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Delivered By Email: pension.feedback@ontario.ca

Strategic Pension Reform Secretariat
Ministry of Finance
7 Queen's Park Crescent
5th Floor, Frost Building South
Toronto, ON M7A 1Y7

Dear Sirs and Mesdames:

RE: Framework for Pooled Registered Pension Plans (PRPPs)

I am writing to provide comments on behalf of the members of The Investment Funds Institute of Canada ("IFIC" or "we") with respect to the consultation paper *Securing Our Future: Strengthening Retirement Income in Ontario through Pooled Registered Pension Plans* ("the Paper"), published November 29, 2013.

Our members recognize the need for well-considered policy initiatives that will lead to an improved retirement savings framework in Ontario and agree with the Paper that "the retirement savings challenge is a complex issue, which requires a long-term multi-faceted approach, to ensure that Ontarians save adequately for retirement."

In that regard, we support the introduction of Pooled Registered Pension Plans (PRPPs) as one element of a strengthened retirement savings system for Ontario, and encourage you to design PRPPs such that they complement current retirement savings vehicles, including individual and group RRSPs (GRRSPs). This will provide both employers and workers with a competitive range of options that will encourage more Ontarians to save, and to save more.

We provide details on how this might be accomplished below in response to the specific questions raised by the Paper.

Employer Participation

Should Ontario choose to require employers to offer retirement savings options, the government should take a product-neutral approach similar to that taken recently in Quebec in the final iteration of its *Voluntary Retirement Savings Plan Act*. Quebec employers who do not offer a defined benefit or defined contribution plan will be able to offer a PRPP-type program or a GRRSP. We encourage this approach so that Ontarians may continue to have access to the services offered by GRRSP providers and the 40,000-strong group of financial advisors who are a major force in helping Ontarians develop a discipline of savings - not just for retirement, but for other major life events such as purchasing a home or paying for children's education. This savings activity not only ensures a good quality of life in the short term, but also contributes to constructing a healthy savings base for retirement. Furthermore, this product-neutral approach will also ensure that the marketplace will provide Ontarians with a competitive range of options suited to their individual needs that will help them build savings and meet their retirement goals.

Employer contributions should be voluntary, particularly if the government mandates the provision of a retirement savings program.

Employee Participation

We agree with an automatic-enrolment model and recommend that it should apply to whichever retirement savings option is being offered by the employer, whether that is a PRPP, GRRSP or other sponsored plan. We also support building in an automatic increase of contributions. To ensure this does not create any hardships for individual participants, opt-out privileges should be provided with reasonable time-frames to exercise them.

Member Termination

We support the principles of portability and consumer choice, and believe that all PRPP members should be free to transfer their assets to a different administrator if they are dissatisfied with their current administrator. Portability should also be allowed into other retirement-savings vehicles, such as RRSPs. This important flexibility would allow individuals to consolidate their investments with a financial advisor when they deem it appropriate or under one plan in the event that they change employers. This transfer option would also be welcomed by those who find the limited PRPP investment options too narrow as they seek to grow their retirement savings. To ensure contributions are used to build retirement savings, a requirement should be imposed that assets only be transferrable into a locked-in savings vehicle.

Low Cost

Considerable attention has been given by governments to a requirement that PRPPs be “low cost”. This “low cost” feature is contrasted to the retail market where investment products, such as mutual funds, typically are bundled with distribution costs that include investor access to an advisor.

The broader retail funds market and Ontario’s proposed PRPP product, with its very narrow offering of six investment options, are two entirely different markets. In the retail market, the advisor provides an important service, not only guiding individuals in making their investment decisions, but also helping to engender the discipline of saving regularly and consistently. Third-party research has clearly demonstrated that professional advice yields a durable economic value to investors that considerably exceeds its costs over the long-term, as advised households accumulate significantly more assets than those that are non-advised.¹

Ontario should therefore consider allowing PRPP providers to offer an option that would include access to advice as part of the offering.

Locking In

We agree that retirement savings primarily should be used for income during retirement and, to that end, contributions should be locked in. In recognition of the reality that individuals will have multiple employers over a working life and that consolidation of small contributions will allow efficient management of savings, employees should be free to transfer their assets, without penalty, between PRPPs and other retirement savings vehicles, such as RRSPs. While we agree with locking-in, we also support the continued availability of provisions which currently allow individuals to withdraw funds under limited emergency circumstances, such as for terminal illness.

Eligible Administrators

The eligible administrators proposed will concentrate the provision of PRPPs into a narrow cohort of financial institution providers. As noted above, we encourage the Ontario government to recognize the offering of GRRSPs as a workplace retirement savings option. In so doing, the government will ensure broader participation and, thereby, stimulate the offering of a range of competitive options.

Disclosure Requirements

In developing the disclosure requirements that will apply to PRPPs, we urge the government to draw upon the world-class point of sale disclosure regime that currently governs mutual funds

¹ CIRANO: *An Econometric Analysis of Value of Advice of a Financial Advisor* (<http://www.cirano.qc.ca/pdf/publication/2012RP-17.pdf>). For an overview of this research paper, see Jon Cockerline: *New Evidence on the Value of Financial Advice* (<https://www.ific.ca/wp-content/uploads/2013/08/New-Evidence-on-the-Value-of-Financial-Advice-November-2012.pdf/1653/>)

in Ontario. Central to this disclosure model is “Fund Facts” - a plain-language document that captures essential information for investors, including performance, cost and risk. Developed through extensive consultation between investors, regulators and industry, Fund Facts is designed to “give investors key information about a mutual fund, in language they can easily understand, at a time that is relevant to their investment decision.”²

Standard of Care

As a general principle, we support the standard of care described in both the federal PRPP Act and Ontario’s Pension Benefits Act. This standard is robust and has consistently been shown to serve the interests of investors.

We support the introduction of PRPPs as a positive step toward a more secure financial future for Ontarians and recommend that the development of PRPPs should be only one facet of a broader conversation on strengthening Ontario’s retirement savings framework. Reforms should take into account the complexity of the entire system, and seek to foster consumer choice rather than advantage any one product or industry. It must also recognize that encouraging Ontarians to save for other life events is a key pillar of building a comfortable life in retirement.

To that end, we continue to encourage the federal government to strengthen GRRSPs as a retirement savings vehicle through the following changes:

- Remove the payroll tax now applicable to employer contributions to GRRSPs;
- Allow employers to automatically enroll employees in GRRSPs; and
- Lock in employer contributions, which will ensure employer contributions are used for retirement, as intended, and not simply as deferred salary.

These changes would ensure that the group RRSP remains a complementary savings program to the PRPP, and further Ontario’s broader goal of a secure, multi-faceted retirement savings framework. We therefore encourage your government to support us in pressing the federal government to make these improvements.

I hope these comments are helpful and would welcome the opportunity to discuss them in greater detail with you.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Joanne De Laurentiis
President & CEO

² Ontario Securities Commission: *Point of Sale Disclosure for Mutual Funds (POS Project)*
(http://www.osc.gov.on.ca/en/InvestmentFunds_point-of-sale_index.htm)