



June 14, 2016

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Dear Neil:

Re: CAPSA Consultation on the Revisions to the Pension Plan Governance Guideline

On behalf of the Canadian Life and Health Insurance Association's (CLHIA) member insurance companies in their role as service providers to Canadian pension plans, I am writing to provide our comments with respect to the captioned draft document.

As you know, our members serve two-thirds of workplace pension plans in Canada, and focus on providing services to defined contribution pension plans. Our brief comments below therefore focus on the applicability of the revised Guideline to such plans.

Good governance is a process that CLHIA members support, both internally and with respect to the pension plan administrators who are their clients. We understand how, from a regulatory perspective, a robustly documented and followed governance protocol may provide comfort that the plan administrator understands and adheres to its fiduciary and other duties. It is not clear, however, that a formal governance regime is necessary for meeting a pension plan administrator's fiduciary and other responsibilities. Presumably, a plan administrator could do "all the right things" without a documented governance regime. Thus, the fourth bulleted statement on page 3 of the proposed Guideline may overstate the "essential" linkage between governance and meeting a fiduciary standard. It may be appropriate to restate this as "good pension plan governance is an effective way to demonstrate that a pension plan administrator is meeting its fiduciary and other responsibilities," although this may be seen as duplicating the last bullet on that page.

As also noted on page 3 of the draft Guideline, given the range in size and complexity of pension plans, good governance should not be seen as a "one size fits all" process. Measures that are appropriate for large defined benefit plans because of design complexity may be completely

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unwarranted, unreasonable, and cost prohibitive in the context of small defined contribution plans. Indeed, the cost and intricacy of a too onerous and inappropriate governance regime may discourage employers from offering pension plans of any form, and it is unclear that such a response would be consistent with the broad public policy intent underlying Canada's private pension regime.

In our view, a principles-based, reading of the proposed Guideline that reflects the character of each particular plan is both necessary and appropriate. We believe that this is the intent of CAPSA, the Pension Plan Governance Committee, and the Industry Working Group, as reflected in the proposed Guideline's statement that "Different types and sizes of plans, however, may require different governance practices".

Notwithstanding this statement in the proposed Guideline, CLHIA members have expressed concern that some plan administrators may assume that all of the tools and strategies discussed within the proposed Guideline are expected by regulators for all pension plans, regardless of their relevance to a particular plan. To underscore the Guideline's plan-specific, contextual, approach, some additional commentary may be useful, perhaps at the end of the first paragraph under the heading Governance Guidelines on page 3, and perhaps along the following lines: "The exact tools and strategies used to reflect these principles may vary depending on the character of each pension plan".

Specific comments

The footnote on page 2 relates to terms defined in the glossary, and is linked to the term "governance" in paragraph 1 on that page. "Governance" is actually described throughout the document, but not defined in the glossary. It may be appropriate to move the footnote's source reference to "pension plans" in the second paragraph on page 2.

Typographical revisions

CLHIA members have noted a few errors or inconsistencies in the French version of the proposed Guideline.

In particular:

On page 6 of the Guideline, in the paragraph beginning "Les obligations fiduciaires de l'administrateur, an article in the second line is partially missing (e.g., de bonne foi dans le meilleur intérêt...).

On page 4 of the Self-Assessment Questionnaire, the question in part (d) of Principle 9 does not appear to mirror the English version of that question. It has been suggested that either "informe **les** **the** participants sur les risques, les avantages et les options du régime ainsi que **sur** leurs responsabilités en tant que participants" or "informe les participants sur les risques, les avantages les

options du régime ainsi que leurs responsabilités à l'égard de leur participation au régime?" would be a better match to the English text.

On page 2 of the Frequently Asked Questions, the title of Principe 1 is missing the "f" in "fiduciaire, and there is a missing space between "l'ensemble" and "des" in the second bullet.

As always, we would be happy to respond to any questions flowing from our comments.

Yours sincerely,

Original signed by

Ron Sanderson
Director, Policyholder Taxation and Pensions