



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

June 1, 2012

Mr. Philip Howell
Chief Executive Officer and
Superintendent, Financial Services
Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, Ontario M2N 6L9

Email: priorities@fSCO.gov.on.ca

Dear Mr. Howell:

FSCO Statement of Priorities 2012

We thank you for giving us the opportunity to comment on your 2012 Statement of Priorities.

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 appreciate the solid work done by FSCO in a number of areas designed to strengthen the pension regulatory environment and at the same time address areas of concern to our members who sponsor and administer some of the largest pension plans in Canada.

There are two key areas of the Statement of Priorities which relate to pensions and are of interest to our constituency.

3.2 Enhance pension stakeholder outreach and education

- We encourage FSCO on these initiatives which will enhance plan members' understanding of pensions.

4.5 Work with CAPSA on the development and implementation of CAPSA's Strategic Plan 2012-2015

- In our response to CAPSA on the 2012-2015 Strategic Plan, we strongly urged CAPSA to use whatever influence it has on the pension jurisdictions to focus on harmonization / uniformity of any new pension legislation or regulations introduced in the future; for example, as enabling legislation and regulations are rolled out for target benefit plans. We also encourage FSCO to have the same focus in their participation in the CAPSA strategic plan.
- While we understand that Ontario has some concerns about the design and implementation of pooled retirement pension plans (PRPPs), the recent introduction of PRPP legislation in various Canadian pension jurisdictions will now lead to the creation of enabling legislation and regulations. For PRPPs to help address the issue of pension coverage in Canada, these regulatory changes should be:
 - fully uniform across Canada
 - encourage a competitive environment to deliver low cost services
 - promote effective governance and administrator practices.
- We believe that there is a key role for CAPSA in rolling out uniform PRPP rules in Canada, as this is consistent with CAPSA's declared goal of working to foster "a healthy environment for the establishment and continuation of pension plans". For multi-jurisdictional plan sponsors, this will ensure that administrative costs are kept as low as possible, and thus promote more use of PRPP's by companies that do not already have a pension plan. Accordingly, we urge FSCO, as a CAPSA member, to use its influence to persuade the Ontario government and other jurisdictions to harmonize legislation dealing with new developments; in particular, in respect of PRPPs.
- We also remind CAPSA of the need for uniform, updated funding rules that will provide pragmatic funding approaches for plan sponsors now and for the future, particularly relating to solvency funding. Some examples are harmonized rules on extended amortization of deficits and allowing sponsors to use side accounts (to promote funding while avoiding surplus issues). We urge FSCO as a CAPSA member and pension regulator to focus on longer term solutions to this serious issue for the sustainability of pension plans in Canada.

Thank you for the opportunity to provide input towards FSCO's 2012 Strategic Priorities. PIAC would be most pleased to discuss our views further at your convenience.

Yours sincerely,



Julie Cays
Chair