



Securing Our Future: Strengthening Retirement Income in Ontario through Pooled Registered Pension Plans

The consultation paper "*Securing Our Future: Strengthening Retirement Income in Ontario through Pooled Registered Pension Plans*" informs the discussion questions below and can be found at <http://www.fin.gov.on.ca/en/consultations/pension/prpp.html>.

Feedback on any or all of these questions, as well as comments on the pooled registered pension plan (PRPP) initiative more generally, can be submitted to pension.feedback@ontario.ca or mailed to:

**Framework for Pooled Registered Pension Plans
Strategic Pension Reform Secretariat
Ministry of Finance
7 Queen's Park Crescent
5th Floor, Frost Building South
Toronto, ON M7A 1Y7**

Submissions must be received by **January 20, 2014**.

Discussion Questions

Eligibility

1. Under the federal framework, PRPPs would not be available to unemployed individuals.

Would it be beneficial to broaden eligibility to allow anyone in Ontario with unused RRSP room to participate, regardless of their employment status?

Key Elements of a PRPP

2. Employer Participation

The federal framework does not require employers to offer a PRPP. Quebec has proposed a different approach in its *Voluntary Retirement Savings Plans Act* — its version of PRPPs — under which employers that employ at least five individuals and do not offer other retirement savings arrangements would be required to offer a PRPP.

Should Ontario's PRPP framework require employers to participate?
If yes, should there be any exceptions?

4. Member Termination

Under the federal framework, plan members who enrol individually, such as self-employed individuals, have the option of terminating their membership in their PRPP or transferring to a different PRPP administrator at any time. In contrast, members who are enrolled in a PRPP by their employers are unable to terminate their membership in the PRPP after the 60-day opt-out period unless they leave their job.

a. Should all plan members be allowed to end their membership in a PRPP at any time? If so, should they also be allowed to rejoin at any time?

b. Should all PRPP members be able to transfer their assets to a different administrator if they are dissatisfied with their current administrator?

6. Employer Contributions

Under the federal framework, participating employers are not required to contribute to a PRPP. This is different from the requirement in the CPP legislation or the general requirement in Ontario that employers who choose to offer a registered pension plan must also contribute to the plan.

a. Should Ontario employers who offer a PRPP be required to contribute to the plan? If yes, should employer contributions still be required if the PRPP framework mandated employer participation?

b. If a mandatory contribution is desirable, should there be a minimum contribution rate?

Disclosure Requirements

9. The federal framework requires that each member receive an annual written statement, in paper or electronic form, from the plan administrator outlining key pieces of information, including:
 - The member's investment option and the degree of associated risk;
 - Contributions made by the member and employer, if any, over the course of the year;
 - Opening balance, the change in the investments' value (net of costs) and the closing balance;
 - The performance history of the member's investment option over an extended period of time compared to a benchmark; and
 - Any costs, fees, levies and other charges, expressed as a percentage or a fixed amount.
 - a. What other information about a member's PRPP would be important to include in the annual statement?
 - b. Should plan members be provided with more than one written statement annually — for example, quarterly statements?
 - c. Should plan members be provided with information about the plan administrator, such as its financial capacity, investment practices and governance structure? Are there other disclosure requirements that would help ensure greater transparency and accountability?

Administration

10. Eligible Administrators

The federal PRPP Act allows any corporation that is in possession of a valid licence issued by the Superintendent of Financial Institutions to offer PRPPs. Eligibility would be based on an assessment of the prospective administrator's ability to offer PRPPs consistent with a series of principles designed to encourage low costs and ensure that PRPPs are offered by regulated entities with appropriate experience (see licensing, regulation and supervision below).

PRPP administrators could include financial institutions such as banks, credit unions and insurance companies as well as DB pension plan administrators.

Should there be restrictions on which types of corporations can be administrators of PRPPs? If so, what kind?

11. Standard of Care

Similar to Ontario's *Pension Benefits Act* (PBA), the federal PRPP Act requires a PRPP administrator to "exercise the degree of care that a reasonably prudent person would exercise in dealing with the property of another person and the diligence and skill that it possesses, or ought to possess, taking into account the administrator's business."

PRPPs would likely be offered by institutions where the obligation to maximize profits could potentially conflict with the duty to act in the best interests of PRPP members. For example, institutions may be incented to choose higher fee investments to maximize profits, which may not be in the best interest of plan members with respect to their investment strategy. At the same time, they would be constrained by the legislative requirement that plans be offered at a low cost.

Are there more specific requirements or limitations required to mitigate against potential conflicts of interest?

Regulation of PRPPs

12. Licensing, Registration and Supervision

The federal framework requires PRPP administrators to be licensed by the federal Superintendent of Financial Institutions, who is also responsible for overseeing federally-regulated registered pension plans. Once issued, a licence would not expire and would not be revocable. Administrators must also register each PRPP they intend to offer with the Superintendent and Canada Revenue Agency before they can market the product.

In addition, the Superintendent is responsible for the ongoing supervision of PRPPs under federal jurisdiction, such as ensuring that PRPPs are offered at low cost and that plan members are adequately informed. If it is found that an administrator does not fully comply with the PRPP Act and associated regulations, the Superintendent has the authority to issue sanctions against the administrator. This authority includes the ability to revoke the registration of the plan in question (the administrator would, however, remain licensed), and prohibit the administrator from entering into any new contracts with employers or accepting new members.

In Ontario, pension plans are registered with the Financial Services Commission of Ontario (FSCO) and are regulated by FSCO to ensure compliance with the PBA. As the pensions regulator, FSCO could also be responsible for the regulation of PRPPs in Ontario, including the licensing of administrators, the registration of PRPPs and the ongoing supervision of the regime. As discussed further below, harmonization of the regulation and supervision of PRPP frameworks across the country may be an important consideration.

- a. What conditions should be required to obtain a licence?

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Contact Information

Name:

Organization:

Address:

Email:

Telephone:

Feedback on any or all of these questions, as well as comments on the PRPP framework more generally, are welcome.

Please provide all comments by January 20, 2014.