



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

August 28, 2015

Brian Mills
Chief Executive Officer & Superintendent, Financial Services (Interim)
Pension Policy Unit
Financial Services Commission of Ontario
5160 Yonge Street
Toronto ON M2N 6L9
Via email: pensionconsultation@fSCO.gov.on.ca

Dear Mr. Mills,

Re: FSCO Investment Guidance Notes for SIPPs for Member Directed Defined Contribution Plans

This submission is being made by the Pension Investment Association of Canada (PIAC) to provide our comments on FSCO's recently published Investment Guidance Note concerning Statements of Investment Policies and Procedures for Member Directed Defined Contribution (MDDC) Plans (IGN-003).

PIAC has been the national voice for Canadian private and public pension funds since 1977 in matters related to pension investment and governance. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1.5 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.

PIAC notes that even though a Statement of Investment Policies and Procedures (SIPP) is not required for a member choice account under the new federal rules, it is a requirement under Ontario regulations (section 78). PIAC supports this requirement as we believe a SIPP is an important document for the prudent administration of the plan. Further, the SIPP is a central document of key policies for the administrators' operation and management of the plan and should not be viewed as a tool for communication with plan members.

Regarding the requirement for a statement of investment philosophy, PIAC would note that a philosophy comprised of principles, beliefs and assumptions is not quickly summarized in a few sentences or paragraphs and does not seem to fit within a policy and procedures document such as a SIPP.

While we believe the suggested requirements listed in the IGN for the SIPP for MDDC's are reasonable and reflect the differences between DC and other plan designs, PIAC finds that the requirements do not appear to be listed comprehensively. For example, the Investment Guidance document mentions eight items that are required in a SIPP. The third paragraph of Section 3.0 mentions that funds must include whether ESG factors are incorporated into a plan's investment policies and procedures, and if so, how. However this requirement is not included in items 1 – 8.

Other items that are typically included in the SIPP such as conflict of interest, securities lending, how to value illiquid assets and proxy voting are also not included. As a result, it is unclear if they are required as they are for SIPPs for other plan designs.

PIAC believes it is preferable to provide a list of all the items that should be covered instead of leaving this open to interpretation as it is under the current Investment Guidance IGN-003. We respectfully request that such a comprehensive list be provided for comment.

We appreciate the opportunity to provide our thoughts and would be pleased to discuss this matter further at your convenience.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dan Goguen', with a long horizontal flourish extending to the right.

Dan Goguen
Chair