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Decumulation, cyber security among initiatives in CAPSA's latest strategic plan

Yaelle Gang, the Canadian Investment Review | April 25, 2019

The Canadian Association of Pension Supervisory Authorities has outlined its priorities for April 2019 to March 2022 in its new strategic plan, which included initiatives like focusing on defined contribution plan decumulation and cyber security.

Jason Vary, president at Actuarial Solutions Inc., notes while all the identified priorities were worthwhile, some are more important than others. In particular, he highlights that the priority to support the adoption and continued implementation of the agreement respecting multi-jurisdictional pension plans is of great importance.

Finalizing a multi-jurisdictional agreement has been an ongoing discussion over many years and some provinces have signed onto the latest agreement, but it hasn't been universally adopted and is being updated.

Read: **CAPSA consulting on funding, asset allocation for multi-jurisdictional pensions**

Jana Steele, partner at Osler, Hoskin & Harcourt LLP, also agrees with this priority. "I think that needs to come into play sooner rather than later."

Lately, harmonization between the provinces has been getting complicated, adds Vary, because the funding rules across Canada have been changing. "There's no doubt in my mind that it's tricky, but it needs to be worked through and . . . one way or another, industry needs certainty to operate under and not questions and questions and questions."

Another priority identified in the CAPSA's strategic plan is the promotion of a common regulatory approach and consistent standards for pension plan administration in specific areas. It highlighted reviewing and updating the guideline on pension plan funding policy, including enhancing funding policy guidelines for target-benefit plans, as an example of an initiative supporting this.

"I'm obviously in favour of more guidance from the regulators in terms of what they are thinking these types of funding policies should look like," says Steele, noting there isn't legislation in all jurisdictions for target-benefit plans, and where there is, it varies. "When you think about a funding policy, some legislation will be more prescriptive than others and so it is good to hear from the regulators what these funding policy rules should be looking like."

Read: Can the feds overcome opposition to pass target-benefit pension bill?

Consistent standards across Canada are important, says Vary, yet the CAPSA has been failing in this priority for a long time. "Now it's not really their fault because CAPSA's not the ones that write the rules and the laws — that's the legislators in all the various provinces and territories — and so they almost have this impossible task where they're trying to harmonize things but they're not the ones in charge of making the rules."

A glimmer of hope is that the Financial Services Regulatory Authority of Ontario will be taking over regulatory functions from the Financial Services Commission of Ontario and will have rule-making authority, says Vary, noting the CAPSA would have a better chance of harmonization if more regulators receive rule-making authority.

The CAPSA's strategic plan also highlighted it will be supporting the harmonization of jurisdictional frameworks and a review of the association's guidance in light of new decumulation products.

"I think there's a lot of opportunity right now in the DC space," says Vary, noting regulations and legislation have traditionally been very defined benefit focused.

"There's an opportunity now when people are focusing more on DC," he says. "The federal government came out with advanced life deferred annuities and the variable [payment] life annuity concepts that would apply to DC plans in the decumulation phase. But now regulations need to be written to enact those new types of annuities, which I think are badly needed in the DC space. Now's the chance for CAPSA to have harmonized rules across Canada for these new annuity products."

Read: Industry praises budget proposals to allow variable annuities for CAP members

This is also a good opportunity to make DC plans more attractive to employers, says Vary. If this isn't done, employers will move to offering group registered retirement savings plans or deferred profit-sharing plans, he adds. "I think DC plans have a lot of advantages over group RRSPs and should be encouraged, but you can't overregulate them or else employers will just vote with their feet and set up group RRSPs instead of DC plans, which is, to me, a shame."

The CAPSA also noted it will proactively identify emerging issues, including researching and developing guidelines on integrating environmental, social and governance factors in the supervision of pension fund investment and risk management, as well as researching and assisting pension stakeholders in developing and building cyber security plans. It also noted it will research and examine the application of artificial intelligence, fintech and regtech.

“I thought that was an interesting topic to be discussing and it certainly is important from a plan administrator perspective, because when you think about cyber security, plan administrators do need to ensure the confidential and sensitive information that they hold is secure,” says Steele.

Ontario’s **2019 budget** proposed making electronic member communications the default, notes Steele, but as technology comes more into play, risks come along with it.

Read: Pension and benefits highlights from Ontario’s 2019 budget