



June 4, 2014

Ministry of Finance
Pension Policy Branch
5th Floor, Frost Building
7 Queen's Park Crescent
Toronto, ON M7A 1Y7

Dear Sir or Madam:

RE Proposed Regulation: Statements for Former and Retired Members

We are pleased to comment on the proposed regulation in respect of Bill 236 which requires plan administrators to provide information statements to former and retired members periodically.

The Association of Canadian Pension Management (ACPM) is the informed voice of Canadian retirement income plan sponsors, administrators and their allied service providers. We are a non-profit organization and our objective is to advocate for an effective and sustainable 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.

The ACPM agrees that providing regular statements has positive implications for keeping track and enabling necessary communications with former and retired members. We have some concerns regarding the content of the statements and some ideas regarding alternative methods of providing the required information. We will start by describing some of the challenges that plan sponsors may encounter when implementing the proposed statements, present an alternative method of providing the required information and then we will respond to the Questions for Stakeholders.

Challenges

1. Sending statements to retired members and future deferred members may be easily performed as the data and current mailing addresses are available. For past deferred members this task may be onerous and in some cases, impossible. In a case where a plan sponsor was involved in a merger/acquisition in the past and took on the pension plan including the deferred members, not all of the data may exist to confirm the start date, termination date or how benefits or credited service was determined. Data with respect to long past deferred members may also be difficult to locate. In such situations, all that is normally provided to the new plan sponsor is the deferred benefit amount and the member's name and date of birth. Certainly not enough information to provide the disclosure contemplated by the legislation.
2. The proposal does not deal with returned mail and lost addresses. We question the need to invest the administrative resources to prepare and mail the statements knowing that the address on file is not valid. In the UK, the regulator required the plan sponsor to maintain a current address for all current plan members and to find addresses for at least 90% of the plan members who ever participated in the plan, this included those who had terminated, removed

their money or died. When the notices were sent as required as part of the “solvency relief” requirements, approximately 20% of the letters were returned.

3. In the past, members, while active, received an annual statement and were given the opportunity to question the correctness of the data. On leaving the plan, the members are provided a document showing the accruals and the options available, again with the opportunity to question the data or calculation methods. It has always been understood that any data corrections should be made at the time of termination from the plan. The corrected information is provided to the member in the form of deferred annuity certificate or included in the calculation of the monthly pension which is then paid to the retiree. The requirement to provide statements seems to put the onus fully back on the plan sponsor to ensure the former member is provided the same details over and over again with the likelihood that, as the former member has no or limited responsibility, he or she can at any time challenge the accuracy of the information.
4. We have also seen that plan members who currently receive annual statement do not always take the time to review them carefully. The more information contained in the document, the less likely the member will take the time to review it. While we agree that it provides important information to the member, it is not always useful as a method of correcting inaccuracies and providing the information prescribed. We also feel that it not be useful to describe in detail items such as the rules regarding solvency deficiencies and the Pension Benefits Guarantee Fund on the statement as these provisions which would increase the size and complexity of the statement. It might be more useful if the government could provide a link to the FSCO website to provide the details of these items and the applicable rules. .

Suggested approach

The proposed legislation requires the statements to include an excessive amount of information in one document. Plan sponsors are currently required to have a Plan Text that is available to members, deferred members and retirees. This document may be overly complex but it provides the most complete description of the plan provisions and is accessible. In addition, booklets are required to be provided to all plan members explaining the plan provisions in a more understandable manner. This document could also define the benefits, the funding obligation, an explanation of transfer ratios, whether the plan is covered by the Pension Benefits Guarantee Fund, indicate if the plan is a multi-employer program, explain that benefits could be reduced and the treatment of surplus if any. Many plans provide their plan booklet/disclosure documents on a website that can be easily updated and shared with all current and former members.

We recommend that a booklet/disclosure document should be provided to retirees and deferred members in a similar format as one provided to active plan members. This would reduce the cost and size of the statement. The booklet/disclosure document would be updated or sent when any amendment to the plan was made. Since the repetitive information is in the booklet/disclosure document, it would not need to be provided on an individual basis. The statement would be smaller, a one to 2 page document, and could be produced annually at the same time as active statements. The annual statement could then be simplified to provide individual member detail only and could refer to the booklet/disclosure document for more general plan information. Below is a sample of the information that we suggest could be included in the annual statement.

- For retired members, a statement should identify the member, verify the amount of the payment, describe the form of pension elected by the member, identify the beneficiary, indicate the funded status of the plan and special payments, if any, being made to fund any shortfall.
- For the deferred member, it should include the accrued pension amount, date of payment, the current beneficiary, the funded status of the plan and special payments to be made.

We would also suggest that the legislation set rules allowing less information be provided to older deferred members as it is not likely that all plan sponsors will be able to obtain the required information. If one operates a DC Plan and has deferred members, statements are generally provided, but again updating all the prescribed information may add little value for the cost of administration involved. If the DC plan allows pensions to be paid from the fund, the complexity of such statements expands for a program where one would expect the former member to already be more highly involved.

Questions for Stakeholders

The annual statement could be easily amended to include a statement indicating that the benefit may be subject to division in the event of a spousal relationship breakdown. This would not involve significant administrative resources. However, we do not believe that the statement is the proper place to provide detailed information regarding the division of benefits in the event of a spousal relationship breakdown. To do so would increase the size and complexity of the statement. In addition, settlement arrangements are as varied as the members involved and best dealt with on a case by case basis.

In closing, we agree that there are benefits to communicating regularly with former members and retirees but consideration should be given to plan sponsors who have limited information regarding prior deferred vested members. We also believe that the all of the information is important and can be provided in a simple statement which refers them to either a booklet or website to obtain the general plan information.

We thank you for allowing us the opportunity to comment on the proposed regulations. We look forward to providing further assistance to the Ministry of Finance in the future when detailed provisions are drafted.

Sincerely,



Bryan D. Hocking
Chief Executive Officer