



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

February 11, 2014

Framework for Pooled Registered Pension Plans
Strategic Pension Reform Secretariat
Ministry of Finance
7 Queen's Park Crescent
5th Floor, Frost Building South
Toronto, ON M7A 1Y7

Via email: pension.feedback@ontario.ca

To Whom It May Concern:

Re: Securing Our Future: Strengthening Retirement Income in Ontario through Pooled Registered Pension Plans

The Pension Investment Association of Canada (PIAC) is pleased to provide comments on the consultation questions set out by the Ministry of Finance in Ontario.

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

As the key focus of PIAC is on pension investment issues, we will not be responding to each question set out in the consultation document. Rather we wish to provide our overall perspective on creating a healthy environment for pensions for Ontarians through employment sponsored plans, including PRPPs.

In our view, there are features of pension arrangements which make them attractive to both plan sponsors and members.

- Defined Benefit Plans provide advantages of pooling of funds, low cost and professional management and longevity risk sharing
- Defined Contribution Plans provide advantages of pooling of funds, low cost options and a default investment option that guides individuals in their investment selection as well as options for those who want them.

When thinking about how to design PRPPs, we encourage the government to think about how you can harness these same attractive features so that Ontarians will consider PRPPs valuable.

We are generally supportive of expanding coverage in pension plans given the above qualities of pension plans. Further, we support alternatives that minimize differences across Canada (harmonization) as this enables employers with employees in multiple jurisdictions to have simpler rules and thus lower cost.

Enclosed please find our earlier submissions to the Federal and Quebec governments on their PRPP consultations.

We would be pleased to discuss our thoughts further with the government and to expand on the points we have raised.

Yours sincerely,



Michael Keenan
Chair

Enc. PIAC to the House Finance Committee – February 29, 2012
PIAC to the Québec Ministère de l'Emploi et de la Solidarité sociale - September 9, 2013



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September 9, 2013

Agnès Maltais

Ministère de l'Emploi et de la Solidarité sociale

425, rue Saint-Amable

4e étage

Québec (Québec)

G1R 4Z1

Via email: ministre@mess.gouv.qc.ca

Dear Minister Maltais:

Re: Bill 39 Voluntary Retirement Savings Act

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

As the representative organization of the largest pension funds in Canada, we are pleased to have this opportunity to respond to the introduction of Bill 39. In our prior submission on the proposed VRSPs to M. David Bahan, Directeur, Direction des études économiques fiscales et taxe de vente, Ministère des Finances, dated May 9, 2012, we made a number of suggestions to the Québec government on the proposal to establish VRSP's. We summarize below our comments on how these issues have been addressed, as well as some new issues for your consideration.

Prior Issues from our May 9, 2012 Letter:

- Harmonization with other jurisdictions on PRPP's/VRSP's.
 - The new bill is not clear on how harmonization with other jurisdictions will be achieved and what priority the Québec government has placed on this. We would encourage focus on this matter in the regulations, particularly with respect to acceptable default options and to ensure that national application of PRPP's/VRSP's are low cost.

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- We would also suggest that the legislation and/regulations should confirm the transferability/portability between a VRSP and a PRPP in other parts of Canada.
- Use of a Prudent Person/Principles basis to setting default and other investment options.
 - We congratulate the Québec government for its support in Bill 39 for a principles based, rather than prescriptive, approach to investment options.
- Use of “Life-cycle series” (target date with risk overlay series of funds) as a single default option.
 - We understand that regulations will provide more direction on the default option, and would recommend that a series of risk-based target date funds be included as one of these options. We encourage this as this represents, in the current marketplace, a well-diversified, institutional-type set of investment portfolios from which the member could select an approach appropriate for their individual risk tolerance
 - We believe that flexibility should be provided for in regulations to reflect developments in CAP industry. Regulations should not be prescriptive in suggesting a specific default option; over time, acceptable practice could evolve and this needs to be accommodated.
 - Additionally, we encourage harmonization of default option rules when developing the regulations.
 - We look forward to commenting on these regulations.
- Clarification of the responsibilities of the employer in overseeing the Administrator.
 - We were pleased to see that the responsibility of the employer was limited to initial communication to members and the deduction and remittance of contributions.
 - We believe that this monitoring of Administrators needs to be assumed by the regulator, and that there need to be sufficient resourcing to do this.
- Ability of pension funds as well as banks and insurance companies to act as Administrators.
 - Section 13 of the Bill seems to be still too narrow to include pension funds as Administrators. We have recommended that the scope of potential Administrators be broadened to ensure that larger pension funds would qualify to act as Administrators. This would help ensure a competitive environment and a focus on lower costs.
- Balance between complexity of fund investment options and lower costs.
 - As the regulations are developed we believe it is critical that there be a willingness to recognize that there is a reasonable balance to be achieved in complexity of options versus lower costs. Certain fund options may have higher fees due to the types of investments (e.g. alternatives) but could provide an improved outcome for long term investors.

- The regulator needs to ensure that peer comparisons of fees are based on comparable fund options.
- Operational and transactional fees should not be forgotten when assessing cost. That is, 'low cost' should be determined at the investment and the plan level as a total cost to members.

New issues we wish to raise include:

- Change of member investment choice by Administrator.
 - Section 25 states that the member's investment choice can't be changed by the administrator except on request or in the circumstances determined by regulation. We recommend that the regulations recognize that there may be occasions when an administrator is no longer able to offer a particular fund (e.g., when a fund manager discontinues an underlying investment fund or where it would be prudent for an administrator to discontinue use of a particular investment option immediately in order to protect VRSP members). In those situations the administrator would try to replace the discontinued fund with another fund, provide notice to members about the substitution and provide them with the option to redirect their monies to another investment option should they wish. The regulations should not only ensure that changes can be made under such circumstances, but also provide guidance for replacement funds and plan member notification.
- Restricting Administrator to one plan only.
 - Section 11 restricts each administrator to one plan. Section 21 states that the plan must be provided on the same conditions for all participants. The single plan approach may be unnecessarily restrictive. The objective of low cost, assuming that this is the purpose behind the provision, is already set out in the legislation (section 26). Administrators have an obligation to offer low-cost plans. How they do so should be up to each administrator. The Pooled Registered Pension Plan legislation in other jurisdictions does not restrict each administrator to a single plan; we support the ACPM assertion that such an approach allows for flexibility while still supporting the low-cost objective.
- Investment Communication with Members
 - We encourage regulators to ensure Administrators provide on-going information, not just initial information as the current Bill suggests, about the performance and structure of the available investment options. Administrators should also provide tools to members to increase likelihood they will meet their retirement savings goals. Examples of such tools are savings calculators and retirement income projectors. Also, standardized communication of fees and costs should be investor-friendly and support the regulator's oversight of Administrators.

We respectfully thank the Québec government for the opportunity to present our views on Bill 39, and we would be pleased to respond to any questions you may have on our submission.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Brenda McInnes".

Brenda McInnes
Chair



Pension Investment
Association of Canada

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gestionnaires de caisses de retraite

February 29, 2012

Standing Committee on Finance
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

Attention: Chantal Gilliland
Committee Assistant

Via email: : FINA@parl.gc.ca

Dear Sirs/Mesdames:

Re: Bill C-25

This submission is made by the Pension Investment Association of Canada (“PIAC”) to share our comments and suggestions regarding Bill C-25 on Pooled Registered Pension Plans (PRPP’s) released for consultation in November 2011.

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC’s member funds are responsible for the oversight and management of over \$1 trillion in assets on behalf of millions of Canadians. PIAC’s mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

We are pleased to be able to present our views on the legislation.

- PIAC supports the proposed legislation introducing PRPP’s given the thrust of the legislation to expand pension coverage across Canada for all working Canadians.
- In order for pension plan sponsors with employees across Canada to realize cost efficiencies and reduce administrative complexities, PIAC has long promoted harmonization of laws and regulations for pension plans across Canada. We believe uniformity of regulation across jurisdictions is paramount to the success of PRPP’s in expanding private pension coverage in

Canada. For example, as it is anticipated that other provinces will enact legislation to enable PRPP's, Section 4 could deal more directly with the transition of PRPP members who move from federal to provincial jurisdiction and vice versa, including the self-employed.

- We note that the legislation does not seem to include a provision for a safe harbour for default options within PRPP's. We believe it is important to have guidelines for setting such provisions set out either in legislation or regulation so that providers of PRPP's are clear about default provisions that would be acceptable.
- Section 11 of Bill C-25 addresses the issue of licensing of administrators. PIAC believes the "low cost" objective will be met more effectively if pension funds, along with other regulated financial institutions, are explicitly eligible to be PRPP administrators. The inclusion of a variety of providers will help create competition and incentives for costs to be low and quality of service to be high.
- PIAC believes that the definition of "low cost" is yet to be established clearly. There need to be specific parameters on what low cost will mean. We look forward to further clarity on this either within the legislation or in the development of regulations.
- There does not seem to be any requirement for allowing members to change investment elections from time to time. We believe that it may be appropriate to enshrine this in legislation or regulation to ensure that members are not locked into their investment elections and able to make reasonably timed changes to address economic conditions.
- Regulations supporting Section 25 should contemplate the ability of administrators to change investment offerings for compliance and other reasons, such as a determination by the administrator that a particular investment option is no longer suitable for the plan.
- With respect to Section 43, the regulations should specify what is meant by "costs" of a transfer of assets, as well as guidance around transition timing to avoid "fire sale" liquidation in the old plan.
- We believe that it is appropriate for legislation or regulations to require PRPP providers to have educational material and tools provided to members.
- Similar to the requirement for Registered Pension Plans (RPP's), PIAC believes that legislation or regulations should lay out a solid governance structure for PRPP fiduciary responsibility and oversight.
- We also believe that the Bill needs to be clearer that employers have no legal responsibilities other than enrolling employees and remitting contributions.
- Section 22 uses both "reasonably prudent" and "reasonable and prudent" to describe the standard of care applicable to an administrator. To harmonize with other pension legislation such as the PBSA, PIAC recommends replacing the words "reasonably prudent" in subsection (2) with "reasonable and prudent" or "person of ordinary prudence".

Thank you for providing PIAC with this opportunity to share our thoughts on Bill C-25. We would be pleased to have further discussions with the Standing Committee on Finance on our comments at your convenience.

Yours sincerely,

A handwritten signature in blue ink that reads "Julie Cays". The signature is written in a cursive, flowing style.

Julie Cays
Chair