

**CAPSA Consultation
on the Proposed Funding Principles
for a Model Pension Law**

Questions and Answers

What is CAPSA?

CAPSA, which stands for the Canadian Association of Pension Supervisory Authorities, is made up of pension regulators from all of the provinces except PEI and the federal Office of the Superintendent of Financial Institutions. CAPSA members regulate registered pension plans in Canada. The current Chair is Debbie Lyon, Superintendent of Pensions in Manitoba.

What is the Model Pension Law?

CAPSA is developing the Model Pension Law to serve as a model for federal and provincial governments to consider when they are making amendments to their pension legislation, thereby facilitating the harmonization of pension regulation in Canada, and creating a more workable framework for administering and regulating multi-jurisdictional pension plans.

CAPSA released a discussion paper in January 2004 entitled *Proposed Regulatory Principles for a Model Pension Law* that outlined principles that could form the basis of the Model Law.

Why is CAPSA developing the Model Pension Law?

Canadian pension professionals have long suggested that the lack of harmonized pension legislation across Canada discourages the creation and expansion of pension plans by making them unnecessarily costly and complex to administer.

Recognizing the difficulty in administering and regulating multi-jurisdictional pension plans where there are variations in the pension legislation across the jurisdictions, five years ago CAPSA embarked on the development of a Model Pension Law that could form the basis of a harmonized and simplified model pension statute.

What are the “Proposed Funding Principles” and why are they necessary?

The Proposed Funding Principles are an important component of CAPSA’s Model Pension Law initiative. They are intended to form the basis for harmonized funding rules for defined benefit pension plans that expand on the funding principles outlined in the 2004 consultations. Harmonized funding rules would contribute to the reduction of compliance costs and simplify the administration of multi-jurisdictional pension plans.

Do governments endorse the Proposed Funding Principles?

The Proposed Funding Principles have been developed by CAPSA for discussion purposes and should not be construed as the official position of any provincial or federal government or agency.

CAPSA recognizes that several governments and organizations in the pension community are currently examining the issue of pension funding and is encouraged by the attention that this important topic is receiving at this time. Due to its own consultations currently underway in Québec, the Régie des rentes du Québec is not participating in this consultation.

When will you complete the consultation on the Proposed Funding Principles?

The CAPSA Funding Committee is inviting comments from pension stakeholders across Canada until November 30, 2005.

Why are you consulting on the Proposed Funding Principles?

CAPSA is committed to an open and collaborative policy development process and considers the views of its stakeholders as essential in the development of the Proposed Funding Principles.

Is CAPSA proposing any exemptions to the Proposed Funding Principles?

The consultation paper does not propose any exemptions to the Proposed Funding Principles, however, to eventually implement the Model Law it is critical to acknowledge regional priorities, interests, and political autonomy.

What are the three additional principles for further deliberation?

When developing the Proposed Funding Principles, it was recognized that new ground might have to be broken so that pension law could be positioned to respond to the challenges of the future, anticipated pension environment.

The principles for further deliberation include the strengthening of funding rules, the requirement for pension plans to establish a funding policy, and the consideration of separate funding rules for Negotiated Contribution Defined Benefit (NCDB) plans.

What will you do with the results of your consultation on the Funding Principles?

Once the consultations close and submissions are received from stakeholders, the Funding Committee will review the feedback and report to CAPSA at its Spring 2006 meeting. Where appropriate, changes will be made to the Funding Principles.

The Proposed Funding Principles would then be incorporated into the Model Pension Law.