Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

News Release

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Province Should Better Protect Pension Plan Members, Auditor General Says

(TORONTO) The underfunding of defined-benefit pension plans in Ontario has become significantly worse over the past decade, and the Financial Services Commission of Ontario (FSCO) should more effectively monitor these plans, Auditor General Bonnie Lysyk says in her *2014 Annual Report*.

"As of December 31, 2013, 92% of Ontario's defined-benefit pension plans were underfunded; in other words, they would not have enough funds to pay full pensions to their members if they were wound up immediately. This is a huge risk to the millions of members of those plans and their families," Lysyk said today after the Report was released.

The percentage of underfunded defined-benefit plans in Ontario has grown since 2005, when 74% were in that position. The total amount of underfunding of these plans grew from $22 billion to $75 billion in the same period.

FSCO has limited powers to deal with administrators of severely underfunded pension plans, or those who do not administer plans in compliance with the *Pension Benefits Act*. However, the audit found that FSCO could use the powers it does have more effectively to protect plan members. For example, over the last four years, FSCO conducted on-site examinations of only 11% of underfunded plans on its solvency watch list. At this rate, it would take 14 years to examine them all. As well, FSCO took little or no action against late filers of required information.

The Auditor General's other significant findings included the following:

- FSCO's federal counterpart has legal authority to terminate a plan, appoint a plan administrator or act as an administrator, while FSCO can only prosecute an administrator (which is usually the employer company) or take action only after it orders the windup of a plan. As well, it cannot impose fines on those who fail to file information returns on time.
- It is uncertain whether FSCO's Pension Benefits Guarantee Fund, designed to protect members and beneficiaries of single-employer defined-benefit pension plans in the event of employer insolvency, is itself sustainable.
- FSCO's Licensing and Market Conduct Division, which administers and enforces legislation pertaining to the financial services sector, undertakes minimal oversight of co-operative corporations, and weaknesses in its online licensing system allow life insurance agents to hold active licenses without having established their eligibility.

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