January 4, 2019

Financial Services Regulatory Authority of Ontario
30 Adelaide Street West, Suite 800
Toronto, ON M5H 3P5
inquiries@fsrao.ca

To Whom It May Concern:

Re: Notice and Request for Comment
Proposed FSRA Rule for 2019 – 001
Assessments and Fees
Pension Sector

ACPM (The Association of Canadian Pension Management) is the leading advocate for plan sponsors and administrators in the pursuit of a balanced, effective and sustainable retirement income system in Canada. We represent plan sponsors, administrators, trustees and service providers and our membership represents over 400 companies and retirement income plans that cover more than 3 million plan members.

COMMENTS

Principles

At the outset, we would encourage FSRA in all of its activities, including the development of its fees, to:

- Promote the sustainability of the pension system in Ontario;
- Ensure the pension system is operated in an efficient and fair manner; and
- Balance the interests of all parties, including members, employers, sponsors and administrators.

ACPM generally supports the principles identified in the consultation and supports FSRA's vision to have a simple, consistent and fair funding model based on a budgeted amount.

In particular, ACPM believes the following principles are of particular importance:

No cross-subsidization (Fairness)

Pension plans are provided voluntarily by plan sponsors and, while they are appropriately subject to regulation, should not be viewed as a source of funding for other sectors that are profit-driven and/or related to individual consumer/member issues which are not conducive to generating fees.

Transparency

Given the large increase in fees some plans, particularly large plans, will experience, it will be critical for FSRA to collect and share data that supports and justifies either the existing fee structure or proposed alterations to the fee structure in the future.

Sustainability of the pension sector

Fees should not discourage the creation and maintenance of pension plans by employers and plan sponsors.

Proportionality

It is important that the principle of fees being proportionate to regulatory activity be based on FSRA's actual experience as it moves forward. Data collection will be important for this purpose as well.

Predictability

It is important to remember that plans need predictability in order to maintain prudent funding policies and substantial fee increases can affect the ability to do so. To the extent required, increases should be incremental.

Transparency and accountability

In addition to disclosing estimates and allocation of costs to maintain the confidence of the pension sector, it will also be important for FSRA to collect data based on actual FSRA experience and share the methodology behind the fee calculations that used this data.

We have elaborated on several of the principles below.

Simplicity

We support the simplicity of a single per-member fee, which we understand would include surviving spouses. However, as proposed, there is some uncertainty under the fee rule as to the treatment of other types of plan beneficiaries, such as:

- Suspended members, i.e., members who no longer accrue a benefit under the plan but are not considered to be terminated, due to sale of a business (section 80) or successor plan (section 81) rules;
- Designated beneficiaries who are receiving guarantee period payments.

Clarification of the use of the term "member" and whether it includes surviving spouses, suspended members, and beneficiaries receiving guarantee period payments, i.e., anyone entitled to a current benefit under the pension plan is encouraged.

Predictability

The budgeting process needs to keep the end user, i.e., the regulated plans, in mind. While it is understood that there needs to be some flexibility, increases in fees could serve to further discourage sponsors from offering defined benefit plans or encourage FSRA not to budget carefully. On the other hand, a fixed fee might result in the same service as is currently being given by FSCO, contrary to the general industry support for transformation and increased service levels under the new regulator. *As such, we encourage FSRA to develop a mechanism to limit the size of budgetary increases each year that would result in fee increases and ensure that any increases are scaled proportionately to need.*

Transparency and Accountability

Many plans will experience significant fee increases under the proposed fee rule. While there is some support within the industry for paying higher fees for better service, *we would encourage mandatory review of the rule at regular intervals of three to five years, once sufficient data has been collected to support the allocation of the regulatory burden amongst plans of different sizes and types in the context of the activities undertaken by FSRA and its actual experience.*

We also strongly encourage FSRA to establish service standards, including timelines for reviews and processing activity, to further ensure accountability to the industry and show that the fees being charged are commensurate with the regulatory activity.

Other components of the proposed fee rule for which transparency will be critical are:

- Increase in the minimum annual fee to $750. We support the concept of there being a minimum amount of regulatory effort associated with regulating any pension plan, regardless of size or type. However, this is another component where data collection to support the amount of the minimum fee is desired.

- Elimination of the Maximum Fee Cap. This element of the proposed fee rule impacts the largest plans significantly, whether measured as a percentage increase or by absolute dollar value. While the largest plans have differing reactions to the increase, ACPM members were generally of the view that supporting the size of the fee through data and actual FSRA experience will be of importance going forward.

- Tiering. This feature of the proposed fee rule is not objectionable, but, at the moment, there is no data to support the various tiers. We strongly encourage FSRA to collect data to either support the way the tiers have been developed or to support adjustments to those tiers.

We would also support the development in the future, supported by sufficient data and regulatory experience, of reasonable flat transaction fees for sponsor-driven activities like asset transfers, surplus withdrawals, and plan wind ups. The fee should be reflective of the regulatory costs associated with a typical review and approval for that kind of transaction. However, we are not suggesting a time or complexity-based fee due to the lack of predictability it would entail and the potential to discourage efficiencies in the approval process.

Thank you for the opportunity to provide our comments. We are available to discuss them at your convenience.

Sincerely,

R Marrero

Ric Marrero
Chief Executive Officer
ACPM
www.acpm.com