



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

September 16, 2022

Alberta Treasury Board and Finance
Via email: to employment.pensions@gov.ab.ca

Re: Private Sector Pensions Review

The Pension Investment Association of Canada (PIAC) appreciates the opportunity to respond to this further review of Private Sector Pensions. On March 1, 2021, we responded to the questionnaire distributed by Alberta Treasury Board and Finance.

PIAC has been the voice for Canadian pension funds since 1977 in matters related to pension investment and governance. PIAC's members manage over \$2.8 trillion of assets on behalf of millions of Canadians. Our mission is to promote sound investment practices and good governance for the benefit of plan sponsors and beneficiaries.

Please see below for the answers to the questions posed in this latest review:

Funding Rules

1) Private Sector Funding Rules (non-CBMEP)

PIAC supports the recommendation to replace current solvency funding requirements with the measures proposed. As to the approach to calculate the magnitude of the PfAd, PIAC does not have specific views on which jurisdiction's PfAD is more appropriate, with that said PIAC is encouraged that the Alberta is considering a harmonized approach. Alberta does have the advantage of understanding the experience under other jurisdictions and should apply the lessons learned to their decision making.

2) CBMEP Funding Rules

No comments.

3) Funding Status Quo Risks

PIAC believes Canadian pension jurisdictions need one funding rule, as opposed to one going-concern funding rule and one plan termination (solvency) funding rule. This one funding rule can be properly designed to meet the needs of beneficiaries and plan sponsors to balance the need for benefit security and plan sustainability. Provisions for adverse deviation and shortened amortization periods are both options that should be considered in setting the appropriate framework for an enhanced going concern funding model.

PIAC commends the Alberta government for permitting the use of solvency reserve accounts (SRA's) for Alberta plans. Surplus reserve accounts are useful to manage the inherent procyclical nature of pension funding obligations by encouraging plan sponsors to fund beyond statutory minimums during periods of good economic growth through mitigation of the asymmetries related to trapped surplus.

In addition, PIAC has noted a positive impact on the ongoing positive maintenance of DB plans in Canadian jurisdictions that have moved away from solvency funding to a going-concern plus model.

Innovation and Modernization

4) Annuity Purchase and Liability Discharge

PIAC supports the recommendations proposed for annuity purchase, retroactive discharge of liability, documentation to be provided to regulator and communication requirements, including the treatment when annuity matches are not available (e.g. indexation). PIAC believes maintaining a consistent standard to the CRA will ensure that there is harmonization across jurisdictions and consistency in practice.

However, PIAC believes that the funded position rather than the solvency position of the plan should be no worse off after the buy-out than before the buy-out. For unfunded plans, the annuity top-up should be based on the funded position of the plan.

5) Target Benefit Conversion for CBMEPs

No comments.

6) Variable Payment Life Annuities (VPLAs) and Advanced Life Deferred Annuities (ALDAs)

PIAC strongly supports the introduction of Advanced Life Deferred Annuities (ALDAs) and Variable Payment Life Annuities (VPLAs) into the realm of registered accounts. We believe they have the potential to meaningfully improve the options available for managing longevity risk for Canadians who save for retirement outside of traditional defined benefit plans.

At a high level, PIAC recommends that the overall approach should be to allow the VPLA market to develop in a flexible and innovative fashion, subject to a general guidance on process with a view to ensuring appropriate disclosure and actuarially robust structures. There are different approaches along a number of technical dimensions that a VPLA sponsor may reasonably choose and PIAC would therefore not recommend overly prescriptive regulation.

Our main concern from a policy perspective federally was that the legislation was narrowly drafted to limit VPLA access to a registered pension plan context. PIAC has a broad

membership of large and small plans. PIAC's view is that large DC plan sponsors would have the scale to integrate VPLA structures into their registered plan offerings if they chose, but that smaller employers would likely look to direct their members to third party providers of such products. This model is more likely to succeed if there is a broader scope of permitted aggregation structures beyond the Pooled Registered Pension Plan (PRPP). The PRPP model has failed to gain meaningful traction in the Canadian market, notwithstanding the potential merits of the model, and is not permitted in all Canadian jurisdictions.

Therefore, in your amendment of the EPPA to provide for these products, we encourage you to facilitate the broadest possible potential access for Canadian savers. We believe that this means a regime whereby RRSP and RIF savings will have efficient access and whereby a variety of financial service providers, including existing large multiemployer pension plans, can offer VPLA structures to non participating members. With regards to the latter, VPLA members would be able to take advantage of pooling, administrative and investment expertise.

7) Unlocking for Reduced Life Expectancy

No comments.

8) Relationship Breakdown

No comments.

9) Responsibilities of fundholders/Remittance of contributions/Refund of contributions

No comments.

10) Deemed Trust

PIAC is supportive of the proposal to amend the Act to align with Deemed trust provisions in B.C. and holding contributions that are due and owing to the plan separate and apart from assets of the employer.

11) No disposition or attachment of benefits and money

No comments.

12) Waiver of benefit entitlement for designated beneficiaries

No comments.

13) Other

No comments.

Red Tape Reduction

14) Tribunal Repeal

The Pension Tribunal has not been used since its establishment. PIAC supports amending the EPPA to remove references to the Pension Tribunal and to provide a right to seek judicial review by the Court of Queen's Bench of any decision of the Superintendent.

15) CBMEP Participation Rules

No comments.

16) Specified Individuals and Plans for Connected Persons

No comments.

17) Access to Information and Records

No comments.

18) Restriction on Spouse as Beneficiary

No comments.

19) Restriction on Spousal Waivers after Retiree's Death

No comments.

20) Defined Contribution Plans – Automatic Features

PIAC believes that the Act is quite clear regarding the permissibility of automatic enrolment. However, it is much less clear and could be improved in more explicitly allowing for automatic escalation of contributions. The sections that address this could certainly be improved, although we understand this is less of a concern for Alberta (and BC which is very similar) than it is for some other jurisdictions.

With regard to notice of automatic enrolment, PIAC believes that 60 days after the employee receives the notice seems like a long time and would propose 30 days as more appropriate. Also, electronic delivery of the notice and the employee's response would be more reliable. We suggest that the ability to use electronic means of requesting and receiving permission be made more explicit.

PIAC also believes it would be helpful to see deductions allowed for pension contributions for plans with automatic enrolment in the Employment Standards Code.

21) Retention of Records

No comments.

22) Use/Transfer of actuarial excess or surplus

PIAC is supportive of the proposed approach.

23) Filing of Financial Statements

PIAC supports the proposal to amend s.50 (Filing of financial statements) of the regulation to remove the requirement for audited financial statements to include liabilities. We also believe that it would meaningfully reduce the administrative burden for plan administrators if regulations were amended as proposed to change the requirement that audited financial statements be submitted annually to permit custodial financial statements to be submitted instead for non-CBMEPs and plans without defined benefit components with assets under \$10 million.

24) Other

PIAC believes that electronic communication is the predominant mode of communication in the workplace and in personal financial planning. Electronic disclosure will improve the efficiency of pension administration. We request the implementation of the ability for plans to communicate disclosure information electronically without a requirement for the member to agree in advance or through a method of deemed consent. Only if the plan member or beneficiary objects in writing, or if internet access is not available, would disclosure information be provided to the individual in paper form.

PIAC thanks Alberta Treasury for the opportunity to comment on the proposals and questions in the review and would be pleased to answer any questions you may have.

Yours truly,

A handwritten signature in black ink, appearing to be 'Sean Hewitt', written in a cursive style.

Sean Hewitt
Chair