



**Saskatchewan Financial
Services Commission**
Pensions Division

Fee Review Discussion Paper

Purpose of Discussion Paper

The Saskatchewan Financial Services Commission (SFSC) is responsible for the administration of *The Pension Benefits Act, 1992* (the Act) and *The Pension Benefits Regulations, 1993* (the Regulations). The Pensions Division of the SFSC undertakes certain regulatory and supervisory activities with respect to the pension plans that are registered under the Act. Many of the activities, such as registering new plans and amendments to plans, are required under the Act. Other activities, such as policy development and on-site pension plan examinations, are undertaken to decrease plan member risk or to respond to economic events.

SFSC collects fees at the time of registration of a new plan, and then on a yearly basis. The intent of the fee is to recover the costs incurred by the Pensions Division in undertaking its regulatory and supervisory activities.

The fees, last increased in 1990, currently cover only about half of the costs incurred by the Pensions Division in undertaking its supervisory and regulatory duties. SFSC is recommending that government increase the fee schedule effective January 1, 2012.

This Discussion Paper will detail the recommended new fee schedule, and outline the principles upon which the schedule was developed. The SFSC is interested in receiving your response to the questions outlined at the end of the Discussion Paper.

Current Fee Schedule

The current fee for filing an annual information return or filing an application for registration is \$5 for each active plan member, subject to a minimum fee of \$100 and a maximum fee of \$5,000 for each filing. There is no fee for former plan members, which includes pensioners, inactive members and deferred members.

Proposed Fee Schedule

It is recommended that, effective January 1, 2012, the fee for filing an annual information return or filing an application for registration be increased to \$7 for each active plan member, \$3.50 for each former plan member (includes pensioners, inactive members, deferred members), subject to a minimum fee of \$150 and a maximum fee of \$15,000 for each filing.

Principle Statement

In addition to operating on a cost recovery basis, SFSC endeavours to encourage the establishment of new pension plans and the continuation of current pension plans.

To encourage the registration of new plans, SFSC seeks to keep the minimum and maximum thresholds affordable and comparable to other pension regulatory authorities.

To ensure that pension plans are maintained, SFSC seeks to keep the fee structure fair, stable, and simple to administer.

Key Principles

1. Cost Recovery

Fees should, in the long term, recover the costs of regulation and supervision. SFSC incurs costs for staffing and operations. These costs are allocated to each pension plan based on size of plan membership, subject to minimum and maximum thresholds.

2. Affordable and Comparable

SFSC proposes to continue to use both a minimum and a maximum threshold in determining the amount of fees to be collected for each pension plan. There is a minimum amount of regulatory costs associated with the supervision of a plan. For example, it generally takes the same amount of time to review an annual information return for a plan with 5 members as it does for a plan with 50 members. The minimum threshold helps to ensure that the amount of regulatory effort typically required to supervise a smaller pension plan is recognized. Large plans, by nature, typically require significantly more supervision than a smaller plan. However, there is a point where these regulatory costs do not continue to rise in relationship to the size of the plan. A maximum threshold helps to ensure that the fee structure reflects this concept.

SFSC seeks to keep the minimum threshold affordable and reasonable for small plans. The proposed minimum threshold of \$150 is below the regulatory costs associated with the average small plan.

SFSC seeks to keep the maximum threshold affordable and reasonable for large plans. The proposed maximum threshold of \$15,000 allows for the average large plan to benefit from economies of scale. For example, under the proposed fee schedule, the average cost per member is \$1.87 per year for a large plan paying the \$15,000 maximum fee.

Saskatchewan currently has the lowest fee structure across all pension regulatory jurisdictions. Below is a summary of the fee structures of comparable jurisdictions¹.

Jurisdiction	Min. Fee	Max. Fee	Formula	Other Fees²
Saskatchewan – Current	\$100	\$5,000	\$5 per active member	No
Saskatchewan – Proposed	\$150	\$15,000	\$7 per active member; \$3.50 per former member	No
Manitoba	\$100	\$15,000	\$6 per active member	No
Nova Scotia	\$104.96	\$7,871.78	\$5.25 per active member	Yes
New Brunswick	\$100	\$10,000	\$5 per active member	Yes
Nfld & Lab.	\$150	\$7,500	\$7.50 per active member	Yes
Alberta	\$200	\$20,000	\$7.00 per active member	Yes
British Columbia	\$200	\$75,000	\$6.15 per active member; \$4.50 per former member	No

The proposed fee schedule remains comparable to that of other jurisdictions and helps to address the principle of cost recovery and fairness.

3. Fair, Stable and Simple

The fee schedule should allocate costs across all types of plans in a fair and equitable manner. The allocation should take into consideration the size of the plan and the maturity of the plan, including the different types of plan membership.

The fee schedule should balance regulatory costs across the different maturities of pension plans. Currently, fees are collected only for active members of the plan. However, regulatory costs are incurred for mature plans in the same manner that they are incurred for young plans. As plans mature under the current fee schedule, the fees paid by the plan sponsor will reduce over time despite the fact that many plan members remain in the plan as other types of members (i.e. pensioners). It is noted that several jurisdictions recognize this need to balance the costs across all membership types and have moved to a fee structure that is based on active members, former members and pensioners.

The fee schedule should provide for stable and predictable revenues for SFSC and stable and predictable expenses for plan sponsors. To address this principle, it is proposed that the fee schedule remain fixed for a number of years. Over time, the fees collected will no longer meet the cost recovery principle. Therefore, SFSC feels

¹ Comparable jurisdictions are those which supervise a similar number of plans or a similar number of plan participants, as compared to SFSC.

² Other fees or penalties charged include late filing penalties, photocopying fees, research fees, fees for filing an amendment or a termination report, etc.

that it is appropriate for the fee schedule to be periodically reviewed. Other methods of assessing fees would build in long-term cost recovery. For example, the fee could automatically increase by a certain percentage each year, or fees could be charged for each regulatory activity performed. However, it is felt that these methods would not meet the principle of stability and simplicity.

Background

With a few exceptions, the Act regulates employer-sponsored pension plans with Saskatchewan workers as members. The legislation was established in order to protect benefit entitlements. Standards were established with respect to the structure and administration of pension plans, as well as to the investment and ongoing funding of plans. SFSC identifies and manages risks and problems, while allowing the market to develop to meet the retirement needs of Saskatchewan workers and the labour needs of employers.

The Act provides the Lieutenant Governor in council the authority to make regulations requiring fees to be paid for the filing of returns, applications for registration and any other purpose and prescribing the amounts of those fees. The Regulations set the fee schedule for the Pensions Division of the SFSC.

Questions

We are interested in receiving your comments. Topics you may want to comment on include:

1. Are the principles fair, reasonable and appropriate?
2. Do you agree that the proposed fee schedule is in keeping with the principles?
3. Do you believe that the proposed fee schedule will hinder the registration of new pension plans in Saskatchewan?
4. Do you believe that the proposed fee schedule will cause pension plans registered in Saskatchewan to terminate?

Your comments may be disclosed to others who have provided feedback, or any other interested parties, during and after the consultation process. Your personal information will not be disclosed without your express written consent; however, the identity of an organization may be made public in connection with its submission or comments. *The Freedom of Information and Protection of Privacy Act* of Saskatchewan will apply to any submission received by our office.

We look forward to receiving your comments by **June 30, 2011**.

Please email your response to Leah Fichter, Director, Pensions Division, Saskatchewan Financial Services Commission at leah.fichter@gov.sk.ca.

Alternatively, comments can be mailed or faxed to:

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