

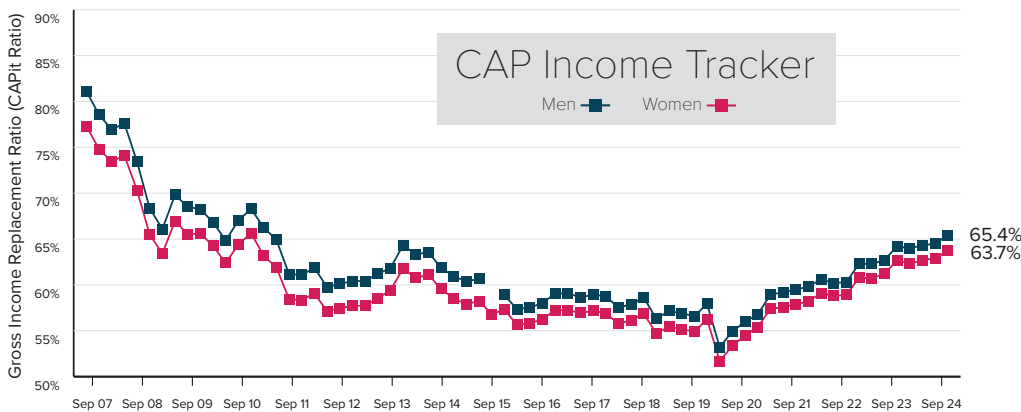
CAPit

Capital Accumulation Plan Income Tracker

October 2024

Enhancing Capital Accumulation Plan outcomes in Canada

Despite declining annuity rates, members retiring at the end of September will have experienced some of the best outcomes in more than 13 years from Capital Accumulation Plans (CAPs). A male member retiring at the end of September 2024 achieved a gross income replacement ratio of 65.4% and a female member achieved 63.7%. This is good news for CAP plan members and aligns nicely with the newly released updated CAPSA Guideline for Capital Accumulation Plans (CAP Guidelines) which aims to improve member outcomes.



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 \$73,777 at September 30, 2024.

Key updates in the 2024 CAP Guideline

The updated CAP Guideline (released on September 9th) was developed in consultation with industry stakeholders over two years. The new Guidelines reflect the continued evolution of CAP practices in Canada and is intended to empower members with the information and tools they need to achieve better retirement outcomes.

Key updates include:

- Strengthening Governance:** CAP sponsors should document governance frameworks to define roles, communication processes, and risk management processes to ensure accountability.
- Clarifying Roles:** The Guideline promotes greater transparency in contracts and requires service providers to disclose whether they offer investment advice and receive financial benefits in exchange for that advice.
- Empowering Members:** To emphasize the role members play in their own financial planning, they are now more empowered to make better-informed decisions about their contributions and investments.
- Investment Management:** Sponsors remain accountable for selecting and reviewing investment options while ensuring that the default fund option is suitable as the core of members' investments.

SPECIAL NOTICE

[Plan growth and improved member outcomes: The updated Guideline for Capital Accumulation Plans](#)

You're Invited!

Eckler webinar: [Practical solutions for navigating the new Guideline for Capital Accumulation Plans](#)

October 23, 2024

1:00PM (EST)

Register

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5. **Education and Communication:** The Guideline emphasizes ongoing member education, with clear communication about CAP features, fees, and retirement projections.
6. **Decumulation Planning:** CAP sponsors should inform members about income options as they approach retirement to aid in better-informed financial decisions.
7. **Data Protection:** CAP sponsors should put controls in place to safeguard personal data and maintain accurate records to build member trust.

Impact and Next Steps

The 2024 Guideline seeks to enhance member outcomes through better governance and education. CAP sponsors should:

- Document governance roles and performance criteria
- Develop clear communication strategies
- Conduct reviews of service providers
- Provide resources for retirement income navigation
- Ensure transparency about fees

The updated CAP Guideline represents a significant step in enhancing the governance of Canadians' retirement savings. With a focus on clarity and accountability, CAPSA has sought to improve the effectiveness of CAPs as retirement savings vehicles and empower members to take control of their financial futures.

ECKLER LTD.

Eckler is Canada's largest independent actuarial consulting firm. Based in Canada and the Caribbean, we are driven by our purpose to care and to do right by people so that together we can achieve a brighter, more secure future. We help plan sponsors take a progressive approach to defined contribution plan management to give members a realistic chance of achieving an appropriate level of income at retirement.

