



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

November 27, 2015

Panel Members
Review of the Mandates of the
Financial Services Commission of Ontario,
Financial Services Tribunal, and the
Deposit Insurance Corporation of Ontario

Via email: FIPBmandatereview@ontario.ca

Dear Sirs,

Re: Preliminary Position Paper on the Review of the Mandates of the Financial Services Commission of Ontario (FSCO), Financial Services Tribunal (FST), and the Deposit Insurance Corporation of Ontario (DICO)

The Pension Investment Association of Canada (PIAC) is pleased to respond to the Preliminary Position Paper on the Review of the Mandates of the FSCO, FST, and the DICO.

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 PAC'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.

It was PIAC's pleasure to attend the roundtable discussion on the mandates review on July 23, 2015 in Toronto. Our key issues which we expressed at the meeting were:

- The overall mandate must balance consumer protection with the imperative of creating and safe guarding a healthy pension environment (maintenance and growth).

- The mandate needs to focus on a competitive and balanced environment for DC plans – involves closer monitoring of insurance companies and money managers with respect to their involvement in DC pensions (e.g. offering DC platforms).
- For oversight to be effective and efficient, collaboration and coordination with the Ministry of Finance is essential. PIAC believes that rule-making authority by the Financial Services Regulatory Agency (FSRA) would help to resolve this problem.
- PIAC supports rule-making authority with clear documented boundaries identified. Tools like “no action letters” and preliminary opinions similar to what we can do with the Canada Revenue Agency (CRA) would be helpful.
- There is a need for focus on harmonization of regulations through CAPSA initiatives.
- Ensuring appropriate resources are in place at FSCO to carry out responsibilities, especially with the introduction of rule-making, risk management tools, and the growth in DC plans.
- PIAC believes it is not necessary to have a separate pension regulator as long as they are appropriately resourced, with clear roles and responsibilities.

PIAC is pleased to see that several of these issues are addressed in the preliminary report. Our additional comments on the Preliminary Recommendations in the report are as follows:

- We support the recommendation to integrate FSCO and DICO under the new FSRA, with a Superintendent of Pensions to oversee the Pension Division. We agree that this structure will enable the FSRA to fulfill its mandate while component parts operate in a coordinated and consistent manner. We support the structure and governance being flexible as long as they coherently fit within the mandate of the FSRA.
- We note that the statement of principles in the constituting statute includes a reference to striking "a balance between strong and effective consumer protection and the fostering of a strong, vibrant and competitive financial services sector." We believe this is an area that has been weak in the pensions sector and this imbalance towards consumer protection has contributed to the decline in defined benefit plans.
- Item 7 of the preliminary recommendations states that "FSRA's mandate should include the obligation to work and cooperate with other regulators". PIAC would emphasize the importance of this element in fostering better and more comprehensive harmonization of pension regulation across Canada. This would enable national plan sponsors, many of whom are registered in Ontario, to have reasonable administrative expectations.
- PIAC supports the expectation that the statutory mandate of the agency(s) should include an obligation to operate as transparently, efficiently and effectively as possible.
- We agree that FSRA should be a self-funded corporation, and accountable for its costs, to not only the Ontario Legislature through the Minister of Finance, but also to fee-paying members.
- As stated earlier, PIAC supports rule-making authority by FSRA, and that the scope of that authority be clearly delineated in the statute, and established with significant public input and dialogue.

- PIAC supports the separation of FSRA into the following divisions: 1) market conduct oversight, 2) pension oversight, and 3) prudential oversight, each with its own Superintendent and operating structure. We are pleased to see that the panel has recognized the need for a separate Superintendent of Pensions. We believe the structure of the business units is reasonable and the underlying corporate infrastructure and support shared among each business unit should maximize efficiencies.
- PIAC has previously stated that we do not believe that the Pension Benefits Guarantee Fund (PBGF) is effective or necessary within the pension system in Ontario. However, if the PBGF continues to exist, we agree that it should be administered and overseen by an entity that is separate from, but accountable to, the regulator.
- With respect to the proposed Fraud Compensation Fund we assume a "licensed individual or entity" does not include pension plans or funds, and therefore we have no comments to make.
- PIAC agrees that FSRA should be proactive, recruit appropriate and professional resources, and be transparent.

Thank you for this opportunity to respond to the consultation document. We would be happy to clarify any of our responses as required.

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

cc. Chris Fievoli at chris.fievoli@cia-ica.ca