

Revamped Pension Plans Examination Program

Webinar



FSRA

Financial Services Regulatory
Authority of Ontario

Date: May 16, 2024

Speakers:

Marco Ciavatta, Senior Manager, Relationship Management, FSRA

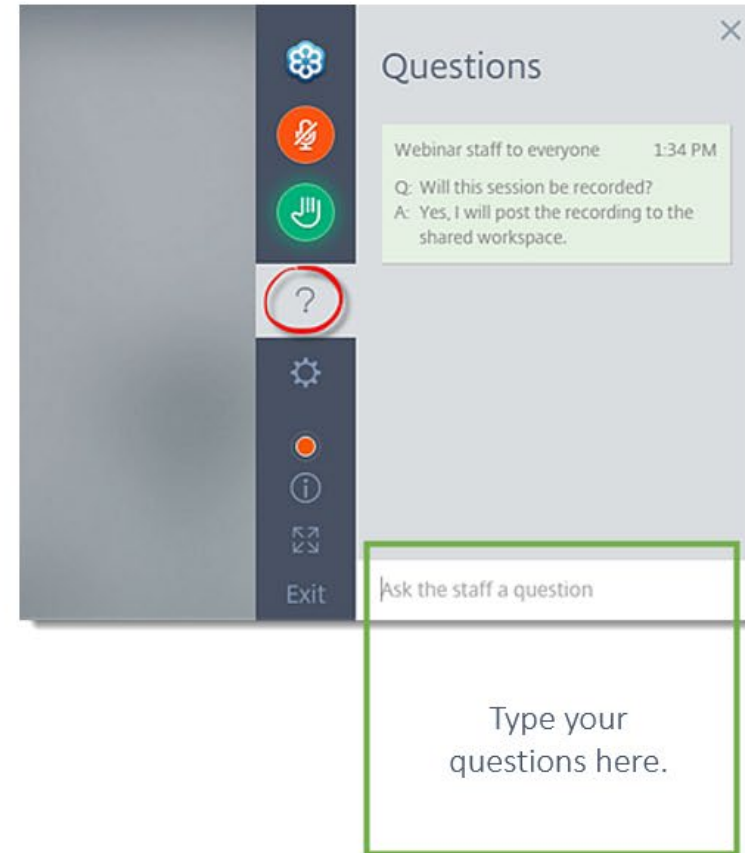
Vanessa Taylor, Senior Pensions Engagement Consultant, FSRA

Paul Martiniello, Director, Prudential Supervision SEPPs & MEPPs, FSRA



Ontario

Participating in today's Webcast Attendee Control Panel



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Land Acknowledgement

We acknowledge the land we are on is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit and the Williams Treaties signed with multiple Mississaugas and Chippewa bands.

AGENDA

- Introduction
- Land acknowledgement
- Background
- Key Changes
- Overview of the Examination Process
- Questions

The logo for the Financial Services Regulatory Authority of Ontario (FSRA) features the letters "FSRA" in a large, bold, blue sans-serif font.

Financial Services Regulatory
Authority of Ontario



Ontario

FSRA Mission Statement:

FSRA Mission



MISSION

Public service through dynamic, principles-based and outcomes-focused regulation

FSRA Pensions Statutory Objects:

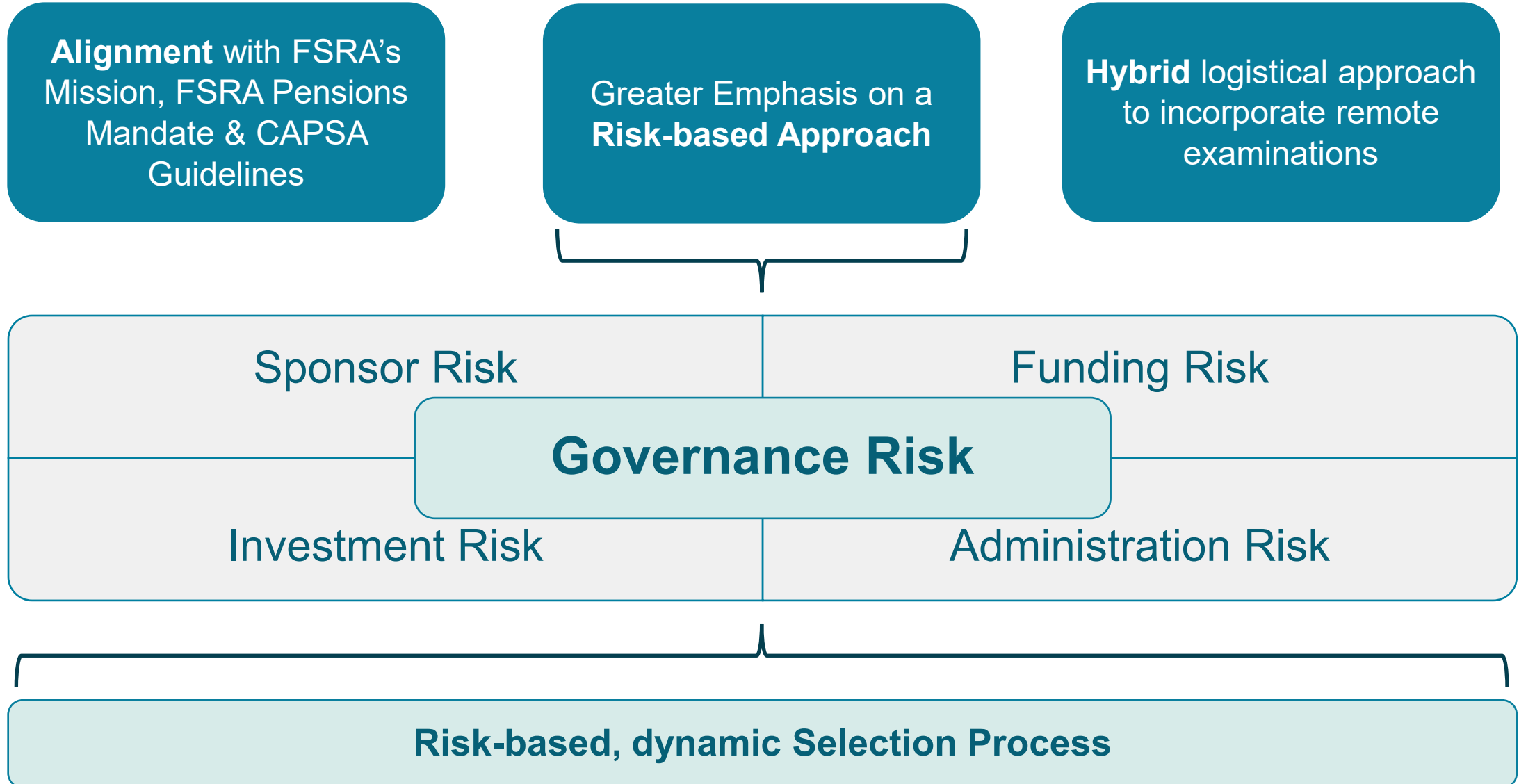
Promote good administration of pension plans

Protect and safeguard the pension benefits and rights of pension plan beneficiaries

FSRA Pensions Guiding Principles:

Risk-based	Reasonable
Aware	Adaptable
Facilitative	Effective & Efficient
Collaborative & Transparent	

KEY CHANGES



OVERVIEW OF THE EXAMINATION PROCESS



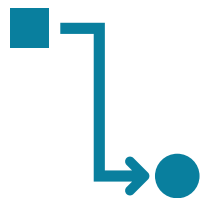
**1. Plan
Selection**



**2. Kick-off Engagement
with Plan Administrator**



**3. Preliminary
Examination**



**4. Deeper Dive
Engagements and
Examination**



**5. Reporting
Results**



**6. Monitoring &
Follow-up**

- Quarterly review and selection for plan examinations
- Risk-based and dynamic
- Considers multiple criteria including environmental scanning and in-bound operational intelligence



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Follow-up

- Outreach to the Plan Administrator to advise they've been selected for examination
- Discussed during the call:
 - Overview of the examination process, purpose, and next steps
 - Introduction of the Preliminary Examination Tool
 - Address any questions the Pension Administrator may have
- Following the kick-off call, FSRA will issue an Exam Start Letter which details the information communicated in the call



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- A self-assessment tool developed as a fact-finding exercise to collect plan information and is utilized as an initial risk assessment to proportionally deploy resources.
- Aligned with FSRA's guiding principles of being risk-based, adaptable, aware, reasonable.... One size does not fit all.
- Plan administrator is asked to complete the tool and provide requested plan documents within 2-3 weeks from receipt of the start letter



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PRELIMINARY EXAMINATION TOOL CONT'D

- MS Excel tool with free form fields and pre-defined drop downs.
- FSRA will pre-populate as much of the tool as feasible with available information.
- Structured by four primary categories of Governance, Investment, Funding, and Administration.

GOVERNANCE		
Pension plan governance refers to the structure and processes in place for the effective administration of the pension plan to ensure the fiduciary and other responsibilities of the plan administrator are met		
Review the fields below and consider the current governance practices for your pension plan(s)		
i.	Has a written governance framework/policy been established and documented for the pension plan(s)?	
ii.	Have fiduciary responsibilities been identified for all plan stakeholders? (Sponsor, Administrator, Delegates, etc...)	
iii.	Has the plan established and documented a policies and procedures (P&P) manual for overall administration of the pension plan(s)?	
iv.	Are all pension administration processes documented to ensure compliance with legislative requirements and pension plan documents & policies?	
v.	Has the Administrator identified, assessed, and prioritized the pension plan's risks as well as documented a process to monitor and manage these risks periodically?	
vi.	Does the plan administrator have a documented process to select delegates and subsequently measure the performance of all delegates?	

Yes
No
In Progress
N/A

Introduction	1. PLAN INFO	2. GOVERNANCE	3a. INVESTMENT (DB Only)	3b. INVESTMENT (DC Only)	4. FUNDING (DB Only)	5. ADMINISTRATION	<RequestedDocuments>	+
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- The deeper dive is a more detailed assessment and understanding of the information provided by the plan and is driven by areas of concern identified in the pre-examination tool.
- Review is premised around the five risk drivers: Governance, Sponsor, Investment, Funding and Administration risks.
- This phase includes ongoing discussions between FSRA and the Plan Administrator, so they are aware of our observations throughout the examination.
- Findings during the review will help inform the final report back to the Plan.



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- A call is requested with Plan Administrator to review our final observations.
- This is an opportunity for the Plan Administrator to seek clarity on findings, and to ensure clear understanding of FSRA's recommendations.
- Issue final letter to the Plan Administrator documenting our findings and recommendations.



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- The letter will include observations and recommendations (where appropriate) under the 5 key risk drivers.
- The summary will highlight observations and recommendations that are Compliance related, as well as those which are related to Leading Practices.
- The appendix will be referred to by our team for any follow-up calls or conversations.

Appendix – Summary of Examination Findings

FSRA expects that the Plan sponsor and Administrator will carefully consider our observations, with reference to their fiduciary obligations to plan members, and will work to address any specific compliance deficiencies noted and recommended enhancements.

Compliance Observations		Action Plan and Timeline
1	Review and confirm the SIP&P, on an annual basis. Further, we recommend that the annual review of the SIP&P be documented in meeting minutes , <u>in order to demonstrate compliance with the PBSR.</u>	

Recommended Leading Practices		Action Plan and Timeline
2	The sponsor may want to consider de-risking the Plan. The defined benefit component is closed to new entrants, strongly <u>funded</u> and exhibits a mature demographic profile. These are favourable conditions to <u>de-risk the plan in order to insulate against any future risks</u> faced by the Plan and sponsor, while ensuring the security of benefits for members.	

3 Locate and review the "Admin Governance

- Follow up engagements with plan administrators are risk-driven and proportionate to the outcomes of the examination.
- Focus will be on advancement with action items established as part of examination outcomes.
- Timing and depth of engagement will depend on level of risks identified.



1. Plan Selection



2. Kick-off Engagement with Plan Administrator



3. Preliminary Examination



4. Deeper Dive Engagements and Examination



5. Reporting Results



6. Monitoring & Follow-up

QUESTIONS

CLOSING REMARKS

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