



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

September 9, 2013

Agnès Maltais

**Ministère de l'Emploi et de la Solidarité sociale**

425, rue Saint-Amable

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Québec (Québec)

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Via email: [ministre@mess.gouv.qc.ca](mailto:ministre@mess.gouv.qc.ca)

Dear Minister Maltais:

**Re: Bill 39 Voluntary Retirement Savings Act**

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1 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.

As the representative organization of the largest pension funds in Canada, we are pleased to have this opportunity to respond to the introduction of Bill 39. In our prior submission on the proposed VRSPs to M. David Bahan, Directeur, Direction des études économiques fiscales et taxe de vente, Ministère des Finances, dated May 9, 2012, we made a number of suggestions to the Québec government on the proposal to establish VRSP's. We summarize below our comments on how these issues have been addressed, as well as some new issues for your consideration.

**Prior Issues from our May 9, 2012 Letter:**

- Harmonization with other jurisdictions on PRPP's/VRSP's.
  - The new bill is not clear on how harmonization with other jurisdictions will be achieved and what priority the Québec government has placed on this. We would encourage focus on this matter in the regulations, particularly with respect to acceptable default options and to ensure that national application of PRPP's/VRSP's are low cost.

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- We would also suggest that the legislation and/regulations should confirm the transferability/portability between a VRSP and a PRPP in other parts of Canada.
- Use of a Prudent Person/Principles basis to setting default and other investment options.
  - We congratulate the Québec government for its support in Bill 39 for a principles based, rather than prescriptive, approach to investment options.
- Use of “Life-cycle series” (target date with risk overlay series of funds) as a single default option.
  - We understand that regulations will provide more direction on the default option, and would recommend that a series of risk-based target date funds be included as one of these options. We encourage this as this represents, in the current marketplace, a well-diversified, institutional-type set of investment portfolios from which the member could select an approach appropriate for their individual risk tolerance
  - We believe that flexibility should be provided for in regulations to reflect developments in CAP industry. Regulations should not be prescriptive in suggesting a specific default option; over time, acceptable practice could evolve and this needs to be accommodated.
  - Additionally, we encourage harmonization of default option rules when developing the regulations.
  - We look forward to commenting on these regulations.
- Clarification of the responsibilities of the employer in overseeing the Administrator.
  - We were pleased to see that the responsibility of the employer was limited to initial communication to members and the deduction and remittance of contributions.
  - We believe that this monitoring of Administrators needs to be assumed by the regulator, and that there need to be sufficient resourcing to do this.
- Ability of pension funds as well as banks and insurance companies to act as Administrators.
  - Section 13 of the Bill seems to be still too narrow to include pension funds as Administrators. We have recommended that the scope of potential Administrators be broadened to ensure that larger pension funds would qualify to act as Administrators. This would help ensure a competitive environment and a focus on lower costs.
- Balance between complexity of fund investment options and lower costs.
  - As the regulations are developed we believe it is critical that there be a willingness to recognize that there is a reasonable balance to be achieved in complexity of options versus lower costs. Certain fund options may have higher fees due to the types of investments (e.g. alternatives) but could provide an improved outcome for long term investors.

- The regulator needs to ensure that peer comparisons of fees are based on comparable fund options.
- Operational and transactional fees should not be forgotten when assessing cost. That is, 'low cost' should be determined at the investment and the plan level as a total cost to members.

**New issues we wish to raise include:**

- Change of member investment choice by Administrator.
  - Section 25 states that the member's investment choice can't be changed by the administrator except on request or in the circumstances determined by regulation. We recommend that the regulations recognize that there may be occasions when an administrator is no longer able to offer a particular fund (e.g., when a fund manager discontinues an underlying investment fund or where it would be prudent for an administrator to discontinue use of a particular investment option immediately in order to protect VRSP members). In those situations the administrator would try to replace the discontinued fund with another fund, provide notice to members about the substitution and provide them with the option to redirect their monies to another investment option should they wish. The regulations should not only ensure that changes can be made under such circumstances, but also provide guidance for replacement funds and plan member notification.
- Restricting Administrator to one plan only.
  - Section 11 restricts each administrator to one plan. Section 21 states that the plan must be provided on the same conditions for all participants. The single plan approach may be unnecessarily restrictive. The objective of low cost, assuming that this is the purpose behind the provision, is already set out in the legislation (section 26). Administrators have an obligation to offer low-cost plans. How they do so should be up to each administrator. The Pooled Registered Pension Plan legislation in other jurisdictions does not restrict each administrator to a single plan; we support the ACPM assertion that such an approach allows for flexibility while still supporting the low-cost objective.
- Investment Communication with Members
  - We encourage regulators to ensure Administrators provide on-going information, not just initial information as the current Bill suggests, about the performance and structure of the available investment options. Administrators should also provide tools to members to increase likelihood they will meet their retirement savings goals. Examples of such tools are savings calculators and retirement income projectors. Also, standardized communication of fees and costs should be investor-friendly and support the regulator's oversight of Administrators.

We respectfully thank the Québec government for the opportunity to present our views on Bill 39, and we would be pleased to respond to any questions you may have on our submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Brenda McInnes". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Brenda McInnes  
Chair