

December 19, 2018

Financial Services Regulatory Authority of Ontario
130 Adelaide Street West
Suite 800
Toronto, Ontario M5H 3P5

Submitted electronically

To whom it may concern:

Re: Consultation number 2019-001 – Assessments and Fees

I am pleased to provide OPB's submission in relation to the proposed Fee Rule (the "Proposed Rule") for the Financial Services Regulatory Authority of Ontario ("FSRA"). OPB participated actively in the 2015 Mandate Reviews of the Financial Services Commission of Ontario, the Financial Services Tribunal and the Deposit Insurance Commission of Ontario ("FSCO"), and was also a member of the Ad Hoc Fee Rule Industry Advisory Group for the Pension Plans sector. We are delighted to be able to participate in this further opportunity to provide input on the development of FSRA.

About OPB

OPB is the administrator of the Ontario Public Service Pension Plan (the "PSPP"), a major defined benefit pension plan sponsored by the Government of Ontario. Our membership is made up of certain employees of the provincial government and its agencies, boards and commissions. With \$26.5 billion in assets, 43,636 active members, 37,766 retired members and 5,909, the PSPP is one of Canada's largest pension plans. It is also one of the country's oldest pension plans, successfully delivering the pension promise since the early 1920s. Our commitment is to protect the long-term sustainability of the PSPP, invest assets astutely and with discipline, keep contribution levels stable and affordable, and deliver exceptional service to our stakeholders.

Proposed Rule – general principles

Much of the Proposed Rule is commendable. OPB is particularly encouraged by the vision and principles FSRA proposes to adopt in the Proposed Rule, including the following:

- That the administrative burden associated with fees should be minimized.

- That the fee structure should establish a level playing field, treating individuals and entities with similar characteristics in a similar way, and that advantages for particular participants ought to be avoided.
- That fees imposed on participants should be proportionate to the regulatory activities or costs that they generate.

OPB believes that the principles outlined above are consistent with the Government of Ontario's stated objective of making pensions more efficient. Regulation of pensions, and the fees charged by any regulator, must be carefully calibrated so as to avoid placing an undue burden on employers who provide workplace pension plans.

Proposed Rule – economic burden

The Proposed Rule, in its current form, would impose a disproportionate share of the increase in fees onto larger pension plans.

A comparison between the fees currently paid to FSCO and those under the Proposed Rule that would be charged to plans of similar size to the Public Service Pension Plan shows that the estimated fees would increase from \$109,000 to approximately \$310,000, an annual increase of over \$200,000.

OPB accepts that an increase to fees in comparison to those currently charged by FSCO will be required in order to ensure that FSRA attracts and retains appropriate expertise, devotes adequate resources to meeting the needs of plan administrators and other stakeholders, and overall, regulates the pension sector in an effective and efficient manner.

Nevertheless, an annual increase of \$200,000 represents a heavy burden for OPB and plans of a similar size. Further, that increase appears to be disproportionate when compared to the absolute increase in fees that would be experienced by smaller plans.

Possible alternatives

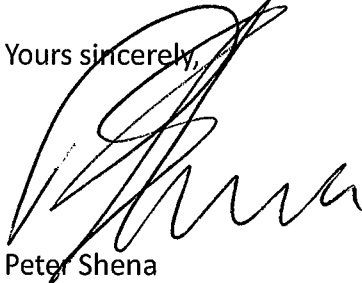
It is our belief that there are a number of possible alternative approaches that would create a fee structure that is more equitable, in line with the principles that the Proposed Rule wants to embody. These include:

- Adjusting the rates charged across different tiers and/or the tier thresholds, with a view to achieving a smoother distribution of the fee increase across plans of different sizes.
- Re-instating the maximum charge or phasing it out over a number of years, so that plans do not experience such a large increase in the first year in which the new fee regime comes into effect.

Please do not hesitate to contact me at 416.601.4050 or peter.shena@opb.ca if you have any questions.

Thank you in advance for your consideration.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Shena', written over the closing 'Yours sincerely,'.

Peter Shena

Executive Vice President and Chief Pension Officer

