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March 23, 2009

Joann Cain  
Director, Pension Standards Review  
Ministry of Finance  
PO Box 9048 Stn Prov. Govt  
Victoria, BC  
V8W 9E2

Dear Ms. Cain:

**Re: Reform of Pension Standards Legislation in British Columbia**

We would like to provide input to the Ministry of Finance regarding the Report of the B.C./Alberta Joint Expert Panel on Pension Standards (the "Report") and the creation of a new pension option for British Columbians.

Advocis, The Financial Advisors Association of Canada, is Canada's oldest and largest voluntary professional membership association of financial advisors and planners. We represent life and health insurance licensees and mutual fund and securities registrants across the country. Advocis members pride themselves on the service and advice delivered to individuals and the business community, particularly small-and medium-sized companies through the provision of professional financial advice and insurance and financial service products. Retirement planning is a priority for millions of Canadians and our members work with individuals, families and businesses in achieving their financial objectives.

***Advocis Members Can Contribute a Balanced Perspective on Pension Issues***

As an association of financial advisor practitioners, our members provide retirement planning and investment advice to employees with pension plans and many of our members also establish and administer pension plans for small and medium sized businesses. Our comments, concerns and recommendations with respect to the pension system reflect a balanced perspective, one that takes into consideration the views of both pension plan recipients and pension plan sponsors.

***The Advocis Pension Task Force***

Advocis has established a Pension Task Force whose mandate is to provide public policy advice to interested stakeholders, in particular governments and pension regulators. The main objectives of the Pension Task Force are to promote a sound pension system in Canada and develop solutions to help ensure that pension plans remain sustainable from both an employer and consumer perspective, and to stimulate higher levels of plan sponsorship.

Advocis' Pension Task Force is expected to release a detailed study later this year that will identify changes to policies and regulations that would encourage small and medium sized firms to participate in defined contribution (DC) plans. The study will examine, among other things, existing barriers or impediments to establishing and maintaining pension plans which exist currently and incentives that would encourage small and medium sized employers to participate in pension plans. As noted by the Joint Expert Panel on Pension Standards, the current

incentives to set up pension plans are not sufficient on their own and governments should consider what additional incentives could be provided to facilitate achievement of the policy goal of greater pension coverage (at page 38 to 39 of the Report).

We believe that regulatory incentives to sponsors of DC plans would help promote participation and foster an equitable and sustainable private pension system in Canada. Ultimately, in the “right” regulatory environment, we believe Canadians can enjoy a healthy pension system that provides a high level of benefits to consumers at a reasonable cost to employers.

### ***Improving Pension Coverage - A New Pension Option***

Increasing participation in pension plans should be a key priority for governments and pension regulators. Advocis strongly supports consumer protection and wants to ensure that all Canadians have safe and adequate retirement savings. Our members advise clients to “participate early, invest prudently, and stay invested over the longer term”.

The BC Government has responded to the issue of inadequate access to pension plans by announcing it will develop a new pension option for those British Columbians who currently have no access to a pension plan. We note the Government’s stated intention to develop “...a privately financed, defined contribution plan that creates a viable pension option for those who want to participate. It will be available to all employers, employees and self-employed people on a voluntary basis.” The announcement by The Honourable Premier Gordon Campbell in his Economic Address of October 22, 2008 specified that contributions are to be pooled and managed under a single plan which will maximize investment earnings, lower administration costs, reduce risk and give people worry-free access to guaranteed pension entitlements.

In the Speech from the Throne on February 16, 2009, the Premier also announced that British Columbia will seek to establish the pension plan in partnership with Alberta, Saskatchewan and with private employers and that the plan should be capable of expansion across Canada. The goal is to have the plan up and running by July 1, 2010.

It is our understanding that the new pension option was inspired by the Report of the Joint Expert Panel on Pension Standards. Given what has been said publically to date, and based on the Alberta/British Columbia Pension Plan (“ABC Plan”) at Chapter 11 of the Report, we would like to make the following comments:

- A defined contribution plan cannot “guarantee pension entitlements” and the government needs to consider the costs to taxpayer of any such “guarantee”.
- There should be a National Pension Summit so that governments across the country and the federal government can consider implementing a pension strategy nation-wide so that all Canadians can have the same opportunities to save and invest and be adequately prepared for retirement.
- The design structure (including governance, administrative structure and costs) and alternatives should be determined through extensive consultation with all stakeholders. We note that the Report at page 180 suggests that the design should be subject to further study by the two governments.
- The design and cost of implementing the pension option should be considered carefully given the economic conditions all governments and citizens are facing.
- Extensive revision of the pension legislation in the two provinces using a principles-based approach, and in the manner recommended in the Report should not be delayed while the ABC Plan is implemented. To delay action on a number of other recommendations would disadvantage employers (and their employees) who have set up pension plans or

group RRSPs. In addition, implementing the other recommendations, such as simplifying and rewriting the legislation on a principles-basis, may be expected to make it possible to introduce a government sponsored plan in a more efficient and less costly manner.

- The Government should consider whether to adopt the Panel's recommendation that participation should be compulsory for employees of those employers who participate in the plan or whether consumers should have the ability to opt out if they so choose.
- Consultation is needed regarding whether funds should be transferred out only on a locked-in basis or, if consumers should be able to unlock funds in order to use those funds for other purposes such as with RRSP contributions so as to assist with the purchase of a home, or educational costs.
- Government should consider whether individuals should be permitted to transfer their funds out of the plan to another pension plan if they choose to do so in order to increase competition between the ABC Plan and other pension or retirement savings options.
- The government should work closely with financial advisors and planners so that communications about the government sponsored plan are conveyed to consumers and the full range of options are available from which consumers can make decisions.

### **Conclusion**

We believe the Government should focus more broadly on the entire retirement income system, which includes not only DC and DB pension plans but also Tax Free Savings Accounts (TFSA's), Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds, and Deferred Profit Sharing Plans, and the income tax act and regulations in order to have a more complete understanding of how to improve retirement savings for all British Columbians.

Advocis, through its thousands of financial advisor practitioners, is well positioned to provide a balanced perspective and a meaningful contribution to this initiative and to proposed changes to pension legislation. We would like to provide our knowledge and expertise in the pension field as the government continues to develop this initiative. We also believe that further consultation with a wide range of stakeholders is needed.

We would be pleased to provide you with more specific recommendations on the pension system, in particular with regard to existing barriers and possible incentives to encourage businesses to sponsor pension plans and consumers to save for their retirement once our study is released later this year.

We would appreciate an opportunity to meet with you to discuss how we could assist in developing the pension option and the other proposed recommendations in the Report.

Yours truly,



Greg Pollock  
President and CEO

Cc: The Honourable Colin Hansen, Minister of Finance