



A Global View on Decumulation

What can Canada learn from the rest of
the world?

Jonathan Barry, FSA CFA

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Demographics are Driving the Retirement Income Discussion



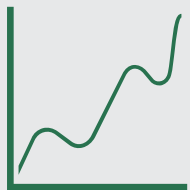
Over **21%** of Canada's workforce is over age 55¹



Over **1 million** Canadians have retired in the past 4 years²



40% of Canadian pension assets are in defined contribution plans³



Average life expectancy for a 65-year old is **20.9 years**⁴



The average combined OAS/CPP income is **\$17,080** per year⁵



Post COVID, **21%** of Canadians do not think they will be able to retire⁶

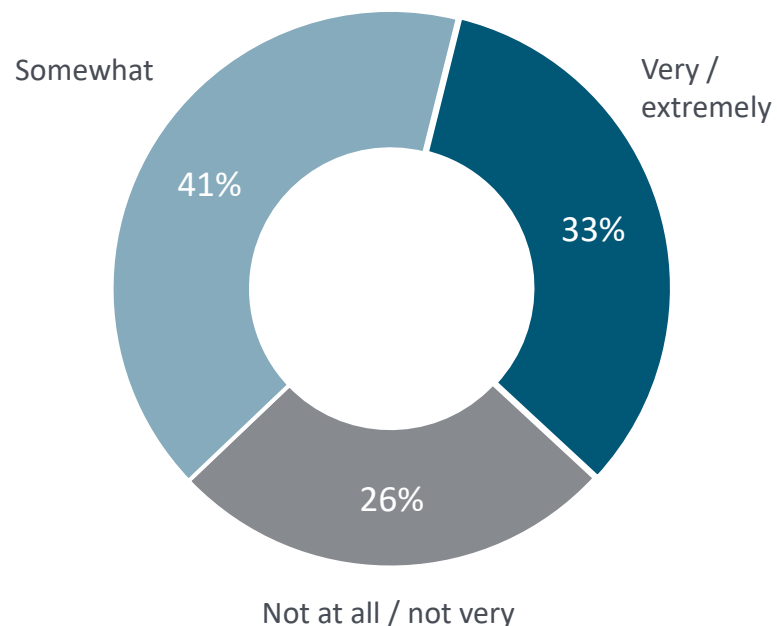
Source: 1. Statistics Canada: Labour force characteristics by sex and detailed age group 2 December 2022. 2 Statistics Canada: data for September 2018 - August 2022 3 Thinking Ahead Institute Global Pension Assets Study 2022 4. Statistics Canada Life Expectancy and other elements of the complete life table 24 January 2022. 5 Government of Canada. Average CPP amount payable at age 65 as of July 2022, OAS payment assumed to be maximum for 2022. 6. MFS 2022 Global Retirement Survey.

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Concerns Surround Retirement

Only 34% of members are very or extremely confident they will be able to retire at the age they want to

How confident are you that you will be able to retire at the age you want to?



Top 3 Concerns

- 1** I am concerned about the **impact inflation** could have on my retirement savings. (56%)
- 2** I won't have **enough income** in retirement to maintain my lifestyle. (52%)
- 3** I will **outlive** my retirement savings. (40%)

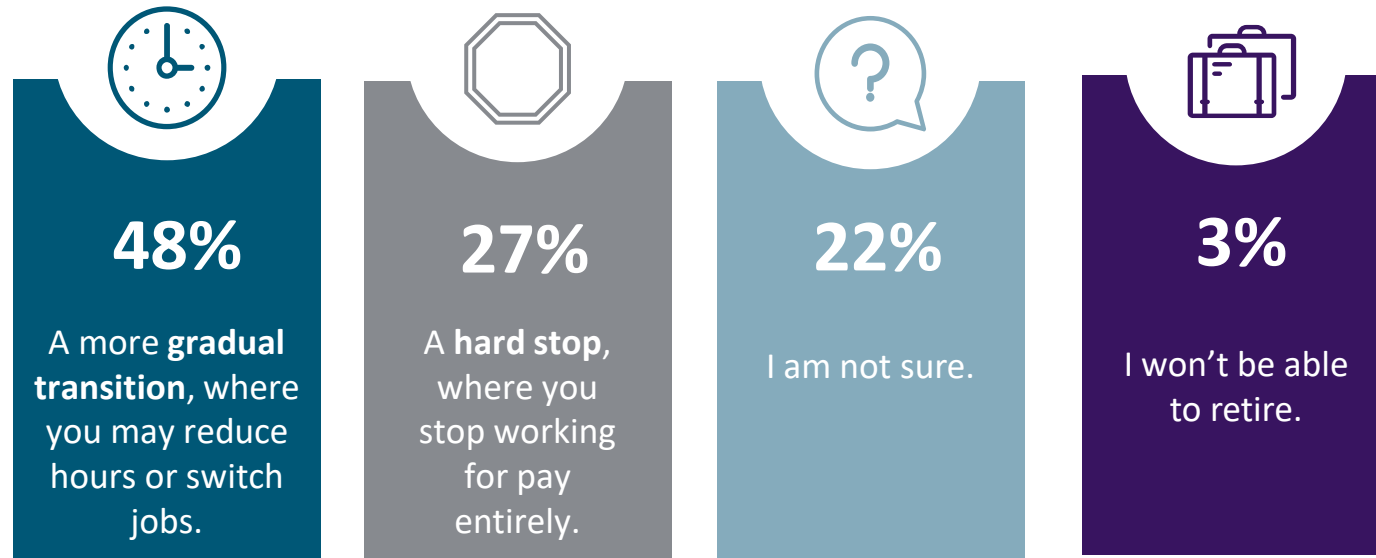
Source: MFS 2022 Global Retirement Survey, Canadian respondents. Q¹: How confident are you that you will be able to retire at the age you want to? Q²: What are your top 3 financial concerns or worries regarding retirement? Percentages represent the sum of respondents that chose each statement as a top 3 concern.

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Member Perception of Retirement is Changing

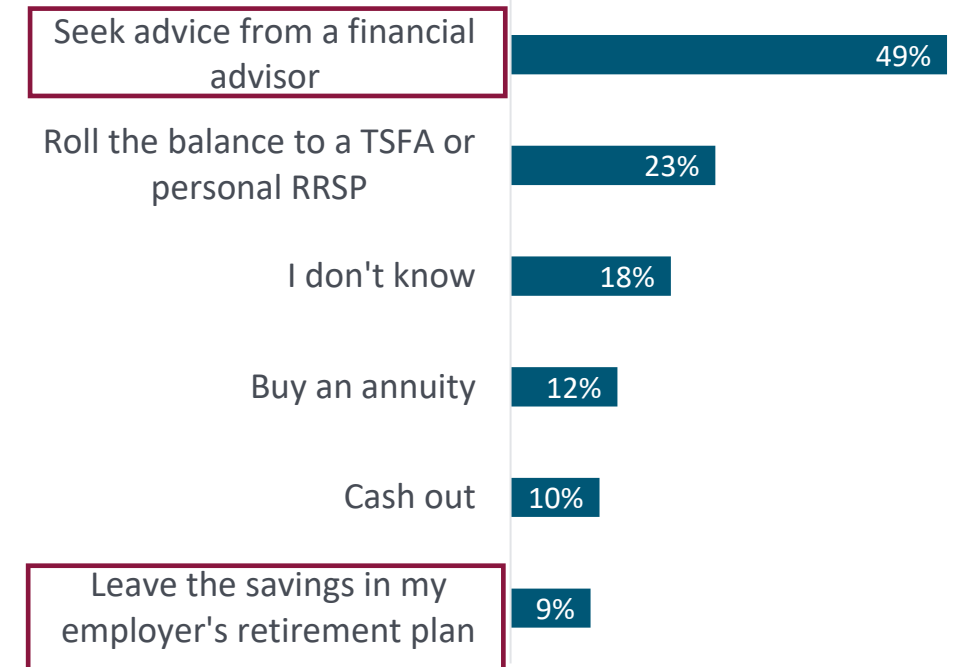
Most members are looking for advice

Do you expect your retirement to be...



- 35% expect to retire between the ages of 61 and 65
- 42% expect to retire at age 71 or older
- Survey population has an average expected retirement age of 64.4 years

Participant intentions upon reaching retirement



Source: MFS 2022 Global Retirement Survey, Canadian respondents. LHS Q: Do you expect your retirement to be... Q: At what age do you plan to fully retire (*i.e.*, no longer work for pay?)
RHS Q: When you retire, what do you plan to do with your retirement plan savings? (Respondents were able to select more than one statement.) This question was only posed to survey respondents age 45+.

What Can We Learn from the Rest of the World?

Lesson One: Member Retirement Concerns are Universal

We are more alike than different



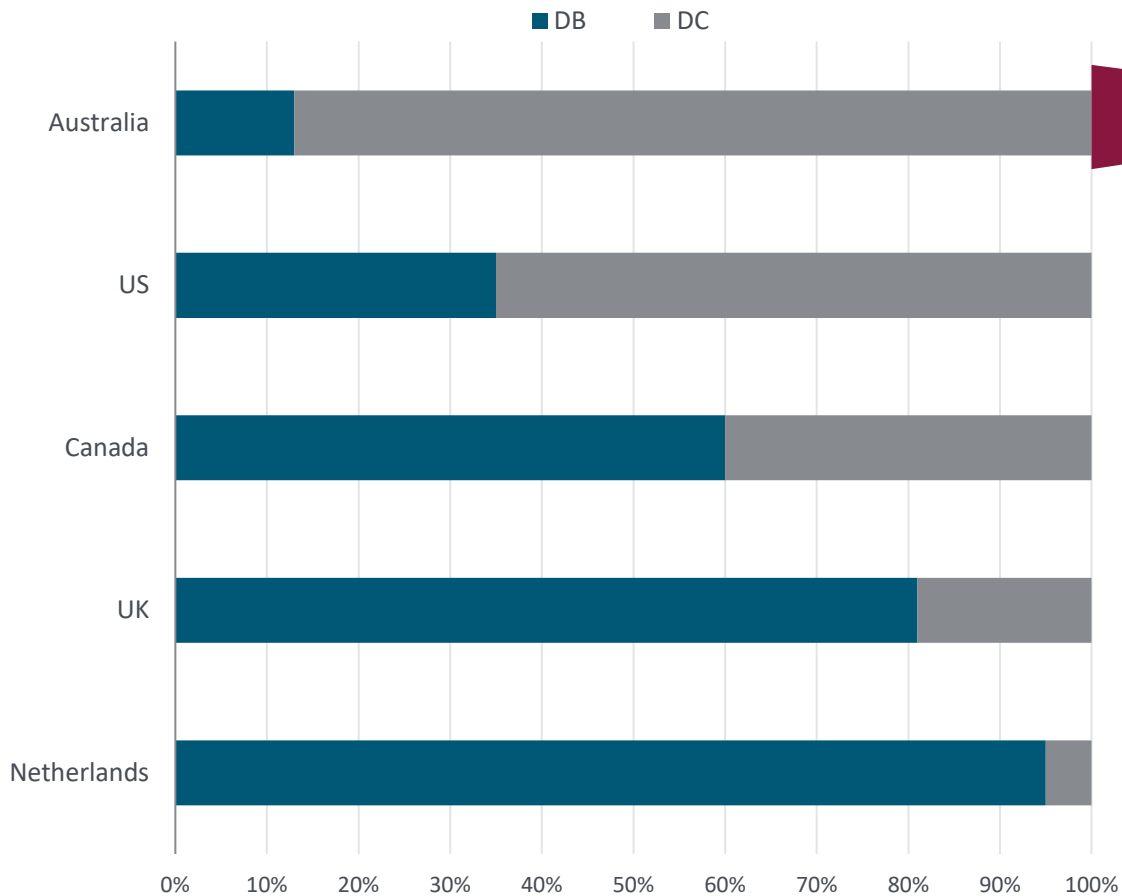
US	54%	82%	62%	39%	66.8 years
Canada	48%	77%	67%	40%	64.4 years
UK	58%	81%	68%	40%	65.4 years
AUSTRALIA	60%	93%	69%	41%	66.0 years

Source: MFS 2022 Global Retirement Survey. Q: Do you expect your retirement to be... This question was only posed to respondents age 45+. Q: How important is it for you to be able to consolidate all retirement assets into one or as few accounts as possible? Q: How confident are you that you will be able to retire at the age you want to? Q: What are your top financial concerns or worries regarding retirement? Q: At what age do you plan to fully retire (*i.e.*, no longer work for pay?)

Lesson Two: Countries are At Different Points in the Decumulation Journey

Australia must have this figured out, right?

DB/DC Split for Largest Pension Markets



- 1992** Government mandates 3% employer superannuation contribution for employees
- 2002** Super contributions progressively increased to 9%
- 2007** Super assets exceed \$1 trillion, greater than Australia's GDP
- 2014** Discussion paper on Comprehensive Income Products for Retirement (CIPRs)
- 2018** Government introduces "retirement income covenant" framework
- 2025** Super guarantee set to increase to 12%

Source: LHS Thinking Ahead Institute Global Pension Assets Study 2022. RHS : ARPA – Superannuation in Australia: a timeline

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Case Study: Australia

Comprehensive Income Products for Retirement (CIPR)

KEY OBJECTIVES

Government introduces “retirement income covenant” in 2018

Maximize expected retirement income in retirement

Manage expected risks to maintainability and stability of income in retirement

Have flexible access to funds in retirement

Expectation is for super funds to provide members access to CIPR’s

However, there is not currently a clear understanding regarding the structure of such a product

Problems surrounding annuities in Australia

Low rates of return

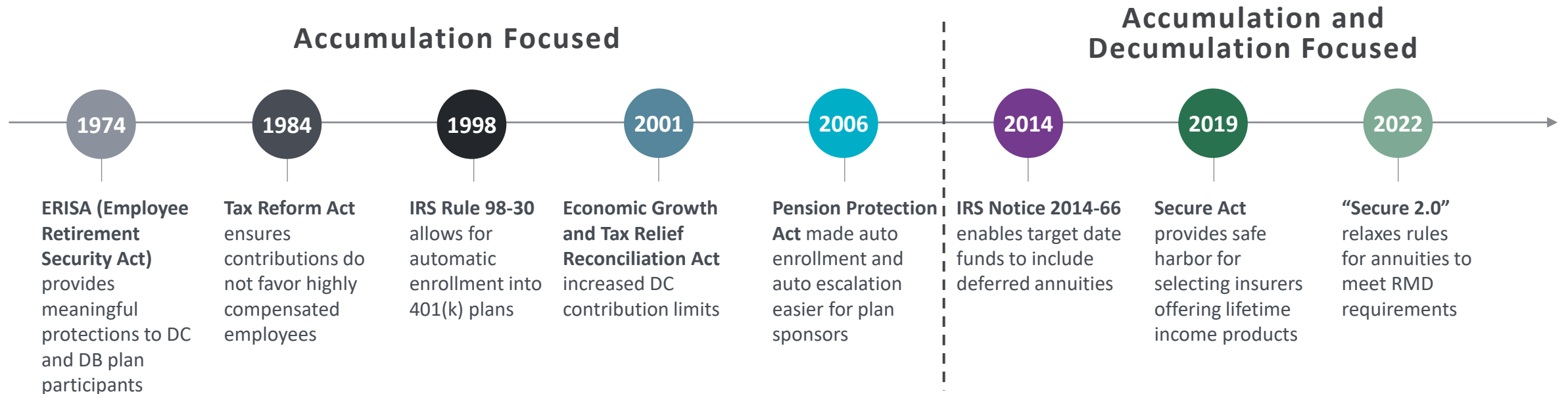
Lack of providers

Complex and costly product

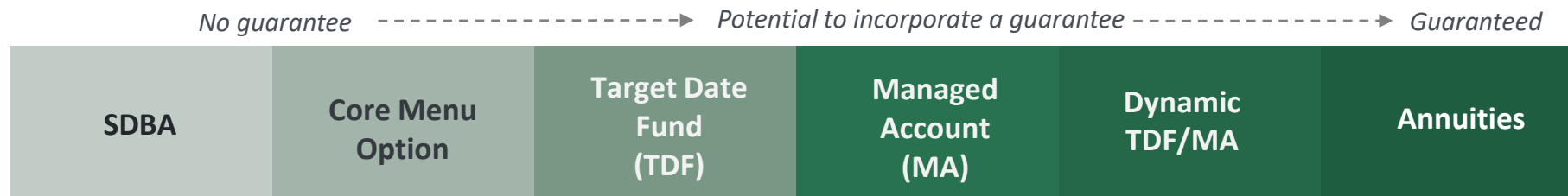
It has taken 30 years for the super industry to turn the focus from accumulation to decumulation

Case Study: United States

Recent legislative changes have been more decumulation focused

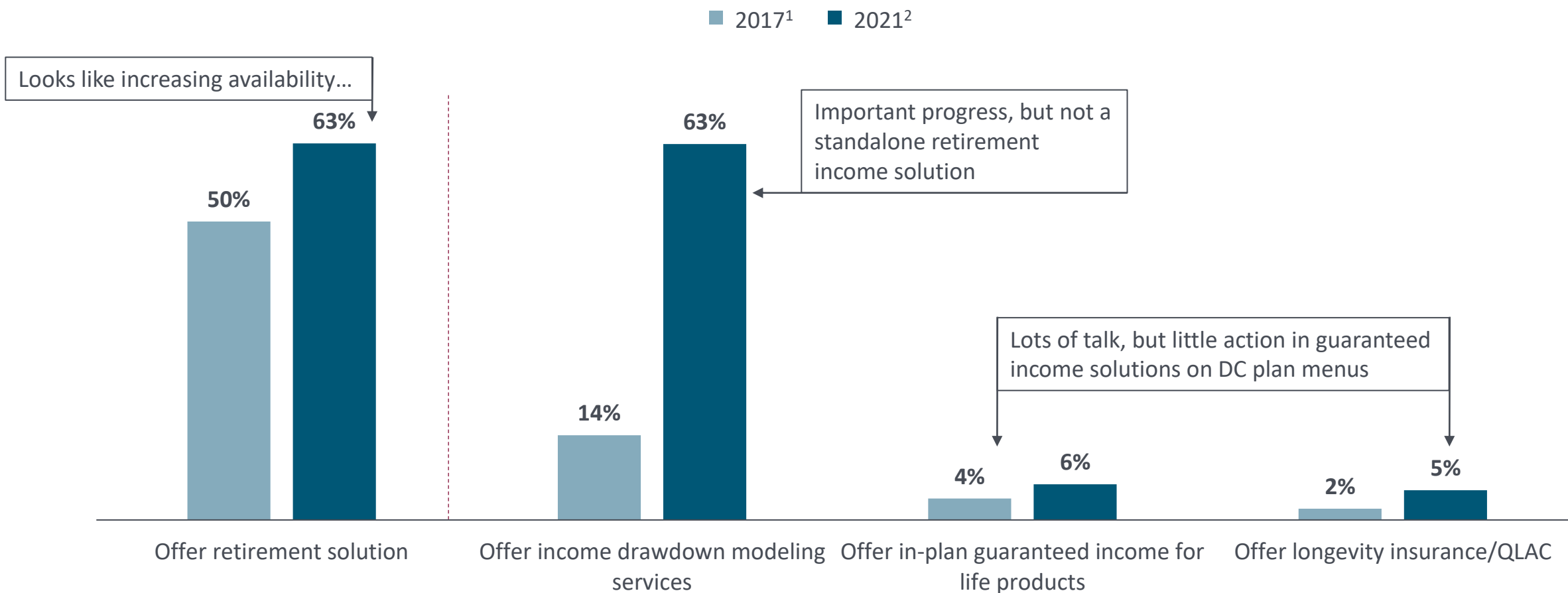


Range of Retirement Income Solutions Offered on US Retirement Plan Menus



Case Study: United States

Limited use of guaranteed income products in DC plans



Source: ¹Callan 10th Annual Defined Contribution Trends Survey, 2017. Conducted online in September and October of 2016 and incorporates responses from 165 plan sponsors, including both Callan clients and other organizations. ²Callan 14th Annual Defined Contribution Trends Survey, 2021. Conducted online in September and October of 2020 and incorporates responses from 93 large DC plan sponsors, including both Callan clients and other organizations. QLAC = Qualified longevity annuity contract

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Lesson Three: Retirement Income Presents Potential Drawbacks

In-plan retirement income solutions are not a fit for all plan sponsors



- Lengthens fiduciary relationship (General retirement span is 20-30 years)



- Even when offered, member uptake of guaranteed solutions tends to be low



- Potential for increased costs and governance oversight



- Solutions and products available in the future could look quite different than today



- Workforces with high turnover and/or short tenure may not be a good fit



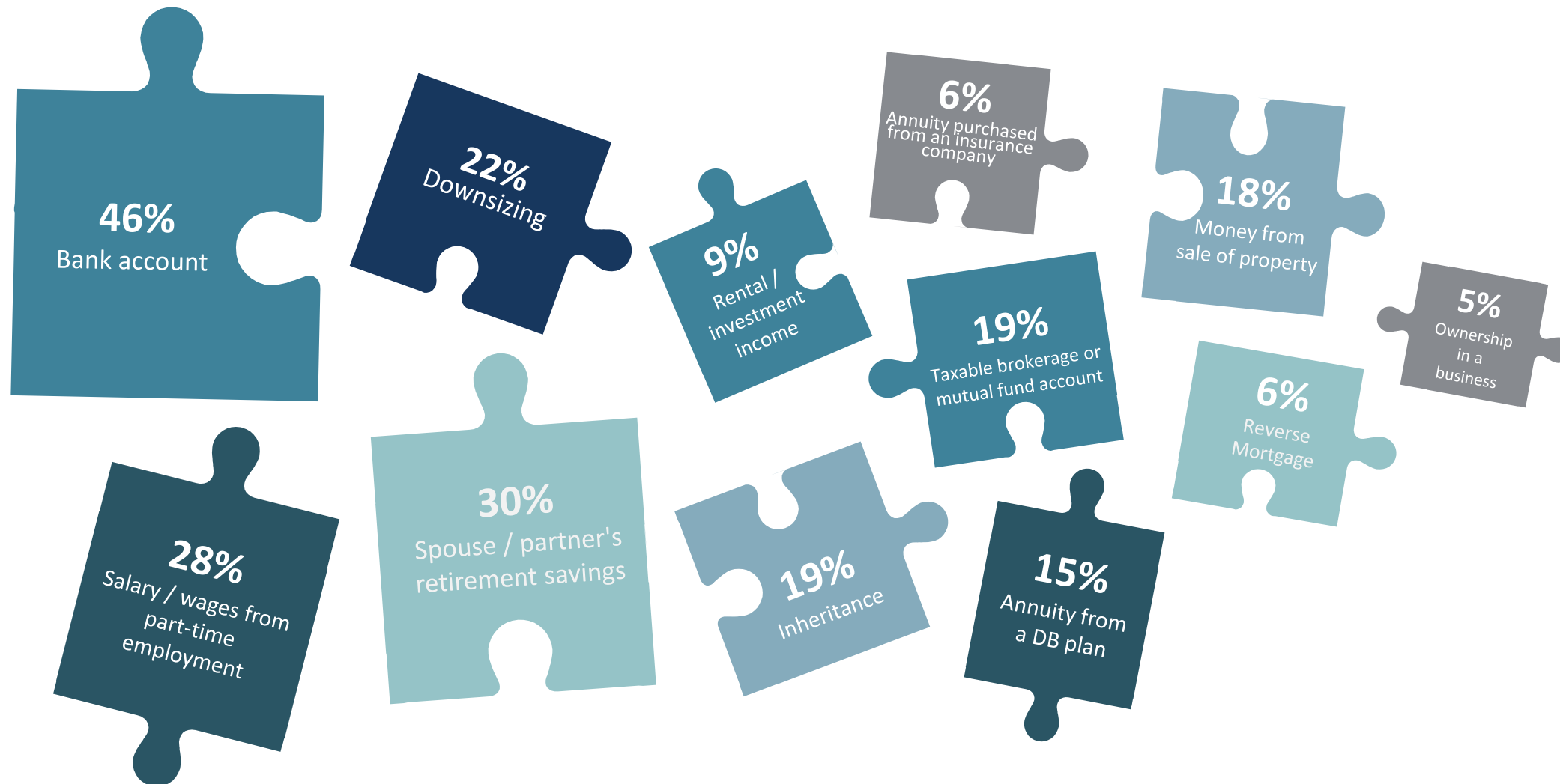
- Many do not want to be a first mover in this space



- Company retirement account is only one component of member's total retirement picture

Lesson Four: No One-Size-Fits-All Solution to the Decumulation Puzzle

Each member will have their own pieces

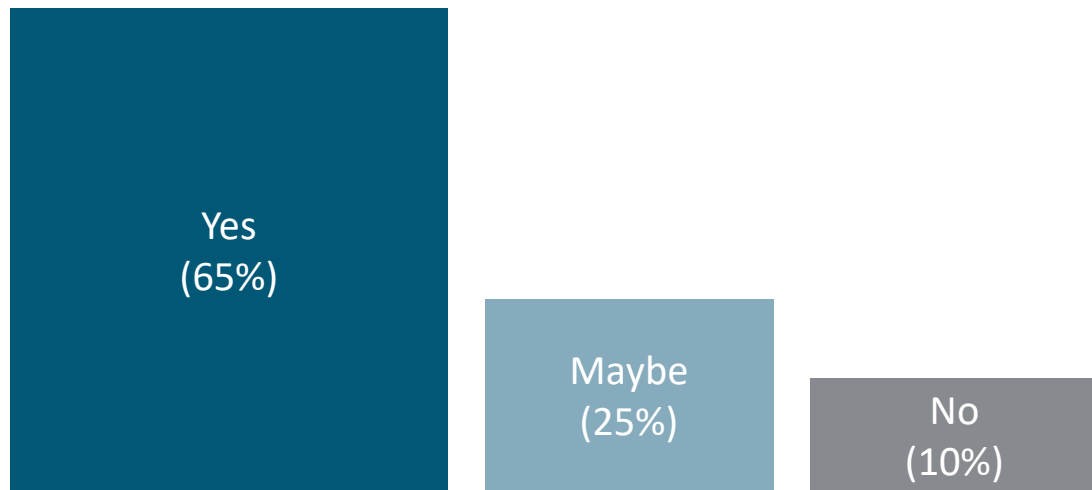


Source: MFS 2022 Global Retirement Survey, Canadian respondents, Q: Aside from the Canadian Pension Plan and your personal retirement savings accounts (e.g., Defined Contribution Pension Plan, RRSP) what assets do you expect to use in retirement? Respondents could choose more than one response so responses will not total to 100%.

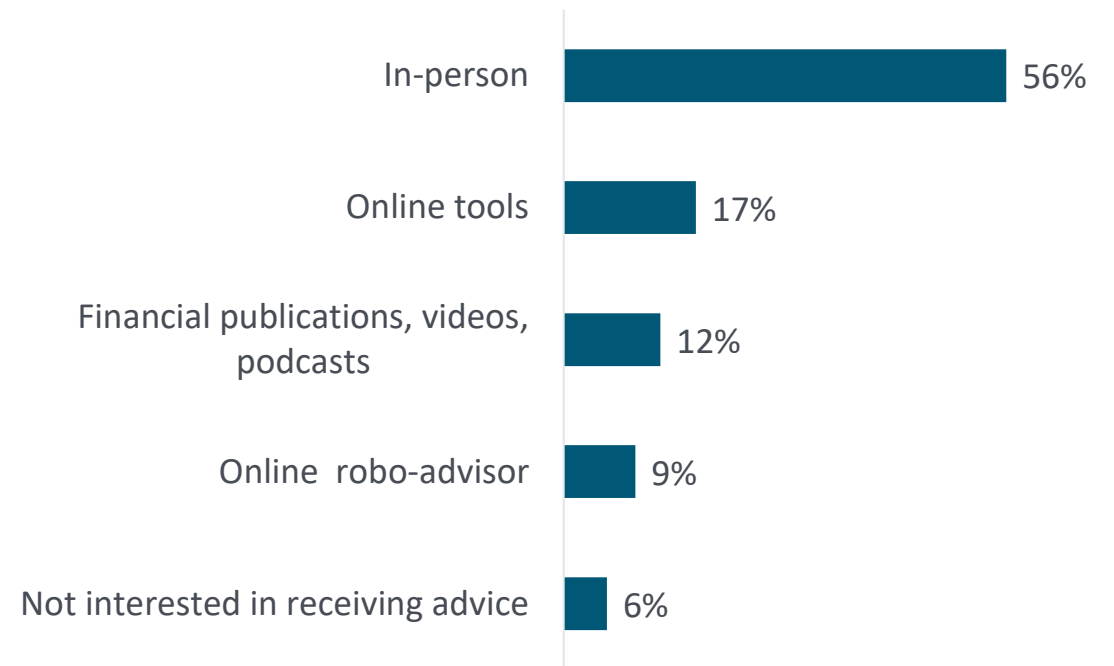
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Lesson Five: Members are Looking for In-Person Advice

If your workplace retirement plan offered access to an advisor, would you use this resource?



Preference for receiving advice

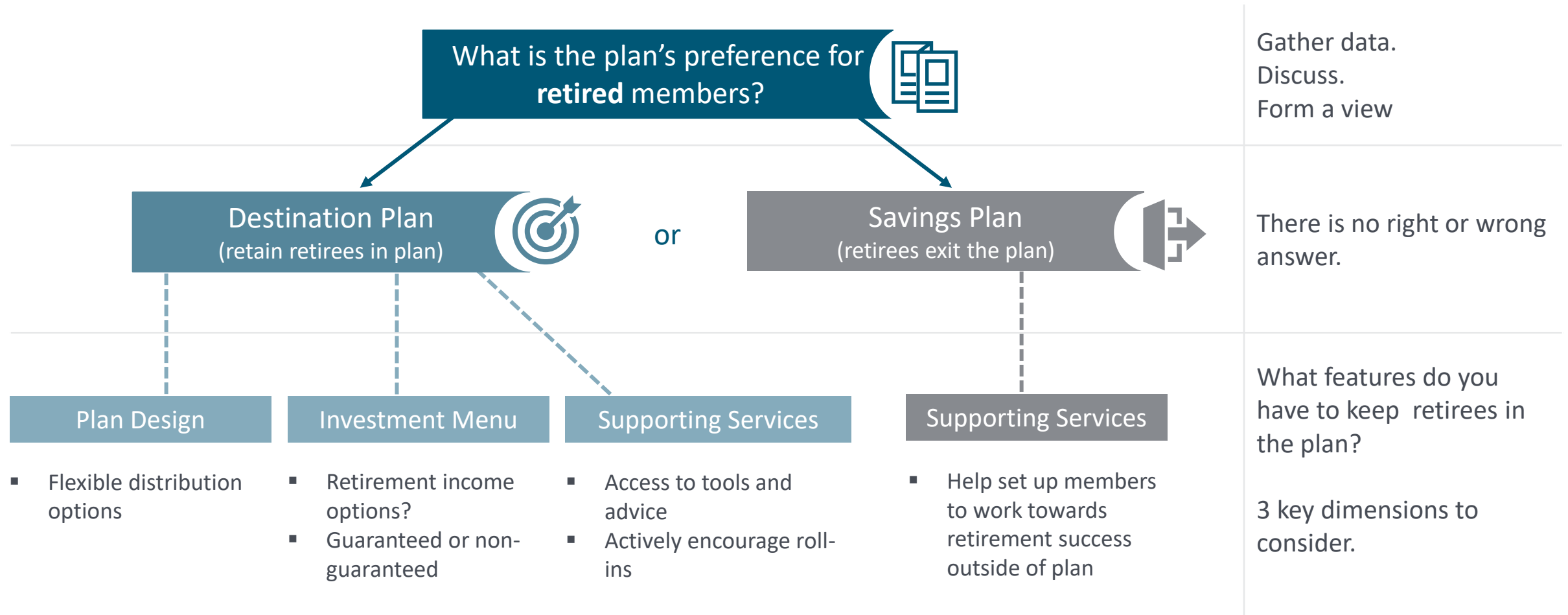


Source: MFS 2022 Global Retirement Survey, Canadian respondents. Q¹: How do you prefer to receive advice related to retirement saving and planning? “In-person” can be a video call. Q²: If your workplace retirement plan offered access to an advisor/planner to help with planning for retirement, would you use this resource?

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Determine if You Offer a Destination Plan or a Savings Plan?

Choose an identity and ensure the plan's design, investment menu, and services reflect it



Conclusions



There is no one-size-fits-all product that can solve the decumulation puzzle

- Each member is unique based on their financial needs, goals and risk tolerance, and a wide array of solutions will be needed to address varying participant needs
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Every plan is unique and should craft its own approach to decumulation

- Plan sponsors should consider if they want to be a savings plan or a destination plan, and implement the features and investments that align with their objectives
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Rhetoric versus reality

- There seems to be a gap between what the market is talking about and where the industry is today
 - Despite legislation in the US and Australia that has encouraged in-plan annuities, plan sponsors and members have shown little interest
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Plan sponsors could be an important part of the solution

- DC plans have been successful in addressing the accumulation challenge, but decumulation is more complex
- Plan sponsors are in the unique position to provide resources that can help prepare members for success in retirement

2022 MFS Global Retirement Survey Methodology

Audience

- Ages 18+, employed at least part-time
- Active workplace retirement plan participants / members in the US, Canada, UK, and Australia.*
- Data weighted to mirror the age / gender distribution of the workforce in each country.

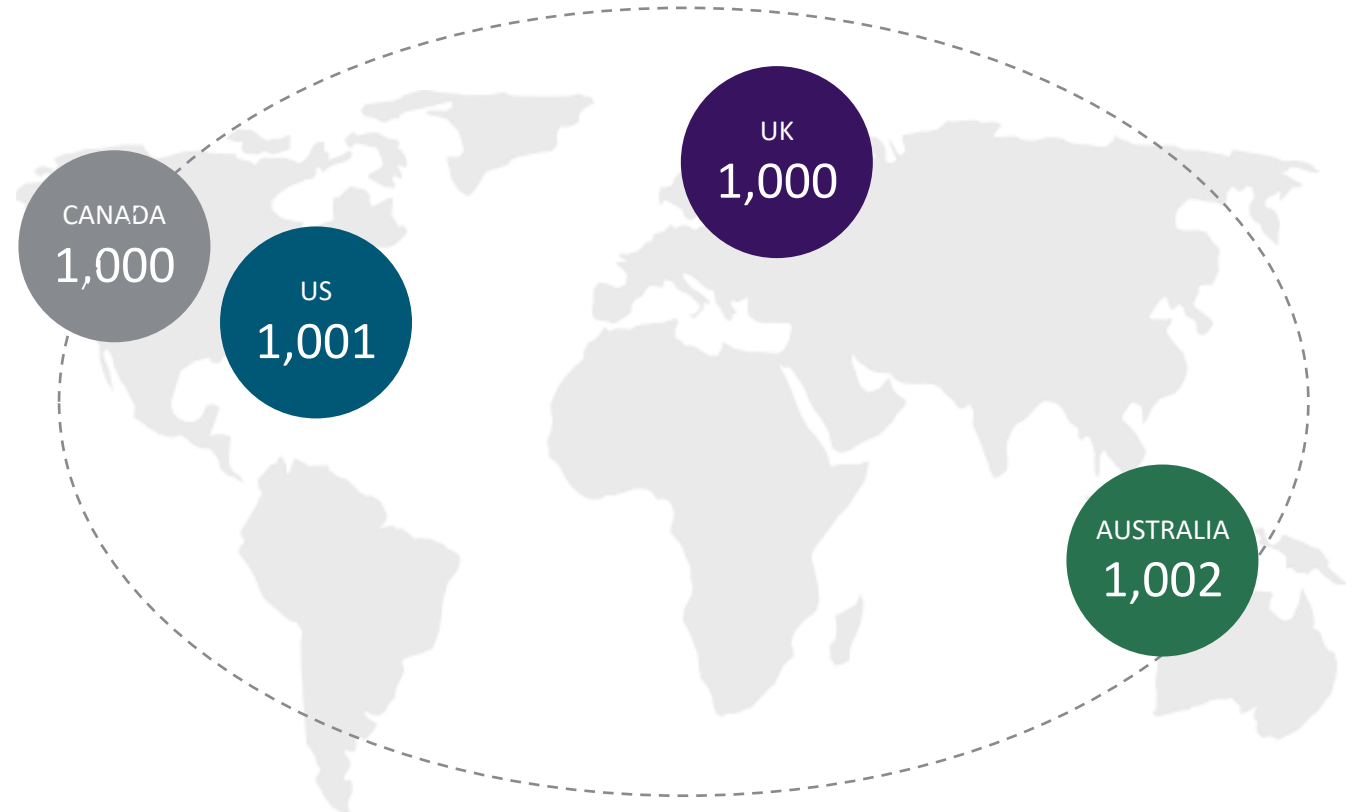
Methodology

- Mode: 15 min. online survey
- MFS not revealed as the sponsor
- Field period: March 15 – April 13, 2022

Key Topics of Inquiry

- Participants' retirement expectations
- Target date funds
- ESG investing
- Retirement advice
- Retirement income

Global Insights from 4,000+ Workplace Defined Contribution Retirement Plan / Scheme Members



*To qualify in each region: US, actively contributing to a 401(k), 403(b), 457, or 401(a) / Canada, actively contributing to DC Pension Plan, Group Registered Retirement Savings Plan, Deferred Profit Sharing Plan, Non-Registered Group Savings Plan, or Simplified Employee Pension Plan / UK, actively contributing to a Defined Contribution Scheme, Master Trust, or Individual Savings Account. / Australia, actively contributing to an industry, retail, corporate or public sector super fund or a self-managed super fund. Arrows shown throughout represent trend from 2021 survey results.

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