February 4, 2016

Andrew Schrumm
Policy Manager, CAPSA Secretariat
5160 Yonge Street, Box 85
Toronto, ON M2N 6L9
Email: capsa-acor@fsco.gov.on.ca

Dear Mr. Schrumm:

Thank you for the opportunity to provide our comments on the critical challenges and opportunities in the pension regulatory system that we believe should be addressed by CAPSA in its new strategic plan.

We have solicited feedback from our members and have the following items we recommend CAPSA address in its strategic plan:

1. **Guidelines on Offering Variable Benefits from DC Plans**: Federal and provincial pension regulations now make it possible for plan sponsors to offer variable benefits from their DC plans. Although this initiative promotes flexibility, many plan sponsors surveyed are reluctant to offer variable benefits as it may pose additional fiduciary liability risks. One possible solution would be to have "safe harbor" legislation similar to the legislation in the United States applicable to 401(k) plans. However, in light of the difficulties, including the amount of time that would be involved, in obtaining such legislation across all jurisdictions, we ask that CAPSA prepare a guideline on best practices for DC plans sponsors who wish to offer variable benefits from their plans. While the guideline will not provide a legal "safe harbor", it would assist in protecting plan sponsors should they choose to offer variable benefits, which would be of tremendous benefit to plan members in providing retirement income at low cost. In addition to making group RRIFs available, it would be a useful tool in assisting both plan sponsors and members in the prudent decumulation of DC assets.

   This initiative fits squarely within CAPSA's framework for assessing impact in that it: i) impacts more than one jurisdiction; (ii) is within the policy making mandate of pension regulators; and (iii) would have concrete, definable and measurable results in supporting and encouraging DC plan sponsors to offer variable benefits to their plan members by assisting them in managing their fiduciary risks in this regard.

   In taking on this initiative, we would encourage CAPSA to take advantage of industry knowledge and experience in jurisdictions where plans already provide variable benefits from DC Plan or other group decumulation options (for example, large self-administered DC Plans and the life sector).

2. **Guidelines on Consistency in DC Plan Disclosure to Members.** In our experience, there can be significant variations in the assumptions used for Member retirement income projection and modelling tools. Therefore, we ask that CAPSA supplement the existing CAP and DC Guidelines to bring consistency to the assumptions underlying these tools by releasing industry standards in this regard.

   This initiative fits squarely within CAPSA's framework for assessing impact in that it: i) impacts more than one jurisdiction; (ii) is within the policy making mandate of pension regulators; and (iii) would have concrete, definable and measurable results in bringing consistency to the disclosure provided to DC plan members across Canada about the level of income they can expect from their DC account balances.

3. **Guidelines Regarding Alternative Settlement Methods**. For plans subject to solvency funding, the appropriateness of assigning a liability to certain obligations (typically pensions in pay, deferred pensioners and a portion of active members entitled to an immediate pension) that equals the estimated cost of a single group annuity purchase has been questioned in some circumstances. Specifically, such circumstances involve situations where an actual annuity purchase may not be possible or practical due to capacity constraints in the Canadian group annuity market.

   The Canadian Institute of Actuaries (CIA) in their paper "Alternative Settlement Methods for Hypothetical Wind-Up and Solvency Valuations" discussed such capacity constraints and identified various alternative settlement methods to the traditional group annuity proxy method when capacity may be an issue. ACPM would encourage CAPSA to:

   - acknowledge the appropriateness of applying alternative settlement methods in situations where capacity may an issue; and

   - establish a set of uniform conditions under which alternative settlement methods could be applied.

   This initiative fits squarely within CAPSA's framework for assessing impact in that it: i) impacts more than one jurisdiction; (ii) is within the policy making mandate of pension regulators; and (iii) would have concrete, definable and measurable results in bringing uniformity when alternative settlement methods may be applied.

4. **Guidelines for Target Benefit Plan (TBP) Communications**: While legislation still to be released in most jurisdictions will likely address key features of TBPs, we believe CAPSA could play a major role in providing best practices as to how these plans should administered by providing clear guidelines on the content of member communications about TBPs. One of the key concerns for TBPs is that plan sponsors and members understand the risk-sharing nature of these plans.

   This initiative fits within CAPSA's framework for assessing impact in that it: i) impacts more than one jurisdiction; (ii) is within the policy making mandate of pension regulators; and (iii) would have concrete, definable and measurable results in supporting plan administrators, sponsors and members of TBPs by providing best practices for clearly and regularly communicating how TBPs operate and the risk-sharing "deal" between plan sponsors and members.

5. **Sharing of Data**. Canadian pension regulators collect a wide range of data on pension plans registered in their jurisdictions. Each regulator collects different data and shares it with plan administrators and other interested parties in varying degrees. Having mostly the same data points collected in a consistent manner and sharing insights from this larger and aggregated set of information with plan administrators and other stakeholders across Canada would greatly benefit plan administrators in understanding how their plan compares with plans across the country and help policy makers and industry groups put forth ideas to help improve the pension system.

   This initiative fits squarely within CAPSA's framework for assessing impact in that it: i) impacts more than one jurisdiction; (ii) is within the policy making mandate of pension regulators; and (iii) it would have concrete, definable and measurable results in supporting plan administrators and industry in evaluating and managing the risks and challenges their pension plans face.

In addition to the items discussed above, ACPM encourages CAPSA to use its influence with policy makers to ensure that they do not simply rely on the Actuarial Standards Board to make decisions on what assumptions should be used to determine the commuted values of pension benefits. This responsibility fall squarely on pension policymakers in each jurisdiction.

Sincerely,

Bryan D. Hocking
Chief Executive Officer