



ACPM/ACARR

The Association of Canadian Pension Management

L'Association canadienne des administrateurs de régimes de retraite

**BRIEF TO THE
ALBERTA AND BRITISH COLUMBIA
MINISTERS OF FINANCE
ON THE REPORT
OF THE
JOINT EXPERT PANEL ON PENSION STANDARDS**

February 27, 2009

**Prepared by the
ACPM Advocacy & Government Relations
Committee
Alberta and British Columbia JEPPS Task Force**

FOREWORD

1. Introduction

This brief is submitted on behalf of the Association of Canadian Pension Management (ACPM) by a joint Alberta and British Columbia Regional Council task force of ACPM's Advocacy and Government Relations Committee (AGRC). It contains our comments in response to "Getting Our Acts Together", the Report of the Alberta-BC Joint Expert Panel on Pension Standards ("JEPPS"). The ACPM was an active participant in the review undertaken by JEPPS – we submitted a written brief addressing the points in the Panel's initial discussion paper, made an oral presentation to the Panel, and participated in a subsequent stakeholder meeting.

The ACPM joins the many other organizations in commending the work of the Panel insofar as time and energy spent, the thoroughness with which the subject was treated and with the excellent, practical recommendations contained in the Report.

The ACPM is pleased that the Governments of Alberta and British Columbia are seeking focused feedback on the Report.

Many of the recommendations in the Report are consistent with those proposed in the ACPM's response to the Panel's initial Discussion Paper. Accordingly, we support most of the Panel's recommendations. We feel it is important to consider the recommendations in their entirety rather than focusing on specific points that we may not whole-heartedly support. We encourage the Governments to do the same.

In developing this response, the ACPM invited all of the parties that made submissions to the Panel to participate in one of two information-sharing and feedback sessions the ACPM hosted in Calgary and Vancouver. In total about 60 attendees, representing plan sponsors and labour groups in the public and private sectors as well as service providers discussed both the recommendations in the Report and the ACPM's proposed responses. There was broad support for the ACPM's responses. This submission reflects the views of the ACPM and incorporates some additional input from the attendees at the sessions.

2. The Association of Canadian Pension Management (ACPM)

The ACPM is the informed voice of Canadian pension plan sponsors, administrators and their allied service providers. Established in 1976, the ACPM has over the years gained a solid reputation as being an outspoken advocate for an effective and fully sustainable retirement income system in Canada. ACPM's Individual Members and Institutional Members alike are drawn from all of the various industry sectors.

The ACPM promotes its vision for the development of a world leading retirement income system in Canada by championing the following Guiding Principles:

- Clarity in legislation, regulations and retirement income arrangements
- Balanced consideration of other stakeholders' interests
- Excellence in governance and administration.

The ACPM regularly advocates and participates in public dialogue on pension issues.

3. ACPM Contact Information

This brief was prepared by an Alberta-BC JEPPS Task Force under the ACPM's Advocacy and Government Relations Committee (AGRC).

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SECTION 6: OBJECTIVES AND REGULATORY FRAMEWORK

6.2-A through F; 6.4-A through F; 6.5.1 and 6.5.2

The recommendations made throughout the Report are very ambitious. They go well beyond ideas, and offer specific and detailed direction. As indicated above, we support the majority of the recommendations in the Report. However, we are concerned by the resources that will be required not only to implement the changes that the Panel has recommended and with which we agree, but also to maintain this upgraded system to a high standard.

While the task is daunting, now that the process has been started so successfully and the pension community has been engaged, we encourage the Governments to take advantage of this momentum.

6.1 Objectives of Legislation

The ACPM supports the recommendations in section 6.1. In particular, we agree with the Panel's view that the governments should have a clear mandate to promote expanded pension coverage. We also strongly support the Panel's observations that pension standards legislation should not discourage employers from establishing or maintaining pension plans. Likewise, there should not be disincentives for employees to join plans. Thus, we support the recommendation that an explicit objective for pension standards legislation should be to avoid over-regulation.

The Panel recommends four primary objectives (s. 6.1-D) and we support those objectives. We also support the recommendation that the objectives for the legislation should be clearly stated, while the objectives themselves do not need to be enshrined in the legislation itself.

We share a caution with respect to one of the Panel's recommended objectives - ensuring pension promises made [in the new context] are kept. We agree with the general principle that pension legislation should ensure that plan sponsors adhere to "the pension deal." However, if 100% benefit security becomes the expected standard, there is a risk that the legislation will conflict with the goals of reducing barriers and avoiding over-regulation. An appropriate balance is required, and we'd observe that a very high (but less than 100%) chance of receiving the full promised pension benefit from an occupational pension plan is better than a 100% chance of receiving no pension at all because employers opt not to sponsor pension plans.

6.2 Principles-Based vs. Rules-Based Legislation

We support the Panel's overall approach, summed up in the Report as "principles where possible, rules where necessary." We believe a principles-based approach will contribute to greater innovation in pension plan design and will encourage the establishment and maintenance of pension plans in Alberta and BC.

In the ACPM response to the Panel's initial Discussion Paper, we set out an illustrative list of provisions to be included as rules and other provisions which can be addressed by establishing principles. Of utmost importance from our perspective is to create a dialogue regarding which areas should be addressed by principles and which must be addressed by rules. We agree with

the Panel's observation that regulating according to principles requires significant changes in the relationship between the regulator and the regulated.

We fully endorse the Panel's observations about the changes required regarding the skills and culture of the regulator. The ACPM is concerned that if too significant a focus is placed on principles, it might result in *de facto* deregulation; certainly a resource strain would occur in areas where significant discretion is permitted by principles-based legislation.

6.3 Alternative Plan Designs

We support the recommendations in section 6.3. In particular, we agree with the Panel's recommendation that changes to pension standards legislation should focus on facilitating the development of plans based on the critical success factors for any type of pension plan.

We agree with the Panel's observations that Plan design decisions that are forced by prescriptive rules do not serve the interests of employers, workers or retirees. We further agree that the role of pension standards legislation and the regulator should be to establish and enforce reasonable protections to ensure the deal made is actually delivered.

We endorse the Panel's view that "next generation" pension standards legislation that would accommodate new and innovative plan designs without the need for constant changes to the legislation would best meet the needs of plan members and plan sponsors.

We support the recommendations of the Panel in sections 6.3-A to 6.3-F of the Report.

6.4 Role of the Regulator

We support the proposed role of the regulator as described in the Report. In particular, we support providing increased discretion for the regulator to approve new plan designs and governance structures. A higher level of flexibility is needed to encourage the growth of pension plans in new directions. Training and education of regulatory staff will be essential if a successful transition to the new regulatory model is to be achieved, particularly under a principles-based regulation system, which involves increased discretion.

We also support the concept of a "pension advocate", but wish to emphasize that whoever fills this role must have sufficient stature and credibility to be truly influential, particularly at the ministerial level. We would not support the creation of a figurehead for pension advocacy that could not exert meaningful influence.

6.4.1 Regulator's Tools and Checks and Balances in the System

The proposed regulator's tools are appropriate, provided the regulator's discretion is properly exercised. Given the increased level of discretion that would be available to the regulator, the establishment of an administrative tribunal would provide an essential check on the regulator's authority.

6.4.2 Financing the Regulatory System

We support the division of financing for the regulatory system between public funding of policy activities and user-pay funding of direct regulatory activities, provided user fees are established on a cost-recovery basis, with reasonable limits on the growth of the regulatory function.

6.5 Harmonization

We fully support the Panel's recommendations regarding the harmonization of the two provinces' pension statutes and regulatory regimes. In our initial submission to the Panel, we suggested that the harmonization of the provincial pension legislation would be the best way for pension standards to contribute to Alberta and BC's competitiveness with other jurisdictions in the global economy and we continue to believe in this approach. On this same basis, we support the recommendations relating to the creation of a Joint Pension Tribunal, a Joint Pension Advisory Council and a Joint Regulator in sections 6.5.1, 6.5.2 and 6.5.3 respectively.

ACPM believes that national harmonization should be the ultimate goal. We reiterate our belief that the first step is for Alberta and BC to lead the country by example in creating a single regime for these two provinces. We urge the governments to make harmonizing Alberta and BC's pension legislations a priority.

We would like to add a word of caution regarding the Joint Pension Tribunal and the Joint Pension Advisory Council. While we support the creation of these bodies, their success will depend largely upon the appointment processes. Careful selection of non-partisan individuals with expertise in a number of areas (e.g., actuarial, legal, pension administration) and a balance of perspectives (e.g., labour and management) will be essential to maximize the likelihood that the Tribunal's decisions are respected by the courts. Further, the Advisory Council must be structured to ensure some degree of influence with the Ministers; otherwise the council will be ineffective. The ACPM, as the informed voice of pension stakeholders and with strong relationships with individuals that meet the above criteria, is ideally suited and very willing to assist in the selection process for these bodies.

SECTION 7: GOVERNANCE AND INVESTMENT

7.1 Governance Standards

The ACPM can support the Panel's recommendation that governance principles be included as an appendix to the legislation as long as this does not result in them being regulated or being deemed to be a more formal part of the legislation. It is commonly acknowledged that the guidance currently provided appears adequate.

If governance standards are to be legislated, this should be principles-based rather than rules-based, there should be some form of statutory protection for pension fiduciaries who are in compliance with the legislated governance standards, and filed documents should not be subjected to any detailed compliance review.

7.1.1 Trustee / Fiduciary Education

Through additional discussion with the Panel subsequent to the release of the Report, we have confirmed that they intended the recommended formal certification process would apply only to Boards of Trustees and similar situations where individuals have statutory fiduciary liability. This alleviates some concerns we initially had regarding application of those rigorous standards to lay pension committees.

The ACPM agrees that the level of fiduciary education is a significant issue, but believe there are several practical challenges to implementing the Panel's recommendations:

- The pool of volunteers from which organizations can draw upon to serve as trustees or committee members may be reduced. This is particularly critical for closed DB Plans for which there is already a declining pool. We are, however, encouraged by the experiences in other jurisdictions including Australia (mandatory trustee training programs) and the UK (professional trustee certification).
- As DB plans are becoming less prevalent, there may be little appetite among post-secondary institutions to invest significantly in fiduciary education.
- If post-secondary educational institutions did offer fiduciary education courses, the programs would require regulation in order to ensure that they meet specific standards.

Rather than regulating fiduciary education requirements, we suggest that a preferred alternative would be to permit some form of statutory defense provided a fiduciary can demonstrate reliance on a qualified professional.

7.1.2 Disclosure to Members

The ACPM generally supports the Panel's direction on this issue. We agree that the disclosure of governance documentation is valid, and are very supportive of electronic methods of disclosure. We suggest that the "pension deal" also be required to be disclosed to members.

7.2 Investment Rules

The ACPM supports the recommendation to move from a rules-based system to a principles-based system and of prudence in general. However, raising the standard of care to the "prudent expert" rule from that which currently exists is of concern to the ACPM for several reasons:

- It is not clear what is intended by "expertise" and it should be emphasized that the degree of expertise required will vary between plans depending on size and complexity;
- It will be more difficult for lay committees than for Boards of Trustees to achieve this level of "prudent expert"; and
- If the fiduciary standards are raised too high, plan sponsors, particularly of smaller pension plans, will become frustrated. This frustration would be exacerbated if access to adequate training and resources were not available.

Section 7.2 of the Panel's Report does not address the issue of matching assets to liabilities. A plan's investment policy should be drafted with a clear recognition that the assets being invested are backing long term liabilities. This does not mean that the investment policy must require a Liability Driven Investment (LDI) approach, or that assets be strictly matched to

liabilities. However, the focus should be broad enough that the policy is not set without consideration of the liabilities.

7.2.1 Environmental, Social and Governance (ESG) Factors

The ACPM generally supports the Panel's views expressed in this section. However, the specific recommendation may be too narrow in that risks other than investment related risks are not contemplated (e.g., asset-liability mismatch risk).

In our information sharing sessions, we heard frustration from some plan sponsors, administrators and trustees relating to the issue of commuted value ("CV") payouts. They are seeing members pressured by financial planners to transfer CVs out of the plan, and they feel restricted in their ability to provide "advice" on the periodic pension alternative. The participants felt that the Panel's recommendations for enhanced public financial literacy will go a long way to having plan members make more informed decisions.

7.3 Fiduciary Protection

The ACPM supports the "pension judgment rule" concept, the Panel's recommendations regarding auto-enrolment and auto-escalation, and that one investment vehicle should not, in itself, be actionable.

While we acknowledge the difficulty associated with safe harbour rules as outlined in the Report, we reiterate our position that governance standards should not be legislated if there are no safe harbour rules.

SECTION 8: FUNDING AND BENEFIT SECURITY

8.1 DB Plan Funding Rules and Surplus Ownership

8.1.1-A

In conjunction with the Panel's proposals for pension security funds, "ring-fencing" of legacy surplus issues, and Superintendent discretion to exempt certain plans from solvency funding, the ACPM agrees with the Panel's recommendation that pension standards should continue to require both solvency and going concern valuations, with reasonable requirements that protect benefit security while not being overly onerous for sponsors. The going concern valuation is the primary measure of a DB plan's financial health over the long term and helps plan sponsors establish their long-term contribution rate. The solvency valuation continues to be the primary measure of the plan's benefit security, and is a more important measure for the regulators.

8.1.1-B Going Concern Funding Requirements

The ACPM supports the Panel's recommendation that current going-concern funding rules should continue to apply and be determined by the trustees or plan sponsor with the assistance of the plan actuary, based on the plan's funding policy, actuarial standards of practice and regulatory requirements.

8.1.1-C Solvency Funding Requirements

The Panel has recommended strengthening the solvency funding rules for DB plans, i.e., that solvency funding should be based on pure market value of assets (with no smoothing) and that annual solvency valuations should be required unless a plan is at least 110% solvent.

Further, the Panel has proposed some additional flexibility associated with solvency funding requirements; namely the use of pension security funds ("PSF"s) for contributions in respect of solvency deficiencies, along with the use of letters of credit in lieu of remitting contributions in respect of solvency deficiencies.

The ACPM believes this funding flexibility provides a balance to the strengthened solvency funding requirements. In this context, we support the abolition of smoothed assets; however, we feel that the requirement for plans to prepare and file annual valuations if solvency ratios are less than 110% is overly onerous. Currently, Alberta requires annual valuations to be prepared if the solvency ratio is less than 85%, and OSFI applies a 100% solvency ratio criteria. The ACPM recommends that the BC and Alberta governments consider an annual filing requirement if the solvency ratio is less than 100%. This will also avoid introducing a third threshold for filing annual valuations.

We also observe that plans that are required to file annual solvency valuations will be subject to higher cash flow volatility due to the annual resetting of their pension contributions. This volatility, which is currently a major concern for the SCTB type of plans, would be dampened for these plans if they are exempted from solvency funding requirements (as is proposed in recommendation 8.2.1-B). However, the potential for higher cash flow volatility extends to other plans as well. We propose that the Superintendent have the authority to exempt plans from the annual solvency valuation filing requirement where the Superintendent deems the circumstances appropriate.

Finally, we understand that recommendation 8.1.1-C proposes annual solvency updates, as opposed to full-scale valuations. In this case, the ACPM would propose that projected estimates of the solvency position at future valuation dates be permitted in those cases where the "solvency update" is required. We expect that the Canadian Institute of Actuaries would be helpful in providing guidance on how such estimates could be performed. We also believe that the use of a projection method would greatly reduce the time and cost for plan sponsors in estimating the solvency position at a future date, without significantly compromising the accuracy of the results. We are aware that OSFI has implemented a process for updating valuation results and confirm that the CRA has accepted this roll-forward approach if the actuary can certify that contributions made to the plan fund in accordance with the projection would be "eligible contributions" under the Income Tax Act. A similar process might be helpful here.

8.1.2 Ownership and Use of Surplus

8.1.2-A Pension Security Funds (PSF)

The ACPM strongly encourages the establishment of pension security funds for the reasons we outlined in our original submission to the Panel:

1. They are a practical way to address risk/reward asymmetry concerns;
2. They will encourage plan sponsors to fund their plans above the minimum requirements (which enhances benefit security); and
3. They would be available to all sponsors.

8.1.2-B Contribution Holidays/Surplus Withdrawals

The ACPM believes the Panel has recommended a fair compromise in permitting contribution holidays only if at least 5% of accrued liabilities remain in the fund as surplus assets, and the balance of the surplus is amortized over five years. This is similar to the current provision under BC pension legislation. The ACPM would not be supportive of requiring a buffer in excess of 5% of the accrued liabilities.

The Panel has also recommended that a plan's financial position be updated based on changes in interest rates and actual investment returns before a contribution holiday may be commenced. The ACPM recommends that the BC and Alberta governments provide additional clarification of this requirement relating to frequency and basis of the updates. For example, we would expect that a projection method for the accrued liabilities could be used, much as we have proposed above for estimating the future solvency position of a pension plan.

8.1.2-C Letters of Credit

The ACPM supports the current rules in place in Alberta and BC for using letters of credit to secure solvency deficiency obligations. They are a flexible option for financially viable plan sponsors to deal with the inherent volatility of solvency valuations and are an effective way to secure plan benefits.

8.1.2-D Legacy surplus issues

The ACPM supports the Panel's proposal to allow plans to "ring-fence" their legacy surplus issues. This would allow plans to identify what, if any, legacy surplus entitlement issues exist, and to move forward with a clearer understanding of how future surpluses would be treated. This additional clarity would avoid the potential problems associated with a retroactive override in the legislation, and would encourage plan sponsors to fund at a rate greater than the statutory minimum, thus enhancing benefit security.

8.1.3 Utilization of Plan Assets

8.1.3-A General Rules

The ACPM supports the Panel's recommendation to adopt explicit principles in the legislation regarding asset utilization.

8.1.3-B Partial Plan Terminations

The ACPM's position is that partial wind-ups should be eliminated from the Alberta and BC pension legislation. However, if the partial wind-up provisions continue to exist, we support the Panel's recommendations, in particular those focused on less onerous filing requirements.

8.1.3-C to 8.1.3-F

The ACPM supports the Panel's recommendations on plan mergers and divisions, plan expenses, re-opening closed plans and DB/DC contribution holidays.

8.2 SCTB Funding and Related Rules

Consistent with ACPM's position that 'one-size-fits-all' legislation is neither adequate nor appropriate, we support the Panel's recommendation that SCTB plans be treated differently in the legislation due to their unique risk-sharing arrangements and risk/reward characteristics.

The ACPM supports more rigidity in the going concern valuation, including explicit provisions for adverse deviation ("pfads"), stress testing, etc., in exchange for the elimination of solvency funding. The ACPM also agrees that increased member disclosure is essential given the contingent nature of the target benefit.

However, the ACPM believes that some thought needs to be given to those types of plans that are not quite SCTB plans, but have some elements of SCTB plans, and likely should be exempt from solvency funding requirements. For example, many public sector plans in BC and Alberta have specified contributions with elements of cost and risk sharing, but a fixed benefit formula. These plans are currently exempt from solvency funding requirements, and it may be appropriate to continue this exemption. Some universities may have similar cost and benefit structures. Sponsors of certain quasi-public sector plans could have their cost structure affected by solvency funding requirements, which in turn could drive up the rates that these organizations charge to the public.

The ACPM recommends that any exemptions from solvency funding requirements in the pension legislation be applied on the basis of risk and governance structures, not by reference to public or private sector, and not on the basis of other discriminatory criteria.

8.3 Temporary Measures

The ACPM agrees with the Panel's recommendation that each province's cabinet have the power to adopt temporary exemptions during times of exceptional circumstances.

SECTION 9: SPECIFIC PENSION STANDARDS

9.1 Unlocking

The overall reaction among ACPM member organizations and others responding to a recent unlocking survey is mixed. Generally, it is conceded that unlocking is already in place in many jurisdictions and likely to remain. With this concession in mind, the ACPM agrees with the Panel's recommendation that unlocking be harmonized in Alberta and British Columbia (and hopefully in other jurisdictions as well), but we provide the following additional thoughts:

- Unlocking should follow simple and consistent rules.
- The recommendations outlined in Section 9.1-A of the Report are acceptable with one exception: The ACPM strongly believes that all plans should have explicit provisions addressing unlocking, and so we do not agree with the Panel's fifth recommendation for a default of 50% unlocking at age 50 or over if the plan is silent. There was strong support in our information sharing sessions for explicit language.

9.2 Standards Requiring Harmonization and Standards Perceived as “Irritants”

The ACPM generally supports the Panel's recommendations detailed in Appendix C of their Report, with the following comments:

- Requirement to file audited financial statements: We recommend that some flexibility be introduced to extend the filing deadline beyond 270 days in certain circumstances, especially in the case of multiple plan statement preparation.
- Frequency of payments: The Panel's recommendation is to make regular and special payments on a monthly basis. We believe that quarterly payments are sufficient.
- Vesting on termination of plan: Based on the information presented in Appendix C, we recommend adopting either the existing Alberta and BC regulations (immediate vesting on plan termination) which seem much clearer than CAPSA's.

SECTION 10: RELATED LEGAL AND OTHER FRAMEWORKS

10.1 Income Tax Rules

The Panel emphasizes that the Income Tax Rules regulate virtually all aspects of pension plan funding in Canada and that accordingly, any changes to provincial pension standards legislation cannot be made in isolation from the Income Tax Rules. While acknowledging changes to the Income Tax Act are outside the power of the Alberta and BC governments, the Panel strongly encourages the Ministers to engage the federal government in dialogue regarding Income Tax Rules changes.

Some of the specific recommendations of the Panel for changes to the Income Tax Rules include:

- Raising the contribution ceilings and benefit limits;
- Raise funding ceiling to permit 25% surplus;
- Establish the Pension Security Fund;
- Create flexibility to permit new plan designs; and
- Permit self employed individuals to make RPP contributions.

These echo the ACPM's recommendations in our response to the Discussion Paper and the ACPM therefore generally supports the Panel's recommendations in this regard. The major exception is the recommended increase in the plan surplus ceiling to 25%, which we consider to be only a small improvement over the current ceiling. The ACPM encourages a more aggressive increase in the funding ceiling to bring Canada in step with many other jurisdictions worldwide.

10.2 Accounting Rules

The impending shift to the 'mark-to-market' accounting approach under IFRS (International Financial Reporting Standards) to increase financial transparency acts as a disincentive to the establishment and maintenance of DB plans. This is due to the requirement to recognize the inherent volatility of DB plan funding in corporate financial statements despite the fact that deficiencies may be funded over time and that valuations are based on assumptions that may or may not prove accurate in the long term.

The ACPM shares the Panel's concern that the impact of the new accounting rules on DB plan sponsors may not have been fully examined, and endorses the recommendation that further consideration be given to this difficult issue, particularly in light of the current volatile economic climate.

10.3 Division of Pensions on Spousal Relationship Breakdown

Division of pensions on marriage breakdown straddles two areas of law: pension law and matrimonial law. Consequently, there are different legislative ways to address pension division. In British Columbia, pension division is dealt with primarily under the Family Relations Act, whereas in Alberta pension division is dealt with in the Employment Pension Plans Act.

Apart from the lack of legislative harmonization, there are also specific aspects of pension division that are contentious. One of the most fundamental is whether to mandate a deferred or immediate pension division. Depending on the approach taken, spousal entitlements can vary significantly in value where a DB plan is being divided.

The Panel viewed issues of 'fairness' surrounding pension division to be more related to matrimonial law as opposed to pension law which is concerned with governance and administration of pension plans. In light of this, the Panel's recommendations focused on aspects specific to pension governance and administration including the following:

- The immediate settlement method should apply to all DC plans;
- Legislation should mandate that all costs of dividing a pension be borne by the member and spouse;
- Any legislative change should simplify the maintenance of pension plans by plan administrators;
- If limited members are permitted, their rights should be highly restricted (e.g., to exclude consent provisions, entitlement to group benefits) in order to minimize impact on plan administrators; and
- The ability to opt out of legislative pension division should be confirmed.

The ACPM supports the immediate settlement approach in Alberta and BC. We note that the Law Commission of Ontario's recently finalized Recommendations on the Division of Pensions on Marriage Breakdown advocates for the immediate settlement method of pension division (with a few exceptions).

More generally, the ACPM supports all legislative changes that ease the administrative burden and cost imposed by pension division on plan administrators and we specifically support all of the Panel's recommendations in this regard.

10.4 Bankruptcy and Insolvency

The Panel acknowledges the inherent tension between granting pension claims super priority in a bankruptcy (i.e., protecting employee rights) and making it less attractive for creditors to lend money to plan sponsors (i.e., destabilizing corporate financial health). In striking a balance, the Panel supports the recent amendment to the federal Bankruptcy and Insolvency Act, which provides super priority to unpaid pension 'normal cost' contributions but not to future unfunded liabilities.

The Panel also makes the following specific recommendations:

- A pension benefits guarantee fund should not be established in Alberta and British Columbia;
- The federal government should be encouraged to extend super priority to all due but unpaid unfunded liability special payments (but not to future special payments not yet due);
- The federal government should be encouraged to make all such rules apply to Pension Security Funds as well; and
- Deemed trust rules in pension standards legislation should be clarified to ensure unpaid contributions are equivalent to unpaid wages.

The ACPM expressed support for the recent federal amendments in our response to question 6b of the JEPPS Discussion Paper. The Panel's recommendations go one step further and the ACPM supports all of the Panel's recommendations in this regard.

10.5 Financial Education and Literacy

The Panel acknowledged the clear need for greater financial education in society generally as it is a critical element of the success of the retirement system and the ACPM supports the Panel's specific recommendations:

- Governments should ensure teachers are equipped to provide financial education to their students; and
- A clear government mandate to encourage adult financial literacy should be adopted.

The ACPM is ideally suited to provide input into the structure and content of public financial education, particularly on the topic of retirement savings.

SECTION 11: THE "ABC PLAN"

The concept of the ABC plan has appeal. We fully support the establishment of a Steering Committee as discussed in 11-A, to examine the feasibility of a DC-style multi-employer pension plan. As noted in earlier references to the Joint Pension Tribunal and the Joint Pension Advisory Council, the ACPM is willing and ideally suited to assist in the structure of this Steering Committee, and to suggest appropriate qualified individuals for inclusion. The influence of the Steering Committee on the design and governance structure of the ABC Plan is critical.

We believe that the mandate of the Steering Committee should include initial exploration of the following questions:

- Is the lack of a "simple" and cost-effective product a significant barrier to employers offering a pension plan? Or do employers choose to not offer plans for other reasons: cost control, competitiveness, preference of employees for cash?
- Will developing, overseeing and promoting the ABC plan result in less emphasis on other, arguably more effective, areas of leadership for the government?
- The Panel concludes that a mandated program would create a competitive disadvantage yet implicitly assumes that, to some extent, employers will be willing to create such a disadvantage voluntarily by supporting the ABC plan. The extent of potential support if contributions are not mandated should be questioned.
- Are there more direct ways to influence attitudes and behaviors towards saving?
- Are there other plan designs that should be considered, e.g., SCTB?

If the Steering Committee ultimately recommends the implementation of the ABC plan, we encourage the Alberta and BC Governments to have discussions with other provinces so that provisions of plans in other jurisdictions are similar.

A couple of additional interesting comments were made in our information sessions which we would like to share for the Governments' consideration:

- Data on "pension coverage" in Canada refers to around 21% coverage. It was pointed out that this is only private sector pension plan data, and that the percentage of the Canadian population with some retirement savings is likely much higher. This should be recognized in the ABC Plan design (which can only overcome "real" barriers to coverage) and in comparative figures used to measure the success of implemented recommendations.
- The ability of the BC Pension Corporation Plans to cover administration and investment management costs with a relatively low overall expense charge should be lauded and their processes and facilities reviewed in detail so that similar efficiencies can be realized in a "universal" plan. The institutional support that government supplied to create this public sector pension system could be replicated for private sector employers and their employees.