



November 9, 2012

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Dear Mr. Schrumm,

Thank you for the opportunity to comment on CAPSA's Draft Defined Contribution Pension Plans Guideline ("Draft Guidelines"). We appreciate the deadline extension afforded the Association of Canadian Pension Management ("ACPM").

ACPM represents Canadian pension plan sponsors, plan administrators and service providers. Established in 1976, ACPM advocates for an effective and sustainable Canadian retirement income system through a non-profit organization supported by a growing membership and a team of volunteer experts. ACPM members are drawn from all aspects of the industry and regions of Canada. ACPM represents over 400 pension plans consisting of more than 3 million members, with total assets under management in excess of \$330 billion.

ACPM regularly advocates and participates in public dialogue on pension issues. In doing so, ACPM focuses on encouraging:

- Clarity in legislation and regulations governing pensions and retirement arrangements;
- Balanced consideration of stakeholder interests; and
- Excellence in governance and administration.

ACPM applauds CAPSA's ongoing review of the Guidelines for Capital Accumulation Plans ("CAP Guidelines") with the intent of further clarification between Defined Contribution and Defined Benefit Pension Plans, and the consideration of alternative approaches to regulating and supervising Defined Contribution plans based on those distinctions. However, ACPM would like to point out that the CAP Guidelines were initially drawn up as guidelines with no intention of increasing the regulatory burden on Pension Plan Sponsors. To that end, we urge CAPSA to continue in the spirit of the originators of the Guidelines and adhere to a principals based approach to supervising Defined Contribution plans.

Our comments are twofold in nature – the first is an overall view of the Draft Guidelines, the second will deal with specifics within the proposed guidelines.

Overall, given the regulatory environment for pension plans in Canada and the burden that the lack of harmonization and sheer volume of regulations places on Plan sponsors and administrators of pension plans, ACPM would suggest that the Draft Guidelines are repetitious of the original CAP Guidelines and unclear in what they are proposing and how the two sets of Guidelines will work together. It seems that the Draft Guidelines are trying to be much more prescriptive in the information that Plan sponsors are required to

provide and the specific actions they need to take in certain circumstances. The Draft Guidelines have moved away from the earlier stated intent of the original CAP Guidelines which was to keep the guidelines simple and non-prescriptive. ACPM strongly urges CAPSA to consider consolidating any new guidelines with the original CAP Guidelines to help avoid confusion and eliminate overlap.

Specifically, the three purposes stated in the Purpose section are redundant. The rights and responsibilities of all CAP stakeholders were articulated in the original CAP Guidelines (reference Section 1.3 of CAP Guidelines). The tools and information provided to members of DC pension plans were also well covered in the original CAP Guidelines (reference Section 3 of CAP Guidelines). The clarification of what constitutes an adverse amendment for DC pension plans or plans with a DC provision are also unnecessary as the original CAP Guidelines are quite clear about reasons for communicating with plan members (reference Sections 1.3.1, 2.1.1, 4.1.1, 4.1.2, 4.2, 4.2.1, 4.2.2, 4.2.3, 4.3, 4.4, 4.5 and all of Section 5). Communication to members is one of the cornerstones of the original CAP Guidelines and specifying events that require disclosure is unnecessary given the extent of the member communication that is recommended in the guidelines.

Section 3.3 of the Draft Guidelines is of concern to ACPM as it could result in inconsistency and confusion amongst the information that a member receives as each service provider will use different methodology for these calculations. If CAPSA insists on keeping this recommendation in the Draft Guidelines, ACPM suggests that the establishment of criteria for the calculation of “Projected Account Balances” would ensure uniformity amongst the providers of such information to plan members. In addition, we strongly oppose the suggestion that Plan administrators “should disclose if the plan is expected to provide an adequate retirement income in conjunction with other government pension programs or it is expected that additional sources of retirement income will be required”. We don’t think that a Plan administrator has the ability to determine this other than on the basis of a rule of thumb with a number of assumptions that ignore the rest of a member’s assets and their personal financial situation. This potentially exposes Plan administrators to a much higher level of liability.

Section 4.1 of the Draft Guidelines presents a couple of concerns to ACPM. It is unclear what “the mechanism” for helping individuals choose between retirement products should be. This is not a responsibility that the Plan administrator had in the original CAP Guidelines and we question why this additional burden is being placed on Plan administrators at this time. We suggest that this paragraph be removed from the Draft Guidelines. The descriptive section, outlining the current array of retirement products, creates the potential for redundancy as new products are continually being developed by the retirement industry in Canada. ACPM is also questioning the addition and content of Appendix A. Although appreciative of the importance of the retirement stage for members of plans, specifying the information that is to be provided around retirement options is prescriptive and fraught with the danger of quickly becoming redundant as new retirement products are developed or mandated.

Finally it is unclear if these Draft Guidelines and the original CAP Guidelines are applicable to PRPP’s. ACPM understood that one of the purposes of PRPP’s was simplicity. The CAP Guidelines do provide a simple framework for Plan sponsors and Plan administrators to follow. The addition of the Draft Guidelines will not serve this purpose as they complicate the responsibilities of the Plan sponsors and administrator with minimal benefit for plan members.

ACPM would be pleased to discuss our comments in more detail with CAPSA.

Sincerely,

A handwritten signature in black ink, appearing to read "Bryan D. Hocking". The signature is fluid and cursive, with a large, sweeping loop at the end.

Bryan D. Hocking
Chief Executive Officer