



October 26, 2023

Pension Policy Branch  
Ministry of Finance  
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Toronto, ON M7A 1Y7  
*Via email*

To Whom It May Concern:

**RE: August 2023 Follow-Up Consultation Document - A Permanent Framework for Target Benefits: Revised Proposals (Proposal Number 23-MOF15)**

ACPM is the leading advocacy organization for plan sponsors and administrators in the pursuit of a balanced, effective, and sustainable retirement income system in Canada. We are the voice of retirement plan sponsors, administrators, and trustees in the private and public sectors and our membership represents retirement income plans that cover millions of plan members.

The Association of Canadian Pension Management ("ACPM") is pleased to provide comments on the follow-up consultation document, *A Permanent Framework for Target Benefits: Revised Proposals*, that was released by the Ministry of Finance on September 1, 2023, outlining a revised proposed framework for target benefit multi-employer pension plans ("MEPPs").

ACPM provided comments on the proposed rules for target benefit MEPPs that were released in 2015, 2018, and earlier this year. ACPM believes target benefit MEPPs are a viable model for providing adequate retirement income to members and we therefore support and are encouraged by Ontario's efforts to provide specific and permanent funding rules for these plans.

At the same time, and as ACPM has emphasized previously, target benefit plans create incentives for employers to contribute towards their employees' retirement savings, including cost certainty. It is critical that those incentives are not undermined by an unduly burdensome regulatory framework.

As noted in our submission earlier this year, ACPM supports the proposals to permanently exempt target benefit MEPPs from solvency funding and the use of going concern assumptions for the calculation of commuted values for target benefit MEPPs. We are happy these proposals have been maintained in the revised proposed framework.

We are also gratified that the revised proposed framework addresses many of our significant concerns with the earlier proposed framework. In particular, we welcome the revised proposed approach to the provision for adverse deviations (PfAD) in which plan administrators would have the discretion to establish their plan's PfAD in line with their plan's funding and benefits policy, the streamlined conversion rules, and the proposal to permit commuted values to be adjusted by the plan's going concern funded status. Despite these improvements, ACPM is concerned with the following aspects of the revised proposed framework:

- certain proposed rules will restrict the ability of trustees to prudently manage their plans;
- ACPM believes communication with plan beneficiaries is important but does not agree with the communication requirements that have been proposed; and
- the revised proposals suggest that there may be restrictions on the ability of multi-jurisdictional MEPPs to provide target benefits.

### **Restricting Prudent Plan Management**

The revised proposed framework includes proposals that will restrict the ability of trustees to prudently manage their plans.

First, the revised proposed framework indicates that a target benefit MEPP could use only a small fraction of its available going concern surplus to fund the normal cost. There is no similar restriction for single employer pension plans. Moreover, this restriction will hamper the ability of fiduciary trustees to prudently manage their plans and contribute to inter-generational inequity. Accordingly, this proposed restriction should not be implemented.

Second, the revised proposed framework includes restrictions with respect to benefit improvements and benefit reductions. We understand these restrictions are intended to support equitable benefit changes. However, they are unnecessary and inappropriate given the fiduciary obligations of the boards of trustees that administer target benefit MEPPs. These fiduciary obligations include a requirement that they treat beneficiaries equitably. To satisfy this requirement, in making decisions with respect to benefit changes, administrators of target benefit MEPPs must consider all relevant factors. These factors will necessarily be different for each plan. An equitable result depends on the specific facts and circumstances of each plan. The proposed restrictions with respect to benefit changes will prevent fiduciary administrators from properly taking all relevant factors into account and contribute to inequity. As a result, these proposed restrictions should be removed from the framework for target benefit MEPPs.

### **Communications**

Plan beneficiaries should have appropriate information to enable them to understand their plan and their rights and obligations. However, we are concerned with the prescriptive requirements for communication policies in the revised proposed framework. Communications policies are not suitable for regulation. One reason for this is that the communications that are appropriate for a plan depend on its specific circumstances.

As a result, communication policies are not amenable to a "one-size" approach. We encourage goal-oriented principles for communications policies. This approach will enable the administrators of target benefit MEPPs to develop communications policies that are suitable for their plans.

In addition, certain of the proposals for communications with new members, adverse amendment notices and annual statements are onerous. MEPP administrators are already required to provide their beneficiaries with information about the security of their benefits, including the possibility of benefit reductions, and information about adverse amendments.

### **Multi-jurisdictional pension plans**

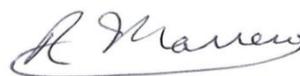
The consultation paper released earlier this year indicated that multi-jurisdictional MEPPs could only provide target benefits if no more than 10% of their membership is in a jurisdiction that does not allow benefit reductions. The revised proposed framework indicates the Ministry will be considering a potential approach that limits the risk whereby benefits of Ontario plan members would be disproportionately affected by benefit reductions. ACPM appreciates the Ministry's concern; however, any restrictions limiting the ability of multi-jurisdictional MEPPs to provide target benefits would not be appropriate. If accrued benefit reductions are required but cannot be implemented in all jurisdictions in which a target benefit MEPP has members, fiduciary trustees can achieve inter-jurisdictional equity with other measures in those jurisdictions where accrued benefit reductions are not permitted.

Thank you for the opportunity to comment on the revised proposed framework for target benefit MEPPs. If you have any questions or would like to discuss this matter, please do not hesitate to contact us at your earliest convenience.

Sincerely,



Karen Burnett  
Chair, Ontario Regional Council  
ACPM



Ric Marrero  
Chief Executive Officer  
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