



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

October 23, 2014

Pension Policy Branch
Ministry of Finance
5th Floor, Frost Building South
7 Queen's Park Crescent
Toronto Ontario
M7A 1Y7
Via email: pension.feedback@ontario.ca

To Whom It May Concern:

**Re: Proposed Amendment to Regulation 909 under the Pension Benefits Act:
Disclosure of Environmental, Social and Governance Factors in Statements of
Investment Policy**

This submission is made by the Pension Investment Association of Canada (“PIAC”) in response to a call for comments related to a recent consultation draft (“the Consultation Draft”) circulated by the Ministry of Finance that outlines proposed amendments to Regulation 909 under the Ontario Pension Benefits Act (“the Regulation”).

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.

SIPP Filing and Disclosure

As a starting point, PIAC is supportive of the proposed changes to the Regulation that would require administrators to inform plan members that a statement of investment policies and procedures (“SIPP”) must be established. PIAC is also supportive of the proposed requirements to disclose the various methods in which members can access a copy of their plan's SIPP. These steps are consistent with PIAC's support for transparency in dealing with plan members, which in turn builds members' confidence in how their pension assets are invested.

As a practical matter, PIAC reiterates its belief (as expressed in our letter of June 16, 2014) that instead of requiring the SIPP to be filed within a certain period (60 days in the Consultation Draft of October 2014, 90 days in the Proposed Regulation circulated in April 2014) of the Proposed Amendments coming into force, the filing should be made at the same time as the plan administrator submits its Annual Information Return to FSCO. Similarly, subsequent amendments to the SIPP (to the extent there are any) should also be filed as part of the Annual Information Return filing process. From an administrative perspective, this would allow for the processes to be consolidated without reducing the level of transparency to plan members.

Disclosure of ESG Factors

PIAC's primary concern with the Consultation Draft relates to the proposed disclosure requirements related to environmental, social and governance ("ESG") factors within the annual statement to plan members. As expressed in our previous letter, PIAC is of the view that such information is inconsistent with the other types of information presented in annual member statements. Annual statements are primarily focused on presenting individual benefit entitlements, contribution requirements, benefit calculation details and the disclosure of the plan's funded status. That information is largely unrelated to investment policy. On that basis, including a statement concerning ESG in the annual statement would be out of context and potentially confusing for recipients.

Nonetheless, PIAC understands that the intention of the Regulation is that there be a statement in the annual statement to members that the plan is required to have a SIPP and that such SIPP is required to state whether ESG factors are taken into account for investment purposes. However, it is problematic if the intention is, or if the Regulation is interpreted so as, to require the annual statement to fully state how such ESG related considerations are taken into account. Without the full SIPP, such ESG statements would be out of context and would add unnecessary language and length to the member annual statement when the full SIPP can be obtained by the member.

In order to address this, we propose the following drafting "fix" to Subsection 40(1)(v) of the Regulation to ensure no misinterpretation would occur:

"a statement that the administrator of the pension plan must establish a statement of investment policies and procedures for the plan that contains (i) the investment policies and procedures in respect of the plan's portfolio of investments and loans, and (ii) including information about whether environmental, social and governance factors are incorporated into the plan's investment policies and procedures; and, if so, how these factors are incorporated"

Conclusion

Thank you for this opportunity to comment on the Consultation Draft. Please do not hesitate to contact Katharine Preston, Chair of the Corporate Governance Committee

(416-681-2944, kpreston@optrust.com), if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Keenan". The signature is fluid and cursive, with a small flourish at the end.

Michael Keenan
Chair