

**SUBMISSION TO CAPSA:
PROPOSED REGULATORY PRINCIPLES FOR A
MODEL PENSION LAW**

Aon Consulting



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INTRODUCTION

INTRODUCTION

Aon Consulting Inc. is pleased to present its submission with respect to the *CAPSA* Proposed Regulatory Principles for a Model Pension Law (the “**Proposal**”).

We would first like to commend the Canadian Association of Pension Supervisory Authorities (“*CAPSA*”) for its efforts to improve and simplify the rules governing pension plans in Canada, and, more specifically, the legislation governing defined benefit pension plans.

We also wish to thank *CAPSA* for providing all pension stakeholders with the opportunity to submit comments and recommendations with respect to the Proposal.

It is our sincere hope that the comments contained in our submission will contribute to the improvement of the Canadian pension plan system. We are convinced that there is an urgent and immediate need to make major changes to our pension plan system, to ensure that pension plan legislation continues to promote benefit security for Canadian workers.

ABOUT AON

Aon Consulting Inc. has 12 offices in 7 provinces across Canada and employs over 800 employees. We provide pension consulting, actuarial, administration, investment consulting, communication, and governance services to numerous private and public sector organizations, including employers, unions and employee associations, and joint boards, that are involved in the sponsorship of pension plans across Canada; many of which have members in more in than one jurisdiction.

OUR GENERAL POINT OF VIEW

While the efforts undertaken by *CAPSA* are commendable, we believe that the time has come to overhaul the Canadian pension plan system. We feel that our pension plan system requires extensive changes if we are to utilize the full potential of the Canadian pension plan system and that a discussion of these changes must extend beyond *CAPSA* and involve the focussed attention of the federal and provincial governments.

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We believe that each aspect of the proposed reform to the pension plan system should have, as its main objectives, the simplification of the legislative framework and the increased protection and security of pension plans, especially defined benefit pension plans.

To attain these objectives, we must first implement a single law for all of Canada, and not just similar laws for each province.

To facilitate and promote the implementation of pension plans to provide greater security for Canadians in their golden years, a reform of the pension plan system must therefore have the following objectives:

- simplify the legislative framework;
- clarify funding rules for plan sponsors; and
- amend the *Income Tax Act* (Canada).

Simplification of the Legal Framework

The last decade has seen a decrease in defined benefit pension plan coverage in Canada that has been caused, in part, by the increasing complexities in the administration of such plans. Employers who operate in multiple jurisdictions find these complexities even more cumbersome. We strongly believe that defined benefit pension plans should be encouraged, as this is the only type of pension plan that can provide a guaranteed level of income to members after retirement. It is much easier for members to plan for retirement when they are assured of a basic level of retirement income. We strongly believe that simplification of the rules governing pension plans across Canada is one of the most important goals to achieve in order to encourage and promote defined benefit pension plans.

To simplify the legal framework, we believe that, among other things, the following principles should be incorporated into the model pension law:

- adopt a single law that would govern all pension plans in Canada;
- replace the 50% rule by minimum benefits expressed as a percentage of employee contributions (e.g., 120%) (In our experience, many pension plan members do not understand the 50% rule and some pension plan administrators find it complex to apply.);

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- provide for the immediate vesting of benefits (with certain exceptions that are set out in this submission); and
- permit, but not require, pension plans to offer phased retirement, given the labour shortages that are expected to arise due to the ageing population.

Clarification of Funding Rules

With regard to the funding rules for pension plans, the ideal pension plan system should promote both the security of member benefits and the balancing of risk for pension plan sponsors. For instance, such a system could have the following parameters:

- limit an employer's liabilities on plan wind up to the current assets in the pension plan and to contributions which are payable but that have not yet been paid into the pension fund;
- make it possible for pension plan sponsors to take contribution holidays, but only when the funding ratio exceeds 120%, as projected to the next actuarial valuation; and
- on termination of either a pension plan or pension plan membership, the solvency ratio of the pension plan, up to 120%, should be taken into account when determining the transfer value. If we accept that the security of defined benefit pension plans fluctuates and that such plans should be required to have a 'safety net', then the relative value of that 'safety net' should be passed on to members when the transfer value is determined.

Amendment of the Income Tax Act (Canada)

Lastly, although it may be beyond the scope of CAPSA's mandate and the authority of the provincial regulatory authorities, we feel that this is the perfect opportunity to make the necessary representations for amendments to the *Income Tax Act* (Canada) to ensure the long-term viability of defined benefit pension plans in Canada. Specifically, we believe that the following revisions are necessary:

- increase the maximum surplus allowed by the *Income Tax Act* (Canada) to 40% of the actuarial liabilities;
- raise the maximum benefit limits for pensions payable under defined benefit pension plans (It should be noted that this limit has essentially not been indexed for the last

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29 years (between 1976 and 2004)! The Canadian pension plan system can no longer compete against the U.S. and U.K. systems which allow for the payment of much higher pensions); and

- completely redesign the pension adjustment and past service pension adjustment rules. (The emergence of flexible pension plans proves that these rules have given rise to inequities between defined benefit pension plans and defined contribution pension plans, making defined benefit pension plans less attractive to pension plan members and sponsors.)

OVERVIEW OF SUBMISSION

OVERVIEW OF SUBMISSION

CAPSA introduced the Proposal in January 2004 seeking submissions from members of the pension industry. Aon Consulting Inc. (“**Aon Consulting**”) is pleased to provide its comments to *CAPSA* with respect to the Proposal in this submission (the “**Submission**”).

Section 1 of this Submission discusses the key Principles presented by *CAPSA* at the consultation session held in Toronto on May 7, 2004 (the “**CAPSA Consultation Session**”). It is our understanding that *CAPSA* was expressly seeking consultation on these key Principles and we have, therefore, focused our attention on these issues.

Section 2 of this Submission discusses our position with respect to certain other Principles set out in the Proposal.

In this Submission, references to “**Principle**” relate to the numbered principles set out in Part Three of the Proposal. References to “**Section**” and “**Subsection**” relate to sections and subsections of this Submission.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 1. Final Location

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

1. Final Location

CAPSA PROPOSAL

Principle 2 of the Proposal provides for the calculation of pension plan benefits based on the ‘final location’ approach rather than the ‘checkerboard’ approach.

AON RECOMMENDATIONS

Aon Consulting generally supports the implementation of a consistent method for calculating pension plan benefits across Canada. We are very supportive of the ‘final location’ approach, as this would simplify the administration of pension plans that operate in multiple jurisdictions.

We acknowledge that where there are inconsistent legislative and regulatory requirements between the final location of a pension plan member and an earlier location of a pension plan member, the final location approach would not always be to the benefit of the pension plan member. However, as pension legislation is harmonized across Canada, any inequities should be diminished or eliminated.

It is our opinion that the final location approach is the best approach to take in calculating benefits and that the adoption of the final location approach in all Canadian jurisdictions would be an important step toward the simplification of pension plan administration.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 2. Plan Administrator

2. Plan Administrator

CAPSA PROPOSAL

Principle 5 of the Proposal provides that a pension plan must be administered by a pension committee composed of at least two members designated by plan members, except in the case of a multi-employer pension plan or a prescribed plan (i.e., a small pension plan, a plan whose administrator is appointed by the regulatory authority, or a plan exempted by the regulatory authority).

AON RECOMMENDATIONS

Aon Consulting is strongly opposed to any mandatory requirement for pension plans to be administered by a pension committee.

We agree that there is a need to apply consistent requirements in the administration of pension plans across the country.

Most Canadian employers are not legally obligated to establish a pension plan. Therefore, employers who establish a pension plan normally do so of their own volition and for the benefit of their employees. Such employers expect to retain control over their costs through the establishment of funding and investment policies. Employers should retain the right to establish and direct the funding and investment policies of the pension plans that they sponsor, or retain the right to delegate the administrative duties associated therewith, as these issues have a direct impact on the cost of sponsoring and administering the pension plan.

We believe that employers should be encouraged to establish pension plans. Employers who establish pension plans should not be forced to relinquish control of the administration of a pension plan, unless there is some evidence that the employer is not acting in accordance with the applicable legislation, regulations or its fiduciary obligations. Canadian employers may feel that a mandatory pension committee is an intrusion upon their unfettered right to manage their own employment relationships and business interests, rights that are normally valued in free market economies. Employers may choose to establish other types of benefit programs, or none at all, in order to avoid the establishment of such pension committees.

The *CAPSA* Consultation Session suggested that the requirement for a pension committee is intended to:

- enhance protection of members' rights and benefits; and

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 2. Plan Administrator

- increase transparency of pension plan administration.

The requirement that a pension plan be administered by a pension committee will not necessarily facilitate these improvements. The main concern in permitting an employer to be the administrator of a pension plan is that the employer then has two functions, one as plan sponsor and one as plan administrator, which may at times conflict. However, a pension committee member may also be subject to two competing interests, that of plan member/beneficiary and that of plan administrator.

In Quebec, there is a pending class action in a case commonly referred to as *Jeffrey Mines*. In this case, there are allegations that the pension committee members acted improperly in adopting and maintaining an investment policy under which the fund was heavily invested in equities at a time when more conservative investments were required. It is, therefore, evident that the requirement for a pension plan to be administered by a pension committee is not necessarily the answer to the prudent administration of pension plans in Canada.

CAPSA's key goals of enhancing the protection of members' rights and benefits, and increasing transparency can be achieved in other ways. Ensuring the establishment of a prudent governance system is the best way to achieve these goals.

There has been a recent surge in global interest among both private and public sector organizations in the importance of understanding and establishing sound corporate governance systems. As a consequence, many organizations are gaining an understanding of the need for establishing and adhering to a sound governance system specifically designed for the pension plan or plans sponsored by the organization.

Many of the advantages of the pension committee model may already exist under a sound pension plan governance structure, without the requirement that a pension committee be the administrator of a pension plan (e.g., responsibilities are distributed among a board of directors, management pension committee, pension administration staff). Where a sound pension plan governance structure is in place, members' rights and benefits will be enhanced.

In addition, many management pension committees, particularly for union negotiated plans, already have member representation on them. Adding a pension committee to the existing structure simply adds another layer of bureaucracy.

We believe that adequate employee communication, as part of good pension plan governance, is the key to bolstering the credibility or transparency of pension plan administration with members and beneficiaries.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 2. Plan Administrator

Nonetheless, if the proposed pension committee model is adopted, we recommend that the following criteria be used to define ‘small’ pension plans that are exempt from this requirement:

- fewer than 50 plan members; and
- plan assets less than \$3 million.

It is our position that any model pension law should encourage the establishment and continuation of pension plans across Canada. This would be facilitated where employers continue to have the option to establish pension plans and determine how pension plans will be administered. Employers may be dissuaded from establishing pension plans if they are forced to establish a pension committee to administer the plan.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 3. Funding

3. Funding

CAPSA PROPOSAL

Principle 8 of the Proposal provides that employers be entitled to take contribution holidays in accordance with the terms of the pension plan and the prescribed requirements. The prescribed requirements have not been detailed in the Proposal.

AON RECOMMENDATIONS

Aon Consulting fully supports an employer's right to take contribution holidays. The Proposal did not set out the prescribed requirements that must be met before an employer can take a contribution holiday. We strongly suggest that the prescribed requirements be consistent across Canada and that further consultation be sought when defining the prescribed requirements.

We support an employer's right to take contribution holidays, subject to the following requirements:

- contribution holidays are permitted by the terms of the pension plan documents or, more specifically, they are not prohibited by the terms of the pension plan documents;
- the most recent actuarial valuation report demonstrates:
 - the presence of surplus on a 'going concern' basis; and
 - the presence of surplus on a 'solvency' basis; and
- the amount of the contribution holiday is limited to the lesser of the amount of:
 - the 'going concern' surplus; or
 - the 'solvency' surplus.

We strongly support measures that would ensure the adequate funding of defined benefit pension plans. Employers who are unable to take contribution holidays (or access surplus) may have an incentive not to ensure that a plan is fully funded. The ability of employers to take contribution holidays (or access surplus) has a direct affect on the funding of defined benefit pension plans.

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Subsection 3. Funding

We would support legislation that provides that the person responsible for funding any deficit in a pension plan be entitled to take contribution holidays (or access surplus). The responsibility for funding any deficit could be a shared responsibility with members or the sole responsibility of the employer.

Where surplus ownership clearly belongs to the members/beneficiaries of a pension plan or where surplus ownership is unclear, employers should not be legally required to fund the pension plan to produce surplus, either on a 'going concern' basis or on a 'solvency' basis.

Provided an employer has a clear entitlement to plan surplus under the terms of the pension plan documents, we could support a requirement that contribution holidays be available to the employer only when surplus exceeds a minimum threshold (such as 20% of the greater of 'going concern' or 'solvency' liabilities), and then only to the extent of such excess. Please note that we do not support the application of this permissive requirement in circumstances where it is not clear that the employer has an entitlement to plan surplus.

Where surplus ownership in a pension plan is unclear and the pension plan is:

- not in surplus (on either a going concern basis or solvency basis), we support the right of an employer to amend the terms of the pension plan to:
 - make ownership clear;
 - possess such ownership; and
 - gain entitlement to take contribution holidays; or
- in surplus (on both a going concern basis and solvency basis), we support the right of an employer to amend the pension plan to clarify ownership and to possess such ownership, or to gain entitlement to take contribution holidays, but only after:
 - the employer's rights to surplus ownership or to take contribution holidays are legally confirmed; or
 - members' benefits are enhanced to fully exhaust surplus (on both a solvency basis and a going concern basis).

We strongly support the implementation of consistent prescribed requirements across Canada to determine the right of an employer to take contribution holidays.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 4. Vesting

4. Vesting

CAPSA PROPOSAL

Principle 15 of the Proposal provides for immediate vesting of pension benefits, applied retroactively for all periods of a plan member's service.

The *CAPSA* Consultation Session indicated that this Principle would enhance members' entitlements, would subject the employer to only an insignificant increase in cost, would remove the need for partial pension plan terminations, and, due to enhancements in technology, would not be administratively complex.

AON RECOMMENDATIONS

Aon Consulting is fully supportive of this Principle for most pension plan types (see our suggested exception for multi-employer pension plans discussed below), assuming the concept of partial pension plan termination is eliminated.

We support consistent vesting rules across Canada. Quebec has already moved to require immediate vesting for all benefits and Manitoba appears to be moving in a similar direction. In our experience, many pension plan sponsors have already provided for immediate vesting under their pension plans, where benefits are provided to members in different provinces, in order to comply with the highest vesting standard in the country and to treat all members equally who are similarly situated.

One of the main arguments against immediate vesting has been that it increases administration costs. We feel that this is generally not the case. For instance, having a two to three year vesting schedule does not materially reduce administration costs for defined contribution pension plans or contributory defined benefit pension plans.

We agree that immediate vesting for most pension plan types should be in place for all service. Few members with pre-reform service fail to meet the more stringent pre-reform vesting requirements. The additional costs of making this requirement retroactive are immaterial to most pension plans.

Immediate vesting will enhance pension plan coverage and it will make defined benefit pension plans and defined contribution pension plans as appealing to employees as other arrangements such as group RRSPs.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 4. Vesting

Please note that our support is based on the assumption that partial plan terminations are no longer required under the applicable legislation. Please refer to our discussion regarding “Partial Wind Up” in Subsection 8 below for further details.

Notwithstanding the foregoing, it is our opinion that there should be exceptions to the requirement for automatic vesting. Multi-employer pension plans should be exempt from these rules, as they experience a very high turnover in the first few years of employment and are simply too costly to administer. For these plans, we recommend vesting be set at two years of membership service, but would be willing to consider more generous vesting such as the following:

- immediate vesting, provided the value of pension entitlements exceeds a minimum threshold such as \$2,000; or
- vesting upon completion of two years of combined membership and pre-membership service.

We would support provisions in a model pension law to provide automatic vesting under most pension plans (with the exception of multi-employer pension plans), assuming that partial plan terminations are no longer required.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 5. Locking-In

5. Locking-In

CAPSA PROPOSAL

Principle 23 of the Proposal provides that any amounts transferred from a pension plan on termination of either the pension plan or active membership will be locked-in. *CAPSA* is currently developing ‘prescribed amounts’ as exceptions to this Principle.

AON RECOMMENDATIONS

Aon Consulting strongly supports the locking-in of amounts transferred from a pension plan, as the primary purpose of all registered pension plans is to provide members with lifetime retirement benefits.

We understand that the prescribed amounts that will be exempt from the locking-in requirements have not yet been determined. Please note that these prescribed amounts are important and we encourage *CAPSA* to seek further consultation regarding them.

We would generally support the following prescribed amounts as exemptions from the locking-in requirements for transfers from:

- Pension Plans - where the member’s transfer value is less than 20% of the year’s maximum pension earnings, as defined under the Canada Pension Plan or Quebec Pension Plan; and
- Locked-In Retirement Accounts – where the individual’s total balance in all locked-in retirement accounts is less than 40% of the year’s maximum pension earnings, as defined under the Canada Pension Plan or Quebec Pension Plan, and determined on retirement on or after the time such person attains the normal retirement age (e.g., age 65).

The main purpose of a pension plan is to provide lifetime retirement income to a member and/or the member’s spouse, as applicable, and to make certain, to the extent possible, that the member and his or her spouse do not need to rely on any federal or provincial welfare program after retirement. Therefore, the unlocking of pension plan assets should be very limited and we support, to some extent, depending on the prescribed conditions, the following forms of exemptions:

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 5. Locking-In

- shortened life expectancy, since retirement years are significantly jeopardized; and
- foreign residency, since there is a minimal likelihood that the member and/or his or her spouse will rely on Canadian welfare programs after retirement.

We strongly oppose other forms of exemptions from the locking-in requirements, such as financial hardship or marriage breakdown, where the objectives of providing lifetime retirement income or avoiding reliance on Canadian welfare programs continue to be relevant factors.

It is our position that any model pension law should enforce the principle that pension plans are intended to provide lifetime retirement income to members and/or members' spouses, as applicable. The locking-in of pension benefits is required in order to ensure that the lifetime retirement income under pension plans is protected. Further consultation should be sought with respect to the prescribed amounts or exemptions to the locking-in requirements.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 6. Members' Benefits on Involuntary Termination

6. Members' Benefits on Involuntary Termination

CAPSA PROPOSAL

Principle 29 of the Proposal provides that where a member terminates from a pension plan as a result of events not initiated by the member (e.g., sale of business, plan termination, plan conversion), the member's benefits should be calculated as prescribed. At the *CAPSA* Consultation Session, *CAPSA* indicated that it was seeking input on the calculations to be prescribed (e.g., should salary projection be included in the calculation of a member's benefits).

AON RECOMMENDATIONS

Aon Consulting strongly supports a consistent calculation to be used in determining the commuted value of members' benefits on involuntary termination. We also encourage *CAPSA* to seek further consultation before the prescribed calculations are finalized.

We support the use of salary projections (taking into account assumptions regarding future termination of participation) in determining the commuted value of a member's accrued pension in the event there is a continued employment relationship with the pension plan sponsor, such as in the event of a plan conversion, or a plan termination with continued employment. However, the mandatory requirement for the use of salary projections, in circumstances where there is no continued employment relationship, is not appropriate.

Nonetheless, solvency valuations should continue to be performed under the assumption that the employment relationship is NOT continued.

Although not expressly referred to in the Proposal, we also wish to address the issue of 'grow-in rights'. We do not generally support the provision of mandatory grow-in rights in the proposed model law. Pension plan sponsors should have the flexibility to determine whether or not they will provide enhancements and the type of enhancements that would be appropriate in the circumstances. Some pension plan sponsors may prefer to provide a different form of enhancement that would be applicable to all members affected by the plan termination, not merely those members who have attained certain legislated age and service requirements. Pension plan sponsors who are forced to provide specific legislated forms of enhancements to only a few members may find that the additional cost of providing other forms of enhancements to members is too costly and opt to provide only the legislated forms of enhancements.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 6. Members' Benefits on Involuntary Termination

However, we do support automatic vesting, so long as the requirements related to partial plan terminations are removed.

We support the establishment of a clear and consistent calculation for determining the commuted value of a member's benefits on involuntary termination.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 7. Unlocatable Beneficiaries on Plan Wind Up

7. Unlocatable Beneficiaries on Plan Wind Up

CAPSA PROPOSAL

The last point in Principle 32 of the Proposal provides that any assets remaining in a terminated plan, which the plan administrator is unable to distribute after making reasonable efforts to do so, will be referred to a public agency.

AON RECOMMENDATIONS

Aon Consulting strongly supports the ability of pension plan administrators to pay assets with respect to missing members/beneficiaries to a public agency. Dealing with such missing members/beneficiaries is a significant problem for plan administrators.

We strongly recommend the establishment of a single or unified program across the country to manage the assets of missing members/beneficiaries, perhaps based on the Quebec model. A single public agency, rather than a separate agency in each province, would provide one entity for missing persons to contact in order to locate their pension plan benefits. The operations of a plan sponsor can change over time (e.g., corporate mergers, change in name, change in location of operations) which can result in members/beneficiaries being unable to locate their benefits.

The ability of a pension plan administrator to transfer benefits in respect of missing persons to a public agency should not be limited to cases of plan termination. We suggest that a pension plan administrator be able to transfer the benefits of a missing person to the public agency upon the missing person's normal retirement date under the pension plan.

The key to this Principle is the requirement that plan administrators make 'reasonable efforts' to locate the missing members/beneficiaries. Reasonable efforts might include:

- writing to the National Search Unit of Human Resources Development Canada; and
- writing to designated beneficiaries of the missing members, if the names and addresses of designated beneficiaries are known to the plan administrator.

We would also strongly support a proposal involving greater assistance from the federal and provincial governments, acting in harmony, to actively assist plan administrators in searching for 'missing members'. We acknowledge that privacy legislation may be a concern in this regard, as we are suggesting that this public agency have access to other government records

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 7. Unlocatable Beneficiaries on Plan Wind Up

(e.g., drivers' licenses, health cards and income tax returns). However, as this public agency would be working in the best interests of the missing persons, it is hoped that the legislators will be able to arrive at a workable solution that respects privacy principles (e.g., on the income tax returns, taxpayers would be given the opportunity to agree to provide their contact information for the purposes of obtaining information with respect to missing pension plan benefits, similar to what is done for Elections Canada).

In summary, it is our position that pension plan administrators should have the ability to transfer the assets of missing members/beneficiaries to a public agency. This would also benefit missing members/beneficiaries as they would have the ability to locate their entitlement by contacting a single location or agency. Where the public agency obtains co-operation from the federal and provincial governments, it may also be able to locate beneficiaries more easily than a pension plan administrator and thereby facilitate a more expedient payment of benefits to the missing members/beneficiaries.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 8. Partial Wind Up

8. Partial Wind Up

CAPSA PROPOSAL

Principle 32 of the Proposal generally discusses plan terminations, but is silent with respect to ‘partial’ plan terminations. However, the last point on page 5 of the Proposal states that the concept of partial plan termination is unnecessary, as the Proposal provides for immediate vesting of all benefits.

AON RECOMMENDATIONS

Aon Consulting fully supports the removal of the concept of partial plan terminations, whether or not immediate vesting is adopted.

In order to compensate for the removal of the concept of partial termination, we would strongly support the requirement that, upon termination of plan participation (whether upon individual termination or upon what was formerly known as partial termination), plan administrators provide members with a statement that sets out the consequences (both positive and negative) of leaving their entitlement in the pension plan. These consequences could include the fact that they may participate in any future surplus distribution and the risk that their entitlement could be reduced in the event of a future termination of the plan if it is in deficit.

We would also support a provision, as currently exists in Quebec, that provides for certain plan members, who terminate membership within a limited period of time before a plan termination and whose rights were transferred out of the plan, to continue to be entitled to surplus distribution during that limited period of time.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 9. Surplus Withdrawal

9. Surplus Withdrawal

CAPSA PROPOSAL

Principle 33 of the Proposal provides that surplus may arise in an ongoing pension plan or on the termination of a pension plan. This Principle permits the distribution of surplus in both cases, although in the case of an ongoing pension plan, the prescribed funding requirements must be met before surplus will be distributed to an employer. Although this Principle refers to the distribution of surplus to members and beneficiaries, the *CAPSA* Consultation Session indicated that *CAPSA* is seeking consultation on the proposed requirements for distribution of surplus to an employer. Under the Proposal, for an employer to be entitled to a share in the distribution of surplus, the employer would be required to obtain the written agreement of at least two-thirds of the active members, two-thirds of the non-active members and such number of other plan beneficiaries as the regulatory authority considers appropriate.

AON RECOMMENDATIONS

Aon Consulting opposes any requirement for an employer to, in every case, enter into a surplus sharing agreement with members and beneficiaries, before the employer is entitled to a distribution of surplus. There may be circumstances in which such agreements should not be required. Furthermore, we support the right of an employer to amend the terms of a pension plan (including the terms of a trust agreement), when the plan is not in a surplus position, in order to clarify surplus entitlement. (Please refer to Subsection 3 above.)

Firstly, we do not support the distribution of surplus to members, beneficiaries or an employer unless there is ‘excess surplus’ as specified below, for:

- Ongoing Pension Plans - It is not clear what ‘prescribed funding requirements’ will have to be met before an employer will be entitled to a distribution of surplus in an ongoing plan. We suggest that the main requirement be the existence of ‘excess surplus’. What constitutes ‘excess surplus’ in a given situation may be debatable, but we suggest that it be the greater of:
 - three years’ current service costs; or
 - 25% of liabilities (the greater of ‘going concern’ or ‘solvency’).
- Terminated Pension Plans - After the full settlement of all ‘basic’ benefits on plan termination, all residual surplus should be deemed to be ‘excess surplus’.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 9. Surplus Withdrawal

Secondly, where there is ‘excess surplus’, we support the following:

- Clear Entitlement to Surplus - Where an employer’s entitlement to surplus is clear, the employer should have the unilateral right to withdraw such ‘excess surplus’, subject to regulatory approval.
- Unclear Entitlement to Surplus – Where an employer’s entitlement to surplus is unclear, the employer, and the members and former members should have the right to negotiate an agreement with respect to the sharing of such ‘excess surplus’. The employer would then have the unilateral right to withdraw the employer’s negotiated share of such ‘excess surplus’. The members’ and former members’ share could be withdrawn (in which case individual shares would be proportionate to ‘solvency’ liability), or be used to enhance benefits (in which case individual shares need not be proportionate to liability). We agree that where the employer’s entitlement to surplus is not clear, negotiated consent should require, at a minimum, for:
 - *Represented active members* - the consent of any collective bargaining agent (where applicable);
 - *Non-represented active members* - the consent of 66 2/3% of active members, with 66 2/3% of such active member ‘going concern’ liabilities (being those active members who are not represented by a collective bargaining agent, where applicable); and
 - *Non-active members* - the consent of 66 2/3% of all non-active members, with 66 2/3% of non-active member ‘solvency’ liabilities. ‘Non-active members’ should exclude anyone who elected ‘portability’, but should include anyone who had benefits ‘purchased’ in the immediately preceding five-year period, provided such persons did not decline any ‘portability’ option.
- No Entitlement to Surplus - If the employer has absolutely no entitlement to surplus pursuant to the terms of the pension plan, and the members and former members are not prepared to negotiate to provide any such right to the employer, then no surplus withdrawal (to either the employer or members) should be allowed from an ongoing plan.

We support the right of collective bargaining agents to negotiate, as part of a surplus sharing package, any enhanced benefits or member refunds not proportionately available to non-represented active members and non-active members.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 9. Surplus Withdrawal

It is our position that the provisions of pension plan documents should be permitted to provide an employer with entitlement to surplus, such that where that entitlement is clear, no negotiated consent would be required.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 10. Surplus in Mergers and Sales

10. Surplus in Mergers and Sales

CAPSA PROPOSAL

As noted above, Principle 33 of the Proposal generally relates to surplus matters. We understand from the *CAPSA* Consultation Session that the proposed model law will clarify the treatment of pension plan surplus on plan mergers and sale of business transactions, and that *CAPSA* is seeking comments on the treatment of surplus in these circumstances.

AON RECOMMENDATIONS

Aon Consulting supports clear and consistent rules with respect to the issue of surplus on the merger of pension plans or sale of a business.

We have chosen to focus our comments on pension plan mergers.

We recognize that, as a general rule, there are economies of scale in administering one pension plan rather than two pension plans, and that such ongoing economies of scale may justify the merging pension plans.

We acknowledge that merging pension plans may necessitate a change in registration from one jurisdiction to another. However, unless members lose significant rights, a change in jurisdiction is not a sufficient reason to prohibit pension plan mergers.

We support the merger of pension plans in the following circumstances:

- Surplus Plan + Unfunded Plan – A pension plan with surplus may only be merged with a pension plan in a substantially unfunded position where the resulting merged plan would have surplus in excess of a threshold (such as 20% of the greater of ‘going concern’ or ‘solvency’ surplus), subject to any consent requirements. (We suggest the consent requirements set out in Subsection 9 above.)
- Unfunded Plan + Unfunded Plan – A pension plan in an unfunded position may only be merged with a pension plan that is also in an unfunded position where the unfunded position of the resulting merged plan will be no less favourable than the stronger of the unfunded pre-merger pension plans. Essentially, this would require the employer to ‘top-up’ the funding of the ‘weaker’ plan to the funded position of the ‘stronger’ plan.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 10. Surplus in Mergers and Sales

- Surplus Plan + Surplus Plan – A pension plan with surplus may be merged with another pension plan with surplus. However, where the ownership rights for surplus under each of the plans is different, the appropriate level of consent would be required. (We suggest the consent requirements set out in Subsection 9 above.)

It is our position that pension plan mergers are not harmful to members or beneficiaries so long as surplus levels are not reduced below a prescribed threshold, or so long as the unfunded position of the merged plan is no worse than the strongest of the unfunded pre-merger pension plans.

With respect to surplus issues on the sale of business, it is our position that, assuming surplus entitlement is clear, surplus issues should be dealt with through negotiations between the vendor and the purchaser.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 11. Time Period for Resolving Surplus Issues

11. Time Period for Resolving Surplus Issues

CAPSA PROPOSAL

Principle 33 of the Proposal deals primarily with surplus issues, but also provides that if no action is taken regarding surplus within a prescribed period of time following a pension plan's termination, the employer, plan members, other plan beneficiaries or collective bargaining agents may refer the issue to arbitration under a dispute resolution system. If the surplus issue is not referred to arbitration within a prescribed time, the surplus will revert to the members and other beneficiaries.

AON RECOMMENDATIONS

Aon Consulting strongly agrees that the resolution of surplus issues must occur on a timely basis after a pension plan is terminated. Indefinite inaction is inappropriate.

Nonetheless, if surplus ownership is clear from the pension plan documents, then we suggest that there is no dispute to resolve and no dispute resolution system is necessary.

If surplus ownership is not clear from the pension plan documents, we support the power of the parties to agree to a dispute resolution system and to negotiate a resolution of surplus issues.

We strongly oppose any 'default' system that cedes ownership of surplus to members and other persons with entitlement in the event the parties fail to reach agreement. As an alternative, we would support a system that allows the courts (or regulators) to order the parties to agree to a dispute resolution system. We would also support a mandatory time period (such as one year) during which the parties could negotiate a settlement and a further time period to have non-represented persons 'vote' on the proposed settlement. The negotiated settlement would be effected with the required level of consent. (See our discussion regarding consent requirements set out in Subsection 9 above.)

We support a process whereby any party to the agreed dispute resolution system could declare that a negotiated settlement is not possible (we recommend that such declaration be made only after a specified period of time, that is at least three months), and then a mandatory dispute resolution would follow. Such resolution would involve having both parties submit a proposal (with arguments) to an arbitrator. The arbitrator would need to

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 11. Time Period for Resolving Surplus Issues

choose between the proposals. There would be no compromise (e.g., ‘final offer’ arbitration).

It is our position that the timely and efficient resolution of surplus issues is important. However, it is our position that where pension plan documents clearly provide for an employer’s entitlement to surplus, then no dispute resolution system is required.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 12. Surplus Provisions are Paramount

12. Surplus Provisions are Paramount

CAPSA PROPOSAL

Principle 33 of the Proposal deals primarily with surplus issues but also provides that legislative provisions dealing with the distribution of surplus will supersede the terms of a pension plan, trust, another Act, or any equitable, common or civil law principles applicable to trusts.

(For purposes of this Submission, “**Act**” means the legislation that may be adopted based on the Principles.)

AON RECOMMENDATIONS

Aon Consulting supports the principle that legislative provisions which provide for the orderly and efficient distribution of surplus should supersede any unclear terms of a pension plan, collective agreement, trust, another Act, or any equitable, common or civil law principles applicable to trusts.

It is our position, that an employer who is solely responsible for funding any deficit should be permitted to unilaterally, legally and validly amend the pension plan documents to provide for 100% employer entitlement to surplus. Such an amendment would not be valid unless, at the time of the amendment, the Plan was in an unfunded position (both on a going concern and solvency basis). We recommend that an employer be permitted to amend the plan to provide for 100% employer entitlement to surplus where a pension plan is:

- not in surplus (either on a going concern or solvency basis); or
- in surplus (either on a going concern or solvency basis), but only after first exhausting the surplus (both on a going concern and solvency basis) by effecting benefit enhancements.

Notwithstanding the foregoing, legislative provisions should not supersede any clear and unambiguous provision of a pension plan text, but should be permitted to supersede the terms of a trust, another Act, or any equitable, common or civil law principles applicable to trusts, which by their nature often are seemingly in conflict with explicit pension plan provisions (e.g., standard form of contract with a trust company, where terms may not be negotiable).

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 12. Surplus Provisions are Paramount

It is our position that the dispute resolution system set out in Subsection 11 above should be the prescribed process for dealing with surplus distribution issues.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 13. Rule-Making

13. Rule-Making

CAPSA PROPOSAL

Principle 37 of the Proposal provides that the regulatory authorities will have the ability to make rules governing matters of a technical or administrative nature, which will have the force and effect of a regulation, subject to Ministerial oversight. This Principle also envisions a role for *CAPSA* in the rule-making process to encourage harmonization.

AON RECOMMENDATIONS

Aon Consulting generally supports ‘rule-making’ by the regulatory authorities, so long as it does not become ‘law-making’ or over-step the bounds of the applicable pension laws and regulations.

We also generally support the ‘rule-making’ procedures proposed by *CAPSA*, subject to public consultation being the key to the proposed process (assuming that such process is not merely ‘for show’). Public consultation should balance not only public interests and the interests of pension plan members, but there should also be concern for the interests of plan sponsors. We hope that the model law will help to promote pension plans across Canada by ensuring that pension plan sponsors have a voice in consultations. More organizations might be encouraged to establish pension plans if they were assured that the interests of pension plan sponsors will not be ignored when changes are made to pension legislation.

We note that rule-making is subject to Ministerial oversight. We strongly support Ministerial oversight and we would also like *CAPSA* to ensure that there is an appropriate mechanism in place to enable interested parties to challenge a decision or an order based on such rule-making.

SECTION 1 - KEY PRINCIPLES FOR DISCUSSION

Subsection 14. Report by Advisors

14. Report by Advisors

CAPSA PROPOSAL

Principle 40 of the Proposal provides that advisors of agents employed by a pension plan administrator are required to report to the regulatory authority any material contravention of the Act or Regulation that is not corrected by the administrator.

(For purposes of this Submission, “**Regulation**” means the regulation to the Act that may be adopted based on the Principles.)

AON RECOMMENDATIONS

Aon Consulting strongly opposes any form of mandatory reporting obligations by professional advisors against their clients (‘snitch-rule’).

We acknowledge that this Principle contemplates that the advisor would only have to report any problems where the plan administrator has not corrected the situation. However, it is our position that such reporting obligations would change the role of certain professional experts from advisor to supervisor, and this is inappropriate.

Where such reporting obligations are legislated against actuaries and auditors, it may prevent ease of access to key documents and other information by these professional advisors. Many of these documents are currently available to such advisors and enable them to provide professional assistance to plan administrators in identifying problems and correcting those problems, before the problems get out of control. If access to such documents is not readily available, then it will be more difficult for professional advisors to assist plan administrators in this capacity on an ongoing basis.

Where legal counsel is involved, this could also be contrary to the principles of solicitor-client privilege.

In addition, such reporting obligations may require certain professional advisors to perform additional services without their usual compensation.

It is our position that the proposed reporting obligations should not be applied to professional advisors and are inappropriate.

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection A. Notice of Plan Amendments

SECTION 2 - ADDITIONAL PRINCIPLES

A. Notice of Plan Amendments

CAPSA PROPOSAL

The last point of Principle 4 of the Proposal provides that a pension plan administrator must provide notice of an amendment to the pension plan members and any collective bargaining agent representing members prior to the effective date of the amendment.

AON RECOMMENDATIONS

Aon Consulting does not support all aspects of this Proposal.

We oppose any mandatory requirement for plan administrators to consult with pension plan members before making every amendment to a pension plan.

Similarly, we oppose the requirement that notice be provided prior to the effective date of any amendment that does not adversely affect the rights and obligations of pension plan members. Some retroactivity should be permitted, particularly when the amendment is of a technical nature.

Nonetheless, for the purposes of transparency and prudent governance, we are in full support of the requirement to disclose the details of all amendments on a timely and accurate basis, which may be after the effective date of the amendment, where the amendment does not adversely affect the rights and obligations of pension plan members.

We also fully support the requirement that any notice of a pension plan amendment provide a full and accurate explanation of the effect of the amendment on all affected members.

It is our position that some retroactivity should be permitted with respect to the effective date of amendments. Full and complete disclosure of amendments to pension plan members is necessary, but plan administrators should be permitted to provide notice of an amendment that does not adversely affect the rights and obligations of pension plan members after the effective date of the amendment.

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection B. Phased Retirement

B. Phased Retirement

CAPSA PROPOSAL

Principle 17 provides an active member of a pension plan with the option of taking a reduced early pension benefit, where the active member and the employer have agreed on a reduction of the active member's hours of employment.

AON RECOMMENDATIONS

Aon Consulting generally supports this proposal.

We would support a model law that provides the pension plan sponsor with the option of providing for phased retirement. However, we oppose any mandatory requirement for a pension plan to provide phased retirement. Recent media reports suggest that there will be a lack of skilled workers in the near future and pension plan sponsors will need the ability to determine if, for their specific operations, phased retirement will help them retain skilled workers.

We suggest that phased retirement should only be provided on a non-discriminatory basis (e.g., to all members of a specified class) and should not be provided on an ad hoc basis.

It is our position that pension plan sponsors should have the option to provide for phased retirement, but that it should not be a mandatory requirement.

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection C. Simplified Pension Plans

C. Simplified Pension Plans

CAPSA PROPOSAL

Principle 30 of the Proposal contemplates simplified pension plans, that satisfy prescribed requirements, in order to streamline the administration and regulation of qualifying pension plans. The Proposal provides no details about the establishment and maintenance of simplified pension plans.

AON RECOMMENDATIONS

Aon Consulting strongly supports the concept of simplified pension plans.

The need for simplified pension plans in Canada provides evidence that the entire Canadian pension system needs to be simplified.

We believe that simplified pension plans are a great way to increase pension coverage to employees who would not otherwise be offered a pension plan, as such plans are much less cumbersome to administer than regular pension plans. The model law should encourage the use of simplified pension plans.

We note that the Proposal does not go into any detail about the legislative provisions that would be enacted with respect to simplified pension plans. We strongly encourage *CAPSA* to seek further consultations on these details.

We suggest that the model law permit the following with respect to simplified pension plans:

- the employer should have the option of providing, on a discretionary basis, an additional contribution above the employer's basic contribution;
- the employer should have the option, upon plan implementation, to determine whether or not employee contributions to the simplified pension plan will be locked-in;
- employee contributions (whether locked-in or non-locked-in) should be based on age or service criteria, as determined by the employer; and
- employees should have access to any non-locked-in account on a limited basis (such as once every three to five years).

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection C. Simplified Pension Plans

It is our position that simplified pension plans are necessary, given the complexity of pension legislation and regulation in Canada.

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection D. Flexible Pension Plans

D. Flexible Pension Plans

CAPSA PROPOSAL

Principle 31 of the Proposal sets out provisions for flexible pension plans.

AON RECOMMENDATIONS

Aon Consulting strongly supports the ability of pension plan sponsors to establish flexible pension plan provisions.

We believe that flexible pension plans are a great way to maximize the use of defined benefit pension plans as a secured form of tax-sheltered financial instrument. In this way, flexible pension plans can also be used to make defined benefit pension plans more competitive with defined contribution pension plans.

The third point of Principle 31 provides that optional ancillary contributions will be exempt from the 50% rule and the locking-in provisions. We strongly support this position, but we wish to confirm that employers will not be required to provide a written undertaking to pay, in a lump sum, the value of any forfeited optional ancillary contributions to any affected employee. We oppose any requirement for an employer to pay such amounts outside of the pension plan. Instead, to avoid possible abuses associated with the tax-sheltering of ‘excess optional contributions’, such excess optional contributions should be paid in a lump sum from the pension plan fund (and therefore taxed immediately). Further, they should be subject to a penalty tax, as is currently the case with excess RRSP contributions. Therefore, we suggest that *CAPSA* should encourage the federal government to amend the *Income Tax Act* (Canada) and its regulations accordingly.

The need for flexible pension plans is directly related to the inequitable tax treatment of defined benefit pension plans (i.e., maximum pension limits) when compared to defined contribution pension plans. Therefore, we would encourage *CAPSA* to put pressure on the Canada Customs and Revenue Agency (soon to be the Canada Revenue Agency) and the federal government to address the factors that have led to the development of flexible pension plans, as these factors reveal weaknesses in the competitiveness of defined benefit pension plans.

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection D. Flexible Pension Plans

We would strongly support a model pension law that promotes the development and enhancement of defined benefit pension plans in Canada, as we believe that defined benefit pension plans are the best way to provide certainty and security with respect to lifetime retirement income.

It is our position that flexible pension plans are a useful tool in promoting defined benefit pension plans and we, therefore, strongly support legislation that permits flexible pension plans.

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection E. Pension Splitting

E. Pension Splitting

CAPSA PROPOSAL

Principle 22 of the Proposal provides for pension splitting on the breakdown of the spousal relationship of a pension plan member.

AON RECOMMENDATIONS

Aon Consulting strongly supports the development of consistent rules for the division of pension benefits on marriage breakdown, but we have some concerns with the approach to be taken:

- Increase in 50% Limit by Court Order – We are strongly opposed to the second point under Principle 22 of the Proposal that permits a court to order more than 50% of the benefits accrued by a member during the period of the spousal relationship to be payable to the spouse or former spouse of the member on marriage breakdown. A 50% maximum limit should be applied in all cases.

The main goal of pension plans is to provide members with lifetime retirement income. Pension plans may also be established by employers to attract and retain employees. As currently drafted, Principle 22 would potentially allow a court to take away a member's entire entitlement to a pension plan benefit. It could also affect the ability of an employer to retain employees who have lost their entitlement to lifetime retirement income in this way.

Pension plan benefits are a special type of asset and the ability to divide such benefits should be limited. For social policy reasons, pension plan members should be assured that they will have some form of income security after retirement. We do not believe that pension plan benefits should be easily exchanged for other types of property on marriage breakdown.

- Immediate Settlement v. Deferred Settlement – We note that Principle 22 does not detail the approach that will be taken in determining the split of pension benefits on marriage breakdown. We strongly support the adoption of a single approach in the model law and we strongly support the use of the deferred settlement method, as proposed by the Canadian Institute of Actuaries in its report entitled, "The Division

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection E. Pension Splitting

of Pension Benefits Upon Marriage Breakdown”, dated February 2003. We recommend the deferred settlement approach, because:

- it will provide equity between the pension plan member and the non-member spouse; and
- it will not create either an actuarial gain or loss to a pension plan (although there will be a minimal expense to the pension plan when the parties separate).

In our experience, domestic agreements and court orders do not always take into consideration actuarial concerns. Legislative guidance would help to ensure an equitable division of property in cases where separation/divorce agreements or orders are unclear as to how/when to determine the split of pension plan benefits.

We acknowledge that the issues related to the division of pension benefits on marriage breakdown would need to be addressed under both pension and family law legislation, and that family law legislation may be beyond the scope of *CAPSA*'s mandate. Nonetheless, we encourage the *CAPSA* representatives to work with the relevant government ministries to try to harmonize family law principles across the country, with the goal of providing lifetime retirement benefits under pension law principles.

It is our position that rules related to pension splitting on marriage breakdown need to be clear and consistent across the country.

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection F. Powers of the Regulatory Authority

F. Powers of the Regulatory Authority

CAPSA PROPOSAL

Principle 35 of the Proposal sets out specific duties and powers of the regulatory authorities.

AON RECOMMENDATIONS

Aon Consulting generally supports the need for regulatory authorities to have the power to regulate. However, we have the following concerns with respect to the points set out in the Proposal:

- Fees – We suggest that regulators should be required to regulate, without imposing any additional charges for performing their legislated functions.
- Delegation – We are particularly concerned that the delegation powers to be granted to the regulators under the Proposal are vague. We would oppose the ability of the regulators to outsource their legislative functions, such as review and investigative services, for some pension plans while retaining such legislative functions for other pension plans. If the regulators assess third-party fees in one circumstance, and no fees in the other circumstance, an obvious inequity would result.

At a minimum, we suggest that regulators should have no power or authority to outsource any review or investigative service; more specifically, when costs may be assessed without the pension plan having the ability to have such action authorized by a tribunal. Similarly, a pension plan administrator should have the ability to apply to the courts to appeal any finding that such action is required.

- Meetings – We do agree that pension plan members and other beneficiaries should have the ability to meet with the regulator(s), along with pension plan administrators, if one or more of the pension plan members or other beneficiaries feel(s) that there are significant pension plan issues to be addressed and reviewed. Resolution of each case would depend upon the issues and the action(s), if any, that are required.

Pension plans are expected to provide benefits in accordance with the pension plan documents, and the pension plan documents are expected to reflect the relevant pension and income tax legislation. Clearly, if the issue involves failure to follow the plan documents or applicable legislation, the resolution of the matter will be obvious. Nonetheless, such meetings should not be required in the case of frivolous issues and

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection F. Powers of the Regulatory Authority

we suggest that further consultation be sought with respect to the types of issues that would warrant such meetings being convened.

It is our position that the regulatory authorities should have the power to regulate. We suggest that further consultation be sought with respect to the issues of fees, delegation and meetings.

SECTION 2 - ADDITIONAL PRINCIPLES

Subsection G. Review of the Act

G. Review of the Act

CAPSA PROPOSAL

Principle 46 of the Proposal provides that, within five years after the Act comes into force and within each five-year period following that date, the regulatory authority shall undertake a review of the Act and Regulations.

AON RECOMMENDATIONS

Aon Consulting supports the necessity of having periodic and timely reviews of pension legislation and the related regulations.

We hope that this review process would allow for further industry consultation.

We note that this Principle refers to the ‘regulatory authority’ undertaking a review. It is not clear if this refers to a separate review performed by each jurisdiction. We hope that *CAPSA* would also be involved in these reviews to ensure that the pension legislation, as established under a model law, remains consistent between jurisdictions in the future.

It is our position that any model law should be reviewed on a regular basis, subject to consultation with industry members. Nonetheless, such legislation should strive to continue or encourage uniformity between jurisdictions.