

January 20, 2014

Framework for Pooled Registered Pension Plans  
Strategic Pension Reform Secretariat  
Ministry of Finance  
7 Queen's Park Crescent  
5<sup>th</sup> Floor, Frost Building South  
Toronto ON M7A 1Y7  
E-mail: [pension.feedback@ontario.ca](mailto:pension.feedback@ontario.ca)

*Delivered via e-mail*

**Re: Securing Our Future: Strengthening Retirement Income in Ontario through Pooled Registered Pension Plans (the "Consultation Paper")**

The Investment Industry Association of Canada (IIAC) is writing regarding the Consultation Paper to convey our continued support for the Ontario government's efforts to improve the retirement savings of Ontarians as we encourage corresponding endeavours in other provinces and federally. Some Canadian provinces have already enacted or tabled enabling legislation equivalent or similar to the federal Pooled Registered Pension Plan (PRPP), and others, such as Ontario, are still considering options, including introducing PRPPs. We appreciate that Ontario is taking a measured approach in evaluating a variety of retirement savings options, and is engaging in further consultation. PRPPs can fill an identified gap in retirement savings options by offering small businesses and self-employed Canadians an alternative retirement savings vehicle that offers the potential for economies of scale and lower costs. We believe, however, that PRPPs, as structured in the federal and provincial rules that currently exist, will not provide for optimal retirement financial preparedness.

Our specific comments in response to the discussion questions are included in the Appendix to this letter. But in general, after considering the broader retirement savings landscape and examining the existing federal PRPP legislation and regulations, we remain persuaded that two long-standing problems in the current retirement system should be fixed on a priority basis. **We recommend that Ontario urge provincial and territorial counterparts to discuss with the federal government an announcement initiating discussions that target two areas of both need and unfairness:**

- 1) Currently, exemption from Canada Pension Plan (CPP) and Employment Insurance (EI) tax withholding on company and employee contributions to defined benefit (DB) and defined contribution (DC) pension plans (and PRPPs) does not extend to Ontarians in Group RRSPs and the rationale for this unfairness is seriously flawed. Persuading the federal government to

eliminate this longstanding inequity will be an immediate benefit for both key target audiences – lower- to middle-income individuals and small businesses using Group RRSPs that will be able to turn saved taxes to new products and services, new jobs and growth. The gross cost to the government is limited as yearly maximum pensionable earnings cap CPP and EI contributions and the net cost will likely be considerably less. Our estimates show that initially, foregone tax revenue would be approximately \$50 million.

- 2) Ontarians and other Canadians who lose their jobs, individuals on maternity or paternity leave and people with highly variable incomes from year to year (for example, freelance, seasonal or contract workers) are penalized severely under the current registered retirement savings plan (RRSP) regime. Using a salaried worker who is terminated as an example, he or she suffers not just an incremental loss of their source of income, but also (i) the accumulation of RRSP room, (ii) any matching from a company retirement plan and (iii) any inside-RRSP tax sheltering should he or she need to withdraw from their RRSP for current living or hardship reasons. We recommend correcting for lost RRSP accumulation room because of job loss or income fluctuations by allowing use of an average of preceding working years' income as the basis of RRSP room calculation for years an individual in the work force may not be working, and for the self-employed to be allowed annual RRSP contribution room based on average income with a carry-forward or back into years of leaner earnings.

We believe that implementation of these changes should be timed to occur no later than implementation of any PRPP legislation equivalent to federal PRPP rules that Ontario determines should be introduced.

Also, should Ontario choose to proceed with PRPP-equivalent rules, we believe that they should meet the following criteria:

- 1) Target Canadians who are not currently saving for retirement and who will benefit from additional savings.
- 2) Allow a disclosed fee-in advice-inclusive option to offer Canadians choices that could lead to better financial and life outcomes.
- 3) As noted in (2) above, ensure that tax-exempt benefits given employers offering and employees in pension plans (and PRPPs) are available equally to Ontarians in Group RRSPs so that there is no incentive for businesses to switch from Group RRSPs to PRPPs, just for the tax savings, leaving current Group RRSP members with fewer choices and less advice.

To achieve the policy goal of bolstering the retirement savings of Canadians, provincial PRPP equivalents, if enacted, should be designed to complement existing retirement savings plans (DB and DC plans, RRSPs (including Group RRSPs), registered retirement income funds (RRIFs), tax-free savings accounts (TFSA), etc.). The federal PRPP legislation (and associated *Income Tax Act* changes) have created a program that does not sufficiently meet the criteria, will not achieve the intended policy goal and, in fact, could create an incentive to encourage Canadians and Canadian employers to shift from programs that are currently meeting, and we believe will better in the long run meet, their needs.

The IIAC represents 166 investment dealers in Canada that provide comprehensive investment services and advice to Canadians. Our members manage over \$950 billion in investments, with almost a third invested in registered retirement plans through millions of accounts across the country. The success of the PRPP or equivalent program would benefit from leveraging relationships between financial institutions and clients through investment dealers' distribution network. However, provincial regulation of this channel demands suitability reviews and other components of advice that cannot easily be part of the PRPP program. Additionally, we believe that prohibiting disclosed fee-inclusive service options runs counter to the recommendations of the federal government's Task Force on Financial Literacy, which identified the importance of qualified professional advice in helping Canadians to save more and make better financial choices, as well as Ontario's budget intention to expand financial literacy.

During consultation with the federal government, our members recommended a PRPP program that can accommodate the profiles and needs of self-employed individuals and small business owners who are the target PRPP market. Unfortunately, the federal PRPP legislation and regulations do not provide this flexibility, discourage personalized advice and active investment, and do not allow equal transferability between PRPPs and RRSPs. While this design may benefit segments of the financial services industry that already administer large DB and DC pension plans, we believe that it will not, in the long run, be optimal for the intended target of the PRPP program – individuals and small business owners who would benefit from a program that offers more than a “one-size fits all” approach to retirement planning.

**We respectfully recommend that, if your officials are proceeding further with drafting legislation to create PRPPs in Ontario, the government should, in addition to pressing for the above two recommended changes:**

- 1) Ensure that any PRPP-equivalent legislation provide for equal transferability between PRPPs and RRSPs. At present, over-contributions must be removed from an RRSP even if made into the PRPP and transfers into PRPPs are made easily, while transfers out (e.g., to buy a house or to move to an advised RRSP) are not. Quebec's Voluntary Retirement Savings Plan (VRSP), created last year, clearly allows employees to transfer annually between different types of retirement options.
- 2) Require that employers and administrators offering such plans advise low-income earners whose contributions are not matched by an employer contribution that they should likely put their savings into TFSAs rather than a PRPP-equivalent for optimal after-tax outcomes.
- 3) Eliminate aspects of the federal PRPP program that limit the range and type of PRPP funds that can be offered, by introducing legislation that allow more flexibility for financial institutions to offer at least one PRPP option that includes built-in advice and service components for employers and employees, permitting PRPP participants to make choices based on their own needs and requirements.

We also believe that a communications plan regarding the need to save for retirement should be undertaken and would be pleased to assist in that context. We appreciate the opportunity to provide our feedback on the retirement savings challenge and would be pleased to provide further input on this matter. Please contact Andrea Taylor ([ataylor@iiac.ca](mailto:ataylor@iiac.ca)) or Barbara Amsden ([bamsden@iiac.ca](mailto:bamsden@iiac.ca)) for more information.



## APPENDIX: SPECIFIC COMMENTS IN RESPONSE TO DISCUSSION QUESTIONS

### Eligibility

#### **Q1. Would it be beneficial to broaden eligibility to allow anyone in Ontario with unused RRSP room to participate, regardless of their employment status?**

If we understand the question correctly, we believe the issue relates to people who may not have employment income at present and so cannot contribute, but did at some previous point accumulate such room. We believe that if this is the intent, such room should equally be available for use by the individual to save in RRSPs. Please see recommendation in our cover letter regarding a solution to this longstanding unfairness.

### Key Elements of a PRPP

#### **Q2. Should Ontario's PRPP framework require employers to participate? If yes, should there be any exceptions?**

Full mandatory employer participation in the PRPP would increase the overall number of Ontarians saving for retirement and may reduce the complexity of administration, but could also cause significant harm to small businesses. Voluntary employer participation and/or contribution would decrease this possibility, but would also reduce the effectiveness of the program – both in terms of the overall participation rate and in the size of capital pools available for investment, and the associated economies of scale to be achieved. Costs will rise if numbers of participants decrease.

If employer participation is mandatory, we suggest a staged, balanced approach to require employer participation and contribution once a business has reached a certain size, measured through a revenue threshold – while still allowing businesses below the threshold to participate on a voluntary basis. The setting of an appropriate size threshold should be undertaken with consultation from the business community, and representatives of small businesses in particular.

We also strongly recommend that employers with existing RPP or Group RRSP programs remain exempt from required participation in the PRPP to eliminate an uneven playing field between types of products. That is, and as in Quebec's VRSP program, if employers must provide a PRPP, the requirement should be to provide a PRPP, Group RRSP or equivalent, such as direct employer contribution into an employee's RRSP (e.g., of a bonus).

From the perspective of potential PRPP administrators, it would be highly preferable to have a single approach to employer participation – all mandatory or all voluntary – across the country. Different provincial approaches will make administration more difficult and increase costs/act as a disincentive for administrators and employers to participate (i.e. those that operate in multiple jurisdictions).

#### **Q3. Employee Participation**

##### **a) Should Ontario's PRPP framework provide for automatic enrolment of employees? Or, should employees instead be required to opt into a PRPP?**

We believe that rather than providing for employees to be enrolled and having the right to opt out, there should be a requirement to provide the employee with notice of the intention to enroll, with employers automatically enrolling employees who do not refuse enrolment within the 60-day period. After employer notification of the intention to enroll and employee acceptance of or non-refusal of enrolment, the employee should be able to opt out after notification once per year (during a limited time period defined by the Administrator). We recommend that opting-out by employees be permitted following notification, not enrolment, with opt-outs or opt-ins for existing employees permitted on an annual basis, to minimize Administrator and employer cost and effort and employee frustration.

***b) If employee enrolment is automatic, should employees have longer than 60 days to opt out?***

We believe a 60-day time period is adequate, and should be consistent with federal and other provincial jurisdictions.

***c) If employer participation is mandatory, should employees also be required to join and remain in the plan?***

While we do not have an official position on this question, we note that mandatory employee participation may not be desirable due to different financial situations of individual Ontarians.

***d) Should lower wage workers be exempt from either mandatory employee participation or automatic enrolment?***

See answer to Question 3(c) above.

***Q4. Member Termination***

***a) Should all plan members be allowed to end their membership in a PRPP at any time? If so, should they also be allowed to rejoin at any time?***

As mentioned in the answer to Question 3(a), the employee should be able to opt out of PRPP membership once per year (during a limited time period defined by the Administrator). Similarly, employees should be allowed to rejoin once per year during the same time period defined by the Administrator.

***b) Should all PRPP members be able to transfer their assets to a different administrator if they are dissatisfied with their current administrator?***

There should be the ability to change in the same way that a Group RRSP administrator or RRSP holder is able currently to change the entity offering the plan.

***Q5. Employee Contribution Rates***

***a) Which approach to contribution rates would better serve Ontarians? What is the best approach to contribution rates in the event that the PRPP framework required mandatory employee participation?***

Determining contribution rates should be a matter between the PRPP member and the employer as it is the employer that is responsible for managing the contribution deposit directly or through the payroll service provider it uses.

***b) If Ontario allowed contribution rates to be set by administrators, should administrators also be permitted to increase members' contribution rates automatically from time to time?***

As described above, increasing members' contribution rates is a matter for the PRPP member and the employer to determine.

***c) If yes, should there be a specified time period during which plan members can opt out of proposed contribution rate increases?***

Administrative costs of PRPPs will be increased substantially by allowing plan members to opt out of proposed contribution rate increases without any constraints on the number of times this is done, and this ability is arguably contrary to the retirement saving rationale that the PRPP solution is intended to promote. Any related requirements for written notification and signature will also increase costs – any changes should be managed electronically. There should be no written notice and signature requirement for changes to contribution rates.

The decision by an employee to opt out of proposed contribution rate increases should be identified as a discretionary event, the cost of which will be borne by the member, with the cost disclosed to the member but not set by regulation or subject to guidance by the Supervisory Authority without a requirement for consultation on such fees.

#### **Q6. Employer Contributions**

***a) Should Ontario employers who offer a PRPP be required to contribute to the plan? If yes, should employer contributions still be required if the PRPP framework mandated employer participation?***

Logically, it makes sense for the employer to choose the contribution rate, especially if employers are mandated to provide PRPPs where no existing retirement plan exists. Contribution rates must be affordable to the employer, especially if mandatory, and it will be important to clarify what relief will be available to an employer who cannot contribute to a set rate due to adverse business conditions.

***b) If a mandatory contribution is desirable, should there be a minimum contribution rate?***

As stated in Question 5 above, determining contribution rates should be a matter between the PRPP member and the employer.

#### **Q7. Low Cost**

***a) Is the definition of "low cost" appropriate? Should Ontario develop a different definition of low cost? If yes, what should the definition be and should it include a maximum fee?***

As mentioned in our previous submissions on the federal PRPP, the combination of allowing Administrators to provide only one investment option and the mandate of providing a "low-cost" option may force PRPP members into a "low-cost" option when another choice might be more appropriate for

their investing needs. One of the goals of PRPPs is to expand the range of retirement savings options for Canadians; however, we believe that a single fund that must be “low-cost” and, therefore, “low service”, may not be the appropriate solution for all individuals.

We recommend that the government re-evaluate policy that creates incentives for PRPP administrators to provide only low-cost alternatives, essentially precluding a range of retirement products and services from being offered through PRPPs. The Federal Task Force on Financial Literacy has identified the importance of advice to making good financial decisions, and mandating a “low-cost/low-service” option might well undermine efforts to promote financial literacy generally, keeping in mind that financial advice is a service that requires investment on the part of the financial institution to provide.

We believe that a financial advice component should be one PRPP option and therefore should be included in a realistic and practical determination of PRPP costs. Notably, target date and lifecycle funds include advice implicitly, by managing to change the asset allocation over time from one that is equity and growth-focused to one that is predominantly conservative. However, asset allocation is only one part of advice, which extends to other matters such as other tax programs (RESPs, RDSPs), planning once in the retirement phase, estate planning, etc.).

Without a basic advice component, PRPP members will not be able to adequately assess whether they should move out of a default plan into one that is more suitable to their investing needs. Perhaps even more importantly, investors should receive advice to determine if they should more appropriately be considering other savings vehicles, such as TFSAs, especially where their employers may not be matching the contributions. Sponsors of DB and DC pension plans, as well as employer-provided group RRSPs and TFSAs, have no or limited “know-your-client” requirements. Similarly, PRPP providers have no requirement to analyze and take into account a retirement planholder’s overall financial situation and provide the personalized attention that individual clients receive as part of individual RRSPs, TFSAs and non-registered accounts.

Most investors require advisory services especially as millions of Canadians already have savings in RPPs, RRSPs, TFSAs and non-registered assets and these should be understood when making decisions about PRPPs. A more comprehensive advice component should be available to these individual investors to determine how to structure a balanced retirement portfolio across all holdings. Not having a clearly disclosed advice-inclusive PRPP option will put more pressure on existing providers of advice, possibly leading to less such service being available to individuals at the moments it is needed. Advice will also be required by small businesses who may be interested in providing a PRPP to their employees, or in determining how PRPPs fit into an overall financial and business plan for self-employed individuals.

Investors who want or need a more comprehensive financial review and more customized financial advice should be able to access supportive, clearly disclosed, personalized services beyond what is included in a “low-cost” PRPP option by “adding on” to their services for an additional competitive market price or as an all-inclusive embedded price if that is what retirement planholders prefer. This is another reason why PRPPs should be administered by a broad range of qualified financial institutions; Canadians should be able to access all retirement products by contacting their existing financial institution of choice, including contacting their current investment advisor. Many investors prefer to pay an all-inclusive fee for financial advice.

We believe that the possibility of future guidance provided by designated PRPP supervisory authorities on an “industry average” definition of “low-cost” with respect to funds offered as part of the PRPP, on either an aggregate or disaggregated level, may serve as a disincentive to firms considering becoming administrators given there may be little prospect of a market return on their investment infrastructure. Defining what is included without flexibility may deter financial institutions from offering PRPPs and diminish the competition that is necessary to actually keep costs low.

As with the number of options, costs are based on the business model of the financial institution acting as an administrator. Also, setting a definition of “low-cost” will not be straightforward as cost must be considered in the context of risk-adjusted returns, and an optimal asset mix allocation that will change over a contributor’s life. Any guidance would have to be flexible enough to accommodate changes in pricing structures (for example, possible increases in the GST and HST rates) and regulatory changes.

We recommend that:

- Any PRPP program introduced in Ontario should provide the PRPP administrator with the ability to offer a clearly-disclosed advice-inclusive PRPP option, recognizing that some advice-equivalent products such as target date and lifecycle funds will incur higher costs and that some basic level of advice is necessary to ensure investors do not contribute to a PRPP in inappropriate circumstances.
- The Ontario government should consider whether requirements to charge the same fees to early participants as to late participants, and for individual members as for group members (that we have seen in the Federal PRPP model) are practicable. Flexibility should be permitted to allow for amortization of costs (start up and ongoing administration and recordkeeping) as well as tiered pricing to reflect increasing volumes over time. Without the ability to tier pricing to volumes, PRPP administrators will lose the ability to pass on savings from increased volumes in future.

***b) How much detail should be required to be disclosed to plan members on costs and fees?***

Under both National Instrument 31-103 and Investment Industry Regulatory Organization of Canada (IIROC) rules, registered dealers must provide clients with a description of the costs they will pay in making, holding and selling investments, including the management expense ratios (MER), the sales charge options available to the client, the trailing commission, any short-term trading fees and any switch or change fees. We believe that such disclosure is appropriate for PRPPs, and assume that the rules will apply to PRPP investments. Additionally, the Ontario Securities Commission (OSC) has mandated a comprehensive client relationship management reporting system referred to as CRM2 and any Ontario PRPP equivalent should have equally robust reporting requirements.

***c) Should Ontario consider other restrictions on certain fees, such as trailer fees?***

We believe that provided disclosure is clear and publicly available, for example, as it will be under CRM2 described above in Question 7(b), such disclosure should be sufficient: restrictions may tend to see fees rise to the level of any threshold or to an offering that may be “low cost”, but ultimately of less benefit.



## **Q8. Locking In**

### ***a) Should Ontario allow plan members to access their PRPP account periodically for pre-retirement spending?***

We have written previously and extensively about our concerns regarding the uninformed transfer in of unlocked funds to PRPPs and the inability of PRPP plan members to transfer them out. We believe that not allowing an advice-inclusive disclosed option and requiring advice to be charged for separately will lead to unintentional negative consequences for some Canadians. It is counter to the conclusions of the federal government-appointed Task Force on Financial Literacy that financial literacy is critical to the prosperity and well-being of Canadians. It is in stark contrast to the recent introduction of enhanced CRM requirements by IIROC, which requires advisors to consider the plan member's time horizon and implement additional suitability reviews of client holdings.

The alternatives for a member seeking to unlock PRPP holdings for certain purposes, but unable to do so, may put the investor in a worse financial position by forcing him or her to borrow or mortgage a property, contrary to his or her best interests. As such, we recommend that the government:

- Develop unbiased wording or an online tool, in consultation with knowledgeable individuals and organizations, to help would-be PRPP members assess whether they can afford to lock in some of their savings in light of their non-retirement needs.
- Permit members to unlock all or some of the their PRPP twice or at least yearly for transfer into a locked-in registered retirement savings plan to provide members with additional or more specialized or customized services needed at different times in their lives. Please refer to Quebec's VRSP program.
- Consider the right to unlock a PRPP and withdraw a sum or sums in the case of a disability that not only may shorten a lifespan, but that also may be demonstrated to affect measurably a member's quality of life (or of an immediate family member) without meeting the strict tests of severe financial hardship.
- Confirm that a transfer to another locked-in instrument would not be construed as unlocking, and therefore does not require a spouse's or partner's signature.

### ***b) Should employer contributions, if any, be required to be locked in?***

We agree that employer contributions should be locked in as a default. The ability for some provinces to choose to not require locking in for employers or employees will have a negative impact on cost. For ease of administration, un-locking should be limited to only a few manageable instances. A single rule with respect to locking-in and un-locking (including setting vesting periods, if applicable) across all provinces would be strongly preferred.

### ***c) Would a locking-in requirement deter individuals from joining a PRPP?***

Please refer to Quebec's VRSP program. Locking in the employers' portion but not the employee's could constitute a reasonable middle ground.

### **Q9. Disclosure Requirements**

**a) What other information about a member's PRPP would be important to include in the annual statement?**

Under both NI 31-103 and IIROC rules, registered firms must also provide clients with a description of the costs they will pay in making, holding and selling investments, including the MER, the sales charge options available to the client, the trailing commission, any short-term trading fees and any switch or change fees.

We recommend that standards for PRPP (and defined contribution plan, although this is beyond the parameters of these consultations) disclosure should be based on the requirements set by the CSA and IIROC; these requirements have been subject to significant consultation and review over many years.

**b) Should plan members be provided with more than one written statement annually – for example, quarterly statements?**

As mentioned in previous IIAC submissions to the federal government on PRPPs, securities law (NI 31-103) requires all registrants (which would include all IIROC member firms) to provide client statements at least quarterly. Similarly, IIROC member rules require monthly reporting in months where transactions have occurred, and in every other case, on a quarterly basis. We believe that PRPP members should receive quarterly statements as a minimum.

**c) Should plan members be provided with information about the plan administrator, such as its financial capacity, investment practices and governance structure? Are there other disclosure requirements that would help ensure greater transparency and accountability?**

This question should be further discussed. To the extent that assets are appropriately segregated and held with reputable custodians (and it should be the Ontario government's responsibility to monitor this), is it the intention to make the employees liable for loss due to the administrator? Or the employer? We recommend that the information be available publicly for interested employees.

### **Administration**

**Q10. Eligible Administrators. Should there be restrictions on which type of corporations can be administrators of PRPPs? If so, what kind?**

All regulated financial institutions (including all IIROC member investment dealers) that are subject to appropriate custodial arrangements with regulated trust companies should be eligible PRPP administrators. This will assist the government in meeting its goal to broaden the retirement savings choices available to Ontario businesses and individuals interested in accessing PRPPs.

We note that the federal PRPP provides that any corporation that meets the licensing criteria will be able to administer a PRPP. With this in mind, we believe that administrators providing PRPPs and indeed any retirement savings product or service should be on a level playing field and, in this regard, should public sector entities (or other corporations) be able to offer PRPPs, they should be subject to equivalent capital, regulatory and other cost requirements such as insurance expenses. To the extent

that government-sponsored organizations offer PRPPs using the same infrastructure as used for other purposes, we assume that the retirement plans will not cross-subsidize each other.

***Q11. Standard of Care. Are there more specific requirements or limitations required to mitigate against potential conflicts of interest?***

We believe that existing regulatory arrangements in the securities industry already take into account the safeguarding of assets and the protection of investor clients, including the issue of dealing with potential conflicts of interest. For example, licensed investment dealers in Canada are regulated by the Dealer Member Rules of IIROC. IIROC member firms are subject to high standards of operation and governance. They must meet IIROC's know-your-client (KYC) and investment suitability standards, as well as national anti-money laundering (AML) requirements. They are regularly audited for compliance, which includes business conduct, conflict of interest, financial compliance and trade review and analysis. IIROC also monitors the financial status of member firms, including capital requirements. Custodial agreements of IIROC member firms are approved by IIROC, and published online.

Moreover, clients of IIROC dealers have access to a complaint and mediation process that we believe is easier to access than processes available to members of DB and DC pension plans. We recommend that the PRPP program take into account these existing high standards (where they exist) and not impose additional standards or create additional regulatory bodies to regulate investment dealers offering PRPPs. However, where administrators are from other financial industry segments, it is our understanding that standards differ. We strongly urge the Ontario government to publish a table that compares the conflict of interest, disclosure, reporting and complaint-handling mechanisms in place under federal banking, and federal and provincial trust, securities and insurance legislation, or, for example, guidance, when no legislation exists.

***Regulation of PRPPs***

***Q12. Licensing, Registration and Supervision***

***a) What conditions should be required to obtain a license?***

We believe that the licensing criteria listed in the federal PRPP regulations, while perhaps appropriate for non-financial institution PRPP administrators, are inappropriate and duplicative for regulated financial institutions in Canada. In order to create a program that is both attractive to financial institutions (especially from an administrative point of view) to offer, and effectively regulated for the protection of investors, the federal and provincial governments must be clear on the purposes behind imposing additional requirements upon PRPP administrators. Consideration must be also given to the legal relationships and requirements already existing between financial institutions and their respective industry regulators.

IIAC members are already regulated, and in many respects, are more effectively regulated than our counterparts in other areas of the financial industry that currently offer registered pension plans with respect to protections against conflicts and fraud. Other information listed as "criteria", such as the analysis of target markets and overall success strategy, are competitive industry information that should not have to be disclosed by established financial institutions. As such, we believe that established, regulated financial institutions should be exempt from licensing requirements beyond those that would

be required to offer a TFSA, for example. Alternatively, regulated financial institutions might be required to meet a reduced checklist of requirements (for example, perhaps by offering investment options for PRPPs that meet specific criteria).

***b) Should Ontario PRPP licenses have an expiration date? If so, after what period of time should a license expire?***

As an alternative, perhaps PRPP administrators should annually confirm adherence to standards and reasonable reporting requirements.

***c) Should Ontario PRPP licenses be revocable? If so, under what conditions should a license be revoked?***

Yes, PRPP licenses should be revocable, for example, when there are concerns regarding the administrator's viability (financial, technological, etc.), with an appropriate time period to remedy any revocable conditions.

***d) What types of sanctions and enforcement mechanisms would a supervisory authority require to regulate PRPPs effectively in Ontario?***

Each participating member of the financial industry already has a supervisory body to regulate and enforce standard for their members. As noted above, the Ontario government should be responsible for publishing a comparison of standards between the different regulatory and oversight mechanisms in place in each industry segment.

***e) What factors should be considered in determining which authority regulates and licenses PRPPs?***

Again, each participating member of the financial industry already has a supervisory body to regulate and enforce standards for their members.

**Q13. Harmonization**

***a) How important would it be that Ontario harmonizes with existing PRPP frameworks?***

Harmonization is critical to minimizing costs of providing PRPPs, which will directly impact how many financial institutions participate as administrators. Without administrator participation, economies of scale will not be possible.

***b) Which elements of the PRPP framework would be the most critical for harmonization?***

The most important elements are those that have the potential to require individual and manual intervention as well as risk. These elements include automatic enrolment, transfers, pay-out, vesting, locking and un-locking and any aspects of administration. From our industry's perspective, uniformity is the answer. As an example, and as discussed below, IIROC regulated dealers are subject to a maximum 10-business-day electronic transfer of assets between dealers. We strongly believe that other administrators should be subject to an equivalent length of time.

***c) Are there any areas where Ontario should deviate from the existing PRPP model regardless of whether it reduces harmonization of PRPP frameworks across the country?***

We believe that Ontario should consider and discuss with its provincial counterparts the issues we have identified below with respect to transfers of funds. Creating a new program that is low-cost will lead to low-yield/low-risk/low-service and/or higher-risk/low-service options, which at present look likely to be available only through certain financial institutions. This may result in a significant shift in investing patterns and could ultimately disadvantage a material number of investors.

While we do not believe the government intended to facilitate the transfer of retirement savings from an advice-based option to one without, this is essentially what would occur should transfers be permitted between non-pension and pension retirement savings options, especially in light of the fact that CPP and EI tax applies to contributions to Group RRSPs while PRPP contributions will be tax-free.

We also have noted our concern about the unequal competition between government-owned pension providers at a cost advantage that seek to draw RRSP holdings into the pension fund to expand assets. This is compounded when, as in the case of one such plan, they limit transfers out.

In the case of a retirement savings plan holder remaining on the employer's payroll, we have several concerns due to the lack of transfer equivalence between PRPPs to locked-in RRSPs and, apparently, between RRSPs to locked-in PRPPs.

We understand the need for flexibility for individuals and governments; however, we believe that in the absence of any professional financial advice, there could be a substantial shift in savings from existing open plans (RRSPs and RRIFs) to ones that are locked-in. Investors, and in particular small investors and firms, would ultimately be disadvantaged, respectively, by losing access to products and providers. We have not seen analysis done regarding the impact of such a shift on investors, on financial institutions and on the marketplace.

We recommend that:

- If transfers between unlocked RRSPs and (locked-in) PRPPs are to be permitted, regulations should provide for appropriate disclosure before such a transfer is made in the context of the retirement savings holder's broader objectives (home ownership, starting a family, education), and the administrator must obtain a signature documenting informed planholder consent to locking in.
- All offerors of PRPPs and RRSPs must be subject to certain standards to ensure fair treatment of both retirement plan holders and financial institutions/administrators. Specifically, broker-dealers are subject to a 10-business-day transfer requirement via electronic means and all administrators should be required to meet this standard.
- Discussion must take place between policymakers and industry about the implications of unlocking provisions that vary by province, which adds confusion for investors and costs for financial institutions/administrators.

- Federal and provincial governments and industry should work together to develop a simple and consistent transfer authorization form that can be used for registered and non-registered transfers.
- Federal and provincial governments should ensure that government-owned pension funds do not obtain a taxpayer-paid cost advantage at the expense of the private sector that creates the jobs allowing collection of taxes.