July 24, 2019

Pension Fees Consultation
Financial Institutions Commission
2800-555 West Hastings St.
Vancouver, BC V6B 4N6
feedback@ficombc.ca

To Whom It May Concern:

Re: Pension Fees Consultation Paper, June 2019

ACPM is the leading advocate for plan sponsors and administrators in the pursuit of a balanced, effective and sustainable retirement income system in Canada. We represent plan sponsors, administrators, trustees and service providers and our membership represents over 400 companies and retirement income plans that cover millions of plan members.

COMMENTS

Principles

At the outset, we would encourage the newly formed BC Financial Services Authority (”BCFSA”) in all its activities, including the development of its fees, to:

- Promote the sustainability of the pension system in British Columbia;
- Ensure the pension system is operated in an efficient and fair manner; and
- Balance the interests of all parties, including members, employers, sponsors and administrators.

ACPM generally supports the principles identified in the consultation paper and supports BCFSA's vision to have a simple, consistent and fair funding model based on a budgeted amount. A well regulated marketplace enhances industry's reputation, and the pensions industry in BC therefore has a vested interest in an appropriately resourced regulator overseeing their activities.

We do have comments on some of the principles and these are provided below:

Simplicity (and Predictability)

We support the features of the proposed fee structure which include ease of calculation for plan sponsors and low administrative burden for BCFSA; however, it is important to remember that plans need predictability in order to maintain prudent funding policies and substantial fee increases can affect the ability to do so.

The consultation paper notes the goal for BCFSA to be self-funded by FY21/22 with transitional government funding starting FY19/20. This could allow for a move to the ultimate proposed fees over two plan years instead of a bigger step in one year (FY20/21) and we encourage this approach to ease the burden of the cost increase.

To the extent required, any future increases should also be incremental. Further, we encourage BCFSA to develop a mechanism to limit the size of budgetary increases each year that would result in fee increases and ensure that any increases are scaled proportionately to need.

Fairness

Pension plans are provided voluntarily by plan sponsors and, while they are appropriately subject to regulation, should not be viewed as a source of funding for other sectors that are profit-driven and/or related to individual consumer/member issues which are not conducive to generating fees.

In addition, consistent with the paper's subprinciple in this section that "Regulatory oversight costs are proportional to business activity and size", ACPM encourages BCFSA to consider lower fees for Defined Contribution Pension Plans. The requirements for appropriate oversight of Defined Benefit and Target Benefit Plans may be similar enough that consistent fees are justifiable; however, the regulatory oversight of DC pension plans is arguably less onerous, and it is difficult to justify the same annual fees as for a formula benefit plan.

It is important that the principle of fees being proportionate to regulatory activity be based on BCFSA's actual experience as it moves forward. Data collection will be important for this purpose as well.

Transparency (and Accountability)

Given the increase in fees that some plans will experience, it will be critical for BCFSA to collect and share data that supports and justifies the fee structure and proposed alterations to the fee structure in the future. In addition to disclosing estimates and allocation of costs to maintain the confidence of the pension sector, it will also be important for BCFSA to collect data based on actual experience and share the methodology behind the fee calculations that used this data. We encourage mandatory review of the fees at regular intervals of three to five years, once sufficient data has been collected to support the allocation of the regulatory burden amongst plans of different sizes and types in the context of the activities undertaken by BCFSA and its actual experience.

We also strongly encourage BCFSA to establish service standards, including timelines for reviews and processing activity, to further ensure accountability to the industry and show that the fees being charged are commensurate with the regulatory activity.

QUESTIONS FOR CONSIDERATION

Our comments above respond to the question: "Do you have any concerns with the proposed fee schedule?".

The paper also asks, “Are there any other fee options you would like to be considered?” On this question, we note that ACPM would also back the future development, supported by sufficient data and regulatory experience, of reasonable flat transaction fees for sponsor-driven activities like asset transfers, surplus withdrawals, and plan windups. Such fees should be reflective of the regulatory costs associated with a typical review and approval for that kind of transaction. However, we are not suggesting a time or complexity-based fee due to the lack of predictability it would entail and the potential to discourage efficiencies in the approval process.

A third question posed is: “Are there any other service commitments you would like to see from the BCFSA?” ACPM would like to see the increased fees support full implementation of a risk-based regulatory process as opposed to the more passive target noted in the paper of “moving towards” a risk-based regulatory process. Additionally, we ask that BCFSA starts to provide enhanced support and guidance for plan sponsors, consultants and trustees on the implementation of requirements under the Act and Regulations. In particular, BCFSA should now be considering and sharing best practices for funding and governance policy requirements and the triennial assessment.

Thank you for the opportunity to provide our comments. We are available to discuss them at your convenience.

Sincerely,

R Marrero

Ric Marrero
Chief Executive Officer
ACPM