

This newsletter is published by the Canadian Association of Pension Supervisory Authorities (CAPSA) to inform interested stakeholders about cross-jurisdictional developments, initiatives and ongoing policy work in the pension sector in Canada.

Formally established in 1974, CAPSA became an incorporated body in 1999. Members of CAPSA are responsible for the administration of pension regulatory legislation in jurisdictions across Canada. Associate members include senior staff from Statistics Canada, Finance Canada and Canada Revenue Agency. Nancy MacNeill Smith, Superintendent of Pensions, Nova Scotia, is the Chair of CAPSA.

CAPSA's mandate is to:

- promote the development of pension policy across Canada;
- promote the simplification and harmonization of pension plan regulation across Canada;
- enhance the security of the pension plan promise; and
- improve communications between pension regulators and the pension community.

This edition of the CAPSA Communiqué provides an update on:

- CAPSA's consultations on the *Proposed Regulatory Principles for a Model Pension*

Law; and

- the recommendations of the CAPSA Locking-in Committee.

Update on Consultations Regarding the Proposed Regulatory Principles for a Model Pension Law

From January 19, 2004, until June 30, 2004, CAPSA engaged pension stakeholders across Canada in discussions regarding the consultation document entitled *Proposed Regulatory Principles for a Model Pension Law* (the "proposed principles"). A separate but parallel consultation was conducted in Québec during this period by the Régie des rentes du Québec.

Stakeholders were invited to meet with CAPSA representatives to provide direct feedback on the proposed principles at consultation sessions held throughout the country in April and May of 2004. Over three hundred interested stakeholders participated in these consultation sessions and provided CAPSA with valuable input on the proposed principles. Stakeholders were also encouraged to make written submissions about the proposed principles and over 70 submissions were received. CAPSA would like to express its appreciation to all of the participants in the stakeholder sessions and to all those who

made written submissions regarding the proposed principles.

Following the close of the consultation period, the CAPSA Model Law Committee reviewed the comments received from pension stakeholders and initiated an analysis of the proposed principles based on the feedback that was received. The Committee concluded that despite high levels of support within the pension community for the harmonization of pension standards, there is not a consensus on the form harmonization should take or what principles should be included in a harmonized pension law. While many principles meet with a high level of acceptance, several of the key principles identified by CAPSA are either highly contentious or require significant development.

CAPSA recognizes that without a general consensus among pension stakeholders, it is unlikely that a model pension law based on the proposed principles would be adopted in a consistent fashion across Canada. To further the goal of harmonizing pension legislation, the proposed model law principles will need to be adapted to this reality. The proposed principles have therefore been divided into three categories: non-contentious principles; principles requiring substantial development; and, highly contentious principles, each of which will be addressed separately going forward.

Non-contentious principles, which are primarily those related to plan administration and minimum standards for entitlements to benefits upon termination, death or retirement,

will be reviewed, modified where appropriate, and finalized for approval by CAPSA in early 2005. Following additional consultation with stakeholders, it is the intent of CAPSA to use these principles to develop a framework of common standards that can be built upon as principles that require significant development or are highly contentious are addressed.

Those principles requiring substantial development will be addressed either through existing CAPSA Committees, where work is currently underway, or through the CAPSA Strategic Planning process for 2005-2008. These principles will factor heavily in the strategic initiatives that CAPSA will undertake over the next three years. Where consensus can be reached, common standards based on these principles will be added to the framework.

Finally, CAPSA will defer immediate action on the highly contentious principles while a mechanism for addressing stakeholder concerns related to these principles is developed. While this is likely to be a highly complex long-term initiative, CAPSA is committed to playing a continuing role in the harmonization of these standards.

Locking-In Committee Update

The CAPSA Locking-in Committee has been working since April 2002 to develop recommendations for prescribed exemptions from the locking-in principle to be included in CAPSA's Model Pension Law. These recommendations were presented to CAPSA at its 67th semi-annual meeting.

Whereas the general principle in the Model Law requires that pensions must be locked-in to provide a lifetime income, there is also a provision that prescribed amounts would not be subject to the locking-in principle. CAPSA accepted the recommendation of the Committee that unlocking should be permitted in cases of shortened life expectancy, non-residency and for small amounts.

Having fulfilled its mandate, the Locking-in Committee has been dissolved by CAPSA and no further proposals for exemptions to the locking-in principle will be developed.

Contact Us

Questions regarding this Communiqué or general inquiries regarding the Canadian Association of Pension Supervisory Authorities should be referred to the CAPSA Secretariat.

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