



# NEWS RELEASE

## Private pension plans face greater, more costly regulatory burden compared to the CPP

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For immediate release

**VANCOUVER**—Compared to the Canada Pension Plan (CPP), private pensions are subject to far more regulations, are more complex in their make-up and face higher costs as a result, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“The regulations governing private pension plans—which can lead to increased transparency and accountability—inevitably also increase costs, but often those same regulations and costs don’t apply to the Canada Pension Plan,” said Moin Yahya, Fraser Institute senior fellow, law professor at the University of Alberta and co-author of [\*Understanding the Regulatory Framework Governing Private and Public Pensions\*](#).

The study comprehensively reviews the different rules and regulations governing the CPP compared to other pension plans, including private and public-sector pensions, as well as private registered accounts such as tax free savings accounts (TFSA) and RRSPs.

The CPP is, for example, exempt from many customer-related and disclosure regulations such as regular financial statements, as well as provincial rules and industry-organization standards. Private plans, on the other hand, face all of these government-imposed regulations, which lead to additional costs.

“Too often people jump to the conclusion that the CPP’s comparatively lower costs are a function of efficiency, but the reality is that substantial regulations are imposed on private plans that the CPP avoids,” explained Yahya.

In addition, private plans have a number of characteristics that the CPP does not, which also affect costs. Notably, private pensions have to account for transferability from one plan to another whereas CPP contributions are not transferable.

And whereas RRSPs, TFSA and some defined contribution pension plans allow contributors to choose where their funds are invested, the CPP offers no such choice.

Further, there are almost no laws allowing for the CPP to be sued for bad governance, so where the CPP enjoys substantial cost savings from not having to anticipate or defend against any liabilities, private pension plans are under near constant threat of litigation and must account for that.

“Understanding what actually drives the cost differences between the CPP and private alternatives is critical,” Yahya said.

“The reality is that some of the cost of private pensions is a result of government-imposed rules and regulations from which the CPP is exempt.”

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