

**Barbara J. Amsden**  
Director, Special Projects  
416.687.5488/bamsden@iiac.ca

January 16, 2013

Mr. Bruce Macnaughton  
Director, Pension Policy Branch  
Financial Hardship Unlocking  
Ministry of Finance  
5th Floor, Frost Building South, 7 Queen's Park Crescent  
Toronto, ON M7A 1Y7  
Contact: 416-327-0140/bruce.macnaughton@ontario.ca  
Email: pension.feedback@ontario.ca

Dear Mr. Macnaughton:

**Re: Ministry of Finance Consultation Paper on Financial Hardship Unlocking**

The Investment Industry Association of Canada<sup>i</sup> (IIAC) serves many Ontarians saving for and in retirement. Our members have reviewed, and hope you will consider, our views on the Finance Ministry's Consultation Paper on Financial Hardship Unlocking. We support the government's intention to restructure the hardship unlocking program to enable eligible individuals to obtain funds from locked-in vehicles in a simpler, more streamlined manner. However, despite the indemnity, we believe that there are a number of risk and cost areas that may disadvantage Ontarians trying to unlock funds and our members that would like to serve them.

**1. Responsibilities**

It is not clear to us whether financial institutions must participate in Ontario's proposed unlocking. While there are some benefits to applicants dealing directly with their financial institutions, there are aspects of the proposals that are better dealt with by the government. A preferred approach would be a secure portal hosted by the Financial Services Commission of Ontario (FSCO) allowing the government to manage what it does best (reviewing documentation and calculating benefits), while speeding access, avoiding errors, reducing risk (including to applicants' privacy) and ensuring greater

service uniformity through a connection with the financial intermediaries. Our reasons for this suggestion are expressed below.

## 2. Complexities

While financial institutions could rely on information provided by the applicant, the variations in possible scenarios do not lend themselves to a cost-effective implementation given greater complexity compared to – and therefore greater risk and cost than those associated with – requirements related to other forms of government plans and the federal unlocking program in specific. For example, even if there is indemnification for applicant submission of fraudulent information, it is unclear whether there would be indemnification for inadvertent errors that will arise due to the multiple different situations resulting from complexities in the proposed solution. While many are consistent with those in place for federal locked-in plans, we believe that there are relatively fewer federal clients and different, less complicated federal criteria. There are not as many multiple different situations as could result from the following Ontario-specific particulars (which also vary from other provinces' unlocking mechanisms, adding further challenges):

1. Different ways the maximum amount that can be unlocked may have to be calculated.
2. Varying criteria for proving the basis under which the withdrawal is being requested (e.g., not just a doctor's certificate, but a certificate from one licensed to practice medicine or dentistry) – this category increases privacy risk due to the heightened sensitivity of health matters.
3. Additional supporting documentation requirements in certain cases (e.g., receipts or estimates in the case of medical issues – also a privacy issue).
4. The need to ensure no more than one successful application under each of the four financial hardship criteria per year.
5. The requirement to check for the existence of a spouse and, if so, to obtain written consent of the spouse prior to withdrawal.
6. The need to track that applications are signed within 60 days, and that relevant documents are signed or dated within 12 months, of the date the financial institution receives them.
7. The requirement to ensure receipt of a signed statement that the applicant understands that any monies released will not be exempt from execution, seizure or attachment under the Pension Benefits Act.
8. Ability to withdraw a lump-sum or multiple payments.

Even if the indemnification for Ontario's program were to be worded broadly enough to reduce the risk of loss, the program will be costly to manage given the desirability of a systems solution and/or the considerable manual work and training required. While the government charges for unlocking, it is a particular challenge for a financial institution to do so given the fact that the client by definition is experiencing hardship and there are client relationship and reputational issues to consider that do not apply to the government in the ordinary course. At the same time, nor is it appropriate to pass costs of implementing and managing the program through to financial institutions' broader client base.

The goals of the proposed unlocking approach are worthy, however, our concerns at present are substantive, particularly if direct financial institution participation under the new program is mandatory and the current approach is eliminated. Would it be possible for the Ministry of Finance or FSCO to arrange a roundtable of interested parties as some issues may be less of a concern than we currently understand and we have a number of ideas that could improve consistency and fairness as well as cost-efficiency?

Yours sincerely,



---

<sup>i</sup> The IIAC ([www.iiac.ca](http://www.iiac.ca)) is the national association representing the investment industry's position on securities regulation, public policy and industry issues on behalf of our 175 Investment Industry Regulatory Organization of Canada (IIROC)-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries that pool individual client savings into productive capital investment by companies that create jobs and economic growth across the country. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, competitive investment industry driven by strong and efficient capital markets.