

Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

March 16, 2023

CAPSA Secretariat
25 Sheppard Avenue West
Box 21, Suite 1000
Toronto, Ontario, M2N 6S6

Via e-mail to capsa-acor@fsrao.ca

Dear Sir/Madam,

Re: CAPSA Draft Strategic Plan 2023 – 2026

The purpose of this letter is to provide comments from the Pension Investment Association of Canada (PIAC) on the consultation of CAPSA's Draft Strategic Plan for 2023-2026.

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.

We appreciate the opportunity to comment on the draft strategic plan as many of our members support CAPSA's work and share the sentiment of decreasing risks for pension plan administrators and regulators. PIAC supports CAPSA in their work on developing a policy framework for Variable Payment Life Annuities (VPLAs) and commends their achievements in engaging with stakeholders on proposed guidelines.

This letter outlines areas of interest to PIAC and high-level comments that we hope CAPSA will find helpful in proceeding. Our response includes two overarching themes: harmonizing regulatory expectations and consistency in approach to supervision of pension plans across Canada. PIAC would be pleased to provide further comments and participation as CAPSA embarks on its strategic plan over the next three years.

Harmonizing Regulatory Expectations

PIAC supports CAPSA's collaborative approach to harmonizing regulatory expectations and policies. Encouraging jurisdictional authorities to coordinate their approach to regulatory development is key to ensuring cohesive standards and minimizing administrative costs. PIAC commends CAPSA's efforts in publishing guidelines that have addressed areas of importance within the industry and supports their work in ensuring that risks and pressures are combatted.

Facilitating harmony in regulatory expectations will be helpful for jurisdictions as they amend their Pension Benefit Acts to enable Variable Payment Lifetime Annuities (VPLAs). Succinct and consistent recommendations in this area are a valuable tool to ensure standards are consistent across jurisdictions. PIAC encourages CAPSA to release their framework on VPLAs as a high-priority item as provincial authorities are contemplating making amendments to their respective pension legislation to create standards that would enable the product.

Expanding access to lifetime retirement income across Canada is highly beneficial to working Canadians. CAPSA should ensure that its framework and recommendations include a recommendation to enable VPLAs beyond defined contribution plans to include varying plan types that exist across Canada. The guidance that CAPSA provides should allow for a wide variety of products that can transition to a VPLA, including Additional Voluntary Contributions (which fall under money purchase plans under the ITA) and also note the value in offering a VPLAs for RRSP and TFSA products. VPLAs could be a significant innovation to the Canadian pension system. Their use and effectiveness can expand across plan types and bring lifetime retirement benefits across the retirement savings landscape.

Consistency within the Supervision of Pension Plans

PIAC encourages CAPSA to pursue a consistent approach among regulators to supervising pension plans.

CAPSA's work should reinforce the need for principled based regulations across all jurisdictions in Canada. Heavily prescribed regulations restrict innovation in the pension sector, while goal-based regulations permit plans to utilize their unique structures and demographics to implement the goals that regulators are seeking to enforce. As such, in forthcoming guidelines and interpretations, CAPSA should continue to encourage principled based regulations among all members.

Consolidated Risk Management Guideline

Finally, PIAC commends CAPSA for issuing the *CAPSA Guideline: ESG Considerations in Pension Plan Management* that will ultimately be included in a consolidated risk management guideline to be published in 2023. Overall, PIAC is very supportive of the direction guideline and in particular, we welcome the clarifications made regarding

fiduciary duty. PIAC believes the guidelines will enable plan administrators to consider material ESG factors and take appropriate action rather than continuing to debate the suitability of considering ESG. In the spirit of harmonization and consistency, we would encourage CAPSA to review the use of terms such as “ESG fund” and ensure alignment with definitions and terminology used by the CSA¹ and CFA Institute². PIAC also notes that throughout the document, terms such as “ESG factors”, “ESG information” and “ESG characteristics” are used interchangeably. It would be prudent to either simply use “ESG factors” to create consistency or to define the differences if deemed necessary.


PIAC is pleased to see the finalization of this guideline deemed a priority for this year. PIAC would encourage CAPSA to, in the final draft of the ESG guideline, ensure it maintains a principles-based approach as well as the necessary proportionality for smaller pension plans.

Conclusion

PIAC appreciates this opportunity to comment on the consultation. We commend CAPSA for its achievements in engaging with stakeholders to consider evolving regulatory risks and CAP Guideline development. PIAC continues to advocate and support collaboration in the pension industry, whether longstanding or in development.

We appreciate the opportunity to comment and would be pleased to answer any questions you may have.

Yours sincerely,



Peter Waite
Executive Director

¹ <https://www.osc.ca/en/securities-law/instruments-rules-policies/8/81-334/csa-staff-notice-81-334-esg-related-investment-fund-disclosure>

² <https://www.cfainstitute.org/en/ethics-standards/codes/esg-standards>