



December 4, 2014

Sylvia Bartlett
Manager
Office of the Superintendent of Financial Institutions Canada
255 Albert St.,
Ottawa, Ontario, K1A 0H2
Canada

Dear Ms. Bartlett,

ACPM is a national, non-profit organization acting as the informed voice of plan sponsors, administrators and their service providers in advocating for improvement to the Canadian retirement income system. Our membership represents over 400 retirement income plans consisting of more than 3 million plan members, with assets under management in excess of \$330 billion.

ACPM is a strong supporter of Pooled Registered Pension Plans (PRPPs) as one means to increase pension coverage among Canadians, and particularly those employed with small and medium sized enterprises. We believe that PRPPs, along with Defined Benefit, Defined Contribution and Target Benefit Pension Plans, are necessary to ensure that Canadians can meet their needs in retirement.

We understand and appreciate that the Office of the Superintendent of Financial Institutions (OSFI) operates on a cost recovery basis; however, we have concerns about the proposed means to address those costs both in respect of the plan assessment and the licence fee for PRPP administrators. In particular, we believe that the proposed \$10/member plan assessment and the \$20,000 licence fee are too high and that OSFI should also consider deferring collection of the plan assessment.

ACPM believes that the plan assessment should not be harmonized with that applicable to defined contribution pension plans supervised by OSFI for two reasons. First, PRPPs have a simple plan design that follows a prescribed model. This means the plans offered by each Administrator will be very similar. For instance, the maximum number of investment offerings, the nature of the default funds and the content of reporting to plan members and to OSFI are all prescribed. This is in contrast with traditional defined contribution pension plans where only the minimum standards are prescribed so each plan can have its own distinct features. Second, the Administrators of PRPPs are pre-approved by OSFI on the basis of criteria which will ensure that they are experienced in matters of plan administration.

In many cases, the Administrators will be financial institutions already regulated by OSFI. This is in contrast to traditional plans where administrators can have all manner of available resources and expertise. As a result of both the simple design and greater uniformity/expertise among Administrators we believe that OSFI's supervisory requirements for PRPPs will be more straightforward. We note that the Québec regulator also operates on a cost recovery basis and that the plan assessment for Voluntary Retirement Savings Plans (VRSPs) in that jurisdiction is \$5/member. Like the PRPP, the VRSP has a simplified model, administered by pre-approved Administrators and has the added feature of being mandated on a gradual basis to all employers in Québec without a comparable plan. This latter point will result in increased pension coverage. The ACPM recommends that OSFI harmonize with Québec on fees.

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It is worth noting that PRPPs are brand new plans with no pre-existing assets. It is also quite possible that contributions to the plans will be quite modest as plan sponsors are not required to contribute and plan members can opt for a 0% contribution rate for a period of time. As a result the growth of even modest assets within PRPPs could take many years. For these reasons, we recommend that OSFI defer the application of the plan assessment for a period of two years from the date a PRPP is made available to the public. Regardless of whether this cost is absorbed by the Administrator or the plan members, this should allow the plan assets to grow sufficiently so that this flat fee can be absorbed more easily. Even at \$5/member, this fee will exceed the management fee charged for the plan until plan member accounts exceed many hundreds of dollars. This deferral also recognizes one very important fundamental policy goal for PRPPs to be low cost.

The foregoing arguments also underly ACPM's contention that the proposed licence fee of \$20,000 should be reduced. Québec is charging Administrator's \$8,000 to obtain a licence for a VRSP. Saskatchewan has proposed charging \$6,000 for a combination of the PRPP licence review and licence issuance. Given the similarity between federal PRPPs and the VRSP as well as what we expect to see for the other provincial PRPPs, it is difficult to understand the basis for such a discrepancy between OSFI's proposed licence fee and those of the other jurisdictions noted. Similarly, the simplified nature of the plan, the fact that licensees are typically already regulated by OSFI as insurers or banks, and the desired low cost outcome, all speak to a reduced regulatory charge.

Thank you for the opportunity to comment on this important aspect of the operation of PRPPs. ACPM appreciates the opportunity to comment on this issue. If you would like to discuss the contents further, please feel free to contact us.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bryan D. Hocking".

Bryan D. Hocking
Chief Executive Officer
Association of Canadian Pension Management