



AN UPDATE ON THE IMPROVING PENSION REGULATORY SERVICES (IPRS) PROJECT

**Financial Services Commission of Ontario
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INTRODUCTION

In 2008, FSCO launched a multi-year initiative to improve pension regulatory services (IPRS Project). By working with the pension community and taking into account the comments that were expressed to the Ontario Expert Commission on Pensions (OECF) on how FSCO carries out its responsibilities as Ontario's pension regulator, FSCO identified a number of regulatory areas that have experienced some challenges. Based on this analysis, FSCO will:

- Process certain pension applications in a more timely manner;
- Make enhancements to its pension database and system;
- Increase external stakeholder engagement in the development of regulatory policies;
- Improve communications on FSCO's activities to interested stakeholders;
- Increase transparency in performance measures and budgeting;
- Augment resources and expertise; and
- Revise its consumer complaint process for pension issues.

In keeping with its commitment to enhance stakeholder engagement, FSCO sought input from stakeholders in the pension community. In the fall of 2008, FSCO held meetings with five advisory committees to discuss how it could increase engagement with the pension community and sought input on operational responses to other identified problems. In January 2009, FSCO discussed its findings and proposed direction for several initiatives with the advisory committees at the Pension Forum. Based on this discussion, the committees endorsed FSCO's proposed direction for each initiative.

In order to include all interested pension stakeholders in this process, FSCO broadened the discussions to include other members of Ontario's pension community (e.g., retiree groups, organized labour, pension organizations, professional associations in the pension field and key public sector pension plans). In March and April 2009, FSCO held four meetings with representatives of these groups to address their concerns and seek their input.

At the same time, FSCO was consulting with all key stakeholders to gather suggestions and ideas about its strategic priorities for the 2009-10 fiscal year, and to determine how it could better involve stakeholders in its planning process. Part of these meetings were devoted to a special presentation by corporate staff who explained FSCO's planning process, outlined how external groups could participate and invited comments for the 2009-10 fiscal year.

Recognizing the need to address some of the concerns that were raised by the OECF, and in keeping with the Government's commitment to make changes to improve Ontario's pension system (as set out in the 2009 Ontario Budget), the Ministry of Finance allocated FSCO an additional 25 full-time equivalent positions (FTEs) over a three-year period. With these additional resources, FSCO has devoted its staff to work on the following five initiatives of the IPRS Project:

1. The Enhanced Stakeholder Engagement and Outreach Project
2. The Defined Benefit Application Processing Project
3. The Pension System Enhancement and Development Project
4. The Inquiries and Complaints Project
5. The Risk-Based Regulation Project

New staff have been allocated to the Pension Division, Legal Services Branch and Information Technology Unit to support the IPRS Project. Within the Pension Division, additional staff have been

added to the Operational and Policy Units. In the future, additional staff will also be added to the Actuarial Unit.

The following discussion provides a summary of achievements for each of these initiatives and outlines the next steps for each project.

1. THE ENHANCED STAKEHOLDER AND ENGAGEMENT OUTREACH PROJECT

The goals of the Enhanced Stakeholder Engagement and Outreach Project are to:

- Broaden FSCO's engagement with the pension community;
- Encourage FSCO's external stakeholders to be more active participants and contributors to the health of the pension industry;
- Ensure that FSCO's policy initiatives are responsive to the concerns of all affected stakeholders; and
- Increase the transparency of FSCO's pension activities.

Accomplishments to Date

To date, FSCO has accomplished the following activities through the Enhanced Stakeholder Engagement and Outreach Project:

- Established a new advisory committee for pension plan administrators;
- Created an annual schedule for meeting with the advisory committees (meetings will be held twice a year and will also include a Pension Forum);
- Encouraged advisory committee members to raise topics of interest at meetings;
- Held special advisory committee meetings to discuss topics that were raised by committee members;
- Involved advisory committees in the review of specific issues at an earlier stage in the process and sought their advice on these issues;
- Provided more information and updates on FSCO's initiatives;
- Integrated pension stakeholders into FSCO's annual planning process and the development of the statement of priorities through the Pension Forum;
- Connected with representatives of other stakeholders in the pension community (e.g., professional organizations and associations, organized labour groups, retiree groups and public sector pension plans);
- Committed to holding annual meetings with each stakeholder group that is identified above;
- Established a process for conducting public consultations on FSCO's pension policies and other pension initiatives.

FSCO's Annual Planning Cycle

It is essential that FSCO's engagement with external stakeholders is consistent and in step with its annual planning cycle. Under the Financial Services Commission of Ontario Act, 1997, FSCO is required to deliver to the Minister of Finance and publish by June 30th of each year, a statement that sets out its proposed priorities for the year ahead. The annual Statement of Priorities (SOP) identifies FSCO's key challenges, outlines proposed strategic priorities for the coming year and provides updates on significant projects. A draft of the SOP is usually released for comment in early March

each year. All of FSCO's stakeholders, including our pension stakeholders, are invited to provide comments.

In addition, FSCO will seek comments on the SOP from our pension advisory committees and representative stakeholder groups each year. In order to involve these stakeholders in FSCO's annual planning cycle and consultations, they will be given an opportunity and forum for identifying and discussing pension issues. However, the timing for this input is crucial, as it must fit into FSCO's planning cycle.

Engaging FSCO's External Pension Stakeholders

FSCO's external pension stakeholders fall into three groups:

- Group 1 – FSCO's pension advisory committees
- Group 2 – Representative stakeholder groups (which represent pension associations, organizations, professional bodies, and advocates for larger bodies, such as retirees, consumers, etc.)
- Group 3 – All other interested stakeholders who are not represented by the above groups (e.g., employers, active members, retired members and other interested persons)

While active members of pension plans (employees) are key stakeholders, they are not represented as a distinct group. This is primarily because these individuals are employees of specific companies. If they are represented at all, it is normally through a union. However, active members are able to have their voices heard through some of FSCO's existing groups.

Group 1 – FSCO's Pension Advisory Committees

FSCO currently has five pension advisory committees:

1. Accounting and Assurance Committee
2. Actuarial Committee
3. Investment Committee
4. Legal Committee
5. Multi-Employer Pension Plan (MEPP) Committee

The main functions of these advisory committees are to:

- Provide confidential advice on specific issues that FSCO has raised;
- Bring pension issues to FSCO's attention, and if necessary, request a response from FSCO;
- Act as a "sounding board" for FSCO;
- Review and comment on proposed regulatory policies or initiatives that are being prepared;
- Participate in the development of certain regulatory initiatives (when requested by FSCO);
- Advise FSCO on how to communicate with certain segments of the pension community; and
- Provide advice on proposed legislation, regulations and/or public policy initiatives (when requested).

New Advisory Committee for Pension Plan Administrators

In response to a request from pension plan administrators, FSCO has established a new advisory committee for pension plan administrators. This new committee held its first meeting on September 30, 2009.

Recent Changes

FSCO has shifted the focus of its advisory committee meetings to make greater use of committee members' technical expertise. Instead of requesting responses to draft policies and initiatives, FSCO is seeking committee members' advice before taking a position on a particular issue.

During meetings with the five committees in March and April 2009, members asked FSCO to utilize more conference calls, expressed a desire to meet more frequently and suggested regular meetings throughout the year. In response to these suggestions, FSCO held two regular meetings with each committee in the spring and fall of 2009, as well as several additional meetings to discuss specific issues as they arose. In addition, FSCO plans to host a Pension Forum in January 2010.

FSCO has also incorporated other changes that were suggested by committee members. They include:

- Having more discussions of the projects and initiatives that FSCO is working on;
- Having greater discussion of issues raised by committee members;
- Creating more complete meeting minutes;
- Sharing meeting minutes with the chairs of all committees; and
- Providing more updates/reports on issues that were previously discussed at meetings.

In addition to the establishment of the Pension Plan Administrator Committee, FSCO plans to implement other suggested changes, which include updating each committee's terms of reference.

Involvement in the Regulatory Policy Development Process

The Ministry of Finance is responsible for setting public policy with respect to pension legislation and regulations, and FSCO is responsible for developing regulatory policies related to the administration of the PBA. Our pension advisory committees expressed a desire for greater involvement in FSCO's regulatory policy development process at an earlier stage in the process. Committee members are now engaged to a greater extent much earlier in the process, while recognizing that the Superintendent is responsible for final regulatory policy direction. FSCO is committed to increasing consultation with all pension stakeholders and considering their views and ideas.

The Pension Forum

Since its inception in 1998, the Pension Forum has evolved from a high-level discussion of general pension issues, to a forum for integrating pension stakeholders into FSCO's annual planning process and development of FSCO's statement of priorities.

At the last Pension Forum that took place in January 2009, FSCO asked the advisory committees for input on its 2009-10 SOP. The Forum also included a discussion on FSCO's initiative to increase pension stakeholder engagement and presentations on two key initiatives – the Defined Benefit Application Processing Project and the Pension System Enhancement and Development Project.

FSCO's 2009 Pension Forum will be a model for future Pension Forums. Future Pension Forums will focus on FSCO's accomplishments from the past year and will seek input on FSCO's proposed initiatives for the upcoming year. The Forum's agenda will consist of:

- a recap of what FSCO has accomplished since the last Pension Forum, with a focus on how FSCO has addressed key priorities and suggestions from the last Forum;
- what FSCO will be doing in the upcoming year;
- a progress report on stakeholder engagement;
- discussion of specific initiatives (e.g., the Defined Benefit Application Processing Project and the Pension System Enhancement and Development Project); and
- options for increasing pension stakeholder engagement and communication.

Follow-up

By holding regular advisory committee meetings in the spring and fall of each year, FSCO will have an opportunity to follow-up on the Pension Forum's discussions and to ensure that any recommendations can be integrated into FSCO's annual planning cycle. At the regular spring meetings, FSCO will provide a summary of what was discussed and decided at the Pension Forum, the committees' recommendations, and an update on the process for the SOP. At the regular fall meetings, FSCO will provide a summary of the final SOP, as well as a discussion of whether the committees' suggestions were included or excluded.

Group 2 – Representative Stakeholder Groups

In 2008, FSCO began to identify organizations in the pension community that represented certain stakeholders – in particular those with whom FSCO had little or no contact – in an effort to broaden pension consultations and increase communications with these groups.

Recent Meetings

In early 2009, FSCO identified six categories of pension stakeholders and contacted the following groups:

1. Pension organizations and associations:
 - Association of Canadian Pension Management (ACPM)
 - Canadian Pension Benefits Institute (CPBI)
 - Pension Review Committee (PRC)
 - Pension Investment Association of Canada (PIAC)
 - Canadian Life and Health Insurance Association (CLHIA) - Pensions
2. Labour groups:
 - Ontario Federation of Labour (OFL)
 - Multi-Employer Benefits Council of Ontario and International Federation of Employee Benefits (MEBCO/IFEB)
3. Professional organizations:
 - Ontario Bar Association (OBA) - Pensions and Benefits
 - Canadian Institute of Actuaries (CIA)
 - Canadian Institute of Chartered Accountants (CICA)
4. Retiree groups:
 - Canadian Association of the Fifty-Plus
 - Canadian Federation of Pensioners and affiliated bodies
 - Congress of Union Retirees

5. Public sector pension plans:
 - Ontario Teachers' Pension Plan (OTPP)
 - Ontario Municipal Employees' Retirement System (OMERS)
 - OPSEU Pension Trust (OPT)
 - Ontario Pension Board (OPB)
 - Hospitals of Ontario Pension Plan (HOOPP)
 - Ontario Power Generator (OPG)
 - Hydro One
 - Colleges of Applied Arts and Technology (CAAT)

6. Pension plan administrators

Four meetings were held with these groups between February and March 2009. The agenda was similar to what was discussed at the Pension Forum. The meetings were well received and all the groups indicated that they looked forward to future involvement with FSCO. During these meetings, one group (the pension plan administrators) indicated that it would like to form its own pension advisory committee. The other groups indicated that some face-to-face meetings would be welcome, but there was a preference for greater online communication, with an emphasis on website postings and interactive communication.

Future Annual Meetings

Although these groups expressed a preference for interactive online communication, they recognize that face-to-face meetings are valuable and useful. FSCO is committed to holding an annual meeting with each of the six stakeholder groups each February, to ensure their feedback is integrated into FSCO's annual planning cycle. Suggestions from these groups would then be fed into FSCO's strategic planning process.

By holding separate meetings with each group, FSCO will be able to improve its consultations by obtaining higher quality input. These meetings would provide stakeholder groups an opportunity to express their ideas and serve as a sounding board for FSCO's initiatives. The meetings would also give FSCO an opportunity to communicate information on its projects and initiatives, and to alert the groups of recent changes. The agendas for these meetings would be very similar to the Pension Forum's agenda, with some modifications.

Other Channels of Communication

In addition to the February meetings, FSCO will send out a summary of the discussions and recommendations that resulted from the annual meeting each spring. Face-to-face meetings would only be held if they were requested by a group for a particular reason. Electronic communication and interaction would be the primary way of reaching this group.

While FSCO has attempted to reach all of its stakeholder groups, FSCO cannot be certain that everyone who speaks for an interested group has been identified. Anyone who represents a group of stakeholders who want to participate in FSCO's stakeholder consultations should contact FSCO and provide information on who they represent and what issues are of concern to the group. A special stakeholder engagement e-mail address will soon be established.

Group 3 – All Other Stakeholders

The third group consists of all other stakeholders who are not represented by any of the existing groups (e.g., employers, active pension plan members, retired pension plan members and other interested persons). The most effective way to engage this group is to post draft policies and proposed initiatives on FSCO's website, and invite feedback during a comment period. FSCO will also continue to communicate pension information and regulatory initiatives to all stakeholders through its publications and website.

2. THE DEFINED BENEFIT APPLICATION PROCESSING PROJECT

The Defined Benefit Application Processing Project has two main goals:

- Address a backlog of defined benefit (DB) pension plan applications for surpluses, mergers and transfers that were outstanding as of April 1, 2008; and
- Establish processes, improved timelines and performance measures for DB pension applications.

There were a number of reasons for the backlog: incomplete applications, unresolved transactions that preceded the application, the time required to provide a trust law analysis and contested applications that required resolution. FSCO developed a process for responding to application issues, which included encouraging direct and timely discussion with applicants.

Accomplishments to Date

Since this project began in early 2008, there has been a dramatic decrease in the backlog of DB pension applications. To date, FSCO has processed 75 per cent of the 103 applications that were outstanding as of April 1, 2008. The remaining applications are the most complex and require more extensive analysis. However, FSCO continues to work with applicants to address these outstanding applications. At the same time, FSCO is processing new applications in a timely manner to ensure that the backlog does not grow.

FSCO has prepared proposed solutions, service goals and processes for reviewing DB pension plan applications. During the first half of 2009, these solutions, service goals and processes were presented to FSCO's pension advisory committees and representative stakeholder groups.

Next Steps

FSCO will be conducting an online consultation with all pension stakeholders on these proposed solutions, service goals and processes in winter 2009.

3. THE PENSION SYSTEM ENHANCEMENT AND DEVELOPMENT PROJECT

The Pension System Enhancement and Development Project has three main goals:

- Enhance and redevelop FSCO's system in order to provide greater usability and functionality for all stakeholders;
- Expand FSCO's database on pension plans and stakeholders; and
- Implement a new electronic filing method for annual information returns.

Accomplishments to Date

After conducting a comprehensive internal review of the current system, FSCO met with its pension advisory committees and representative stakeholder groups to report its findings and obtain suggestions for improvements. Numerous suggestions and comments were received. FSCO also held meetings with large public sector pension plans and other pension regulators to discuss their systems and the challenges that would be faced if changes were implemented.

In summer 2009, FSCO launched a new initiative to enrol pension administrators into its new Pension Administrator E-Communications distribution list, which will be used to facilitate electronic communication. FSCO now has e-mail addresses for over 50 per cent of all pension plan administrators, including the majority of the largest pension plans, and has begun to communicate important pension information to plan administrators by e-mail.

Next Steps

FSCO will inform plan administrators of a new electronic filing option for annual information returns, which is expected to launch on March 31, 2010.

4. THE INQUIRIES AND COMPLAINTS PROJECT

The goal of the Inquiries and Complaints Project is to establish improved procedures for processing, tracking and reporting on all inquiries and complaints that are received by FSCO's Pension Division, to ensure they are addressed in a timely manner, while achieving more favourable outcomes.

Accomplishments to Date

Since the project began in early 2009, FSCO has completed an analysis of the current process and procedures for tracking inquiries and complaints, identified key issues that need to be addressed, revised several internal procedures on processing complaints, and identified requirements for management reports. FSCO has tracked over 3,500 inquiries and complaints since the project started.

This project was discussed with representative stakeholder groups in spring 2009 and with FSCO's advisory committees in fall 2009.

Next Steps

FSCO will finalize and communicate its complaints process and procedures to pension stakeholders, and revise its performance measures for resolving inquiries and complaints.

5. THE RISK-BASED REGULATION PROJECT

The Risk-Based Regulation Project's goal is to develop a comprehensive approach to risk-based regulation. This includes developing supporting systems and business processes, as well as identifying and securing the staff resources and expertise that are required to implement this new approach on an ongoing basis.

Accomplishments to Date

FSCO now has data on funding and investments, and is working on integrating this information. A consultant has been retained to provide advice and work with FSCO on the data integration.

Next Steps

FSCO will be developing a more integrated risk-based program. It is currently reviewing similar programs at other regulators (the Office of the Superintendent of Financial Institutions and the United Kingdom), in order to learn from their experience. Once the project's research and analysis phase is completed (the target completion date is March 2010), the development and implementation phase will begin.