



ACPM/ACARR

The Association of Canadian Pension Management

L'Association canadienne des administrateurs de régimes de retraite

June 2, 2009

Mr. Bob Christie  
Chief Executive Officer and Superintendent,  
Financial Services,  
Financial Services Commission of Ontario,  
5160 Yonge Street,  
Box 85,  
Toronto, ON M2N 6L9

Dear Mr. Christie:

**Re: June 2009 Statement of Priorities**

The ACPM, through its Ontario Regional Council, is pleased to provide comments on FSCO's recently updated Statement of Priorities. Our apologies for having submitted our comments after the noted May 28, 2009 deadline, however, we trust that you will find our comments beneficial as you fine tune the 2009 priorities and more importantly develop your strategic plans moving forward. We encourage FSCO to engage their stakeholders early in the process to provide ample time for input before strategic priorities are set and budgeted. We understand that FSCO is in fact holding stakeholder meetings and applaud such initiatives. We will follow up with FSCO in the near future to discuss these issues and comments.

***Background***

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 across Canada.

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.



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### *Opportunities for Change*

Using the Ontario Expert Commission on Pension recommendations as a guide, the ACPM believes that it is possible for the government to create an environment in which pension plans can flourish and continue to be an important part of retirement income security for citizens of Ontario. We encourage FSCO to establish specific priorities and goals for DC plans, given their increasing role in retirement income security. In this regard, the ACPM established a task force in 2007 to examine issues particular to defined contribution (DC) pension plans and other retirement savings arrangements. This task force released a discussion paper in 2008 entitled “*Delivering the Potential of DC Retirement Savings Plans.*” This discussion paper can be accessed through the following link to the ACPM web site: <http://www.acpm.com/resources/7/pdf/dc%20web%20booklet%20eng.pdf>. We encourage FSCO to use this valuable research as it considers appropriate goals and priorities for DC plans.

For DB plans, technical and administrative changes required, as well as more fundamental changes of principle and law that are necessary in order for these plans to flourish. In many ways, the current system of pension regulation in Ontario is strong. In other ways it is lopsided and unfair, and discourages plan sponsors from establishing new and funding existing plans beyond the minimum regulatory financing requirements.

A greater sense of balance and fairness needs to be brought to the legal and regulatory context of pensions in Ontario. Creating this balance would be an excellent way for the government to encourage the growth and health of both DB and DC pension plans. In these difficult economic times for pension plans in Canada, the ACPM is advocating for significant and long-overdue change and reform. We strongly believe that the planned reform should continue and in fact should be one of the highest priorities moving forward. FSCO and the Ministry of Finance should be sending clear signals to Plan sponsors that they are open to change and want to partner with the pension community.

### *Key Issues/Themes*

We have identified major issues/themes on which we continue to urge FSCO to take a leadership role. After all, Ontario employs the greatest number of Canadian workers, all relying on a fair and comprehensive pension system.

Within the voluntary pension system, an overriding goal of all pension regulators should be to encourage broad pension plan coverage. It is evident that a greater burden will have to be borne by society if a large group of individuals retire without adequate retirement income. The goal of expanding pension plan coverage does not appear in FSCO’s recent Statement of Priorities and we request you to reinstate it.

Although gratified to see the continued effort by FSCO towards a coordinated national approach to regulatory issues, we are disheartened that this goal has not yet been achieved. Differing regulatory requirements among the multiple jurisdictions in Canada continue to create problems, ambiguity and unnecessary additional costs for multi-jurisdictional employers and plan members who move between jurisdictions. The ACPM suggests that an important step toward this is the elimination of multiple jurisdictions within the Canadian pension environment. It is important to incorporate the idea that plans



may have differences but the harmonization of the rules applicable to these plans is critical for the continuation of their role in the retirement system in Canada.

The primary solution is pension legislation treating the various risk/reward arrangements appropriately. All parties should be treated fairly according to the risks they face, and the risks that are appropriate need to be clearly identified. Legislators and regulators must recognize that all plans are not alike and make appropriate adjustments to recognize the different types of arrangements - for example, SOMEPP funding arrangements. The ultimate goal remains uniform pension legislation and a single national regulator for pensions in Canada. We urge FSCO to take a leadership role in this endeavour, both within the Government of Ontario and in its discussions with other members of CAPSA.

We recognize the recent efforts of FSCO to engage stakeholders in resolving issues; however we strongly urge more intense utilization of stakeholder groups, with FSCO contacting them earlier and more frequently in the process. Calling upon industry expertise would not only result in a potentially better outcome with stronger acceptance across multiple stakeholder groups, but could reduce the manpower required by FSCO to adequately assess and recommend positive changes. We believe that the large majority of plan sponsors and service providers have the best interests of plan beneficiaries in mind as they look to rejuvenate the pension system.

Finally, the ACPM encourages fiscal accountability on the part of FSCO. Although it is accountable to the Government of Ontario, there is no mechanism for FSCO to account to its stakeholders for what it does for the levies gathered. Good governance practices would demand this accountability, especially as FSCO's funding comes almost exclusively from what are essentially funds held in trust on behalf of pension plan members.

### ***Review of the Statement of Priorities***

As to specifics within the Statement of Priorities, we have addressed each of them in the order in which they are communicated and in the three broad strategies identified in the report. There are suggestions and questions included in this address and we are hopeful FSCO will engage the ACPM in a follow-up discussion. We nevertheless note that many priorities are carrying over from previous years and although we understand that executing of some of the initiatives requires a longer term perspective, we would urge FSCO to provide tangible evidence of progress.

#### **1. Conduct FSCO's activities in accordance with risk-based principles**

- We would urge FSCO to consult with stakeholders and associations such as ACPM to provide input in establishing such risk-based principles. Often real life operations can help in focusing on actual vs. theoretical risks.
- We would also urge FSCO to consider the effort required by plan sponsors in new compliance processes and also evaluate the relevance in comparison to the work required to complete such tasks.



## 2. Continuous improvement in the delivery of FSCO services

- We would first note that FSCO is responsible for many very different areas (insurance, credit unions, trust companies, mortgage agents, etc. and pensions) and wonder if a more focused approach if not a dedicated group should be established for pensions in view of its complexity. This echoes the recommendation of the Expert Commission suggesting the re-establishment of a Pension Commission of Ontario (PCO) with broader powers.
- We can see the efforts exercised by FSCO personnel to be more effective in their service delivery but plan sponsors and industry experts and suppliers should have input in evaluating such progress. This could and should be collaborative and again yield better focus on important aspects to all.
- We note that there is often a disconnect between FSCO and the Department of Finance which collects moneys, etc. This is quite frustrating for plan sponsors who have to deal with two distinct group to resolve often simple matters.
- We do not feel that the increasing number of required forms being implemented are useful and are achieving the goals intended. Again, we would encourage discussion with the pension community to find ways to best manage pension plan promises without undue cost and complexity.
- We applaud the “enhance stakeholder engagement in the pension policy development” and we are aware of stakeholder meetings in progress. We would suggest that members of ACPM would be a great source of information in this respect and urge FSCO to take advantage of our diverse membership (from plan sponsor to consultants, record keepers, etc.)
- We would strongly encourage FSCO to ensure that the Ministry of Finance consults with them when developing changes stemming from the recommendations of the Expert Commission, so that the Ministry has an understanding of the implications of any changes, both from an administrative and implementation standpoint.

## 3. Foster a coordinated approach to regulatory issues

- We support the idea of prudent person principles for investing, believing that it can be a powerful decision making guide. The perspective of those that utilize this concept could be invaluable to FSCO as they examine the aspects of prudent person. We note that FSCO has established a Prudent Person Investment and Funding Committee with CAPSA to examine issues related to the application of the “prudent person” rule, and to develop a common approach to pension plan funding policies. We strongly urge this committee to seek stakeholder input in this process. We would also like to receive more information on this committee, including its documented mandate and activities to date.



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- Moving to “harmonize regulatory solutions through participation in the Joint Forum of Financial Market Regulators” is a laudable goal. Again, we urge FSCO’s engagement of industry stakeholders in this project. Those who have to write and administer these funding policies could prove invaluable in terms of their insights into the challenges and best practices.

#### 4. Accountability to the Pension Community

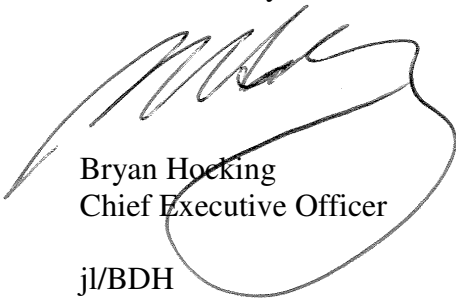
As FSCO costs are paid through levies on pension plans, they must ensure their goals, costs, and staffing are appropriate and transparent. The allocation of scarce pension resources must be focused on clear priorities that can be measured by the pension stakeholders. There must be value seen from the fees charged against plans. We recommend that FSCO prepares reports on an annual basis that are easily accessible by stakeholders, showing how their costs are determined and how their revenues are allocated.

#### *Summary*

Overall, the pension environment must recognize that employer sponsored pension plans are voluntary in nature. Plans should be governed and managed with a view to balancing the interests of the plan members with the need to encourage the proper funding and preservation of the pension plan. Pension plan rules must respect the context of the specific arrangement reached between a plan sponsor and its members, and not attempt to impose broader social goals into a program that is governed by an employment relationship.

We look forward to participating with FSCO in achieving the above objectives in an open, transparent, and timely manner.

Yours sincerely,



Bryan Hocking  
Chief Executive Officer

jl/BDH

cc: Steve Orsini, Ministry of Finance, ADM Budget and Taxation  
Bruce Macnaughton, Ministry of Finance, Director Budget and Taxation