Gill, Marcus A FIN:EX

From:	Bryan Hocking <bryan.hocking@acpm.com>
Sent:	Tuesday, June 19, 2012 11:37 AM
To:	Minister, FIN FIN:EX
Cc:	Gill, Marcus A FIN:EX
Subject:	Letter to Minister
Attachments:	Letter to BC on Passage of New Act (06-06-12) (3).docx

Dear Minister Falcon:

Attached please find a letter a letter that I am sending on behalf of our ACPM membership, commending your government on the recent enactment of a new, modern *Pension Benefits Standards Act* for Province of British Columbia. We look forward to seeing the associated regulations in due course.

Sincerely,

Bryan Hocking

Chief Executive Officer
Association of Canadian Pension Management, 1255 Bay Street, Suite 304, Toronto, ON M5R 2A9
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ACPM/ACARR
The Association of Canadian Pension Management
L'Association canadienne des administrateurs de régimes de retraite

June 19, 2012

The Honourable Kevin Falcon
Minister of Finance and Deputy Premier
British Columbia Ministry of Finance
Room 153, Parliament Buildings
Victoria, BC V8V 1X4

Dear Minister

On behalf of our President, Chris Brown and the Chair of our British Columbia Regional Council, Ken Burns, I would like to commend you on the recent enactment of a new, modern *Pension Benefits Standards Act* for Province of British Columbia.

There are a number of elements in the new Act that we believe should set the standard for other Provinces in updating their Acts. We are particularly pleased with the references in the Act to target benefit approaches and to solvency accounts.

We fully understand the need to now carefully work through regulations for this Act. We would once again encourage B.C. to continue in their efforts to harmonize these regulation with that of Alberta in due course. We are ready and able to provide any assistance that your Department might need in designing such regulations and would certainly welcome the opportunity to comment on draft regulations as they are released.

Our goal at ACPM is to help put in place the most comprehensive system of workplace pension arrangements in the world, and to provide decision-makers and their advisors with our views on how to make the array of plans attractive for employers to offer, employees to participate in and administrators to manage. The ultimate objective is to make sure that Canadians have the tools and understanding to save for an income appropriate to their desired lifestyle in their retirement years.

To this end, we have been very active in providing ideas to government and comments on expert committee reports, white papers and legislative proposals. We are champions of the notion of solvency accounts first raised in various submissions made to the JEPPS committee and have considerable expertise available for advising on this concept. As your Ministry officials are aware, we have also been active recently in promoting target benefit plans and have provided thoughts on key design questions, which you recently have received. We would be more than happy to engage with you and/or your officials specifically on these important initiatives.

Once again, let me offer our thanks and congratulations for your forward-looking actions through the passage of this legislation. We look forward to hearing if we may be of assistance in the near future.

Sincerely,

Bryan D. Hocking
Chief Executive Officer

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Gill, Marcus A FIN:EX

From:	Bryan Hocking <bryan.hocking@acpm.com>
Sent:	Tuesday, December 13, 2011 1:27 PM
To:	Gill, Marcus A FIN:EX
Subject:	RE: ACPM Response to Federal Bill C-25 - PRPP
Attachments:	ACPM Response to Bill C-25 FINAL (09-12-11).pdf; ACPM Five-Point Plan (10-06-2010).pdf

Sorry Marcus. Here it is.

Regards,

Bryan

Bryan D. Hocking | Chief Executive Officer
Association of Canadian Pension Management, 1255 Bay Street, Suite 304, Toronto, ON M5R 2A9
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From: Gill, Marcus A FIN:EX [mailto:Marcus.Gill@gov.bc.ca]
Sent: Tuesday, December 13, 2011 4:22 PM
To: 'Bryan Hocking'
Subject: RE: ACPM Response to Federal Bill C-25 - PRPP

Please send the attachment. Thanks.

Marcus Gill
A/Executive Director
Financial and Corporate Sector Policy Branch
BC Ministry of Finance
250 387-9090

From: Bryan Hocking [mailto:bryan.hocking@acpm.com]
Sent: Tuesday, December 13, 2011 1:05 PM
To: Gill, Marcus A FIN:EX
Subject: FW: ACPM Response to Federal Bill C-25 - PRPP

Hello Gill

I had copied Mary Tkachyk on my email below, s22 I am, therefore forwarding the email and the attached document to your attention. Should you have any questions please feel free to contact me.

Regards and season's greetings.

Bryan Hocking

Chief Executive Officer
Association of Canadian Pension Management, 1255 Bay Street, Suite 304, Toronto, ON M5R 2A9
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From: Bryan Hocking [mailto:bryan.hocking@acpm.com]
Sent: Tuesday, December 13, 2011 3:54 PM
To: 'FIN.Minister@gov.bc.ca'
Cc: 'Mary.Tkachyk@gov.bc.ca'; 'C.Michale.Grist@ficombc.ca'
Subject: ACPM Response to Federal Bill C-25 - PRPP

Dear Minister:

Attached please find a copy of the Association of Canadian Pension Management's response to the federal Bill C-25, an Act related to Pooled Registered Pension Plans.

As always we welcome the opportunity to enter into further dialogue with B.C. Ministry of Finance officials either before or after the December 18/19 Ministers' meeting n Victoria.

Sincerely,

Bryan Hocking

Chief Executive Officer
Association of Canadian Pension Management, 1255 Bay Street, Suite 304, Toronto, ON M5R 2A9
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EMAIL RESPONSE

252118

Bryan Hocking
bryan.hocking@acpm.com

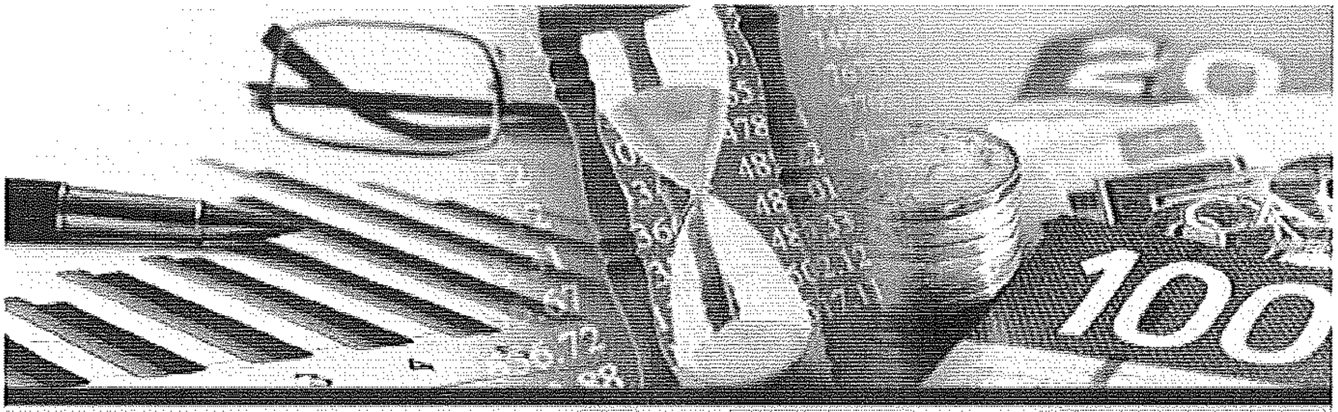
Dear Mr. Hocking:

Thank you for your email of December 13, 2011, addressed to the Honourable Kevin Falcon, Minister of Finance, providing a copy of the Association of Canadian Pension Management's response to the federal Bill C-25, an Act related to Pooled Registered Pension Plans.

The opportunity to review ACPM's perspective is sincerely appreciated.

Yours truly,

Marcus Gill
A/Executive Director
Financial and Corporate Sector Policy



ACPM Response to Bill C-25

An Act Related to Pooled Registered Pension Plans and Making Related Amendments to other Acts

December 8, 2011

ACPM/ACARR

ACPM CONTACT INFORMATION

Mr. Bryan Hocking
Chief Executive Officer

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TABLE OF CONTENTS

FOREWORD

The Association of Canadian Pension Management (ACPM)

The Association of Canadian Pension Management (ACPM) is the informed voice of Canadian pension plan sponsors, administrators and their allied service providers. Established in 1976, the ACPM advocates for an effective and sustainable Canadian retirement income system through a non-profit organization supported by a growing membership and a team of volunteer experts. Our members are drawn from all aspects of the industry from one side of this country to the other. We represent over 400 pension plans consisting of more than 3 million plan members, with total assets under management in excess of $330 billion.
The ACPM promotes its vision for the development of a world leading retirement income system in Canada by championing the following Guiding Principles:

- Clarity in legislation, regulations and retirement income arrangements;
- Balanced consideration of other stakeholders' interests; and
- Excellence in governance and administration

Introductory Comments

ACPM welcomes the opportunity to respond to Bill C-25 which received first reading in the House of Commons on November 17th, 2011.

ACPM strongly supports the decision by the federal government to introduce this new retirement savings vehicles, having proposed such a model as part of our ACPM Five Point Plan that we introduced to all levels of government in June of 2010.

Pooled Registered Pension Plans are one important step in ensuring greater retirement income coverage and sufficiency in Canada. ACPM compliments the federal government on the introduction of the Bill to enact this new option for saving. We would encourage all governments to work together to create a legislative framework that can be adopted in every jurisdiction.

Enclosed in this paper are our specific comments on Bill C-25 as presented upon first reading.

We would be more than pleased to enter into further dialogue and provide additional detail should this be desired.

Ensuring the Success of PRPPs

ACPM is gearing its efforts to ensuring that the PRPP is a success, and makes a significant difference for Canadians in their retirement years. Critical to the success of the PRPP will be the willingness of administrators to create and offer these plans. To this end, we have some general principles that we feel need to be better reflected in the legislation. We also wish to provide comments on specific aspects of the current Bill that we feel require clarification as well as comments regarding the regulations to come.

We agree with the focus on achieving affordable plans with appropriate fiduciary responsibilities to make PRPPs an attractive choice for employees and the self-employed. At the same time, we believe that success will depend on making it attractive and worthwhile for providers to offer plans, for those plans to be on a national in scale, and for competition to drive pricing and innovation.

ACPM urges deliberate attention to ensuring the legislation promotes the harmonization of PRPP rules across the country. This would go a long way towards ensuring lower costs are achieved. Differing requirements not only add to costs, they discourage national scope which in turn hurts affordability. Harmonization is also important in a country with considerable labour market integration and mobility of workers between provinces/territories. RRSP rules set out in the Income Tax Act and the Federal pension investment rules are two good examples of legislative provisions relating to retirement that have been adopted across Canada.

We also believe it critical that the legislation deal more clearly than it does with the fiduciary responsibilities of plan administrators. This will ensure smooth operation of the plans and will promote lower costs. Uncertainty relating to obligations will raise costs, as administrators will need to include the cost of this uncertainty in their pricing. Uncertainty could even cause potential administrators to decline to offer PRPPs. A clear example is the lack of guidance offered by the Bill on the administrator's responsibilities with respect to acceptable investment defaults. We emphasize that in these important areas there should be clear guidance in the Act around the administrator's fiduciary responsibilities, supplemented by clear rules in regulations where necessary.

As we have stated many times, adequate protection of plan members and their investments is essential to an effective system. At the same time, we remind legislators that over-regulation comes with substantial cost implications.

Finally, we have some concern about the impact that making low cost a legislative requirement could have on the potential success of PRPPs. It is likely that a legislative requirement for low cost will be unable to achieve regulatory clarity without being arbitrary. As noted above, we have consistently advocated for the ability of a competitive, national market to ensure plan options are most affordable. If a legislative requirement for low cost is seen to be politically necessary, we strongly urge that it be applied only with respect to a PRPP's default investment option.

Comments Regarding Clarity of Specific Provisions

The sections in the Bill dealing with the self-employed and how they become members of a PRPP are neither clear nor sufficient. For example, are they considered employees under the legislation? Are they also employers for purposes of remitting contributions?

The Bill needs to be clearer that employers have no legal responsibilities other than enrolling employees and remitting contributions.

The Bill appears to require an employee to stay within the plan once they opt in. While encouraging savings for retirement is the desire, it would seem that greater legislative attention should be given to potential members' concerns, such as dissatisfaction with a plan's investment performance. As well, the application of these provisions to self-employed individuals in this regard should be clearer.

ACPM also believes that the rules around enrolment and re-enrolment should be approached more directly. It appears that employees are enrolled by their employer and are members of the plan unless they opt out. The Bill does not address how an employee who has previously opted out might subsequently become a plan member.

In this same vein, we propose that Sections 45 and 46 should allow a member to change his or her contribution rate from time to time.

Section 4 could deal more directly with the transition of PRRP members who move from federal to provincial jurisdiction and vice versa, including the self-employed.

We question why section 11 appears to limit the administration of PRPPs to corporations. As indicated above, competition will play an important role in keeping costs low. Our concern is that the word "corporation" may disqualify certain highly-qualified organizations from offering PRPPs.

We also are concerned that the requirement in Section 22 that an administrator must administer a PRPP and its assets as a "trustee" for its members may not sufficiently recognize the legal limitations that apply to insurers and banks.

The use of both "reasonably prudent" and "reasonable and prudent" to describe the standard of care applicable to an administrator in Section 22 is confusing, particularly as the PBSA uses "person of ordinary prudence" and "reasonable and prudent" in the corresponding sections. We would encourage the use of the same language used in other pension legislation.

The language in Section 27 appears too broad. The legislation should not prohibit employers from establishing other permissible types of plans that may have as their purposes a means of saving for retirement.

We propose that Section 41should deal with the issue of employee notice as a waiting period after the contract is signed rather than before the contract is signed.

Lastly, is the Income Tax Act concept of "variable benefits" meant to be captured in the use of the word "variable payments" in Section 48? Unless some new retirement income option is intended to be permitted under the Income Tax Act, we would suggest that the terms used in this legislation should be changed to correspond with the current provisions in the ITA that permit the payment of retirement income from DC pension plans.

Comments Regarding Regulations to Come

The regulations created to support the disclosure requirements in Section 12 should be limited to what is necessary, reasonable and useful to inform plan members. Administrators should not be required to comply with excessive demands by a few, as this will increase plan costs for all.

Regulations need to provide more detail about what exactly will be required to "police" the remittance of contributions as set out in Section 18. 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 should define for what purposes the Superintendent can compel administrators to hold "meetings" with members as required by Section 20.

More clarity should be provided with respect to what might constitute an inducement under Sections 24 and 33. Further consultation with the industry would be beneficial to achieving a workable regime that will promote competition and support the legislation's low cost objective.

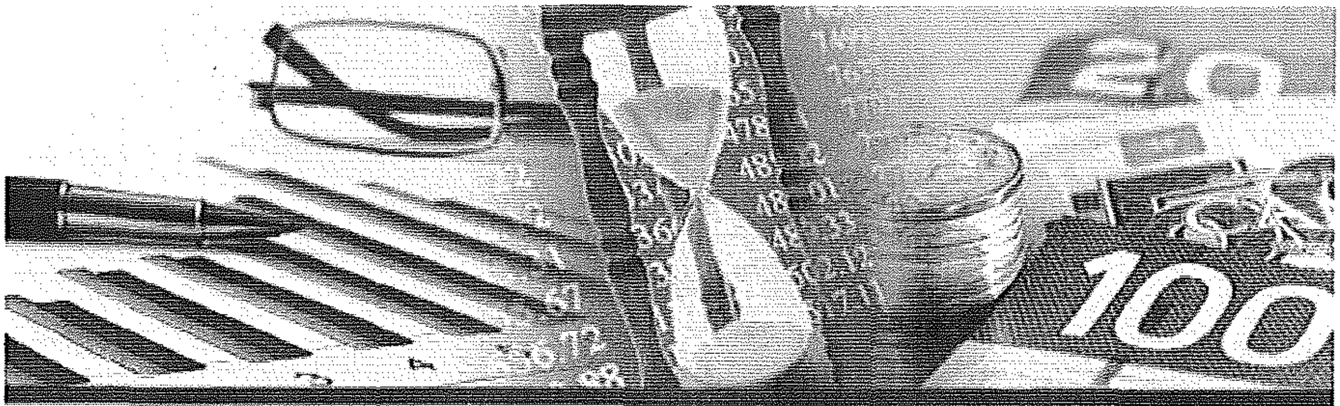
Regulations supporting section 25 should contemplate the ability of administrators to change investment offerings for compliance and other reasons, such as a determination by the administrator that a particular investment option is no longer suitable for the plan.

With respect to Section 43, 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.

It should be made clear that, in meeting the needs of Section 50, the 'without delay' standard needs to apply after all required information is provided.

Requirements in the regulations for financial statements to satisfy Section 58 will be cost sensitive and could benefit from further discussion.

Regulations defining/supporting the powers of the Superintendent set out in Sections 59 and 60 should be consistent with the government's objectives for the PRPP program.



Improving Retirement Income Coverage in Canada

The ACPM Five-Point Plan

ACPM/ACARR

ACPM/ACARR
The Association of Canadian Pension Management
L'Association canadienne des administrateurs de régimes de retraite

Improving Retirement Income Coverage in Canada

The ACPM Five-Point Plan

FOREWORD

The Association of Canadian Pension Management (ACPM)

The Association of Canadian Pension Management (ACPM) is the informed voice of Canadian pension plan sponsors, administrators and their allied service providers. Established in 1976, the ACPM advocates for an effective and sustainable Canadian retirement income system through a nonprofit organization supported by a growing membership and a team of volunteer experts. Our members are drawn from all aspects of the industry from one side of this country to the other. Our members represent over 300 pension plans consisting of more than 3 million plan members, with total assets under management in excess of $300 billion.

The ACPM promotes its vision for the development of a world leading retirement income system in Canada by championing the following Guiding Principles:

- Clarity in legislation, regulations and retirement income arrangements;
- Balanced consideration of other stakeholders' interests; and
- Excellence in governance and administration

Introduction

The OECD uses a broad definition of retirement income to recognize that assessing adequacy should not just be about how much of a pension is being amassed, but should encompass all the saving, investment and living expense choices that most individuals experience throughout their working lives. For example, home ownership, children's education costs, transportation needs, investment plans, tax-assisted savings, along with daily living expenses, all influence how much and how an average person saves for retirement.

ACPM believes that the retirement income debate in Canada and proposals affecting pension plans and plan design need to reflect this reality.

The OECD has commented positively on our retirement income system and they and others have indicated that our so called Pillars One and Two – OAS, GIS and Canada Pension Plan/ Quebec Pension Plan (CPP/QPP) - provide a sound basis to build upon. This is not to say government programs cannot be improved upon when policy-makers deem it appropriate, but improving Canada's 'Third Pillar' – consisting primarily of workplace plans and individual savings - is the most effective way to enable more Canadians to build greater retirement incomes. And we believe that existing Third Pillar solutions have a critical role to play in achieving that outcome, through existing retirement income providers as well as large, cost-efficient group savings arrangements, either defined contribution (DC) or defined benefit (DB), that might be expanded further to offer coverage to more Canadians.

Raising the Bar: Providing Universal Access to Retirement Income Coverage in Canada

As the largest demographic cohort in the country, baby boomers soon will be leaving the workforce and it is natural that their interest would shift to their retirement. However, the recent severe economic downturn affected many would be retirees' savings and caused havoc to pension plans sharply bringing into focus the retirement income needs of Canadians even beyond those of the baby boomer generation. Responding to this growing concern and awareness that many Canadians felt about their retirement income, public policy makers began to review the laws governing pension plans and options to improve current pension legislation and savings opportunities.

Studies for governments by Jack Mintz and by Bob Baldwin, describe the problem not as a crisis affecting the structure of the system, but as a targeted one, and their findings reflect what ACPM has been consistently saying. There are some Canadians in a variety of circumstances that need to save more, and there are others that want the opportunity to save more than they are otherwise permitted.

As a part of identifying solutions to these issues/challenges we are concerned that many Canadians may think retirement income adequacy is beyond reach. The popular view in recent years has been that adequacy requires retirement income of at least 70% of pre-retirement earnings. But for any individual or family, adequacy is a question of expectations and, whatever the level of expectations, needs to consider the changes in costs from working years such as mortgage payments, work expenses etc., and the considerable amount of government support from tax reductions to living assistance that amount in effect to additional income for retirees. When one considers that 60% or even 50% could be a very adequate level of retirement income for many people, the goal is much more achievable. That is why we strongly urge any solutions be accompanied by information on adequacy and we strongly support efforts aimed at increasing financial literacy of Canadians. For those Canadians for whom adequacy is truly beyond their means, for example those unable to participate in the labour force or who face other exigencies at some point in their lives, government support programs are likely the better answer than the contributory pension system.

Responding to the real issue will demand creativity, flexibility and communication and education to provide the range of options and the information necessary to encourage decisions by those who need or want to save more. There is no "one-size-fits-all" answer to an issue with roots in such varying circumstances. While we understand that some have called for an expansion of CPP benefits, we believe that Canadians need a range of appropriate choices with differing contributory levels to reflect not only their individual situations, but their retirement expectations and needs.

Unleashing the creativity of individuals, businesses and current providers will allow new and improved options to be presented to Canadians, whether by their current provider in the public or private sector or by new entrants who may arise and partner where appropriate with existing entities to expand the reach of savings options to more workplaces and more individuals. We see a future where there will be many large well governed plans operating across Canada and providing flexibility and choice of savings options that employers and individuals need while encouraging diversification of capital, economies of scale and competition benefits.

What follows is ACPM's plan to significantly boost retirement savings options for all Canadians with a clear focus on retirement income security and adequacy. It is a comprehensive plan which requires all five points to be implemented concurrently to ensure every Canadian, including the self-employed, has the saving options that work best for them and their families. Each point is mutually reinforcing and will provide unencumbered access for all working Canadians to increased savings options.

I. The ACPM Five-Point Plan:

1. Remove Barriers to Group Coverage

Current legislation in Canada prevents third pillar providers from offering coverage to many Canadians, including the self-employed and workers whose employer does not want to offer coverage. Removing legislative barriers will give more Canadians access to coverage as providers are allowed to offer plans to more workplaces. Benefits from the economies of scale associated with large group coverage options will become available to more Canadians in their workplaces. Just as the majority of workplaces have some form of group health benefit coverage, third pillar providers will also be able to provide group retirement coverage on a vast new and competitive scale once barriers are removed.

Key actions:

- Remove primary purpose for pension plans test (Income Tax Act) (ITA))
- Expand categories of income eligible for contribution to a pension plan (ITA)
- Remove minimum employer contribution requirements (ITA)
- Expand the definition of "administrator' to allow financial institutions or other entities that do not provide guaranteed benefits (Federal/Provincial Pension Benefits Legislation)
- Expand the definition of entities that can sponsor a Capital Accumulation Plan (CAP Guidelines)
- Remove requirements for similar benefits per class of plan members (Federal/Provincial Pension Benefits legislation)

2. Ensure Defined Benefit (DB) Plans Continue as Viable Options for Coverage

Much has been made of the decline in the role of defined benefit pension plans in the workplace. There are many reasons for this, and various reviews are underway at the federal and provincial level to look in more detail at the issues surrounding DB plans.

ACPM believes in strengthening the existing environment to encourage the ongoing maintenance and creation of DB plans. ACPM has been and will continue to provide comments and advice to these reviews that reflects its strongly-held view that governments have the ability to revitalize the use of DB plans in the workplace as they provide an important component of our retirement income system. Incenting employers to adequately fund plans can make the DB plan an attractive and workable option for more employers and employees. Workplace retirement plan options require a variety of plans to meet the needs of a large and diverse workplace population. One-size-fits-all solutions cannot meet all the requirements that comprise our different workplaces and ACPM sees a new and expanding role for DB solutions with much needed legislative reforms.

Key actions:

- Surplus solutions combined with a balanced funding regime that incents employers to ensure that plans are well-funded, thereby enhancing benefit security (Federal/Provincial Pension Benefits Legislation)
- Implement permanent solutions to deal with ongoing funding challenges while encouraging increased benefit security (e. g. allow the use of letters of credit and special purpose 'solvency accounts') (Federal/Provincial Pension Benefits Legislation)
- Move pension plans from the broad trust law environment to a contract law regime (Federal/Provincial Pension Benefits Legislation)
- Allow more flexibility in plan design (Federal/Provincial Pension Benefits Legislation)

3. Enable More Innovation

While third pillar providers strive to offer employers and individual savers an array of options, their flexibility in designing options is hampered by rules governing the provision of pension plans. In particular, the ability to offer hybrids and other new types of plans, or to facilitate partnerships, is circumscribed. The right rules could unleash creativity and the forces of competition for the benefit of Canadians who require different ways to save for retirement.

Many additional workplaces will have the opportunity to explore new options for retirement savings plans. It is likely that similar businesses, through their professional or service associations, will partner with current public or private providers or new entrants into the retirement income field to tailor plan options to specific industries, companies and the self-employed. Today, most businesses offer various health and other benefit packages to their employees. We believe with the changes we are advocating, similar opportunities on the retirement savings side will lead to increased retirement plan coverage as well.

New innovative plans will appeal to employers through administrative ease and through greater employee recruitment and retention.

Key Actions:

- Enable Multi-Employer Pension Plans (MEPPS), target benefit plans, hybrid plans and new designs not contemplated today (Federal/Provincial Pension Benefits Legislation)
- Allow more flexibility in plan design (Federal/Provincial Pension Benefits Legislation)
- Expand the categories of income eligible for contribution to a pension plan (thus allowing for pension coverage for the self-employed). (ITA)
- Remove minimum employer contribution requirements (ITA)
- Expand the definition of "Administrator" to include financial institutions or other entities that do not provide guaranteed benefits, which would allow aggregation of disparate groups to achieve benefits of scale (Federal/Provincial Pension Benefits Legislation)
- Expand the definition of entities that can sponsor a Capital Accumulation Plan (CAP) to include financial institutions or other entities (Federal/Provincial Pension Benefits Legislation)

- Allow administration of CAP plans to be on a 'good faith' standard of care or make provision for a safe harbour, in appropriate circumstances (Federal/Provincial Pension Benefits Legislation)
- Remove requirements for similar benefits per class of plan member (Federal/Provincial Pension Benefits Legislation)

4. Promote Simplicity in Administration

Employers increasingly cite the cost and complexity burdens of administration as a key factor in declining to offer or participate in workplace retirement plans. Administrative complexity is even more problematic for smaller businesses that are less likely to have the human or financial resources to undertake and manage retirement plans.

All governments recognize and are responding to our country's internal market issues such as professional credentials, procurement and trade. Similarly, ACPM believes that Canadians' ability to obtain adequate retirement income should not rely on where they live or whether their job is in the public or private sector, and advocates for pan-Canadian solutions.

Employers are more likely to offer plans and to participate in them if they can be handled in a straightforward and non-burdensome manner. Today, employee benefit plans are widely offered by all sizes of business. Similar expansion into group retirement plans can be expected with the removal of existing barriers to such coverage.

Key Actions:

- Allow administration of the plan to be on a 'good faith' standard of care or make appropriate provision for safe harbour, in appropriate circumstances (Federal/provincial Pension Benefits legislation)
- National DC pension-specific legislation employing simplified minimum standards together with the CAP Guidelines (Federal/provincial Pension Benefits legislation)
- Greater harmonization in DB rules across provinces
- Enable electronic communications with opt-out (Federal/provincial Pension Benefits legislation)
- Enable electronic beneficiary designations (Federal/provincial Pension Benefits legislation and provincial insurance legislation)
- Development of a pan-Canadian framework with a uniform approach to standards

5. Increase Incentives to Save

Generally speaking, ACPM believes that Government provides a suitable array and level of incentives for Canadians to save to augment OAS and government guaranteed income schemes, Canada Pension entitlements, and federal and provincial programs that benefit retired Canadians. However greater equity for those without workplace plans could encourage more saving, especially for the self-employed, and more flexibility over individuals' lifetimes could recognize that the opportunity to save for retirement varies over time.

Key Actions:

- Expand annual contribution limits (ITA)
- Create a lifetime contribution limit with a value comparable to the commuted value of public sector pensions (ITA)
- Allow plan members to deduct plan administrative expenses (ITA)

II. The Outcome

ACPM is confident that the ACPM Five-Point Plan will lead to a significant increase in coverage.

Coverage will increase if group plans can be offered. Employees want choice and opportunity. Employers and employees need certainty in rules, ease of administration and choice and flexibility in plan design and contributions.

ACPM believes that allowing increased flexibility in offering group coverage, and maintaining fairness and flexibility in current incentives, will lead to both employees and employers looking more favourably to participating in group coverage. The overall objective is to encourage those individuals who want to save more, to do so, and those who have not begun to save, to have the opportunity to do so now, utilizing different options and the benefits of group coverage.

There should be considerable interest among the self-employed, who currently have very few options for cost-effective group saving.

ACPM also believes that most employers understand the benefits of group retirement income benefits for their employees, even if some do not currently offer such plans. By addressing the barriers that limit interest and opportunity, more of these employers will choose to participate in workplace arrangements and facilitate the involvement of their employees.

But the biggest source of confidence that these changes will increase coverage comes from the certainty that third pillar providers will seize the opportunity provided by the changes. Employers, employees and the self-employed will not be left to their own devices.

Canada's three pillar retirement income system has worked well. The government run OAS/GIS and the mandatory workplace CPP/QPP has functioned successfully in conjunction with the voluntary nature of the third pillar. With legislative improvement and new increased flexibility, current and future third pillar providers will provide even more saving options to meet the varying needs of individuals in our society.

A one-size-fits-all mandatory approach will not meet the requirements of Canadians, but will simply force all into one kind of savings plan whether or not it is right for them or works in their best interest. Canadians recognize the need to save for their retirement. The role of government should be to allow individuals to make the right choices for themselves and their families. Choice, options and flexibility recognizes the differing needs we all have at different times in our lives. A mandatory system denies us that choice and forces us to forgo other opportunities that may be more appropriate such as home ownership, education etc.

The changes that ACPM is advocating for will lead to increased opportunities for expanded participation by thousands of workplaces and countless thousands of workers. The importance of saving sufficiently for retirement is not lost on Canadian employers or Canadian workers. Enacting ACPM's five points will encourage new business models and new approaches to the retirement marketplace leading to increased opportunities for participation by Canadians from all walks of life. Increased competition and more opportunities for Canadians to save as they see fit should be welcomed by all.

III. Cost Considerations

ACPM recognizes that the federal and provincial governments already commit sizable amounts of public resources to supporting an adequate and comfortable retirement for Canadians. As a result, it is important that any increased cost be minimized, especially in the next few years as governments across the country strive to eliminate the large deficits resulting from the recent recession.

At the same time, increasing retirement income coverage in Canada cannot be cost-free.

The key to effective fiscal cost minimization is to focus action in the short term on existing incentives. This is what the ACPM Five-Point Plan does by focusing on removing barriers to group coverage even within existing tax limits.

Longer term proposals to institute a lifetime contribution limit would see any new costs spread over the long term, and increases in annual contributions could be phased in gradually. Both of these measures could lead to healthier retirement incomes in future which would result in lower government expenses and higher tax revenues.

New innovative products and flexible designs will lead to competitive savings opportunities for Canadians targeted toward their needs throughout their life cycle. A one-size-fits-all solution, with a contributory rate that may or may not be appropriate for every Canadian, is too expensive an option to force on Canadians given their current and future obligations. Flexibility and innovative plan options will lead to greater take-up at a more appropriate cost to individuals than one option would allow.

Conclusion

ACPM believes the five points contained in this paper will lead to a significant increase in coverage through voluntary enrolment spurred by innovation, flexibility in design, and competition in delivery to meet the real needs of individual Canadians.

For more detailed information on ACPM and the ACPM Five-Point Plan please access our web site at www.acpm-acarr.com

ACPM CONTACT INFORMATION

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Gill, Marcus A FIN:EX

From: Bryan Hocking <bryan.hocking@acpm.com>
Sent: Thursday, July 21, 2011 9:26 AM
To: Gill, Marcus A FIN:EX
Subject: ACPM Response to Working Group Framework
Attachments: ACPM Response to Working Group Framework (21-07-11).pdf

Marcus

I just received the autoresponse from Mary Tkachyk.

For your information, we have today submitted to Jeremy Rudin's office, the attached response to the recently proposed Federal/Provincial/Territorial Working Group Framework for the PRPP. Should you have any questions regarding its content, please feel free to contact me.

Regards,

Bryan Hocking

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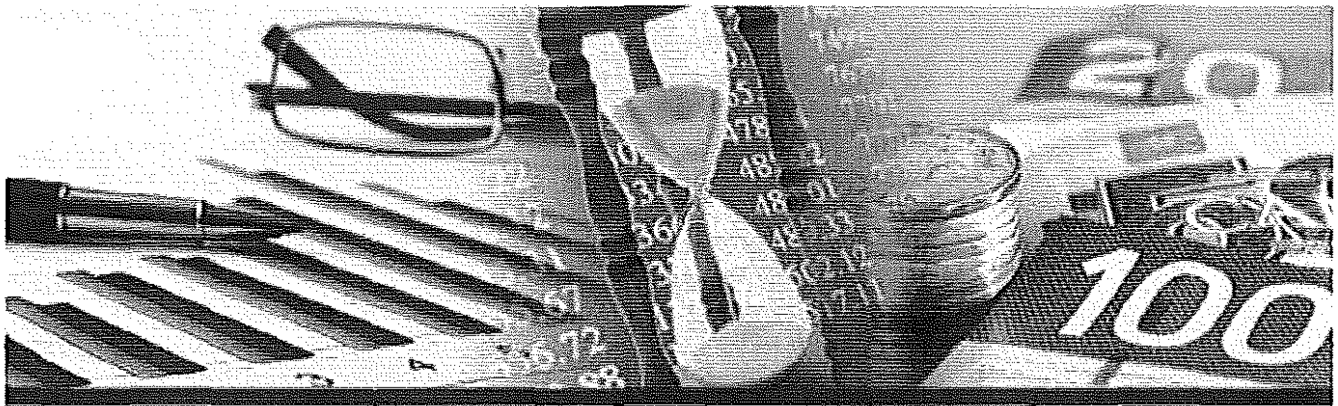

ACPM Comments on Working Group Framework

July 20, 2011

ACPM/ACARR

ACPM CONTACT INFORMATION

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TABLE OF CONTENTS

FOREWORD

The Association of Canadian Pension Management (ACPM)

The Association of Canadian Pension Management (ACPM) is the informed voice of Canadian pension plan sponsors, administrators and their allied service providers. Established in 1976, the ACPM advocates for an effective and sustainable Canadian retirement income system through a non-profit organization supported by a growing membership and a team of volunteer experts. Our members are drawn from all aspects of the industry from one side of this country to the other. We represent over 400 pension plans consisting of more than 3 million plan members, with total assets under management in excess of $330 billion.

The ACPM promotes its vision for the development of a world leading retirement income system in Canada by championing the following Guiding Principles:

- Clarity in legislation, regulations and retirement income arrangements;
- Balanced consideration of other stakeholders' interests; and
- Excellence in governance and administration

Introductory Comments

We commend the Federal/Provincial/Territorial Working Group for continuing to move the Pooled Registered Pension Plan (PRPP) forward. We were very pleased to have had the opportunity to meet with the Working Group once again in Ottawa on July 5th. In this document we try to answer the outstanding questions that came out of the July 5th meeting.

We would like to begin by making several key points for your consideration:

- Increasing coverage is, of course, the ultimate goal that we share with government, but how we get there is very important;

- Once again, we wish to emphasize the fact that we do not have a one-size-fits-all coverage problem; therefore a one-size-fits-all solution is not the appropriate approach. The PRPP Framework should be developed with the primary goal in mind of addressing coverage issues affecting the self-employed and those employed in small businesses who today like viable access to group pension coverage;

- We understand and support the need to keep costs down, however, the one-size-fits-all approach is not the best way to get "cheap" – and, more importantly, "cheap" is not necessarily better;

- Low cost is best achieved through scale and competition, and rewarding innovation, not by prescription;

- The approach of the "Detailed Elaboration of Key Elements" document which served as the basis for discussion in our July 5th meeting could be interpreted as presuming that the motivation of the private sector will be to charge more to make big profits. This would imply that the financial services market place is not competitive. We respectfully disagree with any such view. It is the competitive financial services market place that will demand cost-effectiveness in plan provision and will spawn the innovation that will maximize the attractiveness of the concept to employers and the self-employed;

- In order to keep costs down, a pan-Canadian approach is absolutely essential, thereby creating harmony of legislation to the greatest extent possible. We think federal legislation adopted by reference in participating provinces would be an effective way to implement in a cost-conscious fashion;

- Careful design is required to ensure that PRPPs add to coverage already provided through existing retirement savings vehicles;

- Finally, we believe that there is a definite need to focus on clarity, so that all potential participants (administrators, employers, members) have no misunderstanding of expectations.

Comments on Working Group Framework

I. Eligible Administrators

"Entities that can assume a fiduciary duty" is too vague – any employer administrator of an RPP assumes a fiduciary duty. As well, life insurance companies are prevented by the Insurance Companies Act from assuming fiduciary duties. It is necessary to be clear on appropriate criteria that distinguish the role of PRPP administrators.

In that regard, ACPM supports a licensing regime under the right program criteria (subject to our comments below). The licensing requirements should include sufficient capital and/or errors & omissions insurance and fiduciary bond to ensure that negative impact on plan member account balances arising from execution risk or malfeasance by an administrator is minimized. The licensing requirements also need to ensure a level playing field exists so as to promote fair competition among providers.

The need for a licensing regime, however, is related to the number of plans that an administrator may offer. ACPM does not support restricting an administrator to a single plan offering. We appreciate the objective of lower costs, but re-emphasize that it is competition and innovation, along with scale, that will ensure PRPPs will be most cost-effective. Permitting administrators to only offer a single plan will reduce the likelihood of different plans being offered with different investment structures, resulting in less competition and a "trending to the middle" in plan design.

A formal licensing regime seems unnecessary if an administrator can only offer one plan across the country and meets the criteria to be an administrator.

As well, clarification is needed as to whether a plan must be offered nationally, or whether an administrator could choose to offer a plan on a regional basis (particularly if the administrator itself does not operate nationally).

With respect to sanctions, ACPM supports graduated penalties as an appropriate alternative to single, more drastic penalties.

II. Duty of the Administrator

It is critical that the rules be clear – administrators simply want to be confident they know what is expected of them. Terms like "trustee" and "fiduciary in nature" are too vague – "trustee" is arguably a broader term than "fiduciary in nature". Characterizing an administrator as a fiduciary leads to a lack of clarity and certainty that will impair decision making by the administrator and lead to unnecessary conflict and cost.

ACPM supports specifying specific duties and obligations. We recommend a duty of care provision to describe the expectations of administrators such as the following:

> *"In meeting the requirements under the Act to design, make available and operate a PRPP, the Administrator shall exercise the degree of care of a prudent [financial institution or professional pension plan administrator] acting in like circumstances, shall act honestly and in good faith and shall ensure that members and beneficiaries of the plan are treated fairly."*

As the list of eligible administrators could be quite large, the duty of care may need some adjustment depending on the type of entity.

ACPM also supports providing more detailed guidance on the specific duties and obligations of administrators of PRPPs. In putting forward a statutory standard like the proposed duty of care, the Framework needs to be clear that satisfaction of enumerated duties and obligations constitutes satisfaction of the standard.

There also needs to be clarification around what constitutes an "inducement" – e.g., is offering a lower cost structure for an employer with a higher volume of participants an "inducement"?

III. Attributes of Investment Design of PRPPs

ACPM shares government's objective of promoting employer participation and increased coverage at lower investment management costs through the PRPP. However, we strongly oppose the inflexible, granular approach taken towards investment in this section of the document as the means to achieve the objective.

Rather, the Framework should define the end goal for PRPP investment options and any important factors that should be taken into consideration, such as competition, fund size, etc. Prescribing how to achieve the end goal presumes that government is more expert in investment matters than investment professionals.

The suggestion in the document that the Framework should control the role of passive vs. active management is particularly troublesome. It is not clear that passive management necessarily produces better or even equal results. What is clear is that investment professionals have the experience and the incentive to ensure an appropriate passive/active mix is utilized in a given PRPP plan design.

Consistent with our earlier comments, we do not support the notion of administrators being limited to providing a single plan with the same options being offered to all participating employers and employees. Doing so is likely to reduce the variety of plans that might be made available, since providers will tend to provide the one design that satisfies the desires of the largest group of employers and employees. Yet maximizing increases in coverage will need to recognize that one type of plan is not necessarily appropriate for all employers and employee groups.

Attributes of the Default Investment Options

Describing the default option as "broadly appropriate for large pools of contributors potentially diverse in risk profile" is problematic as a guiding principle. We struggle with how one default option could ever be appropriate for a broad array of risk tolerances. Further, if an individual does not make a choice, do they in fact even have a risk profile?

To provide the clarity desired, ACPM recommends that the word "potentially" should be removed from the second bullet point of the default option section of the document. The Framework should more appropriately include a description of the expectations for the default fund. Examples of those expectations should be that the default:

(i) Is an investment option designed for long term investment with the objective of a rate of return that modestly exceeds the rate of inflation and that provides a reasonable balance between risk and return; and

(ii) May have periods in which it underperforms that objective.

These types of expectations are useful examples of what may be provided but should not be seen as an exhaustive list.

Finally, it is important to specify whether the designation of the default fund will be part of any "licensing" process.

Attributes of Additional Investment Options

ACPM does not believe the goal of increasing coverage is enhanced by limiting the number of options. We appreciate the concern over cost and complexity that may have been guiding the Working Group's thinking in this area. However, our concern about such prescription is firmly rooted in our belief that the market place will determine just how many different plans, and investment options, are appropriate and will ensure those plans come at a competitive price.

Attributes of Investment Disclosure

The prohibition in the document against costs that are chargeable to PRPP members' accounts including marketing costs is perplexing. If PRPPs are not mandatory, and for that matter even if they are, how are providers to reach employers, their employees and the self-employed to ensure the choice and understanding that underpins competitive offerings? Such costs of business will certainly be factored into returns offered – to not recognize this would seem to be a strong disincentive to potential providers even offering a plan.

IV. Auto-enrolment

Our understanding of the desired common approach to PRPP participation is that employers would have the option to choose whether their organization would participate in a PRPP. Once the employer chooses to participate and selects a PRPP, all employees of that employer would be automatically enrolled in the chosen PRPP and the employees would then have the right to opt out on an individual basis. This approach needs to be clarified in the Framework documents.

It would also be helpful for the Framework to recognize that changes will need to be made to employment standards legislation to permit automatic enrollment of existing employees. Clarification is needed on whether default contribution rates can vary by employer. Clarification is also needed whether auto-escalation can vary by employer.

V. Portability

A unique personal identifier for plan members should be designated by the Framework to contribute to lower-cost plans, and is all but essential to locate former members of a plan with assets remaining in that plan.

VI. Role of Employer

Clarification is needed of what will constitute an "inducement", particularly if an employer would be subject to any penalty.

To increase coverage and distinguish PRPPs from DCRPPs, the Framework needs to focus on minimizing employer duties and involvement, be clear about those duties and clarify what statutory protections from liability based on compliance with those duties is provided. Having as many of the requirements related to tax reporting and compliance as possible performed by the administrator rather than the employer would maintain simplicity and encourage employer participation.

It would also be helpful for the Framework to specifically describe how the self-employed will be able to participate.

VII. Employer Participation

ACPM believes that voluntary participation by employers in PRPPs is the most appropriate approach, given the voluntary nature of our system and the other options available to employers. That being said, we recognize that different provinces may take other approaches on this issue. In that case, the most important aspect is for the Framework to minimize the differences in approach across the country, as different rules hurt the objective of keeping costs down and permitting innovative plans to flourish and develop the desired scale.

VIII. Locking-in Rules

ACPM is in favour of locking-in but, again, the more variation by Province that is permitted in the Framework, the more complicated and costly administration will become.

IX. Review

A three-year review period is quite short. Changes should be made with caution, recognizing the need to protect those administrators and employers that have invested in setting up plans and the expectations of members who have joined them.

Gill, Marcus A FIN:EX

From: Gill, Marcus A FIN:EX
Sent: Monday, May 14, 2012 1:57 PM
To: 'Bryan Hocking'
Subject: RE: Target Benefit Plan Paper

Thanks Bryan. I agree with the discussion points in the report. We plan to work on regulations in the not too distant future. We will keep ACPM in mind as we develop the regulations but we have not yet received direction on what form of consultation will take place.

Marcus Gill
A/Executive Director
Financial and Corporate Sector Policy Branch
BC Ministry of Finance
250 387-9090

From: Bryan Hocking [mailto:bryan.hocking@acpm.com]
Sent: Friday, May 4, 2012 8:59 AM
To: Minister, FIN FIN:EX
Cc: Gill, Marcus A FIN:EX
Subject: Target Benefit Plan Paper

Dear Minister

Attached please the ACPM Target Benefit Plan paper, which has been prepared by our organization after months of extensive work. We consider it as one more option that further coverage in Canada. We are currently meeting with various individuals in the business community as well as the labour groups to seek their input and plan to officially release the final copy in late summer or early fall. In the meantime we are providing a preliminary copy on an embargoed basis to some of the provincial governments that we have worked closely with over the past several years, B.C. being one of the governments. We would therefore ask that the document not be distributed it beyond your Ministry at this time.

Should you or your officials have any questions about the paper, we welcome an opportunity to discuss it further.

Sincere regards,

Bryan Hocking

Chief Executive Officer
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