

June 1, 2012

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

Dear Mr. Howell:

Re: June 2012 Statement of Priorities

The ACPM, through its Ontario Regional Council, is pleased to provide comments on FSCO's recently updated Statement of Priorities. We applaud FSCO's initiatives in holding stakeholder meetings and other consultative processes, along with the risk based regulation approach. We continue to encourage FSCO to engage their stakeholders early in any such process to provide input before strategic priorities are set and budgeted.

Background

The ACPM is the informed voice of retirement income providers for Canadians.

Established in 1976, the ACPM advocates for an effective and sustainable Canadian retirement income system. Our members are drawn from all aspects of this industry from one side of this country to the other. They represent over 400 pension plans consisting of more than 3 million plan members, with assets under management in excess of \$330 billion.

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; and
- Excellence in governance and administration

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

Continuing Opportunities for Change

The ACPM believes that it is possible for the government and those charged with the responsibility of regulating pension plans 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.

In many ways, the current system of pension regulation in Ontario is strong. In other ways, however, it does little to encourage plan sponsors to continue existing plans or establish new plans. 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. We applaud the government for starting down the path toward pension reform, but are concerned that many of the legislated changes are not yet proclaimed and/or are pending corresponding regulations to give effect to the changes. We strongly believe that the reform process 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 and Plan administrators that they are open to continuing this process and want to partner with the pension community.

To that end, we encourage FSCO to make as one of its priorities, the speedy development of the many policies that will inevitably be required in respect of the forthcoming regulations required in respect of Bill 236, Bill 120 and other changes to the PBA. Such policies should be clear and concise and should be predicated on a practical and pragmatic approach to pension plan administration following consultation with the pension community. Furthermore, the timing of when policies and prescribed forms become effective or final remains a concern, as it is important for pension plan sponsors to have sufficient time to ensure their systems can be compliant with FSCO's expectations (for example, the marriage breakdown forms only becoming "final" on the eve of when the regulations went into effect may have placed many plan administrators in a difficult situation). Implementing and developing such policies in a timely and effective way should be among FSCO's highest pension-related priorities, if not the highest, in the coming year.

Additional Priorities

In addition to the high priority we hope FSCO will attach to implementing the policies required from the anticipated regulations implementing phases I and II of pension reform, we would encourage FSCO to engage DC pension plan sponsors in an open dialogue to better understand their regulatory needs. Given their increasing role in retirement income security this will be an increasingly important dialogue.

Key Issues/Themes

In addition to the above, 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 governments 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. We

understand that FSCO (or PCO) used to have the goal of expanding pension plan coverage. While we understand why this does not appear in FSCO's recent Statement of Priorities and we request that you acknowledge where possible that regulatory decisions not work against coverage goals.

Although gratified to see the continued effort by FSCO towards a coordinated approach to regulatory issues, we make note 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 harmonization of legislation 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. We urge FSCO to take a leadership role in this regard, both with the Government of Ontario and in its discussions with other members of CAPSA (especially given the upcoming work to be undertaken on CAPSA's strategic plan).

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, plan administrators and service providers have the best interests of plan beneficiaries in mind as they look to rejuvenate the pension system. This engagement of stakeholders is all the more critical as pension reforms go into effect and policies to address aspects of such reforms are required to be developed by FSCO.

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.

Review of the Statement of Priorities

We provide comments below on several of the pension plan related initiatives outlined in the Statement of Priorities. We have included suggestions and questions and are hopeful FSCO will engage the ACPM in a follow-up discussion. We realize that many priorities are carrying over from previous years and understand that executing of some of the initiatives requires a longer term perspective, but we would like to see more detailed updates on progress towards these initiatives.

- We remain interested in the comprehensive approach to risk-based regulation of pension. As this process continues to develop, we continue to urge FSCO to consult

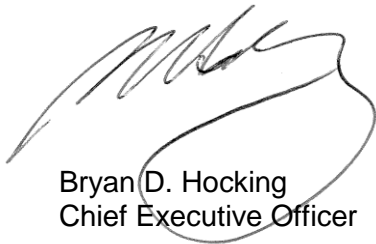
with stakeholders and associations such as ACPM to provide input in establishing and monitoring such risk-based principles.

- We understand that several initiatives have been undertaken by FSCO to make the delivery of services and collection of data more efficient for pension plans. Knowing that FSCO has been holding more face-to-face meetings with stakeholders, we would encourage you to survey pension plans to get feedback on these improvements.
- We understand that FSCO has increased the number of meetings it has with various stakeholder groups and we support this initiative. The ACPM in particular would be pleased to be consulted on pension related issues that you may consider in the future.
- In addition, we believe that FSCO is uniquely positioned to provide valuable input to the Ministry of Finance as it continues with its development of new policy affecting pension plans. We encourage you to provide the input coming from your various stakeholder groups to the Ministry so that they have a clear understanding of the implications of any changes, both from an administrative and implementation standpoint.

Summary

Overall, the pension environment must recognize that employment 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 – not to mention the establishment of new plans. Pension plan rules must respect the context of the specific arrangement reached between a plan sponsor(s) and its members. We look forward to participating with FSCO in achieving the above objectives in an open, transparent, and timely manner.

Sincerely,



Bryan D. Hocking
Chief Executive Officer