

SFL Pension & Benefits
Conference

Pension Plans: Defined Benefit vs. Defined Contribution

March 18-19, 2026 / Kevin Rozek

| Agenda

- 1. Canadian Retirement System**
- 2. Types of Pension Plans in Canada**
- 3. Analysis**
- 4. Key Takeaways**

1. Canadian Retirement System

Canadian Retirement System

Social Security
Programs



Personal
Savings

Occupational
Pension Plans

Canadian Retirement System

Social Security Programs

- Old Age Security
 - 99% of the Canadian population are covered
 - As of March 2026, maximum amount is \$742.31/month 65 to 74 and \$816.54/month if over 75
 - “Clawback” based on prior year income
- Canada/Quebec Pension Plan
 - Compulsory for workers
 - Maximum CPP at age 65 retirement is \$1,508 per month as of January 2026
 - CPP has been enhanced and changes are now implemented
- Guaranteed Supplemental Income
 - For low income earners



Canadian Retirement System

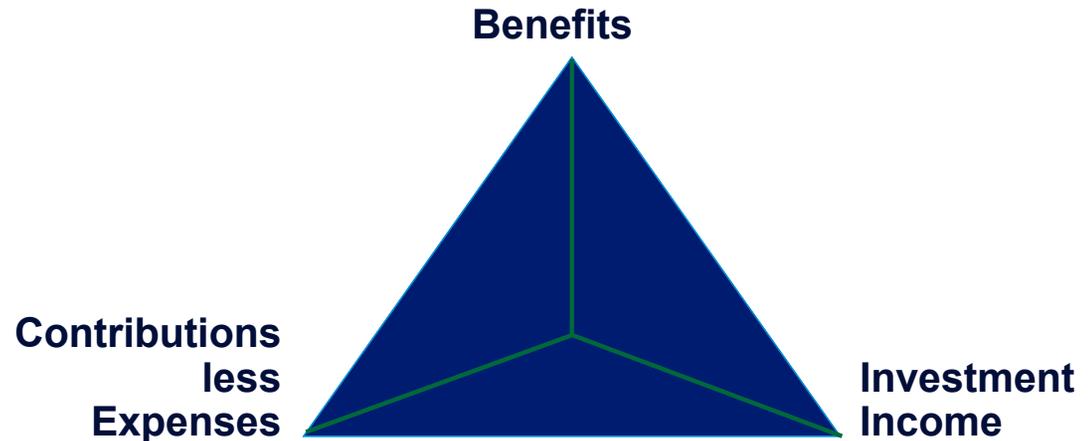
Personal Savings

- Registered Retirement Savings Plan (RRSP)
 - Contributions are tax deductible
 - Contributions are limited
 - Savings grow tax free throughout your lifetime
 - Tax is payable on withdrawals
- Tax-Free Savings Account (TFSA)
 - Savings grow tax free throughout your lifetime
 - Contributions limited each year
- Other Investments

Canadian Retirement System

Occupational Pension Plans

- Defined Benefit (DB)
 - Benefit is predictable
 - Contributions are unknown
- Capital Accumulation Plan (Defined Contribution (DC), Group RRSP, DPSP)
 - Benefit at retirement is unknown
 - Contributions are fixed
 - VPLA are now available in certain provinces
- Target Benefit Plans
 - Usually for multi-employer plans (MEPs)
 - Contributions are fixed
 - Benefit may be reduced or increased over time



2. Type of Pension Plans in Canada

Type of Pension Plans: high level summary

Feature	Defined Contribution (DC)	Defined Benefit (DB)	Target Benefit Plan (TBP)
What is fixed?	Contributions	Pension is formula-based	Target benefit but not guaranteed
Who bears investment risk?	Members	Employer	Shared
Who bears longevity risk?	Members	Employer	Shared
Employer cost stability	High – predictable	Low – depends on funding level	Moderate – contributions usually fixed

Type of Pension Plans

- **Defined Benefit (DB)**

- Similar to insurance, DB plan pool risks of all members together
- Facilitates retirement planning by offering predictable levels of retirement income
- Economies of scale
- Professional oversight
- Sponsor is responsible for benefits

Type of Pension Plans

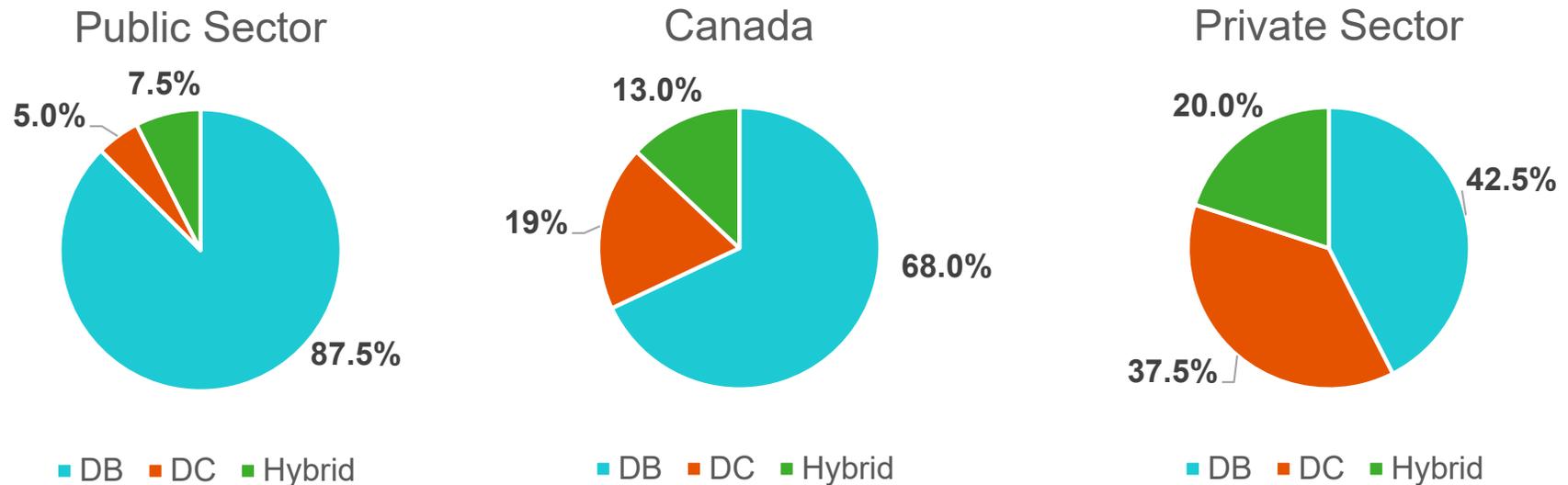
- **Capital Accumulation Plan (Defined Contribution (DC), Group RRSP, DPSP, Group TFSA)**
 - Amount of pension at retirement is a function of the account balance
 - Investments directed by individuals
 - Good returns result in higher pension
 - Poor returns result in inadequate pensions
 - Expenses are typically much higher in working years and even higher in retirement years
 - A significant amount of savings can be paid out in fees over time
 - All risks are borne individually by each member
 - Decumulation period can be difficult as regulations are in place that set maximum and minimum withdrawal amounts each year
 - Requires significant involvement from member
 - Can buy an annuity in retirement to reduce member risk, but this comes with a cost

Type of Pension Plans

- **Target Benefit**

- Similar to Defined Benefit Plans, the benefit is based on a formula related to contributions and/or service
- Usually associated with unions where multiple employers contribute to the plan on behalf of the members
- Plan is designed to live forever
- Benefits can be increased or decreased based on financial status and plan governance model
 - Likelihood of decrease in benefits is reduced due to
 - Economies of scale
 - Professional oversight
 - Regulations
 - Relatively low fees compared to other pension options

Type of Pension Plans - coverage



- Canada overall: ~ 7.2 million active pension members
- Public vs Private: Public sector (~ 3.9M members) is mostly DB while private sector has more even mix of DB and Hybrid plans
- Canada looks DB-heavy only because of public sector; DC dominates new private-sector coverage and TBP sit inside the 13% category

Workforce mobility, longevity risk and shift in pension coverage

- Increase in career mobility weakens DB value proposition
 - new generation change employers more frequently; making portability more important than back-loaded accruals
- Longer life expectancy
 - DB pools longevity risk and pay pensions for life; DC place risk of outliving assets on individuals; this makes pure DC increasingly challenging
- Portability and transparency are now core expectations, favouring DC and hybrid designs
- Hybrid and TBPs are emerging as a response to mobility and longevity
 - TBP retain collective risk pooling (like DB) while allowing benefit adjustments and fixed contributions (like DC)

3. Analysis

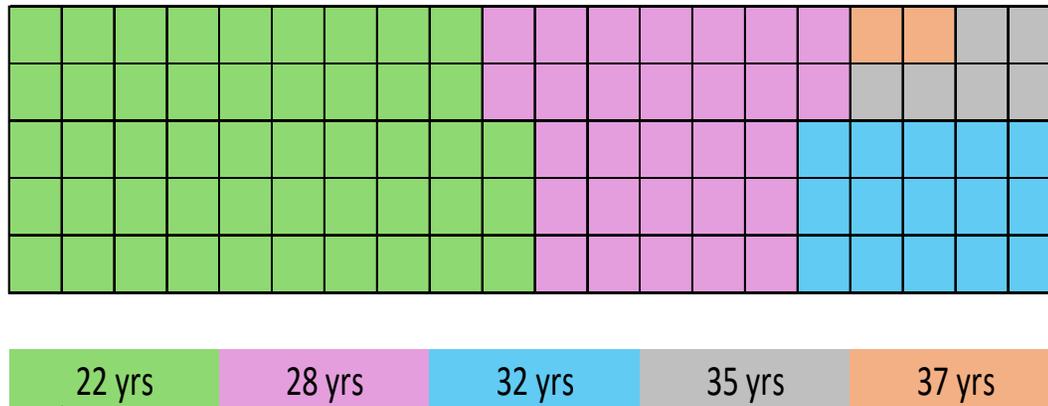
Life Expectancy – How long will live?

Age 2026	Gender	Life Expectancy*	Expected Age at Death*
55	M	31.25	86.25
55	F	34.10	89.10
65	M	22.19	87.19
65	F	24.53	89.53

The above shows the life expectancy for a male or female who is alive at age 55 and 65. This shows that a male who is a live at 65 is expected to live 22.19 years (until past age 87). Another way to look at this is that half the men who retire at 65 will need pension payments to last at least 23 years.

* Based on CPM Private Sector Mortality Table using mortality improvement scale CPM-B.

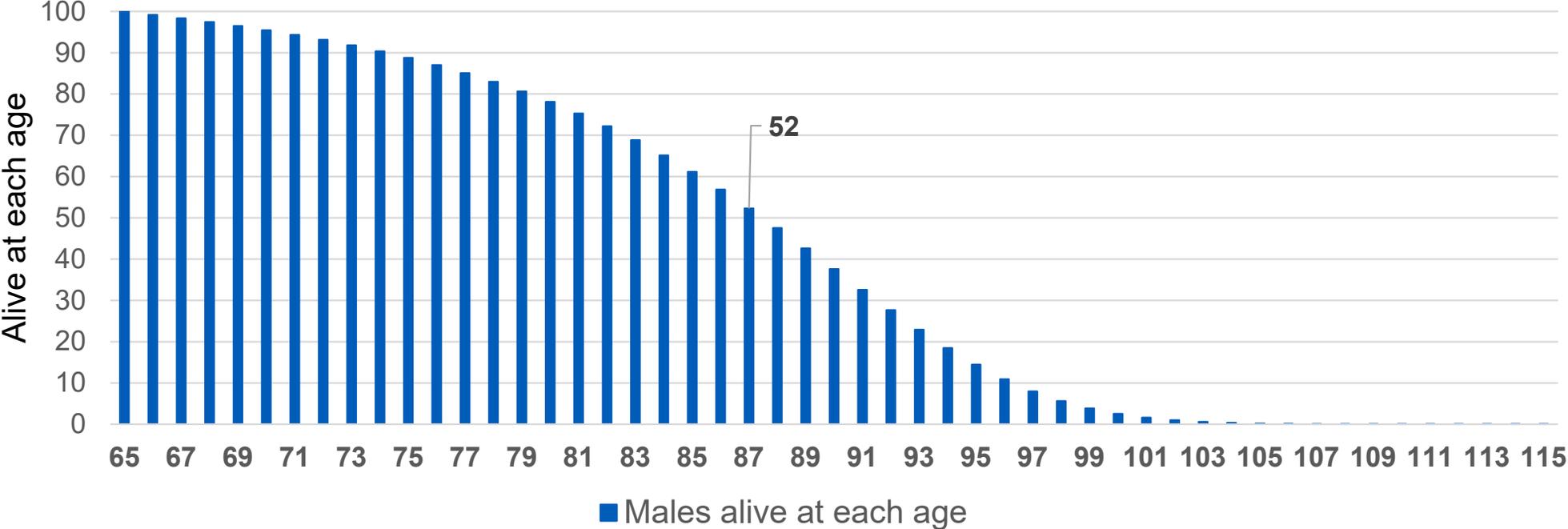
Life Expectancy



In the graphic above each square represents a male who retires at age 65. The 48 green ones will need no more than 22 years of pension payments, the 29 purple ones will need 22 to 28 years of pension payments, the 15 blue ones will need between 28 and 32 years of pension payments and the 6 grey ones will live to almost 100 and will need about 35 years of pension payments. The two orange ones will live past 100 and will need more than 35 years of pension payments.

In a Target Benefit Plan the pensions are paid for your lifetime. In Capital Accumulation Plans (DC and RRSPs) the payments are variable and paid only until you run out of money.

Life Expectancy

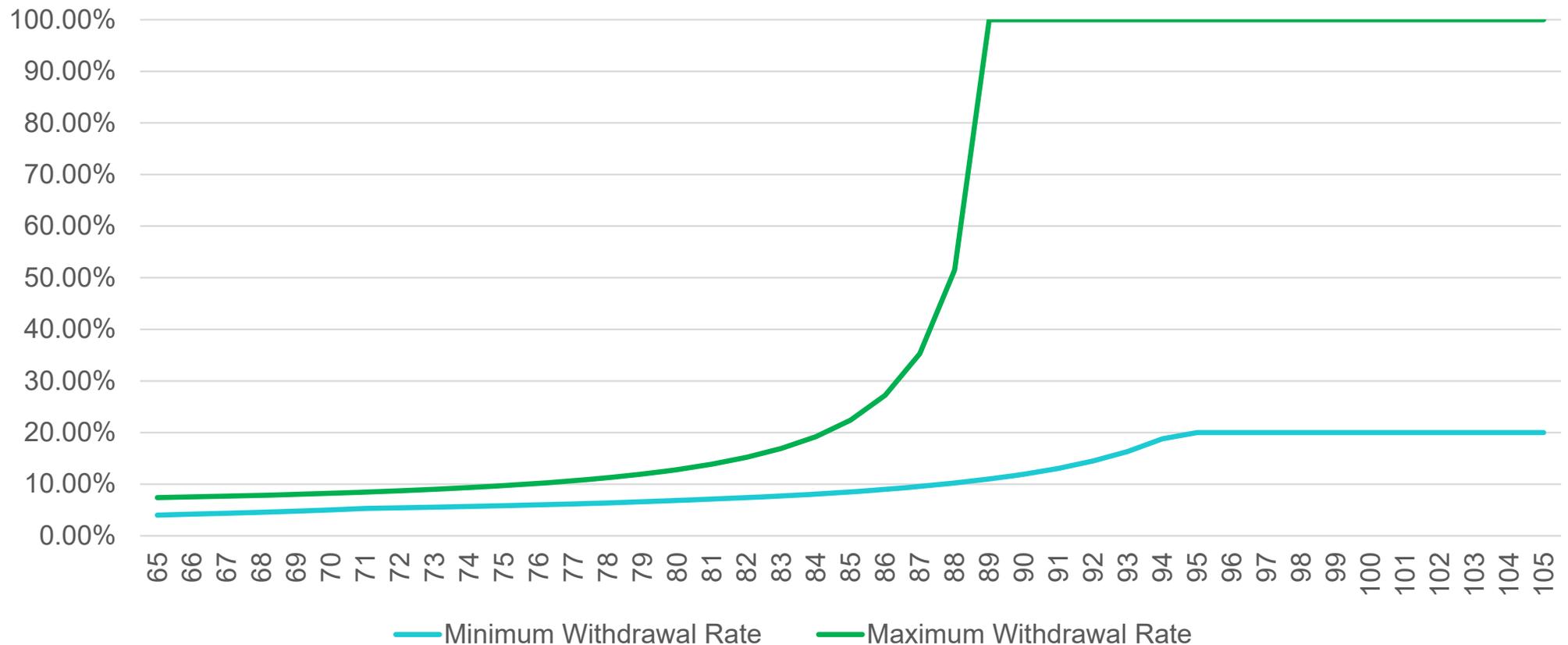


52 out of 100 males at age 65 are expected to survive to age 87

* Based on CPM Private Sector Mortality Table using mortality improvement scale CPM-B.

Managing Own Money in Retirement

Sample Withdrawal Percentages*

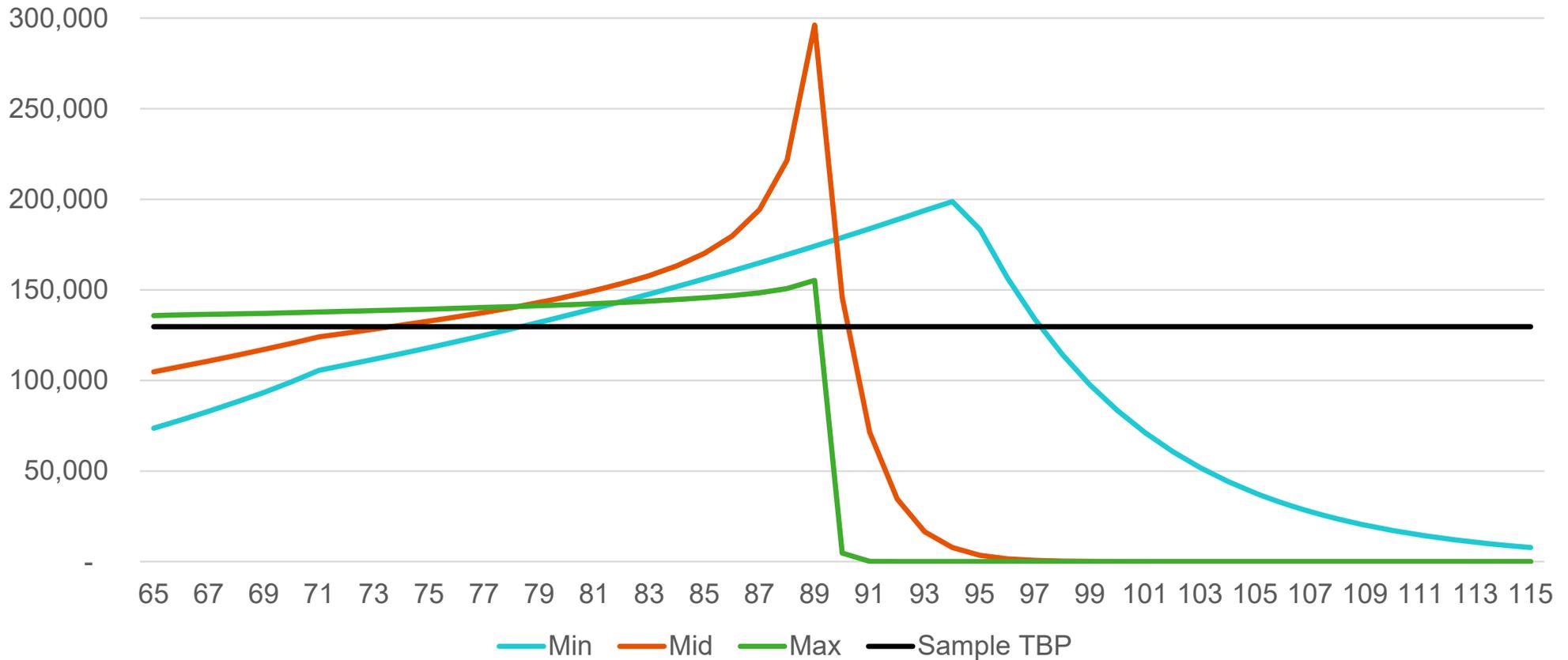


* As per Income Tax Act (Canada), minimum and maximum withdrawal rates from Group RRSP and DC plans.

If you have a capital accumulation account you must withdraw between the maximum and minimum percentage of your account each year.

Income Streams – Managing Own Money

Expected Income Streams



Assumptions:

Member profile: Entry age of 30 with annual salary of \$70,000

Salary scale: 2.00% per annum

Investment return on contributions: 6.00% per annum net of all fees

No future increases in benefits for sample TBP

4. Key Takeaways

Key Takeaways

- **Longevity risk is increasing**
 - many retirees will need income for 25-35+ years, making lifetime pension design critical
- **Workforce mobility is reshaping pensions**
 - frequent job changes reduce DB effectiveness and increases demand for portable, transparent plans
- **Plan design determines who bears risk**
 - DB pools risk, DC places investment/longevity risk on individuals, TBPs share risk with built-in flexibility
- **TBPs offer a balanced solution**
 - fixed contributions with collective risk pooling and contribution stability

Questions and Comments

