



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

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Leah Anderson
Director
Financial Sector Division
Department of Finance
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Via Email: leah.anderson@fin.gc.ca

Dear Ms. Anderson:

The purpose of this letter is to provide the views of the Pension Investment Association of Canada ("PIAC") on the regulations released on August 10, 2012 for Pooled Registered Pension Plans (PRPPs).

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.

PIAC Views on Draft PRPP Regulations

- 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. For example, as it is anticipated that provinces will enact legislation to enable PRPP's, we believe the legislation and regulations

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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 believe that the definition of “low cost” should be linked to the median of institutional pooled investment providers in an asset class. The draft regulations should provide more clarity on this.
- There does not seem to be any requirement for allowing members to change investment elections from time to time. We believe that it is 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 or the changing risk tolerance of the member.
- Regulations 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 of the Act, 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.
- 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 believe that the legislation or regulations should be clearer that employers have no legal responsibilities other than enrolling employees and remitting contributions.
- We believe it should be clarified in the regulations that performance disclosed will be net of all expenses, external and internal. We further believe that all fees, both internal and external, should be disclosed in detail.
- We believe the regulations should include a reference to notify employers and members when plan registration has been revoked by the supervisory authority.
- The regulations should include any limitations regarding lock-up periods, since if members have the ability to invest in illiquid asset classes, they cannot just sell on a given date.
- Regulations need to provide more detail about what exactly will be required to “police” the remittance of contributions as set out in Section 18 of the Act. Typically, administrators of multi-employer plans are able to confirm whether scheduled remittances are being received on time. Requiring an administrator to ensure that correct amounts are being remitted however would increase PRPP costs significantly.

- Regulations need to define/support the powers of the Superintendent.
- Related parties rules in the draft regulations exempt investments in index funds, and should also exempt contracts pursuant to which the investment return is based on a widely recognized index or broad class of traded securities, as this further exemption is referred to under the 10% rule exemptions.

While we recognize the regulations (as in 9(c)(3) and 10(2)) have provided exemptions on investments that are compliant with sections 12-14 of Schedule III of the PBSA, PIAC firmly believes that pension investments should be held to the standard of a prudent person and all quantitative limits on investing should be eliminated.

We very much appreciate the opportunity of presenting our views on the draft regulations, and would be pleased to discuss our thoughts further with you at your convenience.

Yours Truly,



Julie Cays
Chair