

## **Nova Scotia Pension Review Panel**

Stanfield's Limited has had a defined pension plan since sometime in the 1950's. We are believers in a defined benefit plan for our employees in spite of the trend, over the past ten years in particular, towards defined contribution plans. It is our feeling that defined contribution plans are harder for the employee to understand than defined benefit plans and, for many, retirement planning is not as well done, and by the time this lack of planning is discovered, it is too late to do very much about it. This is not a father-knows-best philosophy; it is a practical approach to what appears to be for many a difficult process to understand and to execute.

However, you have to be an ardent fan of pensions to stay with a defined benefit plan in the provincial regulatory, federal tax regulatory, and the general execution process for defined benefit plans.

Provincial regulatory is key to the process, because the provincial regulator must approve every plan and every change in every plan. This process is arduous, it is slow, it is costly, and it is very much subject to personal preferences, as opposed to reflection of best practices of other larger and more researched orientated jurisdictions. Unfortunately, there is not a Canadian way, but Nova Scotia is not a progressive leader in where defined benefit plans can and should be going. The process of change needs to be substantially improved with respect to timeliness and direction back to the legislative process for what are, in most cases, obvious changes that should be looked at. The federal tax regulator is probably the biggest cause of problems with defined benefit plans with respect to termination, transfer of funds, etc. The narrow, simplistic view of trying to keep every possible avenue of dealing with terminations and transfers of funds to somehow benchmark against some level of perceived fairness, etc., has produced what is a crazy situation for many beneficiaries. The combination of provincial and federal regulators and their approach to defined benefit plans, probably is the biggest reason why defined benefit plans are in demise.

The cost of administering and running a defined benefit plan is, in a word, enormous. It starts in dealing with the provincial regulator and the federal regulator, but the costs of actuarial services, pension advice and investment management and custodial services is enormous for all but the very biggest plans. This, too, is one of the biggest drivers of people away from defined benefit to defined contribution plans. It may be that the defined contribution plan costs are sometimes hidden and are sometimes increased in a steep way as you move down the road with respect to the maturity of the people in the plan, but they in no way approximate or come close

to the costs of defined benefit plans. I would not be a fan of legislating this matter from a governance viewpoint. I would be in favor of asking the service industry for these services to submit proposals with respect to how they would govern these costs with respect to single employer, small to medium size business pension plans.

The issue of surplus and who owns it is another key reason why employers avoid defined benefit plans. It seems that the employer must guarantee everything, but if the plan generates a surplus then that does not belong to the employer. There are rules in place with respect to how much of a benefit the employer must fund, so I am not sure why all the issues around dealing with surplus. The result is a tendency to under-fund pension plans of a defined benefit nature, or to move away from them altogether.

I appreciate being given the opportunity to state what is largely points of view, as opposed to expert advice. I have been at this game for 40 years, and I have the experience of working with the users and developers of plans, as opposed to the regulators. I fully understand that a level of regulation is needed, but I think at this point we clearly have a lot of regulation that is unnecessary and over the top. We need to have a good deal of simplification in this process of defined benefit plans.

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