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The Association of Canadian Pension Management

L'Association canadienne des administrateurs de régimes de retraite

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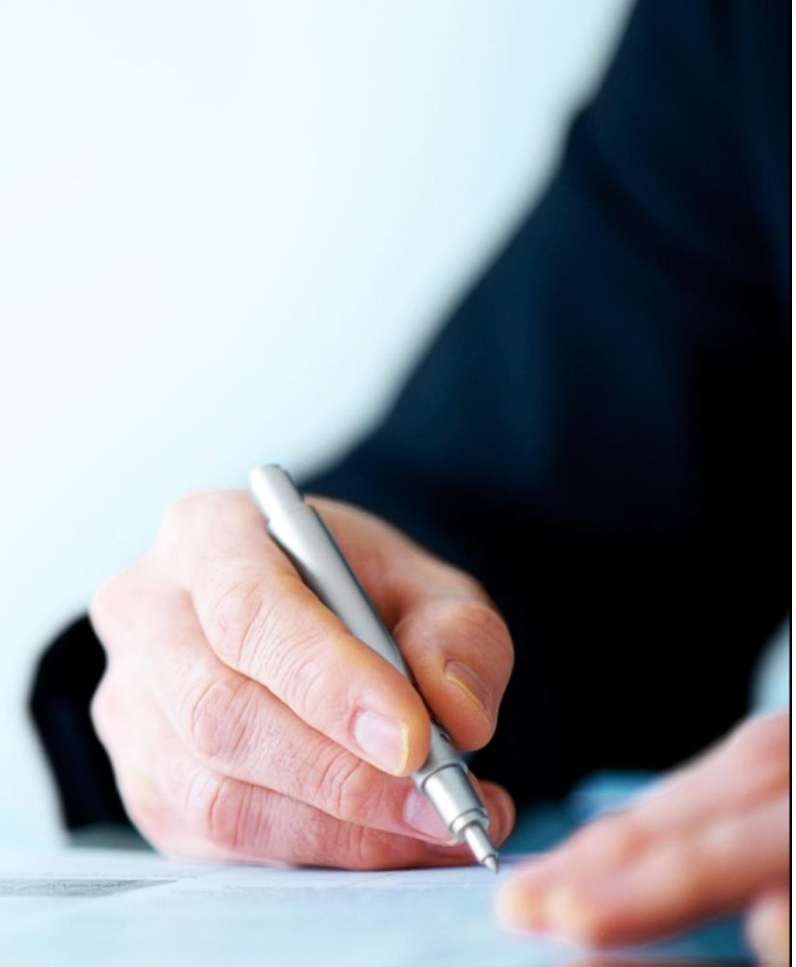
ACPM Submission – Manitoba Pension Benefits Act Review (June 2025)



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Foreword

ACPM (THE ASSOCIATION OF CANADIAN PENSION MANAGEMENT)

ACPM is the leading advocacy organization for a balanced, effective and sustainable retirement income system in Canada and our membership manages retirement plans for millions of plan members.

ACPM believes in the following principles as the basis for its policy development in support of an effective and sustainable Canadian retirement income system

Diversification through Voluntary / Mandatory and Public / Private Options
Canada's retirement income system should be comprised of mandatory public programs ("First and Second Pillar") and an appropriate mix of voluntary workplace and individual savings arrangements ("Third Pillar").

Empowering Choice in Coverage
Third Pillar arrangements should be encouraged and play a meaningful, ongoing role in Canada's retirement income system.

Harmonization
Canada's pension legislation should always strive for better harmonization across jurisdictions.

Adequacy, Security and Affordability
The components of Canada's retirement income system should ensure a healthy balance between these three objectives to enable Canadians to receive adequate and secure retirement incomes at a reasonable cost and in an efficient way for individuals and organizations.

Innovation in Plan Design
Canada's retirement income system should encourage and facilitate innovation in plan design in all three Pillars.

Adaptability
Canada's retirement income system should be able to adapt to changing circumstances without the need for comprehensive legislative changes.

Clarity and Transparency
Legislation, regulations and retirement income arrangements should be clearly defined and pension plan beneficiaries should be appropriately informed of risks, costs and benefits.

Good Governance
Excellence in governance and administration in the retirement income system

Introduction

ACPM supports Manitoba's review of its pension legislation for ongoing improvements and efforts to increase pension income coverage. We are pleased to respond to the questions discussed in the Consultation Paper and offer our perspective on these important matters. We appreciate the opportunity to do so.

Expanding current unlocking provisions

1. *Should the one-time transfer at age 55 be expanded to include the option of transferring to an unlocked account within a pension plan with the same characteristics as a PRRIF, if permitted by the plan?*

ACPM response:
We generally support expanding member choice and harmonization. Therefore, we believe that the one-time transfer of up to 50% of locked-in funds at age 55 within a pension plan could be expanded, provided the pension plan permits the transfer to an unlocked account within the plan. This approach would offer plan sponsors the option to provide this flexibility directly within their plan, thereby synchronizing with the existing ability to unlock funds from a LIRA or LIF outside of a pension plan.

While this expansion of options can offer benefits in terms of member choice, it is important to acknowledge the potential challenges. Allowing direct in-plan unlocking could place additional administrative, communication and legal burdens on plan sponsors and administrators. There is also a potential, albeit perhaps minor, risk that plan members who unlock funds might later express dissatisfaction if those funds are not available for retirement purposes, potentially leading to questions or challenges directed back at the plan and the plan sponsor. Further, creditor protection on the locked-in funds is lost when a member unlocks such funds. It is imperative for the plan member to be informed of the impact of taking such unlocking action.

Furthermore, careful consideration must be given to ensure consistency and to prevent unintended consequences, specifically regarding the "one-time" nature of the 50% unlocking. Robust reporting mechanisms would be necessary to ensure that if a plan allows for 50% unlocking directly within the plan, that this is clearly communicated to any LIRA/LIF administrator to prevent a subsequent, additional 50% unlocking from a LIRA/LIF, should the remaining locked-in funds be transferred from the plan to a LIRA/LIF.

We emphasize that any such provision within a pension plan should be entirely optional for plan sponsors to adopt, similar to other optional unlocking provisions currently available.

2. *Should full unlocking at 65 be expanded to include full unlocking from a pension plan at age 65, if permitted by the plan?*

ACPM response:
While ACPM is supportive of unlocking only up to 50% of locked-in funds, we are also in favour of harmonization. Therefore, given that full unlocking from LIRAs and LIFs is already permitted at age 65 in

Manitoba, we believe that expanding this provision to include full unlocking directly from a pension plan at age 65, if permitted by the plan, would simplify the overall process for members reaching retirement and seeking to access their pension benefits, aligning all locked-in retirement savings vehicles under a consistent unlocking threshold at age 65.

This change would reduce complexity for members by offering a direct route within or from the pension plan itself, rather than requiring transfers to a LIRA or LIF solely for the purpose of full unlocking at 65. From an administrative perspective, the process of full unlocking at age 65 is generally much simpler compared to the conditional unlocking provisions for those aged 55 to 65.

We emphasize that any such provision of a pension plan should be entirely optional for plan sponsors to adopt, similar to other optional unlocking provisions currently available.

3. *Should any other unlocking provision changes be considered?*

ACPM response:
While ACPM generally advocates for restricting unlocking to 50% before retirement to ensure that pension savings largely remain for their intended purpose, we believe there is room for simplification in Manitoba's current unlocking framework.

We suggest that Manitoba consider measures to simplify the administrative process for the existing unlocking provisions between ages 55 and 65. The current procedures for the 50% unlocking in this age bracket are often administratively burdensome and complex for both plan members and administrators. Streamlining these processes, perhaps by allowing full unlocking from age 55, could significantly benefit plan members without altering Manitoba's ultimate approach to unlocking locked-in retirement income funds. While a move to 100% unlocking from age 55 would certainly simplify the entire system, this approach contradicts the general principle of preserving pension assets for retirement purposes, which ACPM supports by advocating for a limit of unlocking no more than 50%. Therefore, our primary recommendation for additional consideration revolves around process and administrative simplification rather than a fundamental change to the unlocking percentages before age 65.

Improving Defined Benefit Plans

4. *What changes to current legislation would encourage employers or plan sponsors to create new defined benefit plans?*

ACPM response:
Harmonized legislation
An ongoing recommendation that we make as ACPM is for Manitoba to continue to strive for pan-Canadian pension legislation harmonization. As a step in this direction, we applaud Manitoba's adoption of the Agreement respecting Multi-Jurisdictional Pension Plans. However, we believe that, collaboratively, more can be done.

Administration by plan sponsor for single employer pension plans
Other than for Quebec, Manitoba is the only jurisdiction that requires single employer pension plans (with 50 or more members) to be administered by a pension committee, and for such pension committee to have plan member representation.

ACPM recommends Manitoba review whether the establishment of a pension committee as the plan administrator has achieved the objectives that Manitoba had established and hoped for when implementing this requirement or whether this has hindered the creation or sustaining of defined benefit plans in Manitoba. We observe that other jurisdictions continue to have single employer plans successfully administered by the plan's sponsor and recommend Manitoba reconsider this approach to the role of plan administrator.

Target benefit plans
In 2018 (ACPM's 2018 submission to Manitoba), we provided comments on target benefit plans in response to questions raised during the previous review of *The Pension Benefits Act* (Manitoba). As noted in our previous submission, ACPM believes that target benefit plans are a viable model for providing adequate retirement income to members while providing cost certainty for plan sponsors. We therefore support legislative amendments to enable this plan design to exist in Manitoba.

ACPM supports any innovation in plan design that might encourage more pension plan participation by all Canadians, including Manitoba workers. We are encouraged by the inclusion of VPLAs in the Consultation Paper and support related enabling legislation. Along the same lines, having the option to establish a target benefit plan would also be beneficial. Target benefit plan designs could be seen as a natural middle ground between the traditional DB and DC plan designs. We believe the target benefit plan is an innovative pension model that promotes important objectives such as sustainability, coverage and adequacy. This may offer an attractive option for employers as they consider the total rewards program they provide.

In addition to our 2018 submission, ACPM has published white papers on considerations regarding the establishment and conversion to target benefit plans (ACPM Target Benefit Plan Supplemental Report (2014) and ACPM Target Benefit Plan Paper (2012)) . We would be pleased to provide specifics on a best practice framework for their design, funding and governance. Beyond the details, it is critical that the regulatory framework does not become unduly burdensome and outweigh the incentives to create and maintain these plans

5. *Are there any current legislative requirements that should be adjusted to improve or facilitate the administration of defined benefit plans?*

ACPM response:
Remove the requirement for pension plan audited financial statements to include the plan obligations
Manitoba is one of only a few jurisdictions to require a pension plan's audited financial statements to include all information that the *Handbook of the Canadian Institute of Chartered Accountants* requires to be set out in the financial statements of a pension fund. This requirement means that defined benefit pension plans must prepare an additional actuarial valuation of the plan's obligations to meet this informational requirement. ACPM believes this is not a necessary informational item for pension plan financial statements where the purpose of the statements is to report the assets of the plan. We recommend Manitoba consider the requirements of other jurisdictions, such as Ontario, that are satisfied with asset-only audited pension plan

financial statements. Removal of this requirement would simplify and reduce the financial burden of preparing audited pension plan financial statements for defined benefit plans.

ACPM recommends that Manitoba consider the establishment of an identified dollar threshold that would apply to defined benefit plans for the requirement to have a plan prepare audited financial statements. Manitoba currently has no such threshold for defined benefit plans, whereas other jurisdictions, such as Ontario, have this threshold at $10 million of plan assets.

Improving Defined Contribution Plans

6. *What changes to current legislation would encourage employers to create new defined contribution plans?*

ACPM response:
Harmonized legislation
Please see our comments regarding harmonization of legislation in our response to question 4.

Administration by plan sponsor for single employer pension plans
Please see our comments regarding the role of the plan administrator in our response to question 4.

Target benefit plans
Please see our response regarding target benefit plans in our response to question 4. While target benefit plans are not defined contribution plans, they may have similar appeal to plan sponsors, as their funding and accounting (financial reporting) are like that of defined contribution plans. While there may be additional administrative complexity compared to DC plans, we believe the funding and accounting benefits combined with increased stability in member retirement income will make this a feasible option.

7. *Are there any legislative barriers discouraging employers from continuing to operate existing defined contribution plans?*

ACPM response:
ACPM recommends that Manitoba periodically review the dollar threshold for the requirement to have a plan produce audited financial statements. The current limit is $5 million, whereas other jurisdictions, such as Ontario, have this limit at $10 million.

Variable Payment Life Annuities

8. *Should Manitoba permit registered defined contribution plans to offer the option of transferring a plan member's pension benefit to a VPLA when the member terminates employment?*

ACPM response:
We believe it is important that the VPLA vehicle be accessible to all retirees with registered savings regardless of whether they are part of a VPLA-enabled defined contribution pension plan or Pooled Registered Pension Plan (PRPP). Therefore, ACPM strongly favours Manitoba permitting registered defined contribution plans offering the option of transferring a member's pension benefit to a VPLA. This would also be a step in the

direction of harmonization of retirement income options for members of defined contribution pension plans across Canada.

We also recognize that it is not realistic for smaller pension plans to set up VPLAs, as they do not have the necessary membership base to have effective pooling, which is a key driver of the effectiveness of a VPLA. In addition, there can be a significant cost to set up the VPLA that will only be feasible for the largest defined contribution pension plans.

Therefore, we encourage *The Pension Benefits Act* (Manitoba) be amended to allow plans to be "aggregators" (see our response to Question 10), where members of other plans or those with outside registered savings be permitted to transfer in pension dollars so they can participate in the VPLA offering. Indeed, it is ACPM's view that having a pooling vehicle is sound. ACPM also recommends legislative changes be made to PRPP legislation to eliminate the requirement for employer participation, allow for the possibility of decumulation-only PRPPs, and reduce the administrative burden and costs associated with PRPPs. Alternatively, see our recommendation for a Manitoba Pension Plan, raised in response to Question 10. These changes will allow Manitobans who have earned employment income to:

i) participate in a pension plan,
ii) aggregate their deferred-tax retirement savings (DC, RRSP, RRIF, LIF, DPSP, etc.), and
iii) have access to coherent, effectively communicated and well-managed retirement income options.

In ACPM's view, the focus for policymakers should be on providing DC and other capital accumulation plan members and all Canadians with easy access to PRPPs or similar vehicles (e.g., our recommendation for the establishment of a Manitoba Pension Plan similar to the Saskatchewan Pension Plan)– see our response to Question 10 for more details) to collate retirement savings and provide for the purchasing of Variable Benefit and VPLA products.

If Manitoba decides to permit VPLAs, there are numerous details that need to be considered. However, we would encourage simplicity, flexibility and pan-Canadian legislative collaboration and consistency. ACPM has published a number of white papers on decumulation considerations (Decumulation 2.0 (2022) and Decumulation, the Next Critical Frontier (2017), and we recommend Manitoba review these for VPLA considerations.

Annuity Discharge Legislation

9. *Should Manitoba adopt annuity discharge legislation for pension plans purchasing annuities for plan members?*

ACPM response:
ACPM supports the adoption of statutory annuity discharge legislation. This would clarify the plan sponsor's liability subsequent to an annuity purchase while also supporting the goal of harmonization with other jurisdictions. As noted in the Consultation Paper, many jurisdictions have already enacted such legislation, and it is under consideration in other jurisdictions, such as Saskatchewan.

The Consultation Paper notes certain specific requirements that must be met prior to discharge. While similar to those noted in the paper, we believe that Ontario's requirements for a statutory discharge are appropriate and have repeated them below for completeness. In addition to certain notice requirements, to meet the discharge requirements under Ontario legislation:

- the annuity must provide the same benefit as provided under the pension plan;
- the insurance company must be authorized to sell annuities in Canada;
- the pension plan must meet certain minimum funding requirements; and
- the annuity contract must contain certain terms, including that no money payable under the contract will be assigned, charged, anticipated or given as security except as permitted under family law, that the pension for a member with a partner must be in the form of a joint and survivor pension unless a waiver is provided, and that death benefits will be administered in accordance with the Pension Benefits Act, among other prescribed terms.

ACPM has identified a potential practical challenge in respect of benefits provided under a pension plan that includes variable indexation such as that tied, at some level, to inflation. For example: indexation can be equal to 75% of the increase in inflation each year. In the current annuity market in Canada, annuities indexed to some level of inflation can be difficult to place. We recommend Manitoba consider that indexation included in the benefits purchased could be in a form that is an acceptable substitute to the plan members for the indexation benefits provided under the plan. Using the example above: an acceptable substitute may be a fixed level of indexation each year equal to 75% of the expected future average annual increase in inflation (such as a fixed 1.5% increase per year). ACPM also believes this substitution of fixed indexing for variable indexing should apply without the need for members' approval in the event indexed annuities are purchased where a plan is being wound-up with inadequate assets to fully cover the plan's liabilities.

Other Pension Legislation Items to be Considered

10. Should any other items not mentioned in the Consultation Paper be considered during the Act review?

ACPM response:
Electronic Beneficiary Designations
The Pension Benefits Regulation (PBR) addresses electronic communication in various aspects. Section 3.25 of the PBR permits information to be filed electronically with the Superintendent of Pensions (Superintendent) or The Pension Commission of Manitoba, subject to approval of form and content by the Superintendent. Clause 3.30(b) of the PBR permits email as a valid means of providing information to members, beneficiaries or current or former partners of plan members. While this is welcome law in an increasingly digital-first world, legislation does not specifically address whether the requirement for a beneficiary to be designated in an "instrument signed by" the member[1] may be satisfied by electronic means. In our 2020 submission (ACPM letter to MB Finance (2020)) to the Minister of Finance, we raised this as a suggestion that could greatly assist plan administrators facing the challenges of COVID-19. We continue to believe this would be a welcome change today.

As has been done elsewhere in Canada, we propose that the applicable legislation be amended to expressly permit beneficiary designations to be executed and submitted electronically.

[1] Section 2 of The Beneficiary Designation Act (Retirement, Savings and Other Plans), CCSM c B30.

Asset Pooling and The Manitoba Pension Plan
ACPM encourages Manitoba to consider permitting "aggregator" plans that allow for members from outside the plan to transfer into the plan for the purposes of pooling assets. This would be particularly applicable in helping to establish VPLAs in Manitoba.

Manitoba could look at other jurisdictions for examples of such plans. For example, the Saskatchewan Pension Plan contains many characteristics that allow it to provide pension coverage to individuals and employees who may not otherwise have access to an economical retirement savings vehicle. Manitoba could consider a similar setup for this province or another method for permitting and encouraging aggregator pension plans. Indeed, ACPM recommends Manitoba explore the option of establishing its version of the Saskatchewan Pension Plan to improve pension coverage for underserved Manitobans, and to deliver a well governed, simple and effective retirement benefit accumulation and decumulation arrangement.

Better Governance for Manitoba's Simplified Money Purchase Plans
As noted in the Consultation Paper, Simplified Money Purchase Plans (SMPPs) in Manitoba are increasing in number. It may be that their simplicity, option for voluntary membership and limited role played by the plan sponsor makes these more attractive than a traditional registered defined contribution plan. However, ACPM observes that the governance of these SMPPs is left in the hands of the financial institution that offers the SMPP. This places the financial institution in a conflict of interest and the interest of plan beneficiaries potentially ungoverned. We recommend that Manitoba review the governance model for SMPPs.

An independently governed aggregated plan, such as the Saskatchewan Pension Plan (or a newly created Manitoba equivalent), could be an alternative to SMPPs and serve the needs for simplicity while protecting the interest of plan beneficiaries. ACPM recommends Manitoba explore the option of replacing SMPPs with a single Manitoba Pension Plan, as suggested in the response above.

Voluntary Missing Plan Member Registry
A significant difficulty arises for plan administrators when members and beneficiaries entitled to benefits cannot be located.

For reference, the Bank of Canada operates an Unclaimed Properties Office with a goal to *"reunite the rightful owners with their unclaimed properties"*. We believe Manitoba could play a role in achieving a similar objective for reuniting rightful pension plan members with their unclaimed pensions. To that end, ACPM recommends that Manitoba consider establishing a public registry of missing plan members and beneficiaries, with sufficient information that individuals can be identified, while maintaining the privacy of confidential information. Plan administrators could **voluntarily** submit information on missing members to Manitoba for inclusion in such a registry. Manitoba would play a role in connecting the missing member to the plan administrator, with consideration given to minimizing fraudulent claims. To the extent that other jurisdictions are considering implementing similar solutions for missing members, we encourage harmonization, or alternatively implementation of a national solution for pension plans.

Better Annual Information Return submission mechanism
While not a legislative item, it is an ongoing frustrating process for plan administrators to prepare and submit their Manitoba pension plan Annual Information Returns (AIR).

The current process offers no security and does not allow for interim data entry to be saved prior to submission. ACPM recommends that Manitoba improve its AIR portal to be more secure (e.g., require accounts and passwords) and to allow for interim completion and saving prior to submission. This would provide enhanced safety and efficiency by allowing plan administrators to complete the AIR filing in stages and allow for review of the data entered, prior to submission.

ACKNOWLEDGEMENTS

ACPM would like to thank you for the opportunity to participate in this consultation. We would also like to acknowledge the contributions from the ACPM Prairie Regional Council in the development of these consultation responses.

Please feel free to contact us if we can be of further assistance.

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