

### 30,000 Feet

The biggest stories of the quarter  
with significant ongoing impact

First quarter, 2015

#### Demographics will keep interest rates low

A recent paper from the Fraser Institute suggests that an aging population portends low interest rates, a scenario which may be with us for many years to come. Interest rates are affected by supply and demand (for funds). The paper asserts there is a tipping point beyond which a savers' market becomes a borrowers' market, and that point may have been reached in Canada and most developed countries around 2010. It was reached in Japan in the early 1990s where interest rates have been below 2 percent for over 20 years now.

#### Why plan sponsors should care

If real interest rates remain close to nil for a decade or more, it will put enormous pressure on DB pension plans, strongly encourage the migration to target benefit and DC plans, and cause workers with DC pension plans or no pension plans to retire later.

#### BCE buys longevity insurance

BCE Inc. and Sun Life entered into the biggest longevity insurance agreement ever seen in Canada. BCE de-risked its pension arrangements by transferring the longevity risk for \$5 billion of pension plan liability to Sun Life. In related news, FSCO set out its expectations for pension plan administrators who consider buy-in annuities.

#### Why plan sponsors should care

With the number of closed DB plans growing and life expectancy generally increasing, a growing number of plan sponsors are expected to examine de-risking strategies that may involve changing investment policy or offloading all or part of their DB liabilities.

## ORPP encounters resistance

A wide variety of high profile stakeholders are expressing their concerns with the Ontario Retirement Pension Plan (ORPP) plan design that is taking shape. They include the Human Resources Professionals Association, the Canadian Life and Health Insurance Association, the Ontario Chamber of Commerce, the Investment Industry Association of Canada and the Association of Canadian Pension Management. Besides the possible adverse economic impact, the most pressing concern, perhaps, is that Ontario has announced that DC pension plans will not be deemed 'comparable plans' for purposes of exemption from the ORPP.

### Why plan sponsors should care

Whatever the final design, the ORPP can have a major impact on any employer with employees in Ontario, whether or not the employer currently sponsors a retirement arrangement.