bank headquartered in Western Canada, with over \$25B in assets. For 30 years, CWT has provided trustee, custodial, and administrative solutions for pension plans, corporations, and investment managers.