



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 sixth and final 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.

In response to these recommendations, FSCO launched the following multi-year projects in 2009:

- **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 2009 and 2010, FSCO made significant progress on the Stakeholder Engagement, Defined Benefit Application Processing and Service Target and the Inquiries and Complaints projects. By 2011, these projects have been integrated into FSCO's standard regulatory and operating procedures. Information on the year to year progress of these projects can be found in prior [IPRS reports](#).

Also in 2011, the framework for the Risk-based Regulation (RBR) project was developed. Since then, FSCO has conducted three pilot projects for the RBR framework, which were successfully concluded in 2013 and 2014. To date, FSCO has moved to full implementation of the RBR framework by adopting the processes and measures to solidify FSCO's risk-based approach to the regulation of pension plans.

In regards to the Systems Enhancement Development Project (SEDP), FSCO developed the Pension Services Portal (PSP) in 2010. The PSP is the main channel through which pension plan administrators and delegated third parties/agents submit pension plan filings in electronic formats. In 2012 and 2013, the PSP was further enhanced to make it more user-friendly and efficient. In 2013, the SEDP was re-aligned with FSCO's Enterprise Development Program, a single, web-based information management platform. FSCO continues to work on the EDP and with this IPRS report being the last, the ongoing progress of the EDP will be reported in FSCO's Annual Report beginning next year.

This report outlines the key 2014 accomplishments and the progress of these initiatives to date. The report mainly focuses on the SEDP and the RBR Project. It also provides updates on the Stakeholder Engagement Project, the Defined Benefit Application Processing and Service Target Project, and the Inquiries and Complaints Project – although these have already been fully integrated into FSCO's standard regulatory procedures for some time now.

Enterprise Development Program (EDP)

The EDP initiative is intended to support and transform the way FSCO provides regulatory services by implementing an enterprise system solution. The goal of EDP is to replace FSCO's current legacy systems, including the Pension Data System and the Pension Services Portal, with a single information management platform that will be used across all sectors regulated by FSCO. As part of this process, FSCO concluded its Enterprise Business Architecture Project in December 2014.

The outcome of the architecture project is a business reference model that supports FSCO's status as an integrated regulator which includes the pension regulator.

FSCO anticipates rolling out the EDP over the next several years beginning in 2016.

Systems Enhancement Development Project (SEDP)

The goals of the SEDP were 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 of prescribed filings and/or Superintendent forms, which was a key OECP recommendation.

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

In 2012, all filings that were required to be submitted 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 and successfully advised all stakeholders that mandatory electronic filing would come into effect on January 1, 2013.

To track the success of the initiative, FSCO monitored the level of compliance for the electronic mandatory filings from January 1, 2014 to December 31, 2014. The data (see Table 1) shows that the compliance rates for all electronic filings were well above 90 percent.

**Table 1: Pension Division E-filing Results
January 1, 2014 - December 31, 2014**

Filing Type	Filings Received	Compliance Percentage ⁽¹⁾
Defined Benefit (DB) Annual Information Returns	4,269	99.30 %
Defined Contribution (DC) Annual Information Returns	3,118	97.83 %
Pension Benefits Guarantee Fund Assessment Certificates	1,731	97.91 %
Actuarial Valuation Reports and Actuarial Information Summary	2,133	97.71 %
DB Pension Fund/Plan Financial Statements	4,267	98.93 %
DC Pension Fund/Plan Financial Statements	3,092	97.30 %
Investment Information Summaries	1,658	98.99 %

⁽¹⁾ Compliance percentage is defined as the ratio of the number of complete filings that were received by the prescribed deadline to the total number of filings expected to be received by the deadline.

FSCO remains committed to obtaining 100 percent compliance over the next few years as it continues to make user-friendly improvements to the PSP, and 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.

In the Summer/Fall 2014, a follow-up survey was completed by a total of 926 PSP users. The results of the survey were once again positive.

Some suggested improvements were:

- Paying PBGF assessments online
- Viewing historical filings
- Submitting Form 7 online
- Selection of multiple plans when completing similar filings

During 2013 and 2014, FSCO continued with the requirements gathering process for EDP, and suggestions for improvements from the 2014 survey will be considered for incorporation into that process.

Expanding Electronic Filing

Filing Extensions

In June 2012, the PSP was upgraded to allow for the electronic filing of extension requests under section 105 of the Pension Benefits Act (PBA). In 2012, 324 filing extensions were submitted through the PSP. In 2014, this number grew to 1,868.

In the fall of 2014, FSCO implemented mandatory electronic filing of all filing extension requests through the PSP.

Amendments

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. In 2014, FSCO received a total of 439 amendments.

The expansion of electronic filing to all other types of applications will be incorporated into the EDP process.

Pilot Imaging Project

Another key component of the SED Project is to create 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

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 the fall of 2011.

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 legislation, in particular, ensuring that FSCO discharges its responsibilities as set out in the PBA; 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

From 2012 to 2014, FSCO conducted three pilot projects for the purpose of developing and refining the RIT and the Tier 1 review process.

In 2012, separate Financial Risk (Funding and Investment) and Operational Risk (Administration and Governance) Pilot Projects were conducted to develop a process for assessing funding, investment, administration, and governance risks. In 2013-2014, FSCO conducted 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 and refined the 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 of pension plans.

All pilot projects concluded successfully at the end of 2014. Experience from the pilots yielded valuable information on changes that needed to be made to improve the RIT, the efficacy of the Tier 1 reviews and the approach to best address concerns identified in the reviews.

Driven by the experience from the pilot projects, FSCO continues towards the full implementation of the RBR framework by adopting the structure,

roles and responsibilities, processes and measures to cement FSCO's risk-based approach to the regulation of pension plans.

FSCO will be looking for opportunities to improve the risk-based methodology by assessing the effectiveness of, and revising as appropriate, its procedures, systems, and processes in order to ensure that the RBR framework is agile and able to adjust to changes in the financial marketplace and regulatory environment.

It should be noted that any plan-specific information arising from its risk-based monitoring and review processes is intended solely for internal FSCO use only.

Assessing Sponsor/Industry Risks

FSCO currently does not have access to sufficient information to effectively assess and monitor the financial health of plan sponsors and the industry sectors in which they operate. FSCO needs information to better assess the ability of the plan sponsor to continue funding their pension plan in accordance with the PBA and to identify potential risks to that funding as early as possible.

In order to address this need, FSCO released a Request for Bids ("RFB") in early 2015 inviting prospective bidders to submit bids for the services of Risk Data Products to Assess Insolvency Risk and/or Creditworthiness of Pension Plan Sponsors. If successful, the information acquired from this service contract would be incorporated in the RIT and other regulatory activities.

Highlights of FSCO's Achievements in Other IPRS Projects

In 2014, FSCO continued to meet the goals of the Stakeholder Engagement Project and the Inquiries and Complaints Project. However, certain service

goals for the Defined Benefit Application Processing and Service Target Project were not met. The results of these projects 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.

FSCO met these commitments by communicating regulatory information through website postings, as well as by meeting with stakeholders to engage and consult with them on a variety of regulatory issues

Webcasts

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

Effective January 1, 2014, the rules for financial hardship unlocking (FHU) were changed. All applications for financial hardship unlocking must be submitted to the financial institution that holds and administers the locked-in account. As at that date, FSCO no longer accepted applications relating to financial hardship unlocking and was no longer be responsible for reviewing and approving these applications. In keeping with our commitment to provide our stakeholders with resources to comply with our legislation, FSCO posted a tutorial on the

most common application, Low Expected Income, and how to complete FHU-Form 4.

Website Postings

FSCO continued to make extensive use of its website to communicate with pension stakeholders. FSCO posted 58 [news items](#) related to pensions, including announcements of new legislation and regulations, consultations, pension policies, guidance notes and other related information.

Stakeholder Meetings

In January, 2014, FSCO hosted its annual Pension Forum, which consisted of all six pension advisory committees. The purpose of the forum was to discuss important pension issues and to look ahead at the coming year. The discussions focused on de-risking in pension plans.

In March, 2014, FSCO held its annual meetings with representatives of retiree groups, pension organizations and professional associations, public sector pension plans, and organized labour. A major issue that was raised by these stakeholders related to the request for FSCO to provide guidance on how to deal with un-located beneficiaries (deferred members, survivors and other persons entitled to benefits), the administrators' fiduciary obligations to finding these persons, and steps an administrator is required to take before its obligation is discharged.

FSCO indicated that the PBA requires the administrator to pay the entitlement to plan beneficiaries. While FSCO understands it can be difficult to locate the beneficiaries, the administrator cannot be discharged until the beneficiary is located and his/her benefit settled. FSCO will give consideration to developing a policy which would identify some options for finding these beneficiaries.

FSCO also held its regular bi-annual meetings with its six pension advisory committees in the spring and fall of 2014. In addition, a special meeting was held with members of the Accounting and Assurance Committee to obtain feedback about financial statement disclosure requirements on April 25, 2014.

Defined Benefit Application Processing and Service Target Project

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

Table 2 provides FSCO's 2014-2015 service standard targets for each application type for defined benefit and defined contribution plans and the related performance measures.

As indicated in last year's report, the new rules for asset transfer applications filed with the Superintendent came into effect on January 1, 2014. Over the course of the 2014-2015 fiscal year, FSCO received a total of 71 asset transfer applications. Of these, 39 applications relate to defined benefit plans. FSCO had developed new processes in response to the new legislative requirements, however, due to the complexity of the new rules and the high number of incomplete applications received for both defined contribution plans and defined benefits plans, additional time was required to correspond with administrators for additional information and documentation. As a result, FSCO was not able to complete its review for a majority of the applications within the established service goals. This created a backlog of asset transfer applications. Recognizing that there is a backlog of such applications, FSCO has made the review of these applications its priority in the 2015-2016 fiscal year and has taken steps to address it by assigning additional resources to complete the review of these applications.

Table 2: Pension Division Current Service Standards
April 1, 2014 - March 31, 2015

Application Type	No. Received	No. of Complete Applications	Median Days to Close Compliant Applications ⁽¹⁾	Service Target	Service Target Compliance ⁽²⁾
Asset Transfers					
DC s. 80	15	0	-	60	-
DB s. 80	1	1	101	120	✓
DC s. 81	17	2	99	60	✗
DB s. 81	38	0	-	120	-
Wind Up					
DC Full	111	75	28	60	✓
DB Full	197	129	61	120	✓
DB Partial	3	3	196	120	✗
Surplus					
DB Surplus-Wind Up	2	0	-	150	-
DB Surplus- Partial Wind Up	4	2	83	150	✓
DB Surplus-Monsanto	8	0	-	150	-
DC Surplus-Wind Up	1	0	-	120	-
Overpayment – Employer					
DC Overpayment	3	1	42	60	✓
DB Overpayment	31	9	91	90	✗
Refund - Member					
DC Contributions	3	1	45	30	✗
DB Contributions	3	1	20	60	✓

⁽¹⁾ The median is calculated based on completed and compliant applications. Where the number of complete and compliant applications received is zero, there is no data for median.

⁽²⁾ Where there is no data relating to the median, there is no information on service goal compliance.

Review of Performance Measure

FSCO recognizes that some service goals were not met in fiscal 2014-2015. Over the next fiscal year, FSCO will undertake a review of the established service goals for all applications being made to the Superintendent to determine whether they are still appropriate given the Pension Division's resources as well as the changing legislative environment.

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 meet FSCO's service commitment of responding within 15 days.

Volume and Type of Inquiries

From April 1, 2014 to March 31, 2015, FSCO received a total of 24,660 inquiries. Of these, 17,641 were pension-related inquiries and 7,019 were related to financial hardship unlocking. Other than financial hardship unlocking inquiries and pension services portal inquiries, the top five inquiries relate to:

- Access to information from FSCO;
- Filings;
- Interpretation of the PBA and pension plan terms;
- Family law; and
- Locked-in retirement accounts

Table 3: Pension Division Inquiries Received
April 1, 2014 - March 31, 2015

Number Received	
Pension related inquiries	17,641 ⁽¹⁾
Financial hardship related inquiries	7,019
Total	24,660

⁽¹⁾Of the 17,641 inquiries, 5,206 relate to the pension services portal.

Service Commitment Standards

In 2014, FSCO successfully met its current service standard of 15 days. It took an average of five days to address an inquiry.

The Year Ahead

FSCO's focus in 2015 continues to be directed towards system changes and the development of the enhancements to which it is committed under the EDP. It will also aim to solidify the last piece of the RBR framework with respect to its ability to assess the insolvency risks of pension plan sponsors. These two initiatives will proceed in tandem to collect market data which FSCO will analyze through the risk-based principles and processes.

With additional resources allocated to review the applications received in respect of asset transfers, FSCO hopes to clear its backlog and meet the service standard of 120 days when processing these applications.

Also, as mentioned above, FSCO will undertake to review the established service standards to determine whether they are still appropriate given the Division's resources and the changing legislative environment in pensions.

FSCO also remains committed to ensuring engagement with stakeholders and meeting its service commitments with regards to applications to the Superintendent, 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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