News From Aon

In the best financial health in nearly a decade, Canadian pension plans take action to better manage risk

- Aon's 2017 Pension Risk Survey shows pension plan sponsors are leveraging strong funding positions and taking a proactive approach to challenging markets
- In response to new pension regulations across the country, sponsors are adapting their funding and investment strategies

TORONTO (July 27, 2017) – With solvency funding ratios at post-recession highs, Canadian pension plans are in their strongest financial position in nearly a decade, but plan sponsors are not sitting on the sidelines when it comes to responding to challenging markets and changing regulations, according to the 2017 Pension Risk Survey from Aon.

The bi-annual survey, which gathered responses from 124 pensions plans covering nearly 1.5 million members, found that plan sponsors are taking fresh approaches to managing risk and generating returns in response to ever-changing financial markets. As well, the survey showed that in jurisdictions introducing pension legislation reform, sponsors are being proactive in their response.

Quotes:
"The opportunity for pension plans is to take a '3-D' approach, focusing on diversification, de-risking and dynamism in response to change," said William da Silva, Senior Partner and Retirement Practice Director at Aon Hewitt. "The need for responsive strategies is especially clear in jurisdictions with new pension regulations, where the survey shows sponsors are re-strategizing their funding and investment approaches."

"Plan sponsors aren't resting on their strong plan performance, but are instead looking for ways to better prepare for more volatile markets going forward," said Ian Struthers, Partner and Investment Consulting Practice Director at Aon Hewitt. "As investment choices and risks have become more complex, plan sponsors are more deeply focused on long-term strategy, efficient use of tools and resources and, above all, sound risk management."

Key Facts:
- 92% of plans have a long-term strategy to reach their objectives. Private-sector plans are more actively taking steps towards de-risking than are public-sector plans, which prioritize cost stability.
- While tools are available to help sponsors better understand and manage pension risks (for example, Aon's Risk Analyzer), 90% of plans still do not measure progress against long-term objectives.
- Plan sponsors are adapting their investment approaches to a low-yield environment and high market valuations: 30% have reduced bond allocations, most are invested in or considering alternative asset classes such as real estate (82%) and infrastructure (79%), and an increasing proportion (25%) are using outside advisors to implement investment policies (delegated investment solutions).
- In response to pension legislation reform, 41% of plans in Quebec, 27% in Western Canada and 33% in Ontario have made changes to their funding strategy, while 45% of Quebec plans and 21% of Ontario have changed investment strategy.

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About Aon
Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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