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PENSION REGULATORY ENVIRONMENT— CANADA

Moderator: FREDERICK J. THOMPSON. Panelists: H. DOUGLAS LEE, JOHN C. MAYNARD. Recorder: DARRYL E. LEACH

o Are regulators impeding development?

o What should actuaries be doing?

o What should plan sponsors be doing?

MR. FREDERICK J. THOMPSON: our panelists today, in no apparent order, are Jock Maynard, who is the Chairman of the Ontario Pension Commission, Doug Lee who is a consulting actuary in Toronto and Darryl Leach who is going to do the dual role of recorder and he will also be allowed to make comments as a panelist. This seems fitting because not only does he wear the ribbon of the fellow but he is also a new associate from the same sitting. We are going to ask Jock to give us a very brief review of the Ontario Pension Commission's role. I thought this would be appropriate, inasmuch as most of us are familiar with what consulting actuaries do, and probably work with plan sponsors to some extent, but we may have little understanding of what the regulators are doing so we'll give Jock the chance to make some prepared remarks and then we'll start our discussion. I have a few questions to keep things going but, hopefully everything will flow by itself and the audience will participate along with the panelists.

MR. JOHN C. MAYNARD: I have an outline of the main features of regulation of private pensions here in Ontario. I am going to run through this briefly with the hope that it will set the stage for what is going on in the field of regulation and lead to some useful discussion of the roles that various people play in connection with it.

In 1982 there were 15,200 employer sponsored pension plans with 4,658,000 members in Canada. Of these, 8,000 plans with 1,794,000 members were registered in the Province of Ontario.

The plans in Ontario are supervised by the Ontario Pension Commission under the terms of the Ontario Pension Benefits Act and its regulations.

This outline of the system of supervision includes, history, functions and principles.

History

Employer contributions to registered pension plans have been deductible from taxable income in Canada since 1917, employee contributions since 1919. Federal requirements for tax purposes began in 1947. These requirements were an indirect form of regulation and included for the first time in North America a rule for minimum vesting of employer contributions at age 50 and 20 years of service.

During the 1950s the authority of the federal government to regulate pensions was questioned on constitutional grounds. It was held that pensions were a form of "property and civil rights" and that authority rested with the provinces. This led to the withdrawal, in 1959, of those federal requirements which were regarded as regulatory.

The Ontario government then authorized studies which culminated in the "Second Report of the Ontario Committee on Portable Pensions" in 1961. A highlight of the report was its emphasis on the need to keep pensions in effect for persons who terminated before retirement.

Ontario was the first province to enact pension benefits legislation. The Ontario Pension Benefits Act, with Regulations, was passed in 1963 with an effective date of January the first, 1965. It has been extended and amended since that time.

The jurisdiction of a province is over the benefits of an employee arising from service in that province. However, pensions for federal employees and employees in organizations subject to federal legislation, such as banks, are governed by federal legislation as are benefits earned in the Northwest Territories and Yukon.

There are, therefore, 11 jurisdictions in Canada, corresponding to the 10 provinces and the federal government. Legislation was enacted between 1966 and 1969, in Alberta, Saskatchewan, Quebec and the federal Department of Insurance; in 1976 in Manitoba and in 1977 in Nova Scotia. In addition to these jurisdictions, the federal government continues to influence pension plans through its requirements for the deduction of contributions from taxable income.

The importance of uniformity in legislation has been clearly understood, and for many years any differences in statutory requirements for vesting, solvency, investment and disclosure, were minor. In the past few years some differences have arisen.

In the recent past there have been several studies of pension plans and much public discussion of changes in legislation. In June 1984 a meeting of provincial ministers was held which had the objective of arriving at a consensus on the changes in legislation which were needed. A good deal of progress was made at this meeting and there will be another meeting in December 1984. There is a good prospect that changes in legislation will be introduced and enacted in 1985.

Structure and Principles in Ontario

The Pension Commission of Ontario is given the authority to "promote the establishment, extension and improvement of pension plans throughout Ontario". The Commission consists of 5 to 9 appointed members. Members are appointed from persons with varying backgrounds and have usually included 2 or 3 actuaries. There is a full time staff of 30, including the Superintendent of Pensions.

Pension plans are registered, and ongoing plans continue to be registered, if they meet certain requirements in certain areas:

1. Plan Provisions
2. Investments
3. Funding and Solvency
4. Reporting
5. Disclosure
6. Pension Benefits Guarantee Fund

There are also requirements in the event of special situations such as acquisitions and mergers and special types of plans such as multi-employer plans.

The main features of the requirements are summarized in the following sections of this outline.

Plan Provisions

On termination of employment an employee is entitled to a deferred annuity commencing at normal retirement age, providing he has attained age 45 and has ten years of service.

Benefits must accrue gradually and may not vary at the discretion of the employer.

After termination the locked-in member may not commute the deferred annuity (except for partial amounts which are defined) and he may not withdraw contributions.

The benefits may not be alienated or forfeited.

The plan is committed to funding obligations and to follow the regulations on investments.

Investments

Investments are limited, in general, to those permitted under the Canadian and British Insurance Companies Act and the Loan Companies Act. These Acts permit a wide range of investments, including bonds, mortgages, preferred and common stocks, and real estate held for the production of income. If the investments are issued by non governmental bodies, there are tests of adequacy of the underlying security and of the supporting income.
A basket clause permits investments not otherwise authorized

(i) for real estate investments - up to 7% of the pension fund

(ii) for other than real estate investments - up to 7% of the fund

Checks are made periodically that investments of a plan do conform.

Funding and Solvency

Reports are required to be filed;

- when the plan is established;

- when the benefits under the plan are amended and it affects contributions or creates or changes an initial unfunded liability;

- not more than 3 years since the previous report.

Reports shall be made by an actuary unless the plan is a money purchase plan or is underwritten by an insurance company with benefits to individuals being guaranteed.

Reports on the establishment of a plan shall certify;

- the cost of benefits in respect of service during the first year and the rule for computing such costs in subsequent years up to the date of the next report;
- the initial unfunded liability;
- the special payments required to liquidate this unfunded liability over a term not exceeding 15 years.

Reports on triennial dates or on dates of amendment to the plan shall certify;

- the cost of benefits in respect of service during the next year and the rule for computing such costs in subsequent years up to the date of the next report;
- the gain or experience deficiency arising since the last report and where there is an experience deficiency, the special payments that will liquidate it over a term not exceeding 5 years;
- the gain or initial unfunded liability resulting from a change in actuarial methods or assumptions,and where there is an initial unfunded liability, the special payments that will liquidate it over a term not exceeding 15 years;
- the initial unfunded liability resulting from an amendment and the special payments which will liquidate it over a term not exceeding 15 years.

Reports shall be prepared using assumptions that are appropriate and methods that are consistent with sound principles established by precedents or common usage within the actuarial profession. When the Commission is not satisfied that a report has been prepared in this way, the report shall be amended so as to be acceptable to the Commission.

The employer is required to pay the current service cost and the special payments in respect of unfunded liabilities and experience deficiencies.

Actuarial reports, in addition to the certificates, include:

- summary of major plan provisions
- membership information

- book and market value of assets
- history of fund rates of return
- the actuarial assumptions
- the valuation balance sheet
- analysis of gains and losses

Reporting

When a new plan is established the initial actuarial report is required, along with the following:

- application form and fee;
- plan text;
- funding vehicle;
- investment counsel agreement, if any;
- collective bargaining agreement, if applicable.

Each year an Annual Information Return is required. The purpose of this return is to verify that required contributions have been made to the plan in accordance with the actuarial report; to give membership numbers; the location of members by province; and other current information about the plan. Fees are paid with the Return.

On triennial dates or on dates of amendment to the plan, actuarial reports and a statement of the plan's assets are required.

If the plan is subject to the Pension Benefits Guarantee Fund an assessment notice may be required along with the assessment fee.

Disclosure

Every employer is required to provide each member, at least every three years, with a statement setting out:

- the normal retirement age;
- the member's accumulated contributions;
- the accrued benefit;
- the death benefit.

The member may request to see

- the provisions of the plan;
- copies of the last two Information Returns;

- copies of extracts from the two most recent actuarial reports (i.e. the balance sheet, actuarial assumptions and methods);

- copies of extracts from the two most recent cost certificates.

Wind-ups and the Pension Benefits Guarantee Fund

Plan wind-ups have proved diffficult for the supervising authority and this has led to several items in the Act and Regulations.
All members are fully vested immediately.

Several options must be made available on wind-up to members who have attained age 45 and have 10 years of service.

- If the employee is eligible for an immediate pension, he may elect an immediate pension.

- If the employee is not so eligible and the plan provides for early retirement, he may elect a pension benefit to start at an age at which a pension would have been available if the plan had continued.

- He may elect to transfer the benefits to the pension plan of his new employer, if the latter agrees.

- He may elect to transfer the benefits to a locked-in registered retirement savings plan.

The Commission may declare a pension plan wound-up when it is of the opinion that the employer has discontinued or is in the process of discontinuing all or part of his business operations in which a substantial number of plan members are employed.

Alternatively, the Commission may declare a defined benefit plan wound-up in the event of bankruptcy, or failure to meet continued funding requirements.

When a defined benefit plan has been declared wound-up under the alternative procedure, the following benefits are guaranteed by the Pension Benefits Guarantee Fund, in respect of service in Ontario:

(1) Pension benefits earned by active members or former members who are age 45 and have 10 years of service.

(2) Pension benefits in the course of payment.

(3) The funded portion of all other benefits vested under the terms of the plan.

However, pension benefits that have been in effect for less than three years, to the extent that they are not funded, are not guaranteed by the Fund nor benefits in excess of $1,000 per month.

Annual assessments are levied on plans which are provisionally funded.

Assessments are at the rate of 2/10 of 1% of total unamortized balances of initial unfunded liabilities and experience deficiencies. Assessments are determined from the latest actuarial report, or from a test valuation.

There are a number of exemptions from the pension benefits guarantee fund, including public service plans, municipal employee plans and multi-employer plans.

What I have done is run over what I think are the main features of the Act and regulations; I have left a lot of things out but this gives a picture of where the regulation of plans in Ontario stands at the present time.

MR. THOMPSON: Thank you Jock; now Doug's going to start off the discussion.

MR. H. DOUGLAS LEE: What I'd like to do is address an issue, in the form of a question, one which I believe has some general interest with respect to pension legislation; it deals with surplus refunds. I'd like some participation from the floor and in order to try and organize that participation let's talk about surplus refunds to the employer; and then, if there is any interest we can talk about surplus transfers from one plan to another. But first lets address surplus refunds to the employer. Maybe we could first look at surplus refunds to the employer under an ongoing plan and then under a wind-up. The questions that I have Jock, pertain to, (i) the legality of the situation and (ii) the withholding amounts. It's my understanding that the justification for the commission to establish these withholding amounts comes from section 38(1) (e) of the Act. I normally wouldn't read the Pension Benefits Act, because it would stretch my capability, but this one is so short that I shall. It merely says that the Commission has the authority to prescribe tests and standards for solvency of the pension plan. Therefore, if I interpret that correctly, what we are referring to here is that these withholding amounts have been established because of standards for solvency of a pension plan. For the benefit of those people in the audience who are not familiar with the withholding amount, for a non-contributory pension plan the withholding amount is the greater of two years employer current service cost or 25% of the employer's accrued liability. Usually it's the latter item that proves to be the restraining factor. I have great difficulty in seeing the justification for an amount of 25% when my valuation basis is already on what might be described as a conservative basis. I would like later on to discuss valuation assumptions, but if you will grant me that, by and large, the valuations are conservative, to require this withholding amount of 25% is unnecessary. I believe it is offensive to have that 25% irrespective of whether the basis is conservative or not. Presumably there is some judgement involved. Could you respond to this 25% number, maybe how it was determined and why is it at 25%.

MR. MAYNARD: Yes, first of all I agree with your statement as to why the Pension Commission gets into this: the responsibility for solvency in the part of the Act that you refer to. Also, the regulations in accordance with this responsibility under the Act, state that the Commission must approve refunds of surplus from ongoing plans.

MR. LEE: Is that regulation 21(2) that you mean?

MR. MAYNARD: Yes. The question then, is when it comes up for discussion in the pension commission, how will they respond to this requirement. You are correct that the rule has been that they take the most recent valuation and require that the greater of 25% of liabilities or two years employer cost be withheld. The balance of the surplus can be withdrawn. It is a matter of judgement obviously, but the things considered by the Pension Commission are the fact that the assets may be valued at market and the valuation makes no other provision for the loss in value of assets. So I think this is the main one.

MR. LEE: If I were using an actuarial asset value that was below the market value and I was also using a value for my liabilities which was clearly well above the amount required to purchase those benefits, would you adjust the 25%.

MR. MAYNARD: The Commission, frankly, doesn't want to get into too detailed a system because assets may be held in many forms, and often market values are used, if you agreed to something less than 25%, there may be circumstances within the plan itself where there are margins of safety that don't exist in another plan. If you reduced the 25%, for instance, because the plan had 75% of its assets in mortgages and bonds and only 25% in stocks, you could agree to the reduction and the plan could then switch some assets and become 50% in common stocks. The Commission was looking for something simple; something that it felt was reasonable and that would be applied to all plans. I can mention that other things are thought about when this matter of refunds comes up. Some of the points that the commission staff look at in response to these requests are:

- they try to make sure that they have a relevant valuation report. If one was done two and a half years ago and the sponsor is requesting a refund today, the question is whether that old report is relevant at this time for this purpose.

- They look at the assumptions under the plan; that's part of looking at the relevancy of the most recent valuation.

- They look at whether a minimum reserve, individually determined, of member contributions plus interest has been maintained; whether the amount of refundable surplus is in accordance with the guidelines we are talking about, and what the plan document states about refunds of surplus.

MR. LEE: Jock, you are saying it is a question of judgement. One approach to this matter of judgement would be to obtain a variety of opinions, and presumably, these would be qualified opinions. Since we are operating in Canada the Canadian Institute of Actuaries presumably could be asked for an opinion as to what would be a reasonable test of solvency. In my opinion, I would not expect it to be as high as 25%. A few years ago the 25% was 15%. I would be interested in views from the audience. As a consulting actuary, advising employers, not employees, I have great difficulty in encouraging them to maintain any degree of conservatism because, to the extent that experience proves favourable, the money is locked-in. That's an opinion; I don't expect a comment from you Jock. Would anyone from the floor like to comment.

MR. J. BRUCE MACDONALD: I completely agree with what you are saying Doug, and I am also thinking of a few other things. I am not quite sure of some of the ramifications of putting a requirement of 25% on surplus before refunds can be made. At the moment, as far as I know, there are no restrictions on running the surplus down by making no contributions. What's different about running the surplus down by taking it down in cash or by suspending contributions until its down to zero? Secondly, if we feel that a plan needs a surplus of 25% can we foresee a time when we are going to have regulations that say, now you have improved the plan Mr. Employer but you can't use all of the surplus to offset the plan improvements; we have to have this sacred 25% which is not used for anything. I don't see, logically, how one can say, you can't have it in cash but you can use it to improve the benefits, or you can use it to reduce contributions. Then I begin wondering, if we are going to have this, should we extend it to the life insurance industry and say life companies can't distribute any surplus in the form of dividends to policyholders or shareholders until they have a surplus of 25% of their liabilities? For that matter, let's go on to industry in general and say companies can't pay any dividends unless they have a surplus of 25%. I think the argument we are getting down to is that the Pension Commission doesn't really want to see surplus refunded to employers and I think the battle lines would be much clearer drawn if we were fighting on that rather than on a 25% line which, to me, seems completely illogical and unnecessarily conservative.

MR. DAVID L. E. BATES: Another thing that we have run into, is that a lot of our pension plans have been valued using reasonably conservative assumptions and an entry age normal cost method and the 25% requirement seems to have been applied somewhat illogically in this situation. We have been told by the Pension Commission, and have it in writing, that if we weaken our funding by using the unit credit method we can have more surplus and that seems illogical. If they are saying on the one hand we want to see the plan strongly funded and we are going to require you to maintain 25% of your liabilities as surplus, but on the other hand we will let you change your liability number to a lower number and fund on a lower basis for quite a while in the future, and then you can have more of your surplus. I don't understand that and find it very peculiar.

MR. LEE: Is there anyone who would like to defend the position.

MR. MICHAEL COHEN: I am the director of pension benefits in the federal Department of Insurance and I guess I have a similar position to Gemma Salamat in Ontario, for those who know her. I might just mention that there are other jurisdictions in Canada, although I bow to the fact that Ontario is a very major, very significant, jurisdiction. In Quebec for example, the Act itself prohibits any withdrawal of surplus from an ongoing plan, that is a fact of life. In the federal jurisdiction we require a two year current service cost hold back. I think these numbers are political. I think one has to look at withdrawal of surplus not only from the plan sponsor's point of view but from the point of view of plan members. Many plan members consider the money that goes into a pension plan as deferred compensation and they are absolutely shocked to think that a plan sponsor can have access to that money. I think you have to look at it from the point of view of politicians. There are certainly a lot more plan members with votes than there are plan sponsors. I don't think you can ignore that. Putting my other hat on, which is advising Revenue Canada with regard to tax deductibility, I don't think plan sponsors should be looking at pension plans as forms of corporate tax deferred savings. Revenue Canada feels and we do too, that pension plan deductions should be reasonable in the circumstances and while its true that surplus arises retrospectively rather than prospectively, I have difficulty with this idea of funding with the possible intention of taking money out afterwards. Funding to improve benefits: I certainly have a lot of sympathy for that, but as a corporate savings scheme, I have a lot of difficulty. So, yes, we can argue about 25% or 15%, or two years current service cost, or whatever, but I think you have to look at it from a variety of points of view and recognize that the Pension Commission of Ontario or the Department of Insurance, in its jurisdiction, has a lot of conflicting publics to play to and these numbers are simply compromises. I must confess, I think Ontario's compromise is somewhat at one end of the spectrum, but compromises have to be made, and they are political decisions.

MR. BATES: I just want to emphasize what you said; that a lot of the surplus that you are talking about isn't from contributions in the past but from experience surpluses which have developed within; It isn't money which the employer necessarily put in on behalf of his employees and now wants to take out again. It's money which has developed in the plan through a number of fortuitous circumstances and I am not sure I'd put it in the same category as contributions that the employer had put in earlier. I don't really see why the employer shouldn't have a right to take out money which has developed in the form of surplus.

MR. THOMPSON: Pensions are complicated. David correctly pointed out that a pension plan that's fully funded on an entry age normal basis is funded at a higher level than a plan that's fully funded on a unit credit basis. A very simple example to indicate that you can't pick one number out of the air and say this is where we are going to set the arbitrary line. I think that indeed gives the lie to the idea that it's done to protect people and that there are other considerations made. I really don't see that there are any other considerations than just picking a number out of the air. Just as a matter of interest Mickey, we couldn't have someone from every jurisdiction here and the travel expenses are a little cheaper in Toronto so we got Jock to represent all of you. We do appreciate your participation though because it doubles the number of regulators we have. I think its time that Jock perhaps gave us some comments on, how you and the Pension Commission arrived at that 25% number. With what right do you or the Pension Commission, a group of non-experts, come out with one number that's supposed to satisfy everything.

MR. MAYNARD: The Commission feels that they are experts in a certain sense, in that they feel that eight or so members have a very wide spectrum of experience and opinion to bring to bear.

MR. THOMPSON: In pensions Jock?

MR. MAYNARD: Yes. I mentioned that we have a management representative who's been managing a pension plan for a number of years; that we have a legal expert who has sat on two or three public commissions; we have two excellent actuaries in Bill Rudd and Al Field; and we have a labour person who is watching the trends in that field and which wouldn't be known, I would think, to a lot of actuaries. So you have got a wide spectrum of opinion. That's their job and its assigned to them. When you have some kind of unstructured activity that needs a decision, the staff brings the matter to the Commission. I think that's their job: to make a decision. I don't think I've got anything more to add on this subject of refunds but if I could broaden the discussion a little bit and think of things that are related to refunds and bring them out, the audience we have today may well have some thoughts on them. This fall the Pension Commission had a one day seminar. This came about because the staff on the Commission were concerned about the things they were doing, the time it was taking to do them, and the understanding of what they were doing not being as well known to the various people they were talking to as they would like.

So the staff came up with the idea, of "let's have a one day seminar, let's invite people that we are corresponding and communicating with in the pension field to come in and we'll spend a whole day telling them what we do and we'll get their playback and their suggestions as to whether we can do it better." The response to this invitation was outstanding; 500 people said they wanted to come. We didn't have space for that many so we said we could only accept 200. We went at it all day long and we went over the subjects of refunds, valuations, wind-ups and how they are handled, and the subject of the guarantee fund. You may be interested in some of the time that the staff are having to spend. In saying this I have to apologize, to those of you who are close to the Commission, that it does take so long to get fairly straightforward actitivies like the approval of a new plan through. I have to apologize for this, and I can only say that we are working on it. Part of the problem is that the government has been cutting back on expenses and the staff that it devotes to a lot of activities, including the work of the Pension Commission, but we are working on that. But I do have to apologize for the time that it takes to get certain things through. One of the reasons that it takes so much time is that staff are continuously having to spend time on other activities. The number of complaints that come in to the Commission is outstanding. Each member of the staff may be on the phone for as much as a third of the day answering complaints that come in as well as enquiries. Where are these complaints coming from? What's happening? Some of them can be straightened out fairly quickly. For example, if there are differences in view between an employer and employee as to how the plan works. Commission staff since they have to know how the plan works, they act as a referee. Or they may be able to tell the employee to go back to the employer, or the staff might be able to go to the employer and say look, you ought to know you've got this complaint and get some communication going. That's one sort of thing. The employee may have only recently found out that some information should have come to him about disclosure of the terms of the plan. I pointed out earlier that this is now a requirement under the Act and Regulations but the employer may not have noticed this, or he may not be aware of it. It may be news to the employer that under the Act this chap has the right to this because up to this point the employer may have been willing to give him the information. This can be straightened out fairly easily; I hope helpfully.

Other things that are more significant, and more serious, crop up in the way of complaints. You can have a change in plan going through, let's say from defined benefit to money purchase. The accrued benefits have had some improvement given to them through a final salary arrangement that would enhance the value of accrued benefits to the person, but that may be cut off at the point of change. I can remember one complaint that came in on this, the chap had made some analysis of the value of the accrued benefits at the point of change and it wasn't even equal to his own contributions with interest. Well, you have to admit he's got a just cause for complaint. These things do come up and they do take time and I like to think that this activity of the Commission is worthwhile, but with all the interest in pension reform these days, it is absorbing the time of the Commission members. Perhaps you can play some role in working with the commission to make these plans more understandable, work better, and more effectively from the point of view of the employees.

MR. THOMPSON: I think that perhaps we should focus our discussion on matters that may be more technical or substantive than the administration procedures of the staff. I'd be willing to state that they do their very best and generally do a good job of shuffling the mounds of paper and phone calls that they must be getting. I'd like though to talk more about things that the Commission itself and not the Commission's staff would be involved in. Our surplus discussion was something that was along those lines. Gordon, you've been waiting.

MR. GORDON B. LANG: My one main area of concern (I think its fair to say that the discussion on surplus was one factor or one feature of this area of concern) is the fact that the Pension Commission was established to protect the interests of individual plan members and to ensure that the benefits promised to them will in fact be delivered and I believe that such an entity was necessary. I am a consultant to a number of companies all of whom are in the general sphere of taxable corporations rather than governments, and there is quite a variety of plan sponsors and some are very very concerned about ensuring that delivery of benefits takes place. I think it's fair to say others don't quite share these concerns. That we do need rules and regulations, I am the first to agree. My concern is this: in trying to protect individuals interests, often times we'll find that arbitrary decisions can in fact do the very opposite. I would like to cite three situations, for illustration purposes.

The first one is in the handling of surpluses. If I had a plan for example with total liabilities of $100M: let's say its a very mature plan, with $50M relating to retired members and for whatever reason there is a surplus of undetermined proportions, which has been conservatively calculated. The very fact that we have $100M in liabilities means that 25% or $25M dollars has to first of all be put aside before we can finalize any calculations of surplus that may be distributed. If, in being thwarted by the 25% rule, the fund sponsor wants to find a way around it, there is a very simple one; he can go out and purchase annuities in the market place, today for probably about $35M, to eliminate the $50M worth of pensioner liabilities, create an additional $15M worth of surplus and reduce the withholding amount by $12.5M. This employer or plan sponsor may well have, in the past, provided pensioners with a series of ad hoc pension improvements. These of course would cease immediately on the purchase of the annuities. It could well be argued that now we have fully protected pensioners: I could certainly agree to that argument. On the other hand, there is a definite denial of future increments to pensioners and I would say in that situation what we've done or what the Commission has done by virtue of an arbitrary consideration is really create an overall negative situation for the pensioners. An unintended one, but nonetheless a negative one. And believe you me, a great many plan sponsors in the private sector have gone through the recession, and believe it or not Mike, they are not in a position today to be looking for a way to reduce their income taxes because they are not paying any and that is not a major consideration today.

A second point, which is interesting, is one I read in a U.S. publication recently. It is that the latest area of interest in terms of corporate takeovers in the United States is the fact that many companies have substantial surpluses in their pension plans. The latest trick is to buy these companies out and wind up the plans and effectively raid the pension plans. Again the inability of a company to reduce a large surplus which, partly because of highly conservative actuarial bases which are imposed upon the plan sponsor in calculating contributions, has led to the surplus, together with, in recent years, very good investment returns in many cases.

MR. MAYNARD: I would like to understand your point, your second one, where you point out that surpluses can be withdrawn and this is going on to quite an extent in the United States. Is your point that these surpluses can always be withdrawn on wind up of plans so why hold back while it is an ongoing plan? Otherwise you may be influencing the management to wind it up, and get it that way, is that your point?

MR. LANG: Or for some future management to do the same thing, and to actually make that company an object for acquisition in order, partly at least, to acquire the surplus of the pension plan. While the Commission permits plans to be wound up, and I can't see how they could do anything other than that, this situation is very relevant particularly when large surpluses are forced to be retained in pension plans. We are creating a very, very interesting situation, particularly through time. If we project ahead, 20, 30 years, many of these companies will find they are worth significantly less than the total assets of the pension plan.

MR. MAYNARD: You are referring to some really important activities and I understand that. I think its important to understand the groundswell of opinion that would be brought to bear on the situation. It won't, in the next few years, only come, in my view, from plan sponsors and from their professional advisors. Why do I say that? I am conscious that here in Canada, we have a whole series of discussions going on on pension reforms and the public are getting increasingly knowledgeable and understanding of this. The complaints that we get at the commission bear this out. People want to know how pension reform is going to take effect, when it may take effect, and how it will affect them and their plans. Therefore, if in the future you continue to get these situations arising where employers buy an annuity for the accrued benefit without any increases attached to it and then tend to walk away, I think the groundswell of complaint is going to get a lot more strenuous than it has been. I think more opinions are going to affect the decision as to how plans are handled in the future than just those of the sponsor and his advisors.

MR. LANG: That very point creates another issue. Because the rules of the game may change, that fact may further encourage people to take preemptive advantage of the current rules and regulations, given the fact that in future they may not be able to avail themselves.

MR. MAYNARD: Well, it's a free country and they may decide to do that, but if they walk away from a problem when some kind of solution is pending, what are they going to do to their employee relations?

MR. LANG: There is not nearly as much interest paid to employee relations. Those affected will be pensioners, not active employees and I've heard, in the case of unions, that they don't want, in a lot of cases, improvements provided to pensioners because it will take away from the dues-paying members.

MR. MAYNARD: I've heard those comments too, but don't forget that the whole history, and its not a very long one, but the whole history of pension regulations has been to say: look, if you are going to do something for somebody in a voluntary system you should be fair about it and do something comparable for the other people that are affected, even though the person that's running the plan doesn't have an interest in those people. Hence, in one sense, the history of regulation as far as benefits and plan provisions are concerned, starting with mandatory vesting in the mid sixties and coming up now to these discussions of options and inflation protection and so on has been to try and mandate some things that would benefit people who leave the plan because the employee isn't interested, and the union isn't interested. Partly in the same vein, people who retire, because they are not working for the employer and they are not actively engaged in union activities, also need regulatory protection. So the history of pension reform is to try and do things that are fair for everybody; because with a voluntary system that gets tax deductions, in other words, assistance from the public as a whole, it should perform a public interest function and should be fair to everybody. I think if you ignore that and say that the people who set up the plan, and went to a lot of effort to do so, and their professional advisors are going to be the only ones to make the decisions in the future, you may be damaging the system.

MR. LANG: My whole point was the opposite. My whole point was the fact that, through arbitrary regulations, one can end up in, for example, the Pension Commission of Ontario, reducing the value of an individual's benefit rather than maintaining the value because of some arbitrary decision such as the 25% surplus ruling you have. Another similar situation, and one I have a great deal of concern about, in terms of pension reform, is the fact that we are not permitted to substitute a benefit of equivalent value for an individual's acquired rights. This being the case, if there is any mandated post retirement inflationary adjustments or adjustments for vested pensioners I could well see the bulk of my clients either opting for two separate plans; a plan which would cover benefits prior to the effective date of the revised regulation and one that would cover the subsequent situation or, alternatively, opting for a defined contribution plan. In that way, they are getting rid of all of the additional cost of pension reform and I believe, when it comes right down to the crunch, given the present economic situation, that we are going to end up with a substantial increase in defined contribution plans, which, from my perspective, aren't pension plans but savings plans.

MR. BATES: That leads into the point that I wanted to make. When you consider the tax assistance regulations that came out in the February budget, which will be reintroduced, and what will happen there we don't know, and when you consider that in combination with the increased regulations that are in the environment surrounding pension plans, particularly defined benefit plans, you are going to end up with employers, and we've had employers make the comment to us, that if pension plans get any more complicated and they get any more regulated, we're just going to opt out and we are going to either go to a defined contribution plan or we're going to group RRSP's. If the objective is to provide the best form of pension available to the employees and you have in place a defined benefit plan with an employer who is genuinely interested in providing those benefits to the employee, turning around and saying: if we get much more of this we are going to get out of this plan and go into a defined contribution plan that will provide lower benefits to the employees but will make everyone's life simpler, you're defeating the purpose. This leads into the situation where the government is saying private pension plans aren't providing good enough benefits so what we are going to do is, we are going to mandate better benefits, if that then pushes employers out of the defined benefit plan, the cadillac type plan, the one that provides the best benefits, into the defined contribution or the RRSP route then you open the door for the regulators to say, see, you are not providing good enough pensions so we are going to bring in universal plans. That's not helping the private pension industry; its not allowing the employers to provide the benefits themselves and it seems to be defeating the entire purpose.

MR. THOMPSON: That should certainly spark something. Dick, tell us, are you here as a regulator or an interested observer?

MR. RICHARD J. HUMPHREYS: Well, I am not a regulator now, but I have been, and I wanted to be part of that last comment because I have been around the regulation of pension plans for almost 40 years, more or less, as the interest of governments in the terms of pension plans, their form and design and their social purpose started even before the date that Jock mentioned, it started in 1942. That year saw the first time that the income tax act was changed to permit tax deductions for past service contributions; but the tricky thing there was that it said that such deductions were acceptable for a plan that was approved by the minister. Those magic words were the start of governmental concern with the terms of pension plans. They came during the evironment of the war years of an excess profits tax but also along with the growing interest directed towards certain social developments; particularly the social purpose of pension plans. However, the theory at the time was that, if this privilege was going to be given, and it was a big privilege at the time because of the of excess profits tax that led to a great stimulation of pension plans, then the governmental authorities thought that they should do something to see to it that the privilege of tax deferment, or tax exemption as it was in those days, was directed towards the social purpose in mind, and in fact carried through. So there was a great deal of thought and concern about the terms of pension plans in those early years although as regulation has moved from jurisdiction to jurisdiction it has taken different forms. But one of the questions that was always present, more so after the war years, and after the dropping of the excess profits tax, was how far you can go in regulating the terms of plans or mandating terms of the plans in a voluntary system. Everyone knew all along that if you got too tough it would just mean that you would block off the development of the private pension plan system. Therefore, I think the regulations moved, in the famous blue books of the income tax act, and subsequently with the Pension Benefits

Standard Act Legislation, in a way that I thought was rather delicate in this environment, to establish sound principles that were generally accepted by the employers who were concerned about their employees and looking at their whole lifestyle, whole career and accepted by the professionals. I think it was rather well done. But always, in the whole picture, one had to be aware of the growth of the social interest in retirement provisions for retired people. We are all concerned with a system of providing pensions for the aged and we have to try to balance the role of the private sector with that of the public sector. Everyone has to realize that the privately operated pension plans are going to play a significant role. They have to be reponsive to the social pressures that develop and the pressure, for example, for post-retirement adjustments, which reached a great peak when inflation was very high. It's a little less dramatic now that inflation has dropped a bit, but it's as clear as clear can be that the privately operated pension plans will not continue to play a major role in the system unless that problem is addressed, and solved, in some fashion.

There are other problems too. We have struggled with things like vesting. I remember in the 40's we began to suggest that it was a good idea, perhaps, that pensions be vested, sometime. Well you never heard such a reaction from some of the employers. I've listened to the most radical kind of talk that anybody could imagine. Many employers at the time, you know, thought this was a great employment tool and that they could fire somebody at 59 or 64. Talk about generating surpluses, it was a way to do it and one of the ways it used to be done. So the kind of discussion that is going on today, I think, is a healthy discussion, and its always bumping a bit at the edge of the regulations. Have you gone too far? The mandated rules are going to grow and they are going to grow in response to the social pressures. None of them have much effect, I think, on the responsible employer, nor on his advisors, who realize the implications. However, there are always fringe plans and of course any regulations are really developed towards the fringe and trying to "raid" pension plans, corporate takeovers to "raid" plans, you know that will be stopped and will be stopped exactly by the kind of regulation that we are discussing today, and will be stopped by prohibition against raiding pension plans. I don't think that will stop employers from having pension plans because their motive is not deferred saving; their motive is to look after their employees after they reach retirment age; to provide some income to them and to continue to play a responsible role in the private sector. So I don't think we need to be terribly alarmed; certainly not at the level of the regulations that so far have been developed.

MR. CHRISTOPHER S. MOORE: It's always difficult to disagree with what Dick Humphrey says and I am not going to. I think that most of us would agree that regulation is needed to some extent and that it's our responsibility to respond to social pressures. I think the question that was raised though, was one directed at the source of the 25% number for the minimum surplus that must be left in the fund, and I would like to go out on a limb on behalf of the CIA, partly speaking in my position as CIA president, and say that I think we would be pleased to provide some assistance in terms of looking into the solvency standard issue Jock, and I'll go on record as saying that at least we will make an effort in that direction through our pension standards group. I have two other points I would like to make, if I could Fred.

The second point was that I think most of us feel that pension plans are not set up primarily as tax shelters and I think the comment was made, I believe by Jock, that plans are designed with this purpose in mind. I think that I would agree with David Bates who indicated that in most cases the surpluses are generated by experience differing from the original assumptions in the valuation.

The third point is, I'd like to change the subject a little bit, is that the CIA does have something known as a review committee and this has to do with the point that Jock has raised about the Commission differing with particular situations, whether it be actuarial valuations or plan design issues. This review committee was established to provide guidance to regulators and others, regarding the actuarial aspects of particular pension or insurance related situations. Until recently it has not been used by the regulators to any great extent. Currently, there seems to be some increased interest in making use of the CIA's review committee and we want to ensure that some practical and useful guidance is provided. I have two concerns that I'd like to lay before the panel member, or members, and the floor and that is, first, that the review committee could be used as a pseudo disciplinary committee, which we don't want, we have a separate disciplinary process for that purpose. Secondly, that if the concern does exist, about the use of this review committee, for disciplinary purposes, and the members are worried that their advice will be used for the wrong purposes then they may water down their comments to such an extent that the result would be of little use to the regulators. The CIA is now in the process of reviewing the purpose and operation of that review committee in order to see that it does work, and provide practical advice and I would welcome any comments from the regulators or from the other members present today.

MR. MAYNARD: I'd be glad to comment. I think that was a helpful suggestion that you've made Kit, in drawing attention to that committee of the CIA, because I do believe that there are so many changes and factors coming into the decisions that affect pension plans that I think the actuary's role is much more difficult than it used to be. I think what you are saying is that that committee may be able to come out with some help in the way of guidance and rules, principles, so the actuary can deal with the problems he faces with the assurance that he's acting in accordance with what the profession thinks. Is this right? So I think your suggestion was a helpful one.

MR. THOMPSON: I thought what Kit was saying was that the regulators should use the committee to enhance their technical understanding of the very complicated issue of pensions, so that the regulators can do what they should do, which is to save the employees, or in the case of the federal people to save the taxpayers, without abusing employers, who are doing what they should be doing, or trying to do things properly.

MR. DARRYL E. LEACH: Fred, since you were kind enough to say that I could participate as a panel member as well as the recorder, can I get my two cents worth in now.

MR. THOMPSON: Certainly Darryl, you can even have a nickel's worth.

MR. LEACH: I want to go back to Doug's point on surplus. Everybody's been talking about the Pension Commission's position on surplus refunds but it hasn't been stated clearly here today. As I understand it, and I'll use Gord Lang's example of a $100M fund, the suggestion was that there was a $25M holdback. I think what the pension commission actually says is that you've got to first of all divide that $100M fund into employer and employee liabilities, then you have to allocate the surplus between the employees and the employer and then compare 25% of the employer liability before refunding any excess surplus. Then I want to ask Jock: if this is still the correct position and the justification for it being concern about solvency, what does dividing the surplus between the employee and the employer have to do with the solvency question?

MR. MAYNARD: Well the Commission's responsibilities go beyond solvency, they go to the improvement of pension plans, and, as somebody has said, the Commission can't avoid thinking about how these plans affect the individuals in it. So, in Canada, where we have a majority of contributory plans, in any situation like this, the Commission feels that it has to think about whether the plan is being operated in a way that's fair to the contributor and if it should happen that the total liability was equal to the employee contributions with interest, in a contributory plan, and the feeling is hey, what's happened to the employer contributions which were there when the future service contributions were calculated? Have they all been withdrawn or would be all withdrawn or something of that kind. So, that is, I suppose, a guiding rule that the Commission has worked into its guidelines which require that some surplus be set aside on behalf of the contributing employee.

MR. LEACH: Someone else mentioned the point earlier that in this situation you can be forced to allocate a couple of hundred thousand dollars to the employees but you are then quite free to transfer that money to another pension plan of the employer, or to use it to reduce the employer's cost. This whole issue raises the question in my mind as to the purpose of the regulators. Are they there to interpret and enforce the legislation as its written, or are they there to enforce it the way they think it should be written or was intended to be written. I was asking Jock before we started the meeting today about Saskatchewan back in 1982 and the rule of 45, i.e. if age and service added to 45, employees were vested and locked-in. Mr. Crozier, who is the superintendent of pensions, wrote a letter to the Canadian Institute of Actuaries indicating that Saskatchewan would not register a plan that allowed a refund of vested employer contributions for employees who did not satisfy the rule of 45. For example, someone age 35, with 5 years service. If the plan said he was vested and he could take the employers contribution, transfer it to an RRSP or take it in cash, Saskatchewan regulators were taking the position that that wasn't really what they thought the Act should have said; notwithstanding that the Act only dealt with people who satisfied the rule of 45. I would like to hear some comments both from Jock and the audience about regulators. Is their job to enforce the legislation as it's written, or to enforce it the way they think it was intended to be written. Most of the disagreements discussed today, stem from the fact that the regulators are trying to administer the law as they believe it was intended to be written or should be written.

MR. LEE: It's hard to see that there would be a lot of agreement that regulators job is to enforce the legislation as they think it ought to have been written.

Maybe we can put one final comment on this discussion of surplus because we certainly aired most, if not all, aspects of it. We really have talked about ongoing and wind-up. I hope somewhere out there, there is an employer who challenges the Ontario Pension Benefits Act because you referred earlier Jock to section 21(2) as giving the Commission authority because it says that no refunds shall be paid out of a pension plan to an employer, unless consent of the Commission is obtained. One of the subjects that I think you were referring to earlier Jock was about meeting with the public.

Marie Corbet who is a member of your Commission, and also a lawyer, noted that the Pension Benefits Act does not give the Pension Commission of Ontario (PCO) specific authority to regulate refunds of surplus on an ongoing basis. Regulation 21(2) states that no refunds shall be paid out of the pension plan to an employer without the consent of the PCO. Marie Corbet says that relates to plan wind-ups. I don't propose that we get into a discussion of that, but there is certainly opportunity for challenge.

Maybe, with the consent of the audience, we might move on to another area, that we can either dispense with quickly, or there may be almost as much discussion on this topic as there was on surplus, and that's valuation assumptions. To set the stage, maybe I could note what I believe to be the case. I am really not going to go into the actual way that either the Superintendent or the Commission really handles it, I don't think that's really important. The question is what is the final result and it's my understanding that the rules that are used are essentially that if you go as high as 8% interest, then you must have a salary scale assumption of at least 8%. If you use a lesser salary scale then this clearly involves a review by the Commission. Apparently, where the interest assumption is between 7% and 8% you will be asked to justify your assumptions if the salary scale and interest rate have a spread of more than 1%. Then, moving down a little farther on the interest rate, if your interest rate is less than 7% you will be required to justify your assumptions if the spread is more than 1-1/2. I am going to ask two questions, one to the audience, and one to Jock first.

What flexibility is there to move significantly above 8% in setting a valuation interest rate? I am assuming that there is the ability to justify a higher rate; its not some idle dream of an actuary who woke up one morning and wanted to beat the 25% rule and decided to move to 15%, How does he go about doing this and is there really any out in doing it?

MR. MAYNARD: On assumptions, I think you're right. You've spelled out the rules under which the Commission staff can approve a valuation. If a case comes in which doesn't fit in with those rules then the Commission staff refer it to the Commission. Then we have some actuaries on the staff and we've got other people who can consider it and they do consider it. Having said that, I should say that over the years the Commission has been conservative in its view here, as actuaries are conservative. We realize that the normal valuation has got conservatism built into it and the Commission has in that same direction exerted suasion on the actuary not to go too high in his interest rate assumption. I think you all can remember when the Commission used to have an upper limit in the valuation interest assumption which would be automatically approved at around six per cent and that has moved up, as you say, to around 8%. I don't know if I can add anything more to it than that.

MR. LEE: Without disclosing privileged information, what level of interest rate have you approved for valuing liabilities with respect to active lives. How high has it gone?

MR. MAYNARD: I can't spell out for you any exceptions to the standard assumptions which are approved. I don't carry them in my head and I can't spell them out for you.

MR. LEE: Maybe we are exaggerating the situation. Do the members feel that these assumptions are acceptable and really working very well. I think it would be interesting to hear some views on that. Silence, I think, would be assumed consent.

MR. LANG: A couple of points here Doug that, incidentally, I haven't had any problems with my valuations being censored by the PCO. I just came back from a business trip to the UK recently, at which time I was looking into the UK pension situation on behalf of a Canadian client and having discussions with actuaries over there. I gather that the normal range today in the UK for pension valuation interest rate assumptions is 8-9% even though their long term interest rates on government bonds etc. are probably about 1% or so below the present Canadian levels, perhaps 1-1/2% below, which is interesting.

Mind you, in all fairness, they tend to use a more aggressive salary scale in Britain and 9% and 8% I gather is a very common assumption in the UK. A quite distinct point, in looking at realistic valuation assumptions: I find in substantive discussions with several large clients this year, that when we are doing valuations on various bases, and getting a lot of input, that two areas seem to have changed in the overall balance of things, at least as far as people's perspective of the future is concerned.

The first item is that we are going to have a shortage of capital. It costs half a million dollars or so to provide one new job in the average industry in Canada. Governments are gobbling up ever more monies to cover their deficits but there does seem to be emerging a shortage of capital, even on an international basis. This leads me to believe that the result will probably be to have higher real rates of return in future. At the same time, we seem to have an overabundance, in a supply and demand situation, as far as labour is concerned. We are seeing in the United States for example, and to a lesser extent in Canada, union agreements where new hires are hired at substantially lower rates than existing workers. We are also seeing, with the General Motors situation recently in the US, that for the first time unions are much more concerned about job security than financial improvements. These various items, together with much higher unemployment rates than we have been used to, lead us to beleive that the real rates of salary and wage increases in the future will be lower than they have been in the past.

Putting these two items together, we see a substantial emergence of a differential between the rate of return and the wage and salary increases. That differential will probably be as much as two to three times what it may have been in the past. For that reason, I would anticipate over the next year or so, probably having some discussions with the PCO in terms of acceptable bases.

Why that is not a current situation, is just simply because of very good investment returns, in about five of the last six years, excluding 1984 for the time being. My clients don't require any reductions, or lessening of the valuation basis; it would just create an overabundance of riches. As we've already discussed, they can't get it back anyway. Thank you.

MR. MAYNARD: Could I raise a point on this. We've been talking about assumptions, so far. Of course they have to be kept under review. But, if I may, I'd like to refer to a broader aspect of valuation, of which assumptions are a part, and that is the formal valuation, the statement. I am conscious of the fact that few people understand the actuary's report and the valuation part of it. It's part of the disclosure arrangements now, but I wonder whether the members of the plan can really look at it, and I wonder if, and perhaps the Canadian Institute of Actuaries can come in here with its various committees and its members, I wonder if it wouldn't be possible to take a look at that kind of valuation and the standard valuation report and I will quickly throw out some ideas in capsule form.

If you had a valuation report that used some understandable valuation of assets to start with, if it's something that's fairly standard so that at least accountants can understand it, and other people in the public area would also be able to understand it.

Then you have, I think the beginning of a form of statement that is more understandable and if you could also use standardized funding methods it would be better. Now, understandably, a particular plan might want to go beyond some standardized funding method. If so, then you could make the valuation liabilities according to a standard method and show the addition that is needed to bring it up to the funding method that you want to use. If you really are preparing a conservative valuation, probably you are bearing benefit improvements in mind, the present statement doesn't show what it is. And perhaps in addition to these things I mention, show a reserve for asset depreciation. If you went to this form of statement, I think more people could understand it and decisions about what the plan was doing would then be more understandable.

This sort of situation would arise. If in fact, you have a statement prepared like this and the plan sponsor decides to go out and purchase some annuities, presumably the purchase price wouldn't be too different from the liability according to the standard method, but that would leave the other reserve standing there, so the statement wouldn't change from being one of relatively little surplus to one of being a tremendous amount of surplus after the purchase and to that extent it would be more understandable. So I throw these ideas out because I think that of all the changes that have come out in the last few years, there has been relatively little result of these thoughts going into the form of the statement.

MR. THOMPSON: Just let me make a couple of small points here Kit. We actuaries are very very modest. Perhaps we should start to admit that there may be things that are so complicated that not every one can understand them. Another thing, Jock, on your idea of having the basic standard and then showing the increased amount that you want to put in to meet your funding level, I feel that if we did that, the Pension Commission would say, good for you, put the money in at the higher level and you'd better do it or we won't accept your plan and then the Department of National Revenue would say, wait a minute, you're only allowed to put in as much as is necessary, you can't deduct that excess. We would then once again be caught between a rock and a hard place.

MR. MOORE: I just wanted to make a couple of comments about what Jock had just said. The Canadian Institute of Actuaries for some time now has had in place recommendations for valuations of pension plans. I can't comment on any particular member's form of valuation report, but, if they, as they are required to, are following the content of those recommendations then the report will contain an explanation of any of the more complicated aspects of the report, an explanation of changes from one report to the next, or unusual items that have come in, plus a description of the asset valuation method and so forth. I think that perhaps you are pointing to particular exceptions to the rule but the purpose of those recommendations is to provide a more understandable report to our publics.

MR. THOMPSON: Maybe we could just say that the federal government regulator's job is to ensure that nobody rapes the public by hiding vast sums of money in their pension plan. The Pension Commission of Ontario's job is to make sure that no avaricious employer rapes his employees by underfunding their plan and certainly my experience and the experience of most people I have spoken with suggests there are very few people that are in either of those extreme categories. Therefore it might help the entire system if we left those in the middle more or less alone and concentrated our efforts only on the edges.

MR. COHEN: I would just like to follow up on what Jock was saying. I feel Dick Humphries made his point very well, that pension benefits are in a state of transition. Over the last 10 years, governments have been looking at pension benefits. Hopefully we are coming to some kind of fruition there, but there is no doubt in my mind that our whole way of looking at pension benefits is in a state of transition and I think the way actuaries are looking at valuations is in a state of transition. Having roasted poor old Jock on the rules of thumb that the Pension Commission of Ontario uses, I think in some ways it's symptomatic of the fact that they refer to an era that is fast coming to a close. I will say that in CAPSA (Canadian Association of Pension Supervisory Authorities we are very carefully looking at funding standards, and I am privileged to have been asked by the CIA as well, to sit on their Pension Standards Committee so I hope I will be able to have a small contribution. There is no question in my mind that whatever the rules and regulations are now, they will be a thing of the past in some not too distant future. I am certainly very hopeful that between the CIA and other interested bodies we will come up with a set of actuarial principles, standards, and ways of valuing pension plans that is both more understandable to the public and more sensible from the point of view of plan sponsors and plan members.

MR. THOMPSON: Thank you very much. We have, according to Doug's watch, come to the end of our time. Perhaps, I could just summarize what we've talked about here. It seems that the regulatory environment is good. Everyone's talking and co-operating with everyone else. It seems that over-regulation may be driving sponsors to money purchase plans or no plans at all and arbitrary and poorly conceived restrictions can discourage sponsors from acting in the best interests of all employees. Since I have the last word, that's the official summary. Thank you very much for attending.