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Whose Responsibility Is It Anyway?

By: Karrina Dusablon

The time has nearly arrived and the bulk of Canadian Baby Boomers are looking forward to walking out the office door one last time and taking their first step into **retirement** to enjoy a relaxing life full of exotic dreams. But are they prepared? And, to what extent are companies responsible for helping employees prepare for **retirement**? Is the onus for **retirement** preparation shifting to the employer?

In the past, many employers took a more paternalistic approach to **retirement** planning, offering their employees a **Defined Benefit pension plan**. The employer guaranteed the employee a **retirement** income and assumed responsibility for **investing** sufficient assets to fund the targeted level of **retirement** income. As the cost and **administrative** complexity of these plans rose, employers began to shift toward Capital Accumulation Plans, thereby increasing the need for educating employees on their role in saving for a secure **retirement**.

Implementing these capital accumulation plans does help Canadians – with access to them – to save money on a regular basis. In 2005,¹ nearly one-third of Canadian workers reported that they have access to, and take part in, a **pension plan** or a group savings plan offered through their employer to help save for their golden years.

But, do these workers understand this workplace **benefit** and, conversely, do employers understand the expectations their employees have about the **benefit** and the support they want from the company? The CAP Guidelines put the onus on **plan sponsors** to introduce the plan to members when they join and, thereafter, to ensure that they have the information and assistance they need to make informed decisions regarding their **retirement** planning, particularly when it comes to **investments**. No mention is made, however, of the **plan sponsor's** obligations towards the member when the time comes to decide how to make use of the sums that they have accumulated for **retirement**. Could the employer end up being responsible if the employee were to prematurely deplete his or her assets during **retirement** due to bad financial planning?

Perspective Will Change

Currently, according to the 2006 edition of the Desjardins Financial Security Retirement Survey, 53 per cent of polled workers over 40 years old said they were satisfied with how their employer, trade union, or professional association helped them to prepare for retirement. A key consideration to keep in mind, however, is that, on average, these workers say they are 12 years away from retirement and likely haven't delved too deeply into all the aspects of retirement planning and looked at the resources available to them. As this cohort approaches retirement, their perspectives will change. Right now, we know that slightly more than the majority of all working Canadians feel they are being well taken care of by their employer, union, or association. However, broken down by age, this point of view shifts and 58 per cent of workers in the key transition years of 65 and 69 years feel their employer could do more to help with retirement planning.

As the bulk of the Canadian population ages to the magical retirement age of 60 years, the reality might shift and workers will begin to look to their employer for assistance. One likely reason is that 60 per cent of Canadians do not currently use a financial advisor and the majority rely on family and friends and, in some cases, the Internet for retirement planning advice. So, they might look to their workplace as a credible source of information. These individuals are asking for support ranging from meeting with an advisor to retirement plans and social benefits. (See Chart 1).

The challenge for employers is that they are facing a shrinking workforce with employees wanting to retire at 60 years of age. For 40 per cent, the main reason for leaving is a hedonistic one: to have the opportunity to enjoy retirement while they are still in good health. Workers are not driven into retirement by job dissatisfaction. Quite the contrary; 91 per cent of sampled Canadian employees say they are satisfied with their job.

Dark Cloud

Yet, in the end, workers do want to leave the workforce and just under one-third of workers will still retire with a dark cloud looming over their head worrying about whether they have saved enough money to live out their retirement. And, perhaps this might be an area where some people think companies can step in to help workers develop retirement plans. This is crucial as most Canadians don't realize that retirement can last just as long as a working career and this is hard to conceptualize.

So, will companies with Capital Accumulation Plans, such as pension plans and group savings plans, have to move in the direction of helping their workforce retire? There is no easy answer to this question. On one hand, there are proponents who believe that employers have to accept that they have some responsibility to help their aging workforce transition toward retirement. On the other hand, there are those who struggle with this idea of employer responsibility or obligation to pay for these benefits or tools. Yet, this group realizes that businesses are going to be asked to cover a variety of benefits to meet the diverse needs of the workforce. In large companies, where the company retirement plan is often managed in-house, preparation for retirement is likely more achievable due to greater access to financial and human resources. However, small and medium-sized enterprises (SMEDS), who tend to rely on a third-party service provider to manage their plan, will likely find such a commitment quite onerous.

Although most SMEDs are committed to the well-being of their employees, the reality is that these sponsors may have more limited access to resources when it comes to the development of their retirement solutions for employees. Funds are first allocated to ongoing company operations, or in growing the enterprise.

These employers will increasingly count on their Capital Accumulation Plan or other provider to integrate retirement preparation into the services they currently offer.

Some of the areas where service providers can be of help include assisting employees in:

- envisioning their retirement lifestyle
- developing a retirement transition action plan
- budget preparation
- determining from which sources their retirement income will be generated
- transforming their accumulated savings into revenue-generating instruments
- estate planning

Retirement planning programs are important and it is necessary that companies begin to take the time to help employees prepare for retirement, much in the same way organizations devote resources to new-employee orientation. The reality is companies skew their resources to integrating employees into the organizational culture but place less emphasis on those leaving after many years of dedicated service. For many people, this shift to retirement is stressful since it is a period of achieving dreams, but also of leaving an 'identity,' cultivated through many years of work, and relationships behind. In a sense, retiring employees are leaving their community and the supporting resources, in many cases, are not there.

Unique Needs

But there are solutions that are adaptable to meet the unique needs of each company that help employees meet financial independence during retirement. Programs can be elaborated on to include access to advisors, brown-bag lunch and learn sessions, and retirement planning and can be scaled down to include comprehensive information packages from group savings providers.

In the end, it is a shared responsibility between employee and employer that must be supported by providers of group retirement savings services. The latter can develop solutions to help organizations and their respective employees, but employers must take the time to learn about the needs of their diverse workforce and select a solution that best fits workers' needs. With a shrinking workforce, employers are going to be dependent on these retiring workers to help assist with projects during staffing shortages and one way to retain these people is to recognize and reward their past efforts by designing solutions that help them transition to their next life stage.

Once these programs are developed, employers must not allow them to languish on a shelf gathering dust. They need to be continuously promoted to employees so they understand their complete benefits package and what is available to them to help them make the transition to retirement, long before the day they take their last step outside the office door.

With program promotion, employees will become more aware of what is available to them and take a proactive approach to learning more about what their employer provides and how to make a smooth transition into retirement.

When all is said and done, it is to everyone 's advantage to make use of the resources available to them to plan for a secure and enjoyable retirement. ■

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1 Desjardins Financial Security Retirement Survey, 2005-2006