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Canadian Pension Plan Members Confident Their Plans Will Provide for Retirement Despite Well Reported Challenges

Toronto, October 4, 2011 – RBC Dexia Investor Services and Grant Thornton in Canada (Grant Thornton) said today that 83 percent of Canadian defined benefit (DB) plan members / participants trust that when they retire their organization's DB plan will have sufficient money to pay them, while only 5 percent say they recall hearing about underfunding problems or deficits in DB plans.

In an effort to discover potential disconnects between plan sponsor realities and expectations of the plan members, RBC Dexia Investor Services and Grant Thornton sponsored a national survey to gauge the views of Canadians that participate in, or are currently benefitting from, a defined benefit pension plan.

In another key finding, 31 per cent of respondents said they don't know what percentage of their current annual income they will need to achieve their expected standard of living in retirement. And when asked how they expect to enjoy themselves in retirement, 59 per cent of respondents expect to do things, such as travel, that they currently are unable to do prior to retirement.

"Belief in the promise of a competitive pension payout remains strong in the minds of Canadian defined benefit plan members," said Scott MacDonald, Head, Pensions, Insurance, Financial Institutions Product for RBC Dexia. "Even with the well-documented and highly-publicized challenges DB plans have faced, this research shows that plan members both rely on and trust that their retirement income will be there when they are ready to stop working."

Overconfident and under informed?

When asked what they recall reading, seeing or hearing about company or union pension plans in Canada, only 5 percent could recall hearing about problems, and only 4 per cent indicated awareness that DB plans are becoming more rare and being phased out.

Regina Baezner, Principal, Pension and Benefit Practice, Grant Thornton LLP noted: "Plan members remain in the dark about the issues and challenges facing Canadian defined benefit plans. The pressure for DB plans to keep members aware of the viability and health of their plans increases with every new high profile plan that struggles, particularly in a financial market with so much uncertainty and tumult. "

Key to retirement

Plan members' confidence in their DB pension plans is also reflected in how much they intend to rely on that income stream in retirement - 74 per cent say it is their primary vehicle for retirement savings. On average, members expect 55.7 per cent of their retirement income to come from their DB plan. They expect a further 17.2 per cent to come from government sources, such as Canada Pension Plan (CPP) or Old Age Security (OAS). Another 12.6 per cent is expected to come from Registered Savings Plans.

MacDonald added: “Plan members may need to adjust their expectations to be able to enjoy their retirement while not earning a full income. It’s up to plan sponsors to help educate their members about the amounts that might be needed to enjoy a long and fruitful retirement.”

For a full copy of the report, please go to www.rbcdexia.com or www.grantthornton.ca

Methodology

Data for the DB pension member study was collected online between April 28 and May 16, 2011. The study is based on survey results from 879 Canadians who participate in an employer- or union sponsored DB pension plan. An additional 127 Canadians who are offered but do not participate in their employer or union-sponsored DB pension plans also responded. The participant data is weighted according to Statistics Canada data, to accurately reflect the composition of DB plan members by gender, region and public versus private sector.

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Equally owned by RBC and Dexia, the company ranks among the world's top 10 global custodians with USD 3.0 trillion in client assets under administration.

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