



Frank Swedlove
President and CEO

October 16, 2015

The Honourable Charles Sousa
Minister of Finance
7th Floor,
Frost Building South
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Toronto, ON M7A 1Y7

The Honourable Mitzie Hunter
Associate Minister of Finance (Ontario
Retirement Pension Plan)
6th Floor, Frost Building South
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Dear Ministers:

Facilitating Pension Evolution

I am writing on behalf of Canada's life and health insurance companies to recommend legislative amendments to the Ontario Retirement Pension Plan Act that would facilitate timely reviews of private pension plan design features for the purposes of considering comparability to the ORPP. We believe that such a process fosters innovation and outcomes that serve the best interests of Ontario workers.

Established in 1894, the Canadian Life and Health Insurance Association (CLHIA) is a voluntary non-profit association with member companies accounting for 99 per cent of Canada's life and health insurance business. In the pension sphere, life insurance companies are service providers to about two-thirds of pension plans in Canada, primarily defined contribution plans for small and medium businesses. Our members are a significant part of Ontario's economy; with almost 70 life and health insurance companies and fraternal benefit societies being headquartered in Ontario, CLHIA members employ over 65 thousand workers throughout the province and hold investments in Ontario totalling approximately \$250 billion.

Pension product design in our industry is constantly evolving. Increasingly, our members are exploring how annuitization could be employed to meet the retirement income needs of Defined Contribution (and, in the future, Pooled Registered Pension Plan) plan members. Among the measures being considered is the gradual conversion, over a fixed number of years prior to retirement of accumulated savings to guaranteed payout annuities. This would increase income certainty while also mitigating the market interest rate risk that members might otherwise face at the moment of retirement.

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We believe that new design features that address the lack of retirement income certainty within existing or new DC or PRPP plans will provide a clear benefit to plan members. Whether these be "laddered annuities" as described above, or other approaches not yet fully realized, it is important that innovation in this area be encouraged and fostered.

The parameters set for "comparable plans" for the purposes of the ORPP build in a significant contribution premium because of the lack of certainty regarding retirement income. Emerging product designs create an opportunity to offset some of this premium.

Therefore, we need a mechanism that allows for a timely review of new products or new design features of existing products to be assessed for ORPP comparability.

Officials have suggested that ORPP legislation will be subject to periodic review, perhaps every 7 to 10 years, and that enhanced plan designs could be considered at that time. We believe this would be inadequate. It doesn't allow for prompt review and implementation and, in fact, may serve to discourage innovation.

We believe that the ORPP Act should incorporate a continuous, independent review process to assess comparability of new pension plan designs in an efficient, timely manner.

We are available to meet with you and your staff to discuss this important matter further.

Yours sincerely,

Original signed by

Frank Swedlove