



Financial Services
Commission
of Ontario

2012 Report on the Improving Pension Regulatory Services Project

June 2013

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Introduction and Overview

The Improving Pension Regulatory Services (IPRS) Project was initiated by the Financial Services Commission of Ontario (FSCO) in response to some of the recommendations in the 2008 report of the Ontario Expert Commission on Pensions (OECF), which identified how FSCO could strengthen its pension regulatory services. In its final report, the OECF recommended that: FSCO increase its engagement and consultation with stakeholders in the pension community; improve the response times for applications for defined benefit pension plans and develop transparent performance standards; enhance the functionality of pension data and the pension data system; and promote the risk-based monitoring of pension plans.

Under the IPRS Project, FSCO is committed to the following goals:

- enhancing its stakeholder engagement and outreach (now covered by the Stakeholder Engagement Project);
- processing defined benefit applications in a more timely manner and establishing performance measures against which application processing will be measured;
- making enhancements to its pension system and database (now covered by the Systems Enhancement Development Project);
- reviewing its inquiries and complaints handling procedures and identifying opportunities for improvements; and
- adopting a more comprehensive risk-based regulation approach to carrying out regulatory duties.

During 2012, FSCO continued to make progress on achieving these goals. As FSCO realized significant accomplishments on the three projects that became integrated into its standard procedures — the Stakeholder Engagement Project, the Defined Benefit Application Project, and the Inquiries and Complaints Project — greater focus was placed on two major priority projects, the Systems Enhancement Development Project and the Risk-based Regulation Project. As a result, this report will primarily focus on these two projects.

The Systems Enhancement Development (SED) Project

The goals of the SED Project are to:

- enhance and redevelop FSCO's information technology system in order to provide greater usability and functionality for all stakeholders;
- expand FSCO's database on pension plans and pension stakeholders; and
- implement a new electronic filing capacity for all required filings and applications.

In 2012, FSCO made significant progress in achieving all three of these goals.

The key to the SED Project is FSCO's Pension Services Portal (PSP), which launched in March 2010. The PSP is the main conduit for pension plan administrators and delegated third

parties/agents to submit pension plan filings in electronic formats. It allows plan administrators and their agents to view the status of any electronic filings and retrieve their filed information.

In 2012, all documents that are required to be filed with FSCO became available on the PSP. This includes the Annual Information Return (AIR), the Investment Information Summary (IIS), the Pension Benefits Guarantee Fund Assessment Certificate (PBGF), Pension Plan/Fund Financial Statements (FS), the Actuarial Valuation Report (AVR) and the Actuarial Information Summary (AIS). As a result, FSCO implemented mandatory electronic filing on January 1, 2013.

As of December 31, 2012, there were over 4,600 plan administrators representing 5,837 pension plans who have activated their PSP accounts. As shown in the table below, the number of electronic pension plan filings has steadily increased since the PSP was first launched.

Document Type	Number of Filings	Date the Document Could be Filed through the PSP
Annual Information Returns	Over 4,000	March 2010 (PSP launch)
Investment Information Summaries	585	May 2011
Pension Benefits Guarantee Fund Assessment Certificates	1,347	August 2011
Pension Plan/Fund Financial Statements	734	December 2011
Actuarial Valuation Reports and Actuarial Information Summaries	124	December 2011

Although electronic filing is now mandatory for all pension plans in Ontario, some pension plans had not activated their PSP accounts as of December 31, 2012. To date, FSCO has sent out several reminders to these plans. However, to ensure their participation, FSCO will continue to communicate with these plans in the future.

New Electronic Filing Capacities on the PSP

In 2012, FSCO also made several major upgrades to the PSP. PSP users can now conduct the following activities online:

- make a request for re-filing any prescribed filings that were originally submitted through the PSP, so that corrections and new information can be provided to FSCO;
- request filing extensions under section 105 of the Pension Benefits Act (PBA); and
- view a list of all outstanding pension plan filings, including overdue filings and filings that need to be submitted in the near future.

Since May 28, 2012, FSCO received 353 electronic filing extension requests through the PSP. From these requests, 327 extensions were approved, 11 requests were abandoned by the applicants, and two requests were rejected by FSCO.

FSCO's 2012 Survey of PSP Users

In summer and fall 2012, FSCO conducted a survey of PSP users to obtain their feedback on their experience with the PSP and e-filing, and to identify what improvements and features should be implemented in the future. This survey was completed in two phases by a total of 589 PSP users and the overall results were quite positive. Of these respondents:

- 72 per cent stated that they had a positive overall experience using the PSP;
- 81 per cent said that e-filing “takes about the same amount of time” or is “faster than paper filing”;
- 90 per cent stated that “audio/visual tutorials, webinars, podcasts or publications” are “very useful” or “somewhat useful” communication channels/resources that FSCO should make use of; and
- 60 per cent said that they would like FSCO to develop video tutorials as an online resource.

FSCO also received a total of 76 suggestions for improvements that could be made to the PSP in the future.

Pilot Imaging Project

Another key part of the SED Project is creating electronic images of any pension plan documents that are sent to FSCO. The first phase of the Pilot Imaging Project, which involved creating electronic copies of all new documents that were filed with FSCO for several hundred pension plans, was successfully completed. The next phase of this project consists of implementing document imaging for all incoming documentation. This next step also involves imaging historical documents on-site for all pension plans that are currently active.

Future Upgrades to the PSP

Future upgrades and enhancements to the PSP will take place in two stages. The first stage is scheduled to take place in early 2013 and will cover the submission of applications for the registration of pension plan amendments, and the second stage will be to expand the online application submission capability to all other types of applications, including the registration of new pension plans. This second stage is scheduled to take place in spring 2014. FSCO also plans to make other upgrades to the PSP, including enhancing the pension plan profile screen and refining the notification alerts to advise administrators of upcoming filing due dates.

The Risk-Based Regulation (RBR) Project

The goals for FSCO's RBR Project are to ensure regulation:

- enhances the security of plan beneficiaries' benefits;
- reduces the risk of situations that may lead to calls on the Pension Benefits Guarantee Fund;
- promotes compliance with the legislation, in particular ensuring that FSCO discharges its responsibilities, as set out in the PBA; and
- encourages sponsors and plan administrators to adopt good governance, risk management and business practices.

During 2012, the RBR Project moved into the program delivery phase with the launch of two pilot projects that are intended to test the risk indicator tool that was developed by FSCO. The purpose of this tool is to identify and prioritize pension plans for enhanced monitoring, which is important to the success of this project.

The RBR Project framework identified five categories that would be entered into the risk indicator tool: funding, investment, administration, governance, and sponsor/industry. For the funding and investment categories, FSCO created the Financial Risk Pilot Project, and for the administration and governance categories it launched the Operational Risk Pilot Project. Both projects ran during the year and concluded in December 2012. FSCO staff began their review of the results and experience, and are currently determining the best way to proceed with implementation.

The sponsor/industry category presented different challenges, because FSCO is not privy to data about specific companies or industries. FSCO completed a request for information and sent it to approved vendors on November 15, 2012. In 2013, FSCO will review the submissions and make a decision on the next steps, which include whether to issue a Request for Proposal.

Presentation on FSCO's Risk-Based Supervision Framework

FSCO participated in the Toronto Centre's Regional Pension Supervision Program, which took place in Toronto in July 2012 and in Armenia in October 2012. Lester Wong, Senior Actuarial Consultant of FSCO's Pension Division, presented a case study on FSCO's risk-based supervision framework, which was very well received. By participating in this program, FSCO gained a better understanding of how other jurisdictions handle challenges in supervising their regulated entities.

Highlights of FSCO's Achievements in Other IPRS Project Initiatives

From 2009 through 2011, FSCO successfully achieved its three goals for the IPRS Project. Despite these achievements, work in these areas has not ceased, as these goals are now part of FSCO's standard operating procedures. FSCO is continuing to work on the Stakeholder Engagement Project, the Defined Benefit Application Processing and Service Target Project, as

well as the Inquiries and Complaints Project. In 2012, these projects had significant accomplishments, which are outlined below.

The Stakeholder Engagement Project

FSCO remains committed to broadening its engagement with the pension community in Ontario, encouraging external stakeholders to be active participants and contributors to the health of the pension industry, ensuring that FSCO's policy initiatives are responsive to the concerns of all stakeholders, and increasing the transparency of FSCO's pension activities.

Technological resources were the primary means by which these objectives were met in 2012. Webinars in particular, were used to communicate important information to pension stakeholders in both English and French. In response to an increasing demand for information about the valuation and division of pensions when a spousal relationship breaks down (as a result of legislation that took effect on January 1, 2012), FSCO held a second webinar on family law questions in June 2012. (The first webinar on this topic was held in November 2011.) This webinar focussed on practical questions faced by plan administrators, who are responsible for providing information to affected plan members and for preparing the valuations. The turnout for this webinar was excellent, as 319 individuals attended the English session and 16 attended the French session. In response to other regulatory changes that came into effect on July 1, 2012, FSCO held another webinar in December 2012 on the plan administrator's obligations regarding plan members' benefit entitlements when their employment is terminated. This webinar also attracted a large number of pension stakeholders. There were 327 attendees for the English session and 38 for the French session.

FSCO's website continues to be the main channel for communicating with the pension community. In 2012, FSCO posted 88 items related to pensions, including announcements of new legislation and regulations, consultations, pension policies and other related information. FSCO also introduced a Twitter account in 2012, which allows stakeholders and consumers to follow @FSCOTweets for information and updates on activities in FSCO's regulated sectors, including pensions.

FSCO used its regular meetings with its pension advisory committees and representative stakeholder groups to encourage greater contribution to the regulation of pensions. Two regular meetings with the advisory committees were augmented by a useful discussion on pension innovation at FSCO's annual pension forum, which took place in January 2012.

FSCO continued its annual meetings with representatives of retiree groups, pension organizations and professional associations, public sector pension plans, and organized labour in March and April 2012. The major issues that were raised by these stakeholders and FSCO's responses are provided below:

Issue # 1: How can retirees' satisfaction with the pension information they are receiving from plan administrators be improved?

Response # 1: FSCO has focussed on educating plan administrators on their responsibilities

through its webinars. It also provides information to all active and retired plan members through its online pension guide entitled *A Guide to Understanding Your Pension Plan*.

Issue # 2: Retired members would like greater access to pension plan documents.

Response # 2: New pension regulations that became effective in 2012 provide a new definition for “retired member” and expand the rights of all plan members to receive certain documents electronically.

Issue # 3: Stakeholders would like to become more involved in FSCO’s Risk-Based Regulation Project.

Response # 3: FSCO will continue to look for ways to involve pension stakeholders in future phases of this project where opportunities arise.

Issue # 4: Plan administrators want more information on the new rules for the valuation and division of pension benefits on the breakdown of a spousal relationship, which came into effect on January 1, 2012.

Response # 4: To date, FSCO has held two webinars on this topic. The webinar that took place in November 2011 provided an overview of the new system, and the webinar that occurred in June 2012 discussed practical issues on how the new rules need to be applied. FSCO has also posted numerous frequently asked questions on family law issues on its website.

Issue # 5: Individuals want more interaction with FSCO and would like to be able to sign up for email alerts on new pension developments.

Response # 5: FSCO introduced a Twitter account in 2012. Industry stakeholders and consumers can follow @FSCOTweets for tips, answers to frequently asked questions, information on compliance requirements, and timely and important updates on activities in FSCO’s regulated sectors. Individuals who are interested in receiving alerts on the latest pension developments can sign up to receive FSCO’s RSS feeds. FSCO is also working on providing greater access to pension information through its SED Project.

Applications and Current Service Standards

Starting in 2009, FSCO committed to improving and streamlining the approval process for defined benefit pension plan applications and to developing performance targets. FSCO has successfully eliminated its backlog of applications and is committed to meeting performance targets, which are posted on its website. Measures that track AIR compliance, implementation of FSCO’s examination recommendations, timeliness of application approvals, satisfaction with the PSP and the impact of FSCO’s outreach programs have been developed. This data is currently being compiled and the results will be posted online in spring 2013.

The following table provides FSCO’s service targets for each application type, the total number of defined benefit applications that FSCO received, and the average number of days it took

FSCO staff to complete and close compliant applications. This data covers the fiscal year beginning on April 1, 2012 and ending on February 28, 2013.

Application Type	Total Number of Applications Received	Average number of days to close a complete and compliant application	FSCO's Service Target
Wind Ups – Full	190	56	120 days
Wind Ups – Partial	24	41	120 days
Asset Transfers s. 80 (successor plans)	2	0*	120 days
Asset Transfers s. 81 (mergers)	9	93	120 days
Surplus Refunds – Full Wind Up	4	0*	150 days
Surplus Refunds – Partial Wind Up	7	75	150 days
Surplus Refunds – Continuing	0	-	150 days
Employer Overpayment Refunds	13	94	90 days
Member Contribution Refunds	19	9	60 days

* indicates no applications received were complete and/or compliant and were not processed

These service standards were met in all categories except for employer overpayment refunds, where a few highly complex transactions took longer than usual. However, as in previous years, the volume of applications for each category is very low. The only exception is wind-ups, which are coming in at the same volume as last year.

Inquiries and Complaints Project

The Inquiries and Complaints Project was completed in October 2012, when FSCO published its new online pension guide entitled *A Guide to Understanding Your Pension Plan*. However, FSCO continues to monitor all inquiries and complaints, to ensure that they are addressed in a timely manner.

For the 2012-13 fiscal year, FSCO's Pension Division received a total of 22,849 inquiries, which include 4,505 pension-related inquiries responded to by FSCO's contact centre. In addition, in 2012, FSCO received 23,537 inquiries regarding financial hardship unlocking. For the non-financial hardship pension inquiries, it took an average of five days to address an inquiry, which exceeds FSCO's service standard of 15 days. During that same period, FSCO handled 334 complaints from active, former and retired plan members about their pension plan and/or plan administrator. The main complaint issues were similar to those raised in 2011: accuracy of benefit calculations; content and accuracy of annual pension statements; timeliness of termination statements; status of applications filed with FSCO; and interpretation of plan entitlements.

FSCO's call volumes are higher this year, as there are a significant number of new inquiries related to the PSP. During the 2012-13 fiscal year, FSCO received 6,309 inquiries regarding the PSP.