



May 3, 2019

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

**RE: Draft regulations related to Variable Benefits and Consequential amendments to Family Law & Reg. 909  
Draft amendment to Reg. 193/18 - Annuity discharge**

To Whom It May Concern:

ACPM is the leading advocate for plan sponsors and administrators in the pursuit of a balanced, effective and sustainable retirement income system in Canada. We represent plan sponsors, administrators, trustees and service providers and our membership represents over 400 companies and retirement income plans that cover millions of plan members.

We are pleased to provide our comments with respect to draft regulations regarding variable benefits and annuity discharges under the *Pension Benefits Act (Ontario)* ("PBA") as posted on April 11, 2019. Our questions and comments follow.

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### **Variable Benefits**

We are pleased to see that 50% unlocking is available at the time of transfer to the variable benefit account. We are, however, greatly concerned that the only options contemplated for unlocking variable benefits requires either a payment in cash or a transfer from the Plan to a retail retirement savings or income product, thereby significantly increasing cost to the retiree. A preferred approach would be to establish an unlocked variable benefit account within the plan, in the same way that administrators already establish voluntary accounts during the accumulation phase. This would allow the retiree to continue to benefit from the economies of scale of the Plan and oversight by the Administrator of the Plan's service providers (investment managers, record-keepers, etc.) We would suggest members be allowed to unlock 50% ***within the DC plan*** similar to the Alberta legislation.

We are also uncertain as to why all of a member's account must be transferred to the variable benefits account. Prior to full retirement, some members may prefer to access only part of their accounts through variable benefits and allow the remainder of their accounts to continue to be invested in the plan's regular investment options for active and deferred members.

By forcing the entire accumulation account to be allocated to the variable benefit account(s), the retiree would be forced to draw the ITA minimum income annually on the entire account rather than only the portion from which the retiree wanted to draw an income. Finally, unless an unlocked variable benefit account is allowed under the Act, if the member does not want to commence receipt of benefits immediately, the draft regulation would consign the unlocked portion of the account to presumably more expensive retail products.

We continue to be concerned that the variable benefit provisions do not have any incentives for a plan sponsor to include them in a plan design. When a transfer is made out of a pension plan pursuant to the portability provisions, the administrator/Plan Sponsor of the plan is discharged. Consideration should be given to a similar discharge when assets are transferred to the variable benefits account of a pension plan. A discharge would assist in making variable benefits attractive to plan sponsors to include in their plan designs, for whom variable benefits otherwise offer considerable work.

With respect to the default income option we would suggest a monthly income equal to 1/12 of the minimum annual dollar amount required under the ITA. This would allow for smoother income for the retiree, while also allowing for flexibility to increase payments to the maximum at a later point in the year.

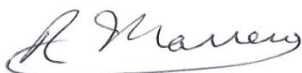
Further, we would suggest Ontario also consider the option of Advanced Life Deferred Annuities (ALDA) be allowed under the Variable Benefit framework.

### **Annuity Discharge**

We note that a surviving spouse would not appear to be included in a surplus distribution on wind up while a former member or retired member would be. We do not have strong views on this point but would note our understanding that, in the absence of an annuity purchase, a surviving spouse would ordinarily be entitled to participate in a distribution of surplus on wind up, being a person entitled to payments under the plan on the date of wind up. It is not clear why an annuity purchase would eliminate a spouse's right to participate in a future distribution.

We appreciate the opportunity to provide comments and we are at your convenience if required.

Yours very truly,



Ric Marrero  
Chief Executive Officer  
ACPM