

# Targeted Review of Member Option Statements on Termination and Retirement

The Financial Services Regulatory Authority of Ontario (FSRA) has completed the targeted review of member option statements provided by plan administrators when a member terminates employment or retires from the plan. FSRA's predecessor, the Financial Services Commission of Ontario (FSCO), initiated this review in March 2018.

## Why Does the Regulator Conduct Targeted Reviews?

Targeted reviews are an effective tool for the regulator to fulfill its mandate to promote good administration of pension plans, and protect and safeguard the pension benefits and rights of pension plan beneficiaries. Targeted reviews enable the regulator to identify potential areas of non-compliance, common issues and trends and to enhance guidance or education, where needed.

## Why Member Option Statements?

Pension plan administrators are obligated to provide these statements to their plan beneficiaries. A plan member who terminates employment or retires has to make important financial decisions. Receiving complete, accurate and timely information about one's pension benefits and available options are key to enabling plan members to make well-informed decisions.

## How Many Pension Plans Did We select for the Targeted Review?





There were 230 pension plans randomly selected for this targeted review. The plans had diverse characteristics to provide a good and fair representation of plans under supervision.

FSRA reviewed five termination option statements and two retirement statements for each of the plans included in the review to determine compliance with legislation.

In terms of plan types, 159 were of a defined benefit (DB) nature and 71 were of a defined contribution (DC) nature. We had an outstanding response rate of 99%.

## Key Highlights from the Targeted Review

The member option statements were generally compliant with the requirements in the Pension Benefits Act (PBA) and most plans provided them within the required timelines. We identified the following opportunities:

- 51% of **DB plan retirement statements** reviewed were **missing at least one piece of required content**. For example, some plans failed to communicate contractual indexation provisions, available payment options under the plan or applicable early retirement reductions included in the benefits provided.
- Of the **DB plan termination statements**, **3% incorrectly applied the interest rate** in effect on the date the option forms were prepared, as opposed to the termination date when calculating members' commuted values.
- 10% of the statements reviewed (irrespective of plan type) showed **discrepancies between the annual pension statements and the member option statements**, particularly on the following data points: beneficiary information, plan entry date, and credited service under the plan.
- **Approximately 1 in 3 pension plans** (irrespective of plan type) were **late** in providing member option statements **by an average of 30 days**.

## Final Comments

FSRA expects pension plan administrators to:

- know and comply with the legal and regulatory framework applicable to pension plans in Ontario;
- implement good governance structures and processes;
- adopt appropriate administration practices;
- rely on a master member record to produce member communication; and





- communicate clearly and transparently to plan members in easily understood language and in a timely manner, enabling well-informed decisions.

To continue to support the findings from the targeted review, FSRA will add a review of member option statements to its on-site examinations. FSRA is committed to being reasonable and proportionate in its regulatory response and intervention, which may range from education and enablement, to enforcement through summary administrative monetary penalties.

## 2019-2020 Targeted Review

FSRA has begun a targeted review of defined benefit multi-employer pension plans to promote best practices in terms of funding, investment, administration and governance. Part of this review included on-site examinations which have been largely completed. Remaining on-site examinations have been suspended until further notice in response to COVID-19. We are adjusting our approach accordingly.

