

April 29, 2022

Caroline Blouin
Executive Vice President, Pensions
Financial Services Regulatory Authority of Ontario
5160 Yonge Street, 16th Floor
Toronto, ON M2N 6L9

Dear Ms. Blouin:

Re: Proposed principles-based regulation

I am pleased to provide OPB's submission in response to the proposed Approach guidance, *Principles-based regulation* (No. GR0014APP) (the "Guidance"). We welcome this Guidance and look forward to seeing how principles-based regulation (PBR) is applied to the pension sector.

OPB is the administrator of the Ontario Public Service Pension Plan (the "PSPP" or the "Plan"), 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 \$31 billion in net assets and over 93,000 active, deferred, and retired members, 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.

OPB strongly supports a principles-based and outcomes-focused approach to pension regulation. We believe a move away from prescriptive checklists will help provide administrators greater flexibility to service our members in a timely and efficient manner, while maintaining a high level of quality. Below, we have provided some general feedback on the Guidance and some questions on how it may impact the pension sector.

Supervisory methodology

We understand from the Guidance that each sector may have its own supervisory methodology based on the unique regulatory issues the sector faces. We look forward to seeing what is developed for the pension sector. We trust that stakeholders will have opportunity to provide their input as the methodology is developed and look forward to participating in the discussion.

Bright-line requirements

While the Guidance largely focuses on a principles-based approach, it also states the following:

In certain areas, FSRA will need to continue to rely on detailed Rules and prescriptive requirements, sometimes referred to as “bright-line” requirements, to ensure adequate consumer and pension beneficiary protection.

It would be helpful to understand when a principles-based versus prescriptive approach will be used. We remain optimistic FSRA will see the value of applying the former in the pension sector.

Sophisticated entities

One section of the Guidance that we would like further clarity on is the following:

FSRA will be guided by its Framework Principles when it adopts either a PBR or a prescriptive approach. Factors that will impact the regulatory approach adopted by FSRA will include the relevant legal framework (i.e., statute, regulations, FSRA rules and case law), the complexity, magnitude and impact of the regulatory problem, and the sophistication and resources of the regulated entity to effectively address the issue.

Our interpretation of the above is that FSRA may adopt a principles-based approach for an issue for one administrator, but a prescriptive approach for the same issue for another administrator based on differences in their “sophistication and resources”. We would like to confirm our interpretation and look forward to FSRA expanding on what this will mean in practice in the pensions sector.

We thank FSRA for putting forth this Guidance and look forward to seeing more detailed information on the supervisory methodology for the pension sector. If you would like to discuss anything covered in this letter, please contact me at danelle.parkinson@opb.ca.

Sincerely,



Danelle Parkinson
Director, Pension Advocacy & Legal