



ACPM/ACARR

The Association of Canadian Pension Management

L'Association canadienne des administrateurs de régimes de retraite

COMMENTS

ON THE

NOVA SCOTIA

PENSION REVIEW PANEL

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POSITION PAPER

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ACPM Advocacy & Government Relations Committee

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Section I – Introduction

The Association of Canadian Pension Management (“ACPM”) is the informed voice of Canadian pension plan sponsors, administrators and their allied service providers. Established more than three decades ago, the ACPM advocates for an effective and sustainable Canadian retirement income system through a non-profit organization supported by a growing membership and a team of volunteer experts. ACPM’s Individual Members and Institutional Members alike are drawn from all of the various industry sectors. They represent approximately 3 million plan members of more than 300 pension plans with total assets in excess of \$300 billion.

The ACPM promotes its vision for the development of a world-leading retirement income system in Canada by championing the following Guiding Principles:

- Clarity in legislation, regulations and retirement income arrangements;
- Balanced consideration of other stakeholders’ interests; and
- Excellence in governance and administration

The ACPM regularly advocates and participates in public dialogue on pension issues.

On July 11, 2008, ACPM sent a brief to the Nova Scotia Pension Review Panel (“the Panel”) in response to the Panel’s May 2008 discussion paper. The ACPM is now pleased to provide comments in response to the October 17, 2008 position paper (“the Position Paper”) issued by the Panel and that provides tentative recommendations from the Panel. This document was prepared on ACPM’s behalf by the ACPM’s Advocacy and Government Relations Committee (AGRC).

For the convenience of the Panel, we have responded to the Position Paper using the same structure and numbering as those used in the Position Paper. For simplicity purposes, we have not repeated in this document background information and comments that were contained in our July 11, 2008 brief.

Section 2 – Review of Public Consultations

2.1 Panel’s Perspective

Summary of Panel’s Position:

- (a) Focus is first and foremost to create an environment where pension promises will be fulfilled.**
- (b) This requires complete transparency of information.**
- (c) Pension plans will work better when there is active employee involvement in the plan governance.**
- (d) Requiring employee/retiree approval of plan changes, or requiring guaranteed indexing for defined benefit (DB) plans would only serve to accelerate the decline in the number of plans.**
- (e) We must have a legislative framework that works well with the existing environment while remaining open to potential future developments.**

Subject to our more specific comments contained in the following sections, we generally support the above assertions, with the following adjustments:

- Equal importance should be attributed to creating an environment encouraging the maintenance of pension plans and expansion of pension coverage.
- We support transparency of information but the cost of providing information must remain at a reasonable level.
- Based on general experience (especially in Quebec where pension committees are mandatory), we are not convinced that active employee involvement in the plan governance necessarily leads to more efficient administration, better benefits and lower costs. In many instances, it has produced the opposite result.
- The legislative framework should provide for a goal of increasing harmonization of pension legislation in Canada.

2.2 Goals of Pension Legislation and Regulation

Summary of Panel’s Position:

- (a) The goals of pension legislation should be:**
 - **To maximize the likelihood that pension promises are met by:**
 - **Isolating pension funds from employer funds;**
 - **Providing vesting protection so that benefits are not lost;**
 - **Providing appropriate rules for the protection and benefit of employees in the event of discontinuation of employment, early or late retirement; and of spouses or beneficiaries in the event of the employee’s death, or marriage breakdown.**
 - **Prescribing appropriate minimum funding requirements.**
 - **To ensure that employees have appropriate access to information about their individual benefits;**
 - **To provide transparency of information about all aspects of pension plans to members; and**
 - **To promote and facilitate the implementation and continuation of pension plans.**

(b) Legislation and regulation should avoid:

- **Establishing minimal acceptable quantum of benefit**
- **Enforcing equity between plan members (beyond that already applicable to other forms of compensation)**
- **Favouring one form of pension over others**
- **Preventing new forms of pensions from being developed**
- **Increasing regulatory burden either quantitatively or qualitatively**
- **Discouraging the establishment or continuation of pension plans by unnecessary regulatory burden.**

(c) The bias in interpreting the Act and regulations should be permissive, not restrictive.

The ACPM supports the above position. Moreover, we fully agree with the Panel's assessment of what pension legislation should avoid. However, we reiterate that the cost of providing information to plan members must remain at a reasonable level.

Section 3 – Panel’s Answers to Key Questions

3.1 Types of Pension Plans

Summary of Panel’s Position:

The legislation should be flexible enough to enable various benefit designs and funding sources. New designs and funding arrangements should be accommodated by subsequent regulation.

We support this position. However, we suggest that new regulations be required only if the new design or funding arrangement would clearly be prohibited under pension legislation. This would be consistent with the Panel’s suggestion that the bias in interpreting the legislation should be permissive.

3.1.1 Adjustable Contribution / Benefit (ACB) Plans

Summary of Panel’s Position:

(a) The ACB plan model should be available for single employer and multi-employer groups.

(b) Joint trusteeship of ACB plans is to be mandatory.

(c) There is no concept of surplus for ACB plans. All employer contributions are fully committed to the ACB plan.

We support changes in pension legislation aimed at accommodating different types of plans. Therefore, we agree with the above position.

However, we observe that the concept of surplus will continue to exist for ACB plans; surplus assets could either be used to improve benefits or reduce contributions, or simply not used so that a funding margin is maintained.

Summary of Panel’s Position:

(a) The government should encourage more DB plans through more flexible legislation and regulation and through promotional activities.

(b) Promotion should be a function within the Department of Labour and Workforce Development, separate from the office of the Superintendent of Pensions.

The ACPM agrees with government measures aimed at encouraging more DB plans. In fact, we support expanded coverage which would include having employees who are not currently in an occupational plan to be covered by any type of DB or defined contribution (DC) employer sponsored retirement savings arrangement, including a Group RRSP.

We do not object to mandating a government body, separate from the Superintendent, for promoting increased pension coverage. Nevertheless, increased pension coverage should still be an objective for the Superintendent and pension legislation in order to ensure the promotion of increased coverage and maintenance of existing plans.

The government bodies should recognize that harmonization of pension legislation in Canada would be a significant contribution in promoting increased pension coverage.

Summary of Panel's Position:

Sponsors should determine what investment choices are offered to employees, keeping in mind the following requirements:

- (a) There should be a default investment option for those employees who do not select their investment option;**
- (b) The options offered to employees by the sponsor should be chosen prudently;**
- (c) There should be good communication to the members about the investment choices available;**
- (d) The sponsor should document the rationale for the investment array and file it with the Superintendent.**

Legislation should permit default enrolment and default investment mix selection but should not attempt to specify what is an acceptable investment mix.

In May 2008, the ACPM issued a report titled "Delivering the Potential of DC Retirement Savings Plans" in which we set out fair and practical recommendations for improvements to retirement income savings in Canada. We support the above recommendations as they are in line with those contained in our May 2008 document.

However, we suggest not requiring the filing of the rationale for the investment array with the Superintendent. We do not see much value in such a filing requirement. We submit that the disclosure requirements applicable to such rationale should be the same as those that apply to statements of investment policies and procedures. In fact, we believe that, for many DC plans, the statement of investment policies and procedures already describes the rationale for the investment array.

3.2 Province Wide Plan

Summary of Panel's Position:

- (a) The government should support the establishment of a plan available to all employers in the province, administered by an independent agency.**
- (b) This plan would provide an Adjustable Contribution / Benefit and/or Defined Contribution plan option for employers of any size.**
- (c) Consideration should be given to requiring all employers above a certain size who do not already have a plan to participate in the province wide plan unless they opt out.**

ACPM strongly supports the concept of a voluntary province-wide plan as a means to increase coverage. With respect to how a province-wide plan should work and be designed, we submit the following remarks:

- We observe that any model based on target benefit levels raises the risk of intergenerational inequities or cross-subsidies between organizations electing to participate in such province-wide plan.
- We support maximum flexibility for such a plan, including the possibility of offering various employee and employer contribution levels.
- Participation in such a province-wide plan should be optional for employers, irrespective of their size and whether or not they sponsor a pension plan.
- The governance model for such plan should ensure that the funds are managed in the plan members' best interests, without political interference.
- The efforts spent on implementing such plan should not be at the expense of the efforts spent on creating a more positive environment for employer-sponsored pension plans.

3.3 Funding

3.3.1 Amortization

Summary of Panel's Position:

- (a) A new funding regime based on Accrued Benefit valuations reflecting all promised benefits should be implemented.**
- (b) The rules would be the same for all plans.**
- (c) Both surpluses and deficits should be amortized over eight years.**
- (d) Amortization of deficits would not be required for plans with a funded ratio exceeding 95%.**
- (e) Contribution holidays would not be permitted for plans with a funded ratio below 105%.**
- (f) No benefit improvements would be allowed if the plan is in deficit.**
- (g) Actuarial valuations must be done on a fixed three-year schedule. Annual tests would be required for plans with a funded ratio below 95%.**

The deadline for comments on the Position Paper did not allow sufficient time to the ACPM to perform a detailed analysis of the above funding proposals. Nevertheless, we offer the following high-level remarks:

- We appreciate the simplicity of the proposed funding regime. However, at this time we are not convinced that its implementation would necessarily lead to less volatile contributions and higher benefit security.
- The combination of the proposed funding regime and the Panel's recommendations on the question of surplus ownership (see next section) would not produce a context encouraging plan sponsors to make extra contributions for funding deficits on a short period or building/maintaining funding margins.
- The proposed funding regime does not address the risk/reward imbalance issue and does not provide more contribution flexibility for financially stronger employers.
- ACB plans should be treated differently from other DB plans. For ACB plans, the ability to increase contributions is usually very limited or non-existent.
- We are unsure of how special plan wind-up benefits or plant closure provisions would be reflected in an Accrued Benefit valuation.

Our preliminary assessment leads us to believe that the adoption of the changes proposed in our July 11, 2008 brief (e.g. allow the use of letters of credit and the use of special purpose "solvency accounts" independent from the pension fund) would better achieve the two key objectives of pension reform: increased pension coverage and higher benefit security.

For DB plans other than ACB plans, we do not support restrictions on benefit improvements based on the plan's funded level. Should the above proposed restrictions be nevertheless implemented, we suggest that the rules be clarified so that:

- they do not prohibit making benefit improvements when the plan is in deficit if the employer immediately pays the full cost of the improvements; and
- for plans not registered in Nova Scotia, they do not apply with respect to benefit improvements granted to Nova Scotia members.

We observe that the Panel's funding proposals are different than the way that other Canadian jurisdictions have dealt with funding requirements.

3.3.2 Surplus

Summary of Panel's Position:

The plan sponsor can make the allocation of surplus assets upon plan wind up, subject to plan rules, the impact of collective bargaining agreements, and provided that:

- ***the employer will not receive more than 50% of the surplus; and***
- ***the allocation must result in the employer having paid at least 50% of the net contributions over the previous 10 years.***

The ACPM respectfully disagrees with the above surplus rules. The Panel suggests more restrictions on the use and ownership of surplus by the sponsoring employers. We understand that the rules would basically ensure that plan members will be entitled to at least 50% of any surplus assets upon plan wind up. This seems to be in direct contradiction with the Panel's acknowledgement that plans are often minimally funded due to uncertainty of surplus use and ownership. The implementation of the Panel's proposed surplus rules would likely eliminate any desire from employers to make contributions in excess of the minimum required level, making minimum funding the only possible funding strategy. We believe that surplus rules should rather aim at encouraging plan sponsors to voluntarily build funding margins.

The proposed rules leave considerable room for interpretation. For example, they do not clarify whether the term "plan rules" includes historical provisions and do not address how to allocate surplus assets among individual plan members. As a result, the proposed rules would not eliminate potential surplus sharing disputes. We suggest that legislation establish that pension plans are employment contracts and that ownership of pension funds is governed by those contracts, thereby achieving clarity and avoiding surplus disputes.

We observe that the rule based on "50% of the net contributions" may be inappropriate in situations where employees have voluntarily decided to increase their contributions at a level higher than the employer contribution level (for example, in order to improve the benefit formula or purchase past service credits). It would also be inappropriate in the situation where the employer took a contribution holiday earlier in the 10-year period because of conservative funding previously. Moreover, it would create significant difficulties of application for plans with members in several jurisdictions (e.g. would the plan administrator be able to identify net contributions for Nova Scotia members only over the previous 10 years?). These are reasons for not implementing rules based on historical contributions, in addition to those mentioned in the preceding paragraphs.

3.4 Grow-in Benefits

3.5 Partial Wind-ups

Summary of Panel's Position:

(a) Governments should permit, but not require, grow-in benefits.

(b) The notion of partial wind-ups should be eliminated from the legislation.

For the reasons mentioned in our July 11, 2008 brief, the ACPM fully supports these two recommendations.

3.6 Unlocking

Summary of Panel's Position:

For DC plans:

(a) members before age 60 can unlock their voluntary contributions, unless the plan is more restrictive;

(b) after age 60, full unlocking is permitted; the plan may include restrictions but must permit annuitizations in whole or in part.

For DB plans, up to 50% of the commuted value could be unlocked; the plan could have stricter rules.

Based on a recent survey of the ACPM's membership, a majority of ACPM members still believe in the merits of locking-in. ACPM is currently reviewing the survey results and in due course the Association will develop a policy position on this issue.

It should be mandatory to offer the above after-age-60 annuitization option only for DC members who retire or terminate employment. DC plans should be permitted to force member accounts out of the plan upon retirement or termination of employment.

We urge that any changes to locking-un rules be made in the context of uniform locking-in rules across Canada.

3.7 Governance

Summary of Panel's Position:

(a) All plans must file a governance plan with the Superintendent.

(b) The governance plan must be adopted by the plan administrator and circulated to the advisory committee, union, or employees, as appropriate.

(c) The Superintendent may reject the governance plan if it does not meet the generally accepted practice in the pension industry.

(d) The plan administrator must certify annually that the governance plan is being complied with.

Because the ACPM supports the development of best practice guidelines as opposed to legislated governance standards, the implementation of the above requirements would not be in line with the ACPM's preferred approach.

We observe that the development and maintenance of a governance plan will entail some work and expenses that may be unreasonable for certain small or medium size plans. Moreover, for many of them compliance with a governance plan requirement would simply mean the adoption of a boiler-plate document developed by a service provider.

Should a governance plan requirement be implemented, we suggest that the governance plan not be subject to the Superintendent's examination. We note that the examination of governance plans for all plans would require significant resources from the office of the Superintendent that could be better used on risk-based monitoring activities. Governance plans, if required, could be treated by pension legislation in a manner similar to statements of investment policies and procedures.

3.7.1 Advisory Committees

Summary of Panel's Position:

- (a) Advisory committees should remain voluntary.**
- (b) They should be given greater ability to influence sponsors and regulators.**
- (c) They should be given, simultaneously, any information the sponsor files with the Superintendent, subject only to privacy laws.**
- (d) They should be entitled to have reasonable access to plan actuaries and other professionals, so that they can communicate with them independent of the sponsor.**
- (e) The plan would be responsible for funding the costs associated with consulting professionals.**
- (f) The Superintendent's approval of a plan amendment would be simplified if the amendment was agreed to by the advisory committee.**
- (g) Training and providing support to advisory committees should be part of a mandate of a division within the Department of Labour and Workforce Development.**

The ACPM supports that advisory committees remain voluntary. The Superintendent or another government body could promote the establishment of advisor committees by regular communications of the benefits of having an advisory committee to plan administrators.

We believe that the recommendations mentioned in section 3.7.1 wrongly refer to “sponsors”. They should rather refer to “plan administrators” as we believe that the role of an advisory committee should be limited to how the plan is managed and administered. The mandatory duties of an advisory committee should not include influencing the plan's design, benefits and contribution level.

Because the plan administrator has fiduciary duties toward plan members, the plan administrator must be the only body having the power to authorize work performed at the expense of the pension plan. Consequently, any access to the plan's professionals and service providers must be authorized by the plan administrator. The advisory committee's access to documents filed with the supervisory authorities and other documents related to the plan administration (e.g. governance plan, statements of investment policies and procedures, statements issued by the fund custodian, reports from investment managers, benefit statement templates) would suffice to fulfill its mandate.

We observe that an advisory committee's approval of a plan amendment does not seem to provide much significant additional comfort justifying a simplified examination procedure by the Superintendent. We further submit that the Superintendent should anyway apply a simple examination procedure for all plan amendments, subject to certain exceptions (e.g. reducing amendments, plan conversions). We understand that most pension regulators in Canada have adopted simple examination procedures.

3.8 Role of Regulators

Summary of Panel's Position:

- (a) The Pension Benefits Act (PBA) should be changed to require that appeals from the Superintendent's decision be made to Nova Scotia Labour Relations Board (NSLRB).**
- (b) The NSLRB would have jurisdiction to consider all orders decided by the Superintendent without deference to the Superintendent.**
- (c) The NSLRB can make any decision the Superintendent can make.**
- (d) Appeals of the NSLRB would be to the Nova Scotia Court of Appeal.**

(e) Plans exclusively for “Connected Persons” should be exempt from regulation under the PBA.

The ACPM fully supports the recommendation that initial decisions of the Superintendent be appealed to an independent tribunal. The ACPM feels, however, that the Nova Scotia Utility and Review Board (“UARB”) is the most appropriate tribunal amongst existing Nova Scotia administrative tribunals. There is presently no administrative tribunal in Nova Scotia with pension expertise. The Labour Relations Board is limited in its jurisdiction to labour relations issues only. The adjudication of other labour or employment issues is referred to separate adjudicative bodies such as the Employment Standards Board or a board of inquiry under the Human Rights Act.

In New Brunswick, the Labour and Employment Board (“LEB”) hears appeals from the Superintendent, but the LEB has a much broader jurisdiction encompassing the Industrial Relations Act, Public Service Labour Relations Act, Employment Standards Act, and Human Rights Act, in addition to the Pension Benefits Act. There is no jurisdiction in Canada which has appeals from a decision of the Superintendent of Pensions heard by a pure labour board.

The UARB performs a wide variety of adjudicative functions, involving a variety of technical and financial statutes. It conducts multi-party hearings, which may occur in the pension context where the parties may be some or all of the members, the employer, the administrator, trustees, retirees, financial institutions, and unions. It regularly hears or commissions expert evidence. It is somewhat similar to the Financial Services Tribunal which hears pension appeals in Ontario or the Financial Services Tribunal in British Columbia which hears appeals from the Superintendent of Pensions. It has the expertise and resources to enable effective adjudication of pension appeals.

3.9 Harmonization

Summary of Panel’s Position:

Nova Scotia legislation should provide that the province where the plan is administered can regulate Nova Scotia employees in accordance with the rules in the province where the plan is administered.

We observe that this recommendation may require exceptions with respect to the division of pension entitlements upon marriage breakdown, and may require approval from other jurisdictions. We note that the Canadian Association of Pension Supervisory Authorities (CAPSA) has recently issued a proposed new agreement for the supervision of multi-jurisdictional plans. This proposed agreement basically provides that the rules of the plan’s province of registration would govern the plan administration and funding, whereas members’ benefits and entitlements would remain governed by the minimum standards of the member’s province of employment. Consequently, the above Panel’s recommendation is not in line with the CAPSA proposed agreement.

The Position Paper mentions that “one advantage of the current situation is that it allows for innovations (such as recently seen in Quebec) that would never occur if all provinces had to first agree.” We observe that innovations (such as Quebec member-funded plans) are often additional options offered to plan sponsors. Harmonization when implementing innovative options would be preferable, but not essential. However, harmonization of minimum pension standards is highly desirable.

3.10 Safe Harbour

Summary of Panel's Position:

- (a) To put “safe harbour” rules in place would be impractical and harmfully prescriptive.**
- (b) In the case of DC plans, plan sponsors should prudently establish default investment option and contribution rates.**
- (c) DC plans should be required to provide to employees each year a statement of what pension they can expect to receive under several investment return and interest rate scenarios.**

The ACPM recommends adopting the concept of a safe harbour for certain DC plan design features that meet criteria prescribed by legislation. The certainty and protection of a safe harbour will encourage the adoption of DC plans. We believe that it is possible to develop and implement practical safe harbour rules that would not be prescriptive. We observe that compliance with the requirements necessary to obtain protection under safe harbour rules would be optional.

The ACPM believes that plans should enable or at least assist plan members to estimate their retirement income. Most providers of DC plan administration services currently offer computerized retirement income projection tools. Considering the numerous factors that affect the ultimate amount of retirement income provided by DC plans (e.g. contribution rate and investment options selected by the member, retirement age, interest rate at retirement date, form of pension payment), promoting the use of such tools is preferable to mandating the annual production of projected retirement income numbers based on a few scenarios that may not be relevant to the member's particular circumstances. Should a requirement of providing projected retirement income numbers be implemented, the parameters should be prescribed, and this would be an area where safe harbour rules would be essential.

3.11 Phased Retirement

Summary of Panel's Position:

- (a) The legislation should not prevent the accumulation of new benefits while receiving a pension.**
- (b) There would be appropriate actuarial adjustments where needed to recognize the later receipt of the deferred and additional pension benefits.**

The ACPM fully agrees with amending, if necessary, the PBA in order to take full advantage of the additional flexibility permitted by the recent modifications to the tax rules with respect to phased retirement.

We observe that Quebec recently amended its legislation (similar amendments should soon be adopted by British Columbia and for federally-regulated pension plans) to remove any barriers to the implementation of phased retirement arrangements allowed under the amended tax rules. These amendments were quite simple and did not necessitate the use of “actuarial adjustments” provisions.

3.12 Vesting

Summary of Panel's Position:

Vesting in a plan should be immediate.

The ACPM is not opposed to the concept of full and immediate vesting. However, we are concerned with the significant additional administrative burden and costs it may create for plans with high employee turnover. This could be an acute problem for certain large multi-employer plans that cover an economic sector with a large number of temporary and seasonal employees. Exempting certain plans from immediate vesting should be considered.

3.13 Classes

Summary of Panel's Position:

- (a) The list of acceptable classes of employees should be removed from pension legislation.***
- (b) Employers should be allowed to make their own decision on classes of employees, and benefit design for each.***
- (c) The classes should be reasonable and sponsors would be required to file the classes with the Superintendent.***
- (d) The Superintendent would have the power to take appropriate action to rectify the situation if the Superintendent considers a class arbitrary and unreasonable.***

The ACPM agrees with the principle that plan sponsors should be allowed to make their own decision on classes of employees, and benefit design for each, provided that such decision is not designed to circumvent a minimum standard under pension or human rights legislation. We support maintaining (i.e. not removing) a list of acceptable classes of employees because such list provides certainty for classes included in the list as to their acceptability for implementing separate provisions or plans between employee groups. With a list, the Superintendent's judgment would be necessary only for a small number of situations not covered by the list.

3.14 Access to Information

Summary of Panel's Position:

- (a) Where Advisory Committees do not exist, everything that a sponsor files with the Superintendent should be provided simultaneously to employees via a place where the information can be easily accessed in both paper and electronic format.***
- (b) The Advisory Committee or Trustees of a joint Employer-Employee Trusted Plan must make all information available to the members.***

We believe that the recommendations mentioned in section 3.14 wrongly refer to "sponsor". They should rather refer to "plan administrator" as we understand that the filing requirements of Nova Scotia pension legislation apply to the plan administrator.

Please refer to our comments in section 3.7.1 with respect to our position on the role of advisory committees and their rights to information.

Obviously, any information to be made available to plan members would have to comply with the rules of privacy legislation. Section 35 of the PBA already gives the right to plan members to examine many documents. The examination of the documents mentioned in section 47 of the PBA Regulations allows plan members to accurately assess overall plan operations and the plan's funding status. The ACPM believes that these information rights are sufficient. A requirement to provide information that is filed with the Superintendent simultaneously to employees via a place where the information can be easily accessed in both paper and electronic format would cause additional expenses that may be significant for certain plans.

3.15.1 Promotion

Summary of Panel's Position:

- (a) Promotion of pension plans should be a function of the Department of Labour and Workforce Development, separate from the Superintendent's office.**
- (b) The promotion of the proposed province wide plan and the training materials and programs in support of Advisory Committees could be a part of the mandate of such a promotion division.**

Please refer to our comments in section 3.1.1.

3.15.2 Investments

Summary of Panel's Position:

- (a) The governance process should be strengthened.**
- (b) Specific investment limits should be removed.**
- (c) Schedule I to the PBA Regulations should be expanded and should include a separate section on the investment of DC plans and other types of plan where the member is involved in investment decisions which will affect his/her own pension.**
- (d) Schedule III to the PBA Regulations should be removed.**

We are not sure what is encompassed by the Panel's recommendation to strengthen the governance process. Excellence in governance and administration is one of the Guiding Principles of the ACPM. We support a move to more principles-based regulation that requires greater emphasis on good governance. In general, we support the continued collaborative efforts of regulators and industry to develop best practice guidelines in this area as opposed to moving to legislated governance standards. We would be pleased to have discussions with the Panel on potential ways to promote better plan governance.

We support removing specific investment limits for all types of pension plans and implementing simple investment standards that are better adapted to those plans mentioned in (c) above.

Appendix B, Section 7 Commuted Value

Summary of Panel's Position:

The commuted value payable to a terminating member would be calculated in accordance with the prescribed actuarial valuation standard.

We have significant concerns with this proposal. We understand that its implementation would mean that commuted values payable to DB plan members in Nova Scotia could be significantly different (higher or lower, depending on the plan's early retirement provisions) from those payable to plan members in other jurisdictions. This would raise issues with respect to cost, equity between plan members, and plan administration. It would be a significant problem for plan sponsors who try to treat their employees uniformly across Canada.

Due to these issues and because the ACPM is a strong supporter of harmonization in pension standards, we urge the Panel to remove this recommendation. We believe that commuted values for Nova Scotia members should be computed using the same basis as that used for plan members in the rest of Canada.

Section 4 – Overall Assessment

The ACPM does not expect to agree fully with all recommendations that will be contained in the Panel's final report and the reports that will be issued by the Ontario Expert Commission on Pensions and the Alberta-British Columbia Joint Expert Panel on Pension Standards. We acknowledge that pension reform will involve a balanced approach.

However, we believe that the current context calls for evaluating any set of pension reform recommendations first and foremost based on the following two overarching objectives:

- increase employer-sponsored pension coverage; and
- improve the security of the benefits provided by employer-sponsored DB plans.

Fulfillment of other objectives such as better plan governance would be desirable but would be detrimental if it ultimately results in fewer Canadians being covered by employer-sponsored pension plans or pension benefits being less secure.

How do the Panel's tentative recommendations measure against the above two overarching objectives? On one hand, the proposed elimination of partial windups and grow-in provisions is surely a positive measure as it would remove some uncertainty and additional costs involved in maintaining a DB plan. The proposed restrictions on the use of surplus assets for contribution holidays would assist in maintaining a slightly higher long-term funding level for DB plans and consequently have a small positive impact on benefit security.

On the other, the adoption of the Panel's proposed rules on surplus ownership and the absence of proposals aimed at encouraging employers to voluntarily maintain a high funding level would be significantly negative for the achievement of both overarching objectives. We believe that the implementation of all tentative recommendations of the Panel would not enhance the current environment.

Nevertheless, we wish to conclude on a positive note. The ACPM believes that it is possible to adopt a set of measures that will achieve both above-mentioned overarching objectives as well as the goals mentioned in section 2.2. Such achievement would be in the best interest of all Nova Scotians. We urge the Panel to revise its recommendations and we offer our assistance in this respect. We also encourage the Panel to consult with the Ontario Expert Commission on Pensions and the Alberta-British Columbia Joint Expert Panel on Pension Standards in order to implement harmonized solutions to the same type of issues across Canada. This would be another important element favouring pension coverage.