



Financial Services
Commission
of Ontario

ANNUAL REPORT

ON IMPROVING PENSION REGULATORY SERVICES

FINANCIAL SERVICES COMMISSION OF ONTARIO

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Introduction

This is the fifth annual report on the progress of the Improving Pension Regulatory Services (IPRS) Project.

The IPRS Project was initiated by the Financial Services Commission of Ontario (FSCO) in response to some of the recommendations in the 2008 Ontario Expert Commission on Pensions (OECF) report. The OECF report identified how FSCO could strengthen its pension regulatory services, and 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.

To implement the recommendations, FSCO launched the following projects:

- **Systems Enhancement Development Project** to make enhancements to its pension system and database.
- **Risk-based Regulation Project** to adopt a more comprehensive risk-based regulation approach to carrying out regulatory duties.
- **Stakeholder Engagement Project** to enhance stakeholder engagement and outreach.
- **Defined Benefit Application Processing and Service Target Project** to process defined benefit applications in a more timely manner and establish application processing performance measures.
- **Inquiries and Complaints Project** to review inquiries and complaints handling procedures and identify opportunities for improvements.

In this report, FSCO outlines the key 2013 accomplishments and the progress of these initiatives to date. The report mainly focuses on the Systems Enhancement Development Project and the Risk-based Regulation Project. The report also provides updates on the Stakeholder Engagement Project, the Defined Benefit Application Processing and Service Target Project, and the Inquiries and Complaints Project - which have now been integrated into FSCO's standard regulatory procedures.

Enterprise Development Program (EDP)

The EDP is intended to support and transform the way FSCO provides regulatory services by implementing an enterprise system solution. When it is launched, the EDP will replace FSCO's current legacy systems, including the Pension Data System, with one web-based information management platform to be used across all sectors regulated by FSCO. The EDP will:

- Look at how FSCO does business across the entire organization;
- Determine ways to transform FSCO's business;
- Find similarities in FSCO's processes and the services it delivers (common components);
- Identify the best possible way to deliver those services; and
- Provide FSCO with the tools it needs to effectively regulate the sectors in an increasingly challenging financial marketplace, while providing stakeholders with the services they expect.

In 2013, the two IPRS priority projects, the Systems Enhancement Development Project and the Risk-based Regulation Project, were refocused to complement and reinforce each other and to align with the EDP. The success of both projects is dependent on a FSCO-wide fully integrated system that is responsive to their needs i.e. the EDP.

Systems Enhancement Development Project (SED)

The goals of the SED are to:

- Enhance and redevelop the information technology system in order to provide greater usability and functionality for pensions stakeholders;

- Expand FSCO's database on pension plans and pension stakeholders; and
- Implement a new electronic filing capacity for all required filings and applications.

Mandatory Electronic Filing

Effective January 1, 2013, FSCO implemented mandatory electronic filing, which was a key OECF recommendation.

Electronic filing was made possible with the establishment of FSCO's Pension Services Portal (PSP) in March 2010. The PSP is the main channel through which pension plan administrators and delegated third parties/agents submit pension plan filings in electronic formats. It allows plan administrators and their agents to submit filings, view the status of the filings, and retrieve their filed information.

In 2012, all documents that are required to be filed with FSCO became available on the PSP, including the Annual Information Return, the Investment Information Summary, the Pension Benefits Guarantee Fund Assessment Certificate, the Pension Plan/Fund Financial Statements, the Actuarial Valuation Report, and the Actuarial Information Summary.

Throughout 2012 and prior to the launch of mandatory electronic filing, FSCO staff undertook extensive communications outreach to advise all stakeholders that mandatory electronic filing would come into effect on January 1, 2013.

To track the success of the initiative, FSCO collected compliance data on the electronic mandatory filings from January 1, 2013 to December 31, 2013.

The data (see Table 1 on page 4) indicates the compliance percentage of filings that were received electronically. For the majority of filings, compliance rates were above 90 percent.

FSCO expects that compliance rates will continue to increase as it continues to make user-friendly improvements to the PSP, and as stakeholders become more familiar with the PSP.

**Table 1: 2013 Pension Division E-filing Results
January 1 - December 31, 2013**

Filing Type	Documents Received	Compliance Percentage
Defined Benefit (DB) Annual Information Returns	4075	95.17
Defined Contribution (DC) Annual Information Returns	2767	82.94
Pension Benefits Guarantee Fund Assessment Certificates	1709	96.34
Actuarial Valuation Reports and Actuarial Information Summary	1589	83.00
DB Pension Fund/Plan Financial Statements	4047	93.28
DC Pension Fund/Plan Financial Statements	2163	65.33
Investment Information Summaries	1609	95.17

FSCO also continues to work with plans that have not filed electronically, recognizing that some small plans are not aware of the requirement and that certain types of plans (e.g. multi-employer plans) face special filing challenges.

FSCO remains committed to obtaining 100 percent compliance over the next few years, once stakeholders become more accustomed to the benefits of electronic filing. FSCO will continue to communicate with stakeholders, and work with plan administrators to achieve full compliance.

Pension Services Portal

In order to make further enhancements to its pension system and database, FSCO conducted a survey of PSP users to obtain feedback on their experience with the system and e-filing, and to identify improvements that could be implemented in the future.

In Summer/Fall 2012, the survey was completed by a total of 589 PSP users. The overall results of the survey were positive, and indicated that most PSP users found the system to be user-friendly.

The survey indicated that most respondents use the PSP to electronically file their Annual Information Return. Over 80 percent of the respondents found that it was easy or very easy to: find the PSP link on FSCO's website; activate their PSP account; log into the PSP; and navigate through the PSP.

Approximately 82 percent agreed that electronic filing is faster than paper filing or that it takes about the same amount of time as paper filing.

The most common suggestions for new features that the PSP should offer included:

- Confirmation that the report or change has been received or successfully filed;
- Notification that a filing is incomplete;
- The ability to amend or update submitted items;
- The ability to recall a submission when an error or omission is discovered;
- Enhanced instructions for completing forms;
- The ability to print completed forms when filed; and
- The ability for an applicant to provide an explanation for certain information that has been filed.

In 2013, FSCO started a requirements gathering process for the corporate EDP, and suggestions for improvements from the survey have been incorporated into that process. FSCO launched a follow-up survey in June 2014, and will use the feedback to compare results.

Expanding Electronic Filing

In April 2013, the PSP was upgraded to allow for the electronic registration of pension plan amendments. In 2013, FSCO received 241 amendments through the PSP. From January to June 2014, FSCO received another 66 amendments.

In 2013, FSCO had originally intended to further expand electronic filing to all other types of applications, including the registration of new

pension plans. This timeline was adjusted as a result of the reallocation of resources to FSCO's licensing and regulation of healthcare service providers (which was launched in June 2014). New timelines will be established once this initiative is completed.

Pilot Imaging Project

Another key part of the SED Project is creating electronic images of pension plan documents that are sent to FSCO. The first phase was a Pilot Imaging Project, which involved creating electronic copies of all new documents that were filed with FSCO for several hundred pension plans. The project will be implemented in the future as part of the EDP, which will introduce FSCO-wide implementation of imaging in the new EDP system.

Risk-based Regulation Project (RBR)

FSCO's RBR Project was established to promote the risk-based monitoring of pension plans, as recommended by the OECF. By applying a risk-based approach to regulation, FSCO directs its regulatory efforts and activities to situations that are deemed to be higher risk.

The first phase of the project was the development of a risk-based regulation framework so that consistent principles could be applied to the development of FSCO's pension regulatory processes and activities. The framework was finalized in Fall 2011, and will be implemented over the next several years.

The objectives for the risk-based regulation of pension plans are to ensure that FSCO's regulatory activities:

- Enhance the security of plan beneficiaries' benefits;
- Reduce the risk of situations that may lead to calls on the Pension Benefits Guarantee Fund;
- Promote compliance with the legislation, in particular ensuring that FSCO discharges its responsibilities, as set out in the Pension Benefits Act; and
- Encourage sponsors and plan administrators to

adopt good governance, risk management, and business practices.

As part of the framework, FSCO identified five broad risk categories on which it would focus: Funding, Investment, Administration, Governance, and Sponsor/industry.

Within each of the risk categories, FSCO identifies certain risk indicators or risk factors that are used in a system-based Risk Indicator Tool (RIT) to help prioritize which plans should be selected for a more detailed risk assessment via a Tier 1 or Tier 2 review.

Assessing Funding, Investment, Administration, and Governance Risks

In 2012, the RBR Project conducted two pilot projects for the purpose of developing the RIT and the Tier 1 review process.

The Financial Risk Pilot Project developed a process for assessing funding and investment risks, and the Operational Risk Pilot Project developed a process for assessing administration and governance risks. These projects were successfully concluded in December 2012.

In 2013, FSCO commenced a pilot project to develop a process for assessing all four risk categories together and combining the two projects into one. Building on the lessons learned from the earlier projects, FSCO developed a RIT and Tier 1 review process that takes into account all four risk categories, allowing FSCO to perform a more holistic and comprehensive risk review.

FSCO will continue to develop/revise the RIT, training material, tools, procedures, systems, and processes that are required to perform Tier 1 reviews. The pilot will provide an opportunity to instruct, guide, and encourage staff to apply a risk-based lens in their review, to share ideas and knowledge, and to identify opportunities where FSCO can more effectively apply risk-based principles to its regulatory activities.

FSCO intends to conduct 300 Tier 1 reviews of pension plans during this pilot, and will focus primarily on defined benefit plans. When completed, these reviews are expected to provide data that will

allow for the refinement and improvement of the RIT prioritization results to achieve better correlation with the Tier 1 review outcomes.

Assessing Sponsor/Industry Risks

The fifth risk category, sponsor/industry risk, continues to be the most challenging with respect to the collection of information. FSCO intends to proceed with a Request for Proposals to obtain information on sponsor/industry risks. If successful, the information would be used for the RIT and Tier 1 reviews.

Privacy and Data Collection

Any plan-specific information from the RIT and the Tier 1 review processes is intended solely for internal FSCO use only.

Highlights of FSCO's Achievements in Other IPRS Projects

In 2013, FSCO continued to meet the goals of the Stakeholder Engagement Project, the Defined Benefit Application Processing and Service Target Project, and the Inquiries and Complaints Project, even as these projects became part of FSCO's standard operating procedures. In 2013, these projects had significant accomplishments, which are outlined below.

Stakeholder Engagement Project

As part of the Stakeholder Engagement Project, FSCO 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 its policy initiatives are responsive to the concerns of all stakeholders; and
- Increasing the transparency of its pension activities.

In 2013, FSCO met these commitments by

communicating regulatory information through webcasts and website postings, as well as by meeting with stakeholders to engage and consult with them on regulatory issues.

Webcasts

FSCO successfully transitioned from providing live webinars – information sessions at a specific time – to posting **webcasts on its website**. Webcasts are recorded in advance and made available for viewing at any time, making them more accessible and convenient for stakeholders.

The webcasts provide important information for plan administrators and other pension stakeholders on current issues and legislative changes. In 2013, FSCO posted two webcasts in English and French:

- Locked-in accounts (June 2013): the webcast provided information on rules that apply to the accounts, requirements, and restrictions for each type of locked-in account, and withdrawals of money in special circumstances.
- Financial hardship unlocking (December 2013): the webcast informed stakeholders of the new rules effective January 1, 2014, that all applications for financial hardship unlocking must be made to the financial institution that holds the account.

Website Postings

FSCO has made extensive use of its website to communicate with pension stakeholders. In 2013, FSCO posted **68 news items** related to pensions, including announcements of new legislation and regulations, consultations, pension policies, and other related information.

Stakeholder Meetings

In January 2013, FSCO hosted its annual Pension Forum of all six pension advisory committees to discuss important pension issues and to look ahead at the coming year. The discussions focused on target benefit pension plans.

FSCO also held its regular bi-annual meetings with its advisory committees in the Spring and Fall of 2013. In addition, special meetings were held with members of the committees to obtain feedback

about specific pension topics.

In March 2013, FSCO held its annual meetings with representatives of retiree groups, pension organizations and professional associations, public sector pension plans, and organized labour. Some of the major issues that were raised by these stakeholders and FSCO's responses to these are provided below:

Issue #1: FSCO should provide information and guidance on how plan administrators should apply the Carrigan decision and inform stakeholders of any new rules being considered.

Response: On July 4, 2013, FSCO posted an update on the implications of the Carrigan decision and clarified its position.

Issue #2: FSCO should work with external groups promoting financial literacy, especially with respect to pensions.

Response: This issue was also raised by some members of FSCO's advisory committees. FSCO is currently undertaking a financial literacy initiative, and as part of that project, staff will consider the extent to which it can accommodate pension issues.

Issue #3: Unions would like more information about pension plans that have already wound up.

Response: The current system cannot accommodate the request. Once enhancements are made to the system, FSCO will have a greater capacity to provide more information about wound up pension plans.

Defined Benefit Application Processing and Service Target Project

Beginning in 2009, FSCO committed to improving and streamlining the approval process for defined benefit pension plan applications and to developing performance targets.

Table 2 (see page 8) provides FSCO's 2013 service standard targets for each application type for defined benefit and defined contribution plans and the related performance measures.

The service standards have been met in all but one category: reimbursement (overpayments) to employers in defined benefit plans. FSCO is

reviewing its existing practices to ensure that the standard is met in the future.

As has been the case in recent years, the volume of applications for each category is very low. FSCO did not receive applications for surplus refunds on full wind up or from continuing plans. With regards to wind-ups, FSCO continues to receive similar volumes as in previous years. There were no partial wind-up applications in 2013.

As of January 1, 2014, the rules for asset transfer applications filed with the Superintendent were amended. In the next annual report, FSCO will report on any impact this may have on service standards for asset transfer applications filed in 2014.

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](#). The guide provides answers to commonly asked questions regarding pension plans and FSCO's regulation of the sector.

FSCO continues to monitor all inquiries and complaints to ensure that they are addressed in a timely manner, and to meet FSCO's service commitment of responding within 15 days.

Volume and Type of Inquiries

From April 1, 2013 to March 31, 2014, FSCO received a total of 22,646 pension-related inquiries (not including inquiries about financial hardship unlocking). During the same period, FSCO handled 324 complaints from active, former, and retired plan members about their pension plan and/or plan administrator.

The main complaints were similar to those raised in previous years, and included complaints regarding the accuracy of benefit calculations; content and accuracy of annual pension statements; timeliness of termination statements; status of applications filed with FSCO; and the interpretation of plan entitlements. FSCO received 6,095 inquiries about the PSP during this period, which is consistent with the number of inquiries during the previous year.

Table 2: Pension Division Current Service Standards
April 1, 2013 - March 31, 2014

Application Type	No. Received	No. of Incomplete Applications	Median Days to Close Compliant Applications	Service Target	Service Target Compliance
Asset Transfers					
DC s. 80	5	3	34	60	✓
DB s. 81	10	9	108	120	✓
DC s. 81	28	19	48	60	✓
Wind Up					
DB Full	222	41	64	120	✓
DC Full	107	25	31	60	✓
Overpayment - Employer					
DB Overpayment	19	10	143	90	✓
Refund - Member					
DB Contributions	3	0	15	60	✓
Total pension inquiries received since April 1, 2013					22,646
Total pension portal inquiries received since April 1, 2013					6,095
Average no. of days to address inquiries (FSCO Service Standard is 15 days)					6 days
Total Complaints					324

Service Commitment Standards

In 2013, FSCO successfully met its current service standard of 15 days. For non-financial hardship pension inquiries, it took an average of six days to address an inquiry.

The Year Ahead

FSCO's focus in 2014 will be directed towards system changes and the development of the enhancements to which it is committed under the EDP and the work of the RBR Project. These two initiatives will proceed in tandem to collect market data which FSCO will analyze through the risk-based principles and processes.

FSCO also remains committed to ensuring engagement with stakeholders, and meeting its service commitments with regards to applications, inquiries, and complaints.

About FSCO

For more information on what we do, how we do it, and why we do it, consult FSCO's [Regulatory Framework](#), which is available on the FSCO website.

The Framework summarizes what FSCO expects from the businesses, individuals, and pension plans that are regulated by FSCO, as well as what can be expected from FSCO in the regulatory process.

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