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CSA and CCIR Joint Notice and Request for Comment – Proposed Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations and Proposed CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance Total Cost Reporting for Investment Funds and Segregated Funds

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CARP is pleased to respond to subject consultation.

It is an initiative that has been in the works for years, led by the mutual fund dealers association of Canada (MFDA). It is an important initiative particularly because, according to Morningstar research, Canadian investment fund fees are among the highest in the world.



Mercer says in its latest Retirement Readiness Barometer that paying typical investing fees can result in having to work years longer to achieve a financially secure retirement and increase the risk of running out of money after you exit the work force. The new Mercer analysis of various investment management fees in the market found that a representative individual paying the median level of fees available to the individual investor (1.9%) would be retirement ready by age 70 – well above the traditional retirement age of 65. If that doesn't get people to review the fees on their retirement investments, nothing will. Mercer report *Higher fees can set back retirement by four years* | *Mercer Canada*
<https://www.mercer.ca/en/newsroom/mercerc-retirement-readiness-barometer-2022.html>

We support the cost reporting initiative as it provides the information necessary for seniors to better control investing costs, the one aspect of their account they can control.

For those costs not currently disclosed in the current disclosure is only available on a non-consolidated basis. Investors receive different pieces of information at various times in different reports or must obtain information by going to different documents or websites. Having to receive/obtain information in this manner makes it unnecessarily difficult for investors, especially seniors, to understand the aggregate impact of costs and compensation on their accounts.

We appreciate that 100% client-specific accuracy may not be achievable due to the timing of Fund Facts MER disclosures, and data would not include rebates and/or temporary fee waivers. This is an acceptable imperfection as long as the issue is treated in an identical manner by all Dealers and Insurers.

The presentations should be clear, not confusing and lead to true investor comprehension as opposed to fulfilling a regulatory requirement. Font size should be easy to read. A glossary of key terms used is essential to support investor understanding.

Requiring equivalent reporting in the insurance industry is a real positive. A better understanding of segregated fund costs is important for seniors focussed on capital preservation. A harmonized approach will also reduce the opportunities for improper regulatory arbitrage.



Based on the sample reports provided, it seems to us that the reporting is clear, but such an assessment is best made by having investors from all demographics actually be exposed before deciding on a final format. No doubt behavioural finance experts have lent their expertise to the proposals.

Enhanced cost reporting will allow investors to better assess the benefits of the services provided.

We encourage the CSA to start preparing investor guidance documents on how to use the new cost reporting disclosures for more informed decision making.

Since seniors have a shorter timeline to recover from the adverse effects of fee erosion, the faster this initiative is implemented the better. It should be a high regulatory priority with as short a transition time as possible.

The fee and account reports should continue to be made available, free, in paper format if that format is preferred by investors.

The CSA should publish the metrics it intends to use to measure the success of the initiative.

We appreciate the opportunity to provide our viewpoint.

Your truly,

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C.A.R.P. (also known as the Canadian Association of Retired Persons) is a national, non-partisan, non-profit organization that advocates for financial security and improved health care for Canadians as we age. With over 330,000 members and 27 chapters across Canada, C.A.R.P. plays an active role in the creation of policy and legislation that impacts older Canadians. C.A.R.P. advocates on behalf of older Canadians with all levels of government and collaborates with other organizations on health, ageism, housing, and financial issues.
www.CARP.ca



REFERENCE Documents

IAP Response to MFDA Discussion Paper on Expanding Cost Reporting

https://www.osc.ca/sites/default/files/2020-11/com_20180613_iap-mfda-cost-reporting.pdf

Improving Fee Disclosures for Canadian Investors: BIT/ MFDA

https://mfda.ca/wp-content/uploads/Improving_Fee_Disclosures.pdf

The Effect Investment Fees Have On Retirement Planning | PlanEasy

<https://www.planeasy.ca/the-effect-investment-fees-have-on-retirement-planning/>

An Experiment on Mutual Fund Fees in Retirement Investing

<https://corpgov.law.harvard.edu/2012/07/23/an-experiment-on-mutual-fund-fees-in-retirement-investing/>

The impact of fees- an information sheet for investors: CFA Society

https://www.cfasociety.org/calgary/Documents/Investors_2.%20The%20Impact%20of%20Fees.pdf

Improving Fee Disclosures for Canadian Investors: MFDA

https://mfda.ca/wp-content/uploads/Improving_Fee_Disclosures.pdf

Report on Charges and Compensation – Consultation Regarding Cost Reporting for Investment Funds BULLETIN #0671-P (Dec. 2015)

<https://mfda.ca/bulletin/bulletin0671-p/>

Sample Steadyhand Client statement

<https://www.steadyhand.com/asset/2014/12/04/sample%20statement%202017.pdf>

Investing in Mutual Funds: Desjardins

https://www.fondsdesjardins.com/information/Brochure-Fonds-Placement_EN_ACC_FINAL.pdf



The Importance of Fees on Your Retirement Savings: Manulife Financial

[http://groupsavings.manulife.com/groupretirement/CPOv2.nsf/LookupFiles/DownloadableFileFutureStepSmallBusfeeimpactflyer/\\$File/FutureStepSmallBusfeeimpactflyer.pdf](http://groupsavings.manulife.com/groupretirement/CPOv2.nsf/LookupFiles/DownloadableFileFutureStepSmallBusfeeimpactflyer/$File/FutureStepSmallBusfeeimpactflyer.pdf)

How advisors charge fees is as important to clients as how much:

Investment News

<https://www.investmentnews.com/how-advisers-charge-fees-as-important-as-amount-222625>

How to improve annual fee reports | Advisor's Edge

https://www.advisor.ca/magazine-archives/_advisors-edge/_total-cost-reporting-is-coming/

The impact of investment costs | Vanguard

<https://investor.vanguard.com/investing/how-to-invest/impact-of-costs>

July, 2017 BCSC study **Investor Readiness for Better Investing 2016-2017 Panel Study: Part 3 and Final Report**

<https://www.investright.org/wp-content/uploads/2017/09/Survey-Report-Part-3-Investor-Readiness-for-Better-Investing-July-2017-1.pdf> .

Good Practice for Fees and Expenses of Collective Investment Schemes:

IOSCO

<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD543.pdf>

Guide for advisors: Answering Your Clients' Questions about Services and Fees

https://www.ific.ca/wp-content/themes/ific-new/util/downloads_new.php?id=18573&lang=en_CA

Understanding retirement plan fees and expenses

<https://www.dol.gov/sites/dolgov/files/legacy-files/ebsa/about-ebsa/our-activities/resource-center/publications/understanding-retirement-plan-fees-and-expenses.pdf>

