



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

May 25, 2019

Hon. Victor Fedeli  
Ministry of Finance  
Frost Building South  
7th Floor  
7 Queen's Park Cres.  
Toronto, ON M7A 1Y7

Delivered Via Email: [minister.fin@ontario.ca](mailto:minister.fin@ontario.ca)

Dear Minister,

**Re: 2019 Ontario Budget - Protecting What Matters Most**

The purpose of this letter is to provide comments from the Pension Investment Association of Canada (PIAC) on the 2019 Ontario Budget.

PIAC has been the national voice for Canadian private and public pension funds since 1977 in matters related to pension investment and governance. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$2 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. PIAC's positions on public policy reflect the fiduciary framework in which member funds operate and its commitment to work in the best interests of plan members.

**Expansion of Target Benefit Framework**

We commend the government for further advancing the target benefit model. PIAC believes this model may have an important role in the future of pensions in Ontario. At the same time, we encourage the government to include single employer plans in any model enhancements and recognize the need to create a level playing field for single employer plans.

## **Electronic Communications**

PIAC encourages the government to act on its commitment to permit electronic communications as the appropriate default option for communicating pension matters in a timely manner. This is an important step to enhance the efficient administration of pension plans in the province.

## **Variable Benefits**

PIAC congratulates the government for introducing variable benefits vehicles, however, we request clarity on some items in the budget, which we previously addressed in our May 2, 2018 letter to Pension Policy Branch, Ministry of Finance on the Variable Benefits Regulations (attached). While we are pleased that 50% unlocking will be available to members if they transfer their assets out of their DC Plan, PIAC encourages the government to also permit unlocking 50% within the DC plan. This approach has already been adopted by Alberta.

We are concerned about the “all or nothing” requirement upon transfer to a variable benefits account. Members should be able to retain part of their balances to obtain a retirement income annuity from their DC plan. An approach that allows partial balances to remain in the DC Plan provides retirees with more flexibility to optimize the timing and nature of their retirement income, while benefitting from the DC Plan’s investment and cost efficiencies.

We appreciate the opportunity to share our thoughts on these matters, and would be happy to discuss these matters further at your convenience.

Yours sincerely,



Deanne Allen  
Chair

Enc. May 2, 2018 letter to Pension Policy Branch, Ontario Ministry of Finance re Variable Benefits Regulations



Pension Investment  
Association of Canada

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May 2, 2018

Variable Benefits Regulations  
Pension Policy Branch  
Ministry of Finance  
5th Floor, Frost Bldg S.  
7 Queen's Park Crescent  
Toronto, ON M7A 1Y7

Delivered Via Ontario's Regulatory Registry email

**Re: Permitting Direct Payments from Defined Contribution Pension Plans to Retirees: Description of Proposed Regulations for Variable Benefits**

The purpose of this letter is to provide comments from the Pension Investment Association of Canada (PIAC) on the proposed regulations for variable benefits under Defined Contribution plans.

PIAC has been the national voice for Canadian private and public pension funds since 1977 in matters related to pension investment and governance. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1.8 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. PIAC's positions on public policy reflect the fiduciary framework in which member funds operate and its commitment to work in the best interests of plan members.

PIAC is pleased to see the introduction of these proposed regulations for defined contributions plans. We strongly support this change in regulation because PIAC believes:

- it is cumbersome for non-financial institutions to offer LIF or RIF-like products;
- remaining in the DC plan would lower management expense ratios for members who do not have access to an employer sponsored RIF or group product;

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- pension plans would be able to achieve economies of scale by keeping assets within the plan (lower fees with external managers, sufficient assets to access more diversified products, etc.); and
- members would be familiar with the plan investment options.

### **Specific Comments on the Draft Regulations**

PIAC supports the proposal that the provision of variable benefits from DC plans is voluntary for employers. Some employers want to sever the relationship with members at retirement for strategic reasons, so this decision needs to be in the control of the plan sponsor. PIAC also supports industry guidelines being developed or recently adopted which advocate for plan sponsors to provide some assistance to plan members through the transition from accumulation to decumulation.

PIAC also supports that variable benefits available are voluntary for members. Portability is an important feature and some members might benefit from transferring their assets to another provider (e.g. consolidating assets with a spouse, access to personalized financial advice, etc.)

PIAC supports the fact that transferability is available. However, we do not support a requirement to transfer the entire balance to a variable benefits account (VBA), as members may wish to allocate to different products or providers (e.g. purchase an annuity) or delay drawing on their savings.

PIAC would like to get more clarity on the ability to unlock 50% of locked-in assets. It is not addressed in the regulations. If this extent of unlocking is not allowed, it will make the program less attractive to members since this feature is available with Life Income Funds.

PIAC would support allowing former members (including former spouses) who have left the plan to come back, especially if they discover that their former employer's plan is a better alternative than what they currently have. It is unclear from the regulations whether members will be able to transfer back in to the VBA once they have left the DC plan.

Depending on what the rules regarding unlocking assets and transfers-in turn out to be, there could be a lot of unnecessary account movement as members try to take advantage of all options. For example, if a member cannot unlock and keep unlocked funds in the VBA, but the program is otherwise attractive and transfers-in are allowed, it is possible they will transfer out of the DC plan to a LIF, do the unlocking, keep the unlocked funds in the RRIF at the financial institution and transfer the LIF portion back to the VBA. This is risky for the member (time in/out of the market and transition costs) and administratively burdensome for the financial institution and VBA administrator. We know that consolidation of assets (at least registered assets) with one provider is important to members. PIAC would support members retaining the ability to unlock 50%

of their locked-in assets and keep them in the VBA and being able at a minimum to transfer locked-in assets from other sources into the VBA.

PIAC would like to get more clarity on the following areas:

- How additional voluntary contributions (AVC's) would be treated.

It is PIAC's view that AVC's should be transferable, and not subject to any locking-in rules.

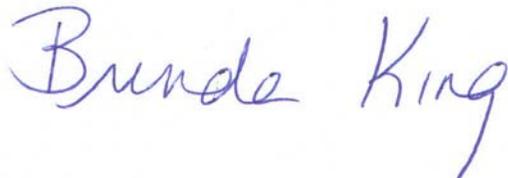
- The ability to draw benefits while contributing.

PIAC would point out that under some DB plans there are “phased retirement” provisions that allow the simultaneous payment and accrual of benefits. As employees and employers look towards meeting the needs of more flexible work arrangements, this would be a valuable provision and help ‘even the playing field’ between DB and DC.

- Rules regarding non-residency
- The ability of members to transfer locked-in assets from other sources into the VBA.

We would be pleased to discuss our comments further with you at your convenience. We look forward to the next stage in developing these regulations.

Yours sincerely,



Brenda King  
Chair