



May 17, 2023

Members of the Standing Committee  
on Banking, Commerce and the Economy  
Senate of Canada  
Ottawa ON K1A 0A4

To Whom It May Concern:

**Re: Budget Implementation Act, 2023 No. 1 – Division 2 Private Pension Plans**

ACPM is the leading advocacy organization for a balanced, effective and sustainable retirement income system in Canada and we are a politically neutral, non-profit national organization. Our retirement plan sponsor and administrator members manage retirement plans for millions of plan members, including active plan members and retirees. Our members represent some of the largest private and public sector defined benefit pension plan sponsors and administrators in Canada.

As discussed during the Senate Committee hearing, we have a few suggested changes to amendments to the Pension Benefits Standards Act, 1985 and the Pooled Registered Pension Plan to address the four points we made:

**1) Definition of defined benefit provision:** We are concerned that the classification of defined contribution plans that offer a variable life benefit option as a “defined benefit provision” could cause confusion and potentially deter plan sponsors and administrators from adding the variable life benefit option to their plan. Unless there is a specific reason for classifying these defined contribution plans as a defined benefit provision, we would recommend retaining the existing definition for the defined benefit provision in section 2(1) of the Pension Benefits Standards Act, 1985:

“**defined benefit provision** means a provision of a pension plan under which pension benefits for a member are determined in any way other than that described in the definition **defined contribution provision**”

Any specific requirements for variable life benefits and the variable life benefit fund, such as actuarial valuations, etc. can be addressed in the regulations by way of reference to the variable life benefit fund.

**2) As noted in our testimony, we noted that scale is paramount to the success of variable life benefits.** The legislation should support, wherever possible, the ability of plans to achieve the necessary scale, including the possibility of the transfers upon wind-up of a variable life benefit fund to other pension plans or to a pooled registered pension plan. This appears to be considered in sections 16.91(1)(b) and 29(12)(b) and the definition of pension plans in section 26(5)(a).

However, this would be further aided by requiring the administrator to identify a default election to be applied in the event a pensioner or survivor does not make an election within the prescribed period of time. Given the nature of variable life benefits (as a lifetime income which is intended to manage investment and mortality risk on behalf of all those electing the option) and the likelihood that pensioners and survivors of advanced age may have difficulty taking on those responsibilities themselves, we believe the default should be either a transfer to a pre-selected variable life benefit or an immediate life annuity. Accordingly, we propose subsection, 16.91(4) and a correspondingly similar subsection 29(13) as follows:

“the administrator shall select the default election under subsection 16.91(1), either a transfer to a specific pension plan or an immediate annuity, that will apply in the event the former member or survivor does not make an election within the prescribed period of time, and shall communicate the prescribed information on the default election to all former members and survivors who were receiving a variable life benefit.”

Similar changes should be made in the Pooled Registered Pension Plans Act.

**3) Allow broad participation in PRPPs:** As mentioned in our testimony, PRPPs have the potential to become a near universal source for all Canadians to participate in a *bona fide* lifetime pension (beyond CPP/QPP and OAS). Legislation should be supportive of allowing any Canadian who has registered assets the ability to transfer assets from RRSPs, RRIFs, DC pension plans, or deferred profit sharing plans into a PRPP account to purchase a variable life benefit or a combination of a variable life benefit and a variable benefit. In order to maintain the objective of reducing cost, the administrator of the PRPP could set a reasonable minimum initial account level to mitigate the administration cost. Accordingly, we suggest the following amendment to Sections 3 and 4 (***bold italics, and ~~strikeout~~***):

#### “Purpose

3 The purpose of this Act is to provide a legal framework for the establishment and administration of a type of pension plan that is accessible to employees ***and***, self-employed persons ***and Canadians who elect to participate*** without an employer affiliation ***through asset transfer from prescribed registered plans*** and that pools funds to achieve lower costs in relation to investment management and plan administration.

“4 This Act applies in respect of a member of a pooled registered pension plan who

(a) is employed, other than in one of the territories, in included employment by an employer that participates in the plan;

(b) is employed in included employment in a territory or is a self-employed person in a territory; ~~or~~

***(c) is a Canadian who elects to participate without any employer affiliation through a transfer from prescribed registered plans and who satisfy any minimum initial account size set by the administrator for eligibility for participation by non-employer affiliated members; or***

(d) is part of a prescribed class of members.”

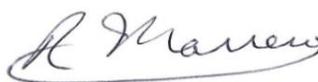
The regulations can define prescribed registered plans as registered retirement savings plans, registered retirement income funds, registered pension plans, other pooled registered pension plans or deferred profit-sharing plans. They can also specify any rules that govern how the administrator can select and communicate the minimum initial account value for non-employer affiliated members.

During our testimonies, Mr. Kosarenko also indicated that it should be possible to transfer funds from a member account that is in the process of making variable payments under the pooled registered pension plans act to the variable life benefit fund, where offered. We endorse that notion and would venture that retirees may indeed value the benefit of the systematic-managed approach, as they grow older and deem the ability to self-vary benefit payments to be less important. In our reading of section 51.1, this appears to be permissible to transfer amounts from the member account to the variable benefit fund from time to time. If there is indeed a section that precludes a subsequent transfer to members receiving variable payments, then we agree that should be addressed.

Thank you for providing an opportunity to participate in the Senate committee hearing. We welcome any feedback or questions on our proposed amendments and we would be pleased to provide further assistance.



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