Joint Forum Working Committee on Capital Accumulation Plans

Sirs/Madams:

I am writing on behalf of the Co-operative Superannuation Society Pension Plan, a large ($2B), self-administered DC plan registered in Saskatchewan with approximately 29,000 members across Canada.

I would like to express concern on behalf of our plan with respect to section 2.2.3 of the CAP's Guidelines consultation paper issued in April 2003. This provision indicates that CAP members should have a reasonable opportunity to transfer their funds between investment options, but in any event should be permitted to transfer at least once per month.

In my opinion, setting one month as a minimum time limit may not be appropriate for all CAP's. Further, it may increase costs and reduce returns without providing any corresponding benefit to the CAP's member where the CAP has been established as a "buy & hold" vehicle in which to accumulate retirement savings.

I would draw your attention to an article published on page B9 of the Globe & Mail on July 4, 2003, in which the costs associated with "frequent trading" are discussed in the context of retail mutual funds. In this article it is reported that AGF is considering applying a 2% penalty on withdrawals where units are bought and resold within 90 days, with the amount of the penalty being applied to compensate remaining unit holders for the resulting transaction and administration costs that would otherwise be absorbed by the fund.

Although I realize that retail mutual funds and most DC pension plans permit <u>daily</u> trading, in my view this not only sends the wrong message to retirement savers but uselessly increases adminstration and transaction costs without providing any useful benefit to plan members. (I would submit that daily trading is provided in an attempt to limit sponsor/adminstrator liability rather than to meet the needs of plan members.)

I would urge you to consider changing section 2.2.3 so that it would permit more flexibility for plan sponsors and administrators. Wording similar to section 2.2.1 would be more appropriate such that the sponsor and or administrator would be required to provide <u>prudent</u> transfer options, given the purpose of the CAP, the number of investment options, the financial sophistication of members, the liquidity of the options, etc., etc.

If a specified minimum time limit is still felt to be required, I would encourage you to consider the "quarterly" limit provided in section 404(1)(c) of ERISSA and applicable to US 401 K plans, rather than the monthly limit currently proposed in your consultation paper.

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