



Office of the Superintendent of  
Financial Institutions Canada

Bureau du surintendant des  
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# Challenges and Opportunities: A Regulator's Perspective

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# Challenges

- **Plans continue to experience some challenges with funded ratios**
  - Good news: majority of plans continue to meet minimum funding requirements
- **OSFI's watch list largely unchanged over the last year reflecting continued concerns with financial health of plans and of some industries in general**
- **Difficult to predict future state as no discernible trends in interest rates (back to December/05 levels)**

# Challenges

- **More litigious environment**
  - More difficult, complex questions to answer
  - Timelines for transactions increases
  - Causes regulator to reassess policies and practices against judicial developments
  - Means more resources devoted to review and assessment of judicial decisions and impact on operational policies
- **Introduction of new CV standards**
- **Proposed Accounting Changes**

# Challenges

## What has been the response

- **Limited number of plans seeking benefit reductions**
  - Typically limited to NCDB plans
  - Reductions range from 4% to 11%
  - Continued challenges may cause the termination of some plans
- **Some healthy plan sponsors seeking relief from DB obligations**
- **Increase in requests for innovative approaches to funding**
- **Closure of some DB plans**
- **Plan termination**
- **Important to note: Majority of plans continue to meet requirements**

# Opportunities

- **For the Regulator:**
  - Increased focus on clarifying policies/guidelines
  - Ensure that approach reflects current environment and consistent with legislative framework
  - Greater understanding of risk – application of more “sophisticated” tools
  - System “failures” emphasize the importance of solvency funding



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# Opportunities

- **For the plan administrators/sponsors**
  - More focus on the pension plan business
  - Need for greater understanding of risk and techniques to manage risk
  - Integrated view of both sides of the balance sheet
  - Forces an assessment of the right operating model for an organization
  - More opportunity to “weigh in” on the public debate on pensions
  - Caution
    - Avoid highlighting just the flaw
    - Find win-win solutions
    - Step outside of your corner



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# Process for Reform

- **Good News: Number of new initiatives**
  - Federal: 10 year funding Relief
  - Quebec: solvency funding relief, LoCs
  - Alberta, New Brunswick: varying forms of relief
  - Ontario: Panel of Experts
- **Concern expressed that different jurisdictions implementing varying solutions to same problem**
- **What's Next?**