

COMMUNIQUÉ

Summer 2003

This newsletter is published by the Canadian Association of Pension Supervisory Authorities (CAPSA) to inform interested stakeholders about cross-jurisdictional developments, initiatives and ongoing policy work in the pension sector in Canada.

Formally established in 1974, CAPSA became an incorporated body in 1999. Members of CAPSA are responsible for the administration of pension regulatory legislation in jurisdictions across Canada. Associate members include senior staff from Statistics Canada, Finance Canada and Canada Customs and Revenue Agency. Nancy MacNeill Smith, Superintendent of Pensions in Nova Scotia, is the Chair of CAPSA. The Vice-Chairs are Mario Marchand, Actuaire Principal, Direction des régimes de retraite, Régie des rentes du Québec (RRQM) and Bryan Davies, CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario (FSCO).

CAPSA's mandate is to:

- promote the development of pension policy across Canada;
- promote the simplification and harmonization of pension plan regulation across Canada;

- enhance the security of the pension plan promise; and,
- improve communication between pension regulators and the pension community.

This edition of the communiqué provides an update on the mandates and activities of CAPSA committees that are currently active. Also included are updates on the Canadian Securities Administrators' straight-through-processing (STP) initiative, the revised CAPSA website, and recent staffing changes at the CAPSA Secretariat.

CAPSA COMMITTEE REPORTS

Model Law Committee and Model Law Implementation Committee

Since its creation in September 1999, the Model Law Committee, which was chaired by Gail Armitage of Alberta, has been working to develop principles that would form the basis of a Model Pension Law. The Model Law is a key initiative for CAPSA that, once drafted, can provide a reference for governments when they are considering changes to their pension legislation. The proposed principles have been reviewed by a confidential stakeholder advisory committee and are targeted for national consultations later this year.

The consultation process will be managed by the Model Law Implementation Committee that is chaired by Bryan Davies. The Implementation Committee was established to promote the work of the Model Law Committee and to explain the benefits of a harmonized regulatory framework for pensions.

Locking-In Committee

The Locking-In Committee was revived in April 2002 to develop recommendations for locking-in principles to be included in the Model Pension Law. The Committee, chaired by Nancy MacNeill Smith, is reviewing the locking-in requirements for pension plans in respect of pre and post retirement benefits, including regulatory provisions such as:

- unlocking for non-residents;
- shortened life expectancy;
- income levels from LIFs and LRIFs; and
- minimum commutation rules.

The Committee is to make its recommendations to CAPSA by spring 2004.

Funding Committee

The Funding Committee, chaired by Ellen Nygaard of Alberta, is also working to develop principles for the Model Pension Law. The Committee is scheduled to make its recommendations to CAPSA in the spring of 2004. In addition to supporting the Model Pension Law initiative, the Committee is liaising with the Canadian Institute of Actuaries' high-level task force on public policy principles of pension plan funding.

Statistics Committee

The mandate of the Statistics Committee is to:

- identify and provide the data needed to support the policy initiatives undertaken by CAPSA;
- review the Pension Plans in Canada program; and,
- seek methods for coordinating the requirements of CAPSA members in order to minimize reporting burden and enhance efficiency.

As part of its work, the Committee also provides Statistics Canada with feedback on new statistical products and is reviewing the definitions of the data collected from pension plans in Canada to ensure comparability between provincial and federal jurisdictions. The Committee is chaired by Patricia Schembari, from Statistics Canada.

Pension Plan Governance Committee

The Pension Plan Governance Committee has been working since early 2000 on the development of governance guidelines for pension plans. Following consultations on the draft guidelines in the summer of 2001, the Committee revised the guidelines and has been working with an Industry Task Force to finalize the guidelines and self-assessment questionnaire that were released this summer in draft form. The Committee will "road test" them to determine whether there is a need for additional instructions to assist pension plan administrators in implementing the guidelines. The Committee is chaired by Nurez Jiwani of the Financial Services Commission of Ontario.

Reciprocal Agreement Committee

The Reciprocal Agreement Committee, chaired by Mario Marchand, is developing recommendations for revising the Reciprocal Agreement that governs the administration and regulation of multi-jurisdictional plans across Canada. A revised agreement, which would replace the current agreement dating from 1968, would facilitate more efficient regulation of multi-jurisdictional pensions and address the deficiencies that were outlined in the July 26, 2000 Ontario Divisional Court decision on *Leco*.

Investment Policy Committee

The mandate of the Investment Policy Committee is to facilitate consistent application of the federal investment regulations that have been adopted by eight of the ten jurisdictions in Canada. On April 25, 2003, CAPSA released a consultation paper prepared by the Committee, *Investment Rules for Pension Plans: Issues Related to the Application of the 10 per cent Concentration Rule*, for a two-month comment period. Based on the comments that have been received in response to the consultation paper, the Committee will review its recommendations and finalize a proposal to the Office of the Superintendent of Financial Services (OSFI) for CAPSA approval. The Committee is chaired by Karen Bagerow-Croteau of OSFI.

Capital Accumulation Plans Committee

The Capital Accumulation Plans Committee (formerly the DC Plan Investment Disclosure Committee) has been working with the synonymous Joint Forum Committee to develop guidelines for Capital Accumulation

Plans and strategies for their implementation. On April 25, 2003 a consultation paper *Proposed Guidelines for Capital Accumulation Plans* was released for a four-month national consultation. Over the summer of 2003 the Committee is meeting with stakeholders across the country to discuss the proposed guidelines and receive feedback that will inform the finalized guidelines and the manner in which they are implemented. The Committee is chaired by Nurez Jiwani.

STRAIGHT-THROUGH-PROCESSING

CAPSA is working with the Canadian Securities Administrators (CSA) to promote awareness of straight-through-processing (STP). STP is the seamless passing of financial information electronically, on a system-to-system basis, to all parties in the end-to-end securities transaction chain without manual handling or redundant processing.

In May 2003, the CSA provided a STP readiness assessment survey to business registrants to assess the level of preparedness of the registered dealers, advisors and mutual fund dealers within Canada for STP. The CSA plans to publish the aggregate results of the survey in the fall of 2003.

For more information on the STP initiative, please visit the Ontario Securities Commission website at www.osc.gov.on.ca and the Canadian Capital Markets Association (CCMA) website at: www.ccma-acmc.ca.

NEW CAPSA WEBSITE OPERATIONAL

CAPSA is pleased to announce the launch of its revised website. The new site, which went live in April 2003, provides stakeholders with easier access to CAPSA documents and information. The site also includes a section dedicated to news from the Joint Forum of Financial Market Regulators. The website address is: www.capsa-acor.org.

SECRETARIAT UPDATE

CAPSA is pleased to announce that in March 2003, Valerie Gust joined the CAPSA Secretariat as the Administrative Coordinator and that Davin Hall received permanent appointment as the CAPSA Policy Manager. The Secretariat can be reached by phone at 416-226-7773 or by electronic mail at: capsa-acor@fsco.gov.on.ca.