



February 8, 2019

Submitted via website posting

Financial Services Regulatory Authority of Ontario
130 Adelaide Street West, Suite 800
Toronto ON M5H 3P5

Dear Sirs/Mesdames:

RE: Proposed FY 2019-20 FSRA Priorities and Budget – Consultation Document January 21, 2019

We have reviewed the above-noted Consultation Document (the “**Invitation to Comment**”) published by the Financial Services Regulatory Authority of Ontario (“**FSRA**”) and are grateful for the opportunity to respond with our views and comments.

Proposed Priorities

Following are our comments in relation to the proposed FSRA priorities:

- As a general statement of focus and direction, we support FSRA’s proposed priorities of “burden reduction and regulatory effectiveness through cross-sector and sector-specific priorities that can be achieved, or substantially advanced, in FY 2019-20”. We also support the pension sector-specific priorities: support plan evolution, review prudential supervision framework and refocus pension regulation on burden reduction. We believe these priorities are an important part of FSRA’s first-year plan, especially in the context of the regulatory transition from the Financial Services Commission of Ontario (“**FSCO**”), and recommend these proposed priorities also serve as a focus over the coming years.
- We support and encourage FSRA’s proposed principles-based approach to regulation and, in following this approach, we strongly encourage FSRA’s leadership and staff to balance the objective of member protection with the promotion of the **security, growth and sustainability** of the pension system in Ontario. FSRA has an important role in supporting retirement security for Ontarians, on multiple bases: individual member, plan and systemic. FSRA should not underestimate its ability or overlook its opportunities to: prevent the further decline of sustainable defined benefit plans; influence the expansion of pension plan coverage in Ontario and advance Ontario plans’ internationally-recognized best practices in such areas as plan design, governance, administration and risk management.
- In its regulatory activities, we recommend FSRA also consider striking a balance between Ontario-specific solutions and results which achieve greater consistency across jurisdictions in Canada to reduce the burdens for multi-jurisdictional pension sponsors and administrators.



- We welcome FSRA's proposals to implement a client relationship model for the management of JSPPs, and to enhance sectoral expertise and collaboration. This approach has proven to work well with other government entities (e.g., the Ontario Ministry of Finance, the Bank of Canada) where there are individuals who have developed a solid understanding of large, sophisticated pension plans.
- We support a regulatory approach that facilitates greater flexibility in the delivery and exchange of information with pension plan members and beneficiaries, including encouraging and facilitating the ability of plan administrators to fully transact member events online. The recent amendments to accommodate electronic beneficiary designation are very welcome and we suggest that the proposed new FSRA Innovation Office makes it a priority to reduce or eliminate barriers to conducting all pension transactions online. We believe there are significant long-term advantages to servicing members online, consistent with practices already adopted by banks and other financial service providers.
- We recommend that FSRA focus on updating pension policies and standards regarding member disclosure. For example, some of the requirements for the content of annual/biennial statements are not well-suited to JSPPs. We encourage FSRA to pro-actively facilitate the communication of this content in a plain language style and the delivery of this content using non-traditional and interactive formats that will better engage and inform members. Current regulatory requirements regarding member communications and disclosures result in lengthy and unduly complex member communications which are not likely well-received or understood by members. Modern communication channels and media could be leveraged more effectively to focus members to best meet their information needs. FSRA also has an opportunity to provide industry leadership in the use of plain language communications for better explaining pension concepts to plan members. To this end, FSRA could also support, if not lead, initiatives to encourage financial literacy and best practices for pension plan members.
- We recommend that FSRA look for opportunities to improve the asset transfer process for pension plans through the exercise of discretion and adoption of member-focused service standards that are aligned with the approach set out in the PBA (which provides for automatic approval by the Superintendent where prescribed criteria are met). Undue delays in this process can negatively impact both members and plan sponsors as well as the overall objective of achieving more secure and sustainable plans. In the case of a SEPP-JSPP transfer, considerable risk management and review processes are undertaken by the various parties and stakeholders. In such cases, FSRA could play a more supportive, oversight role to better facilitate the transactions rather than take an overly prescriptive approach to its role.

A further review of the information that members need to make informed decisions regarding their consent to an asset transfer is also recommended. This will help determine whether the current disclosure requirements are effective in ensuring that members gain an adequate understanding of the transactions for which their consent is being sought.

Proposed Budget

We recognize that a meaningful regulatory transformation will not come without cost, particularly when the transformation will be driven in large part through a new employee recruitment and compensation model and investments in new systems. We have appreciated the opportunity to comment more

extensively on this through the latest consultation on the fee rule as well as via the Pension Industry Advisory Group (IAG) and support these new investments as reflected in the proposed budget.

Regarding the fees required to fund the proposed budget, we note the marked increase in the percentages attributable to the pension sector in relation to the total proposed/forecasted FSRA expenditures and total budget. As such, we must repeat the concerns we expressed in our January 4, 2019 letter in relation to what we believe may be the disproportionate impact of the proposed fee model on the large Ontario plans and our members.

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About HOOPP

Founded in 1960, HOOPP helps build a financially secure retirement for Ontario's healthcare workers. HOOPP currently has over 339,000 active, deferred and retired members, 540 participating employers and approximately \$78 billion in net assets. In 2017, our funded status was 122%, meaning for every dollar owed in pensions, the Plan has \$1.22 in assets.

In 1993, HOOPP was established as an independent private trust by the Ontario Hospital Association (OHA), the Canadian Union of Public Employees (CUPE), the Ontario Nurses' Association (ONA), the Ontario Public Sector Employees' Union (OPSEU) and the Service Employees International Union (SEIU) under an Agreement and Declaration of Trust for the benefit of eligible employees of participating employers.

HOOPP is a contributory, jointly sponsored, multi-employer, defined benefit pension plan, where factors such as earnings and years of service define members' benefits. HOOPP independently manages all aspects of the pension provision, not only administering the plan, but also investing member and employer contributions to ensure that pensions can be paid now and in the future.

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Once again, HOOPP is very grateful for the opportunity to share its views and comments on the FY2019-20 FSRA Priorities and Budget and looks forward to supporting FSRA to achieve a successful transition to a more principles-based regulatory authority and to fulfill its statutory objects.

Yours truly,
HEALTHCARE OF ONTARIO PENSION PLAN



David L. Miller
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