

Pensions Forum 2022

Defined Contribution Plans:
Improving Retirement Outcomes
for British Columbians

October 13, 2022



Territorial Acknowledgment

We acknowledge we are on the traditional and unceded territories of the Musqueam, Squamish and Tsleil-Waututh Nations.

Opening Remarks

Saskia Tolsma, *Vice President of Stakeholder Engagement,*
BCFSA

Pensions Forum 2022

October 13, 2022

BCFSA BC Financial
Services Authority

Classification: Public



Housekeeping

BCFSA

Agenda

1. Opening Remarks
 - Highlights from BCFSA
 - BCFSA's Supervisory Framework and Approach to Emerging Risks in Pensions
2. Panel 1: Designing an Effective Investment Strategy for Defined Contribution Plans
3. Panel 2: Decumulation Options – Plan Design Considerations
4. Panel 3: Member Communication and Education Strategy
5. Closing Remarks

Highlights from BCFSA

Blair Morrison, *CEO and Superintendent of Pensions, BCFSA*

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Becoming the Integrated Regulator for the Financial Services Sector

CROWN TRANSITION PROJECT

BCFSA begins transition from FICOM to operate as the province's new regulator of pension plans, credit unions, insurance and trust companies, and mortgage brokers

ONEFSR PROJECT

The integration of the Real Estate Council of BC and the Office of the Superintendent of Real Estate into BCFSA



November 1, 2019

November 12, 2019

November 2020 – August 2021

August 1, 2021

INTEGRATION ANNOUNCEMENT

Minister of Finance Carol James announces the Province's intention to move towards a single regulator model for the financial services sector

INTEGRATION COMPLETE

BCFSA becomes the regulator for the financial services sector

About BCFSA

- The Integrated Regulator of B.C.'s Financial Services Sector
- Approx. 350 Team Members (Vancouver and Victoria)
- Budget of approx. \$60 Million

AREAS OF REGULATION

- Credit Unions
- Insurance Companies
- Trust Companies
- Pension Plans
- Mortgage Brokers
- Real Estate Services

BCFSA is also accountable for administering the Credit Union Deposit Insurance Corporation of BC ("CUDIC")

A Modern, Effective, and Efficient Regulator

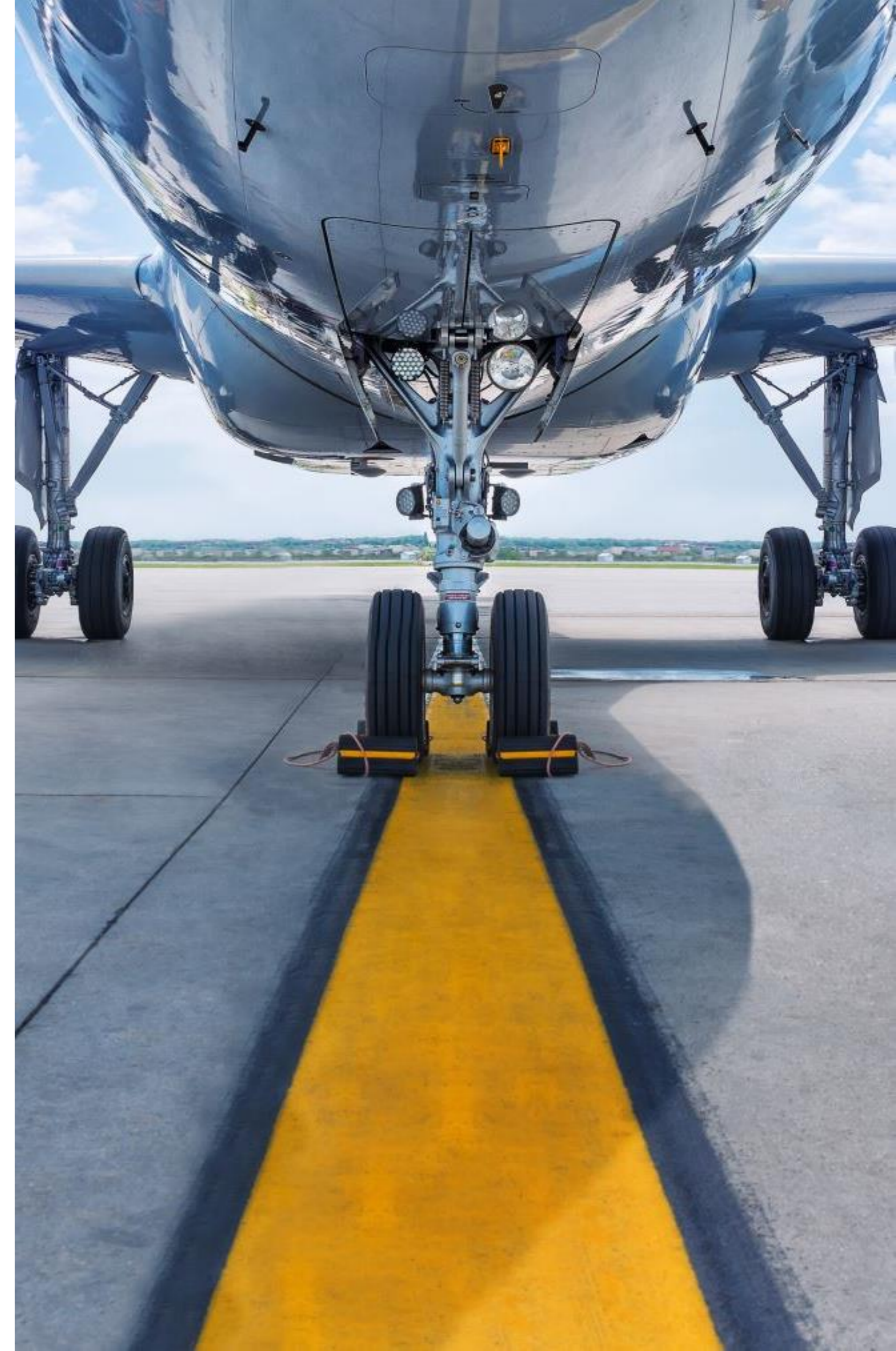
- By centralizing expertise within one organization, BCFSA is positioned to provide strengthened consumer protection as a **modern, effective, and efficient** financial services regulator
- BCFSA is focused on innovation and enhanced information sharing
- BCFSA is committed to purposeful and proactive engagement with regulated entities, sector stakeholders, and the public
- More advanced business processes, investigations, and enforcements will simplify BCFSA's accountabilities and enhance regulatory oversight
- Moving from reactive, deterrence and penalties-based, to proactive, risk-based regulation
- BCFSA is better positioned to achieve its mandate and oversee a rapidly changing financial services sector

BCFSA's Goals and Objectives

- BCFSA's first [Service Plan for fiscal 2022/23 -2024/25](#) as an integrated organization was released in February 2022.
- BCFSA released its [2022/23 Regulatory Roadmap](#), which lays out BCFSA's regulatory priorities for the next three fiscal years, in May 2022
- The plan sets the **goals and objectives** that BCFSA has committed to Government to achieve.

Including:

- Safeguarding the integrity of the financial services sector
- Enhancing public protection
- Instilling confidence in the marketplace.



Drivers of change in financial services

Digitalization / information security

- On September 30th two guidelines came into effect for all BC Regulated Financial Institutions which enhance resiliency:
 - Information Security Guideline
 - Outsourcing Guideline

Natural catastrophe and climate risk

- Upcoming consultation paper on BCFSA direction.

Data

- Streamlining the collection and analysis of data via the newly implemented IRIS system in order to quickly identify and respond to trends in the industry



**Thank
You**

BCFSA's Supervisory Framework and Approach to Emerging Risks in Pensions

Chris Elgar, *Senior Vice President, Supervision, BCFSA*

Registered Pension Plans in British Columbia at December 31, 2021

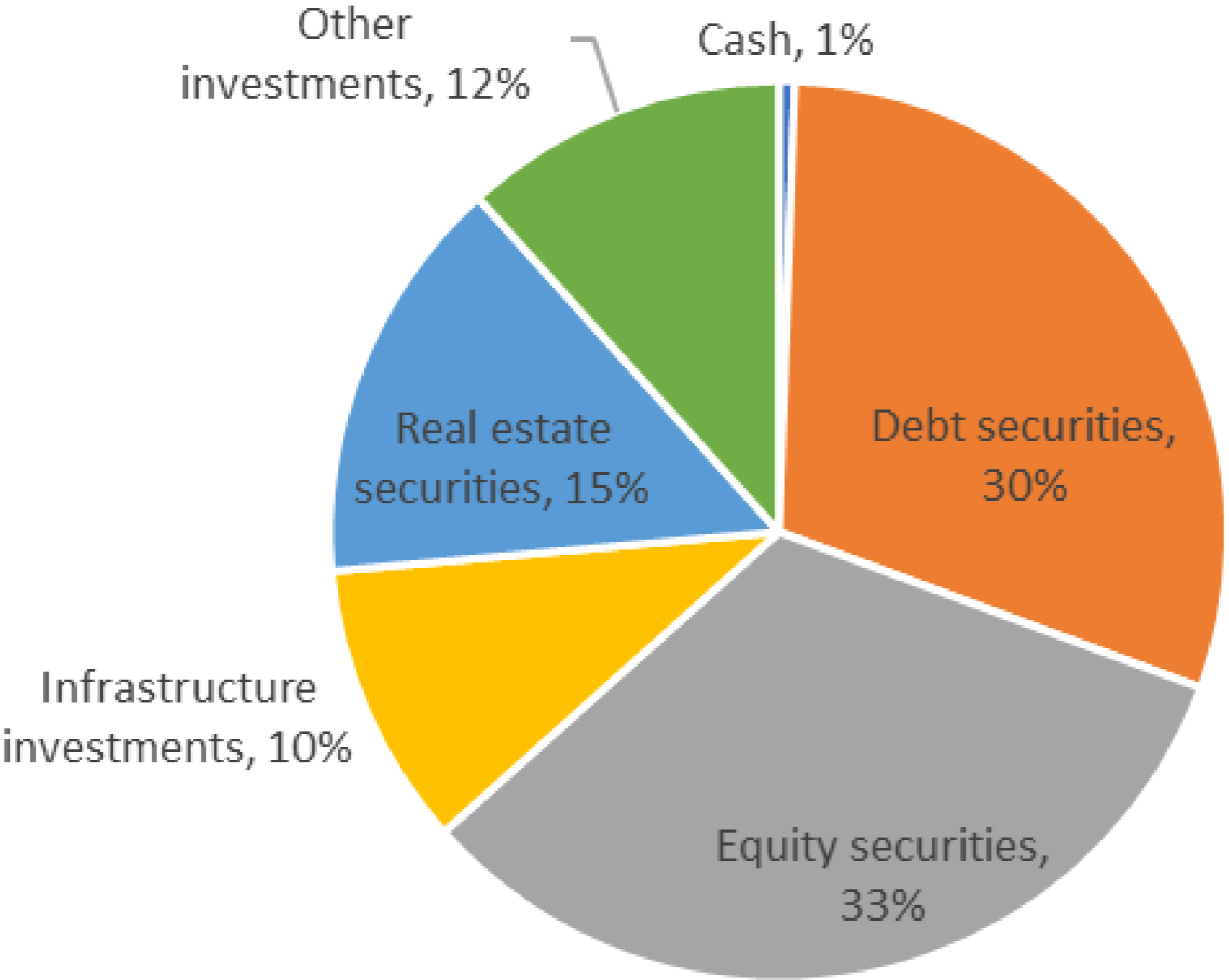
Assets and Membership



There are 636 registered plans in BC with asset size of \$212.2B (covering 1.2M members)



Aggregate Asset Allocation, as at December 31, 2021

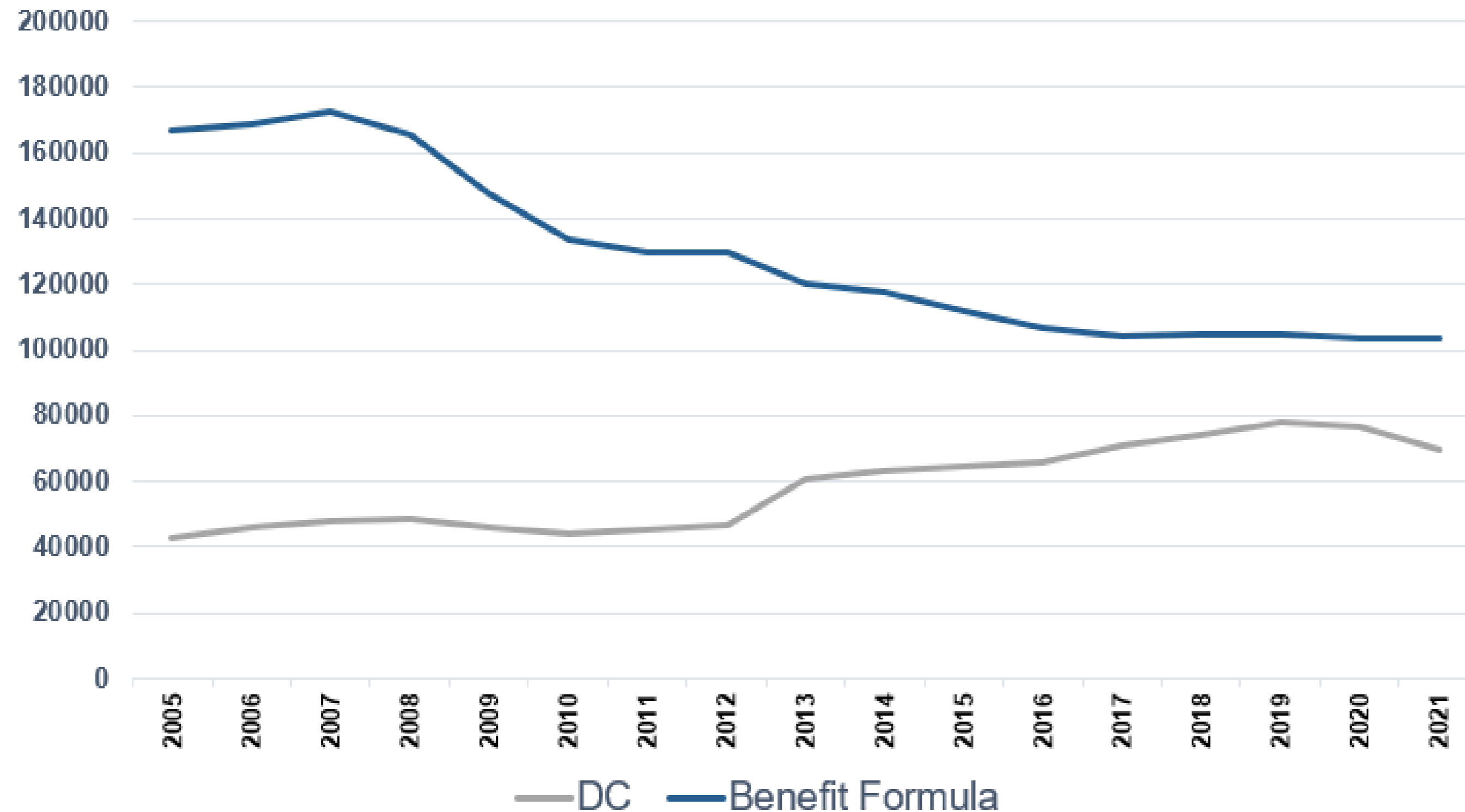


Observations

- Assets increased from \$148.7B in 2017 to \$212.2B in 2021.
- “Infrastructure” increased from \$13.8B in 2017 to \$20.5B in 2021.
- “Other Investments” increased from \$9.5B in 2017 to \$23.5B in 2021.

Emerging Trends in Pensions

Number of Active Members in Private Sector Plans



Regulatory Priorities in Pensions

- Providing risk-based and proportional supervision of pension plans
- Supporting industry to promote best practices by issuing guidelines
- Supporting and recommending legislative changes, as warranted
- Enhancing the efficiency and timeliness of compliance and data collection
- Working collaboratively with external stakeholders to share insights on current or emerging risks.



Reform to Provision for Adverse Deviation

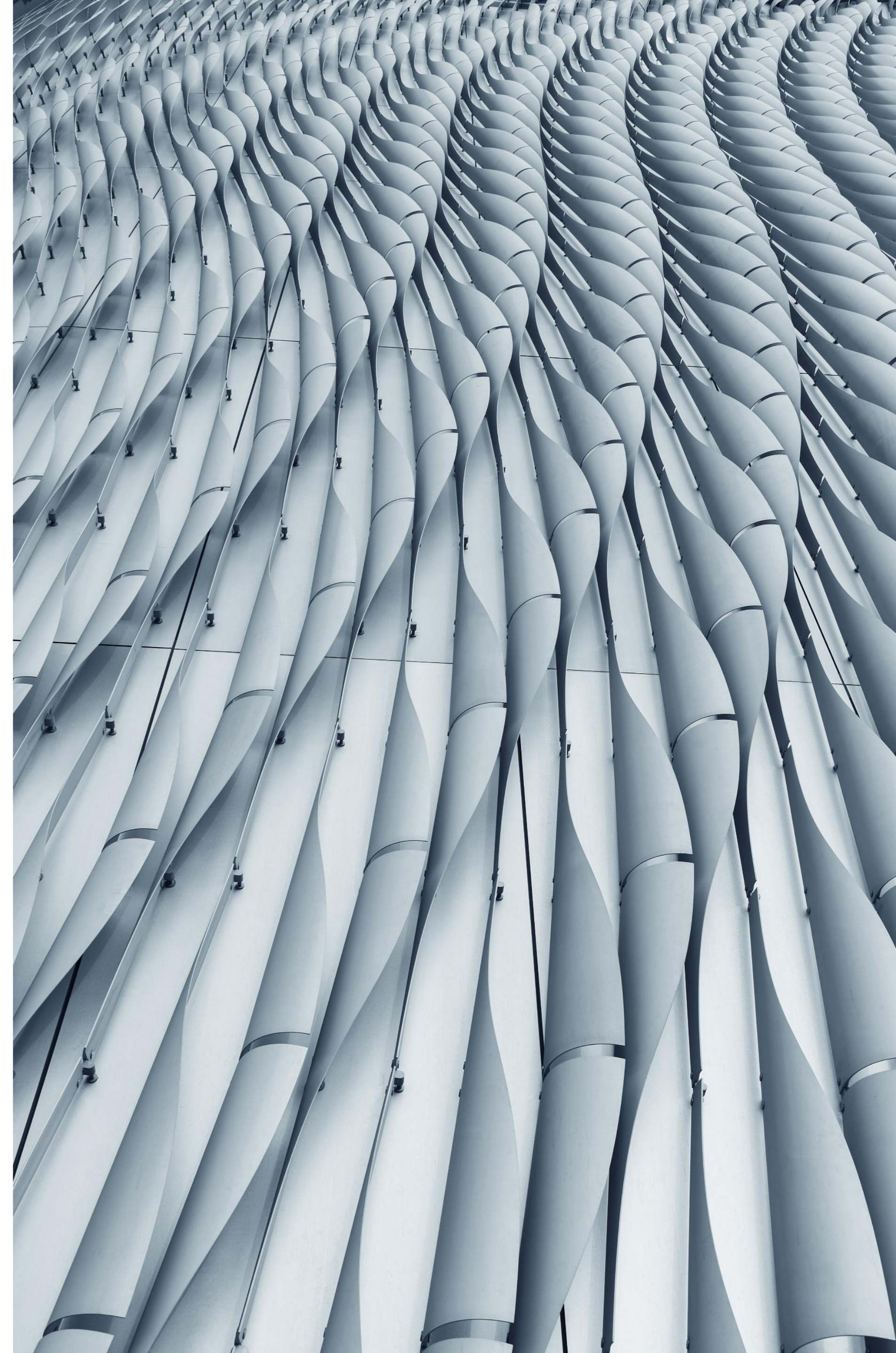
- BCFSA-led Working Group recommended changes to the prescribed definition of Provision for Adverse Deviation ("PfAD").
- Changes made to address concerns about the size and volatility of the PfAD
- See Pension [Advisory 22-040](#) for more information.



Supervisory Framework

BCFSA's Supervisory Framework

- Published the [Supervisory Framework](#) in September 2021
- Key Principles
 - Focus on material risk
 - Forward-looking, early intervention
 - Proportionality
 - Sound Predictive Judgement
 - Risk Management
 - Dynamic adjustment
- Updated version of the Risk-Based Supervision Framework for Pension Plans to be published



BCFSA's Supervisory Framework

- BCFSA's formalized RBS process has primarily focused on benefit formula plans
- Scope of our review process include four areas:

Funding

Governance

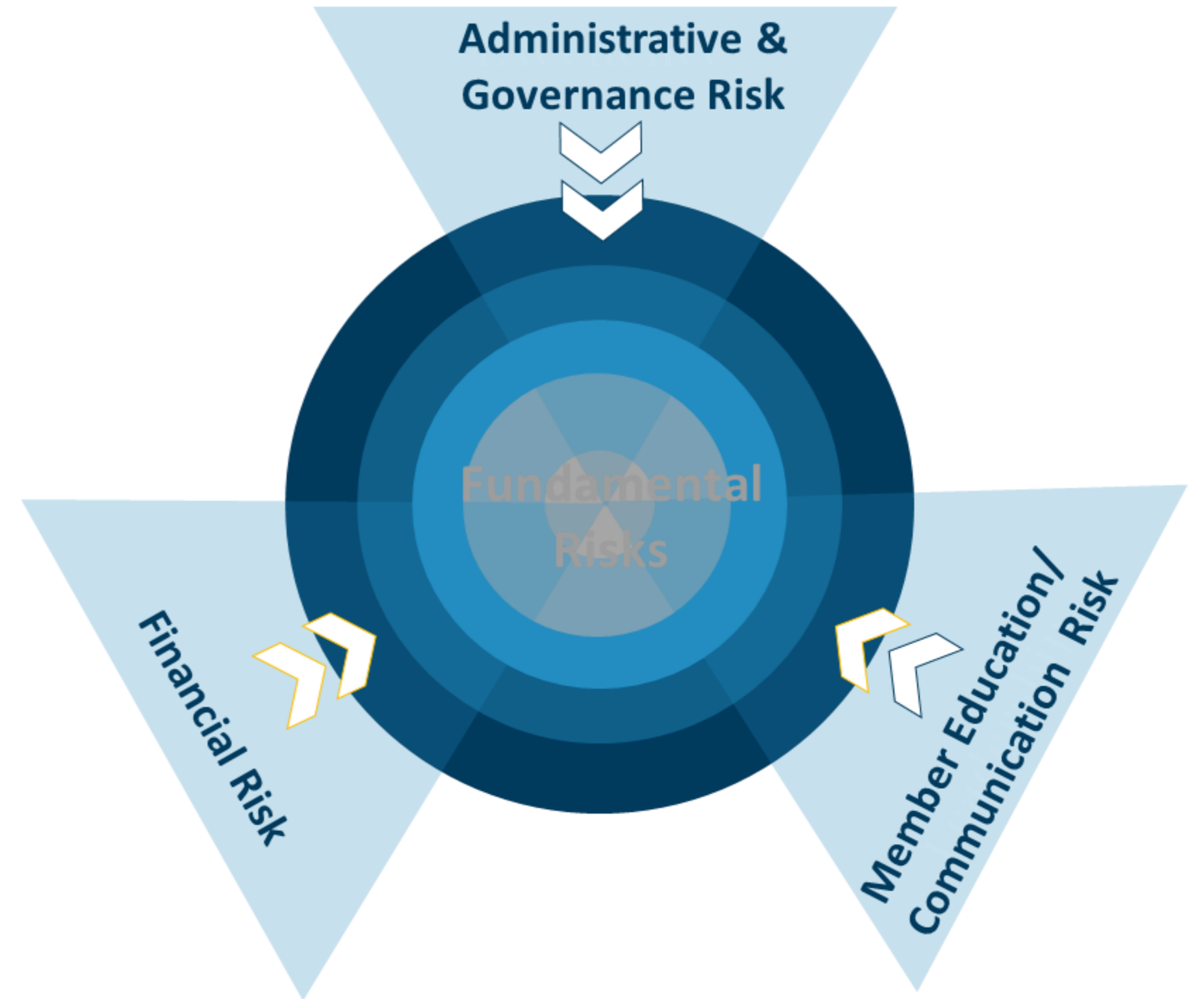
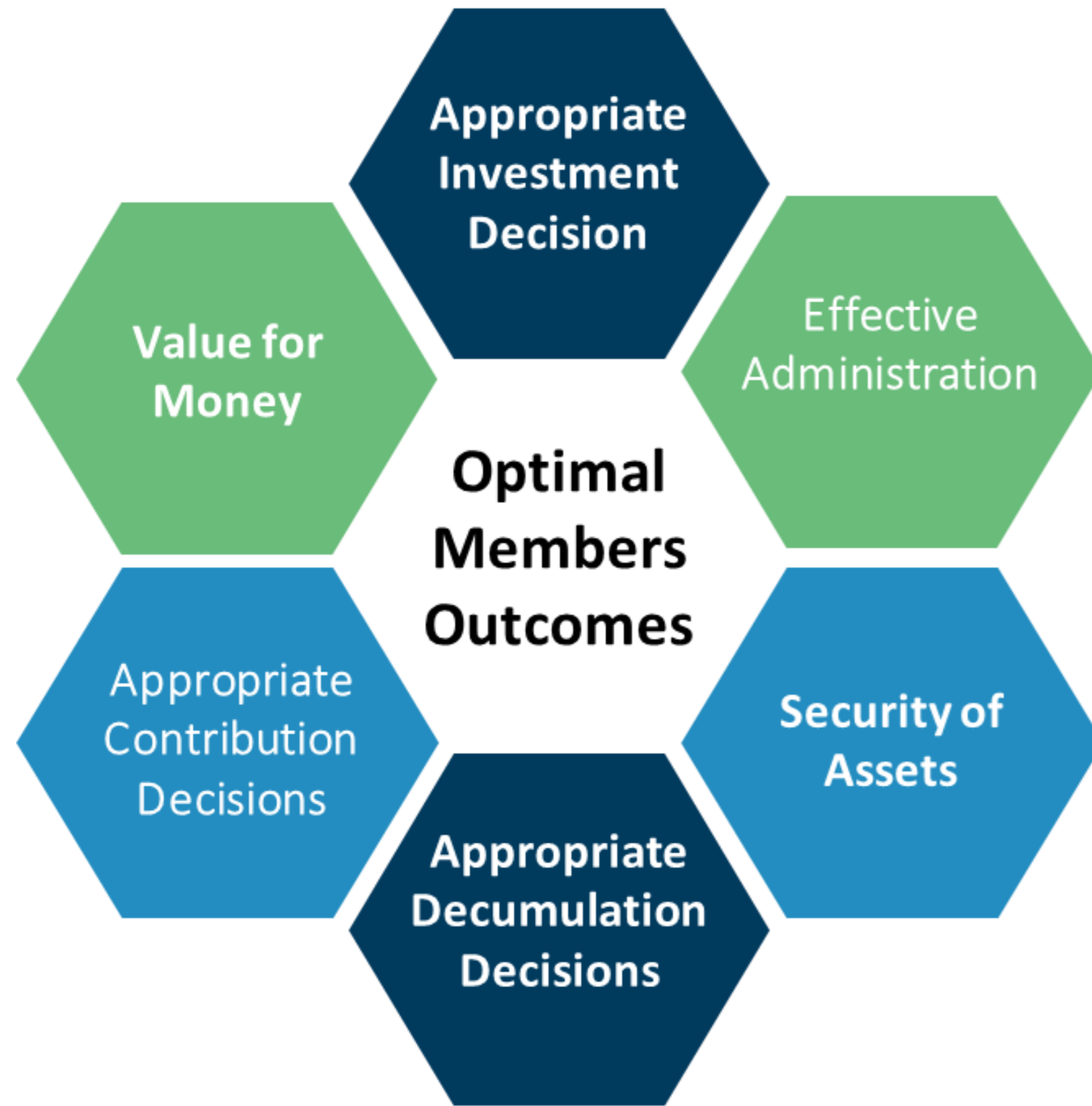
Investment

Sponsor

- We are currently developing the supervisory framework for defined contribution plans

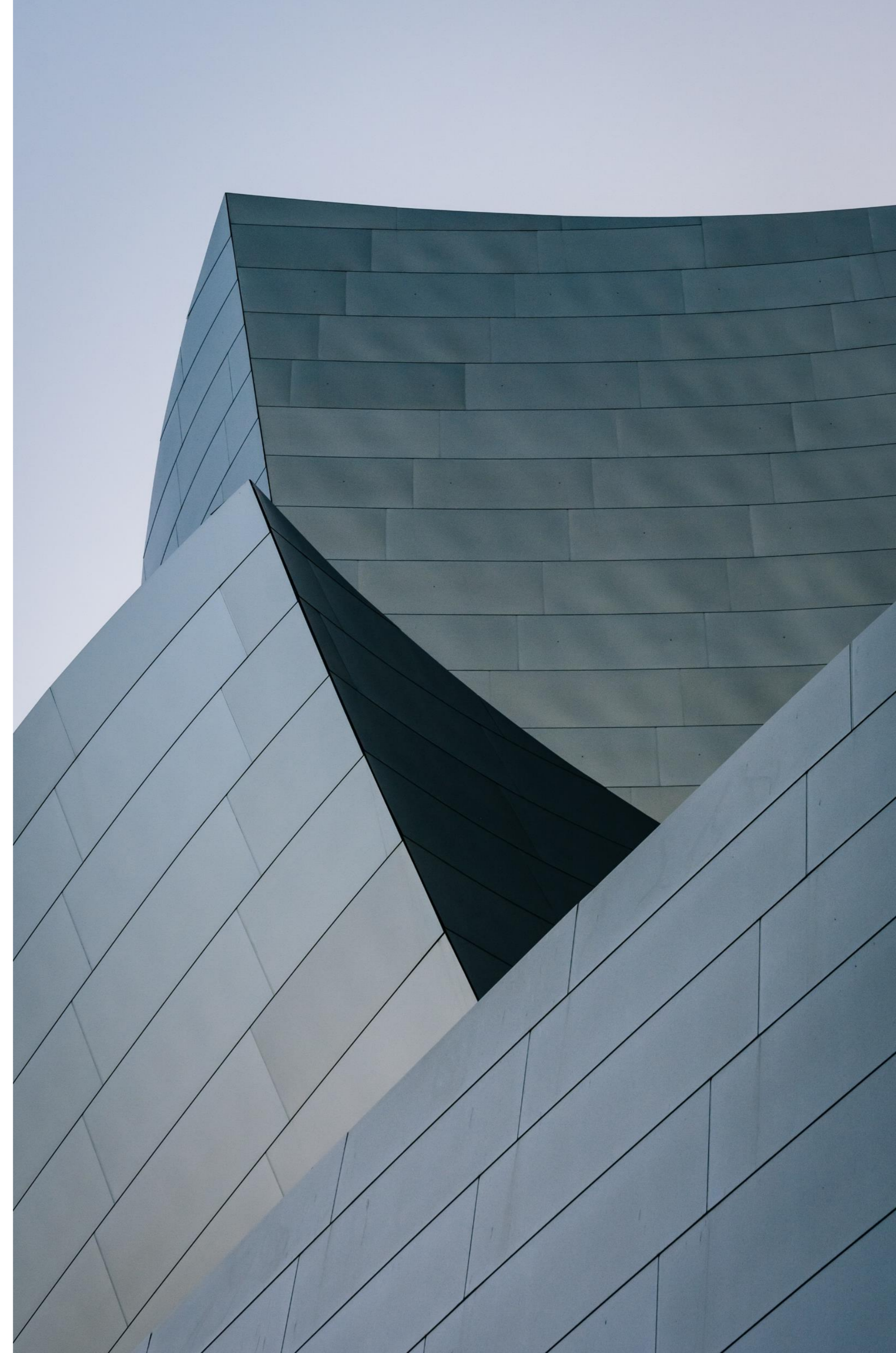


Overview of Supervisory Framework for DC Plans



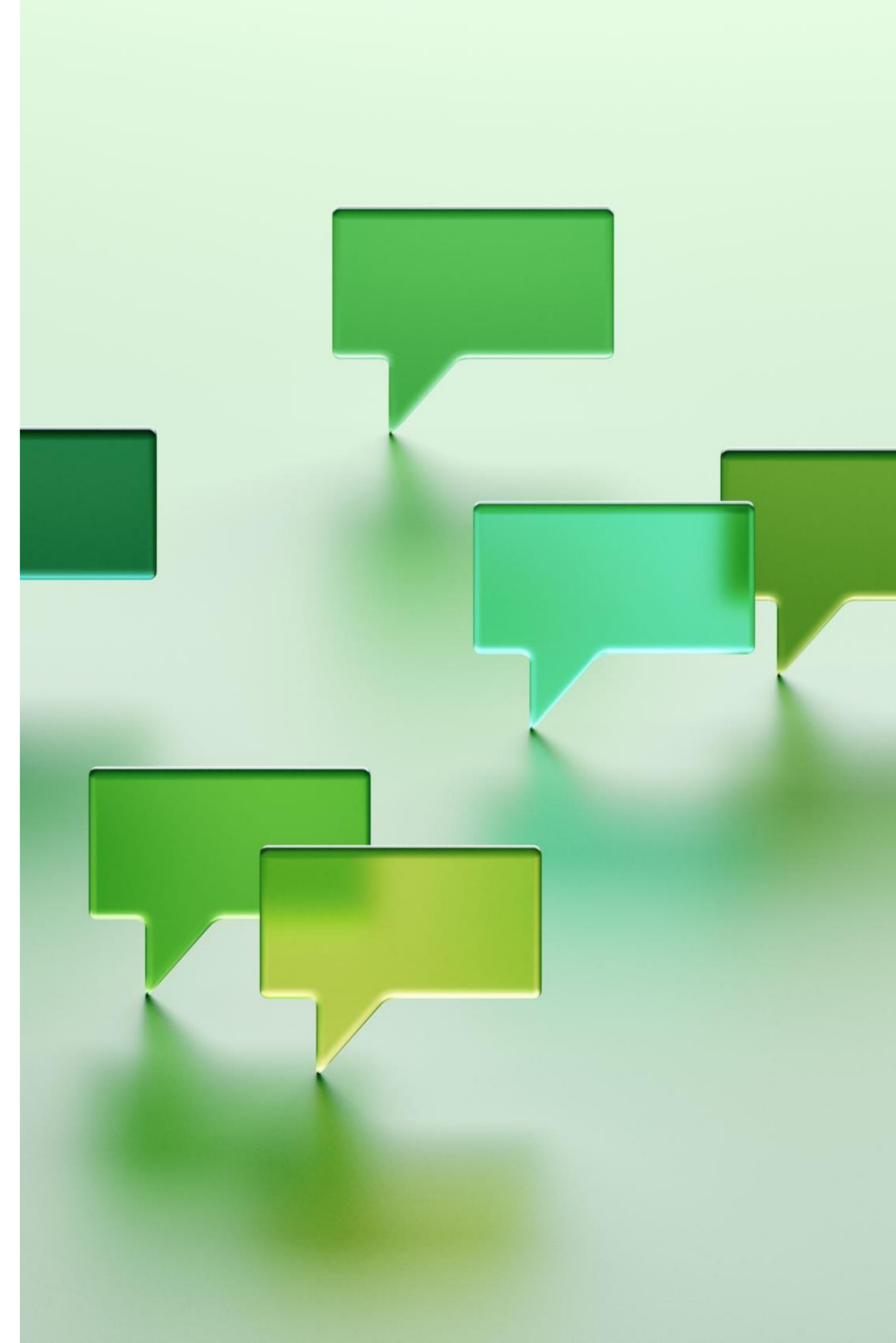
Survey of DC Plan Administrators

- Conducted a survey in Fall 2021
 - To establish a baseline understanding of BC's DC plans
 - Focused on how plan manages the fundamental risks and stipulates the optimal members outcomes
- [Survey results](#) are posted on our website
- Overall, many DC plans would benefit from
 - Enhanced governance; and
 - Improvement in monitoring both members' outcomes and administrative functions, including member education strategies.



Stakeholder Engagement

- We're listening to industry and collaborating with other jurisdictions
 - Alignment with OSFI / FSRA Technical Advisory Committee (TAC) outcomes
- Participation in CAPSA Working Groups:
 - Guidelines for Capital Accumulation Plans
 - Decumulation
 - Leverage
 - Cybersecurity
 - Climate Risk
 - Risk Management Guideline



What's Coming and What it Means

- Continue to engage with industry and other Regulatory stakeholders to respond to the evolving environment
- Continue to develop guidelines and provide pension resources to our stakeholders
- Information will be available on [BCFSA's website](#)



**Thank
You**