



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

February 17, 2009

To: Honourable Iris Evans, Minister of Finance and Enterprise, Alberta
Honourable Colin Hansen, Minister of Finance, British Columbia

Dear Minister Evans and Minister Hansen:

Re: Joint Expert Panel on Pension Standards

The Pension Investment Association of Canada (“PIAC”) commends the Governments of Alberta and British Columbia for undertaking a collaborative review of pension plan standards. The report of the Joint Expert Panel on Pension Standards provides a well-thought out and pragmatic set of recommendations that are needed to ensure a sustainable employment pension plan system for workers and plan sponsors.

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$940 billion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

We support the comprehensive set of recommendations made by the Joint Expert Panel and note that most of the proposals made in PIAC's submission to the Joint Expert Panel were included in those recommendations. In particular, we wish to note our support for the following recommendations of the Joint Expert Panel:

- That all quantitative limits on investments be repealed, except statutory limits on related party transactions;
- That fiduciaries in making investment decisions must make those decisions in the best financial interests of plan members and can take nonfinancial matters such as environmental, social and governance factors into account only as they affect the potential risk and return of the investment;

- That plan fiduciaries be provided a statutory defence if they can demonstrate that they have adhered to the CAPSA governance guidelines and have acted in good faith, on an informed basis, in the interests of the beneficiaries, and in the absence of conflicts of interest;
- That pension plan sponsors be allowed to contribute funds in excess of those required on a going-concern basis to a separate fund (a “pension security fund”) from which amounts in excess of the calculated “wind-up basis”, after building in a reasonable margin, could be withdrawn by the sponsor;
- That surplus ownership issues be “ring fenced” by allowing pension plan sponsors to freeze existing plans, thereby preserving any existing entitlements to surplus and ensuring that accrued rights such as vesting continue, and to start new plans whose terms and conditions with respect to surplus entitlements would be clearly set out;
- That irrevocable letters of credit continue to be allowed to cover solvency deficiencies, as is currently allowed in both provinces;
- That the governments of British Columbia and Alberta encourage the federal government to increase the limit on surplus that can be held in a pension plan to at least 125 percent of liabilities; and
- That Alberta and British Columbia Governments work toward national harmonization by championing the establishment of a national council of ministers responsible for pensions that would have a mandate to consider the viability of harmonized or uniform pension standards regulation across the country and a single national regulator.

We also support the recommendation that governance policies be required for all plans. We agree that they should be disclosed to plan members and not be required to be filed with the regulator. However, we do not agree that it is necessary to adopt the principles contained in the CAPSA governance guidelines as a schedule to the legislation. Governance best practices are always evolving and prescribing these principles at a point in time is not appropriate.

However, we do not believe that formal funding policies are required. The pension regulatory environment already has effectively given plan sponsors a funding policy. The pension benefits standards legislation provides a minimum funding requirement and the Income Tax Act (Federal) provides a maximum funding requirement. The reason most plan sponsors do not have a formal funding policy is because there is no need to have one, when the regulations already provide a minimum and a maximum funding level.

We appreciate the opportunity to provide our comments on the report of the Joint Expert Panel on Pension Standards. Please do not hesitate to contact us if we can be of further assistance.

Respectfully submitted on behalf of the Members of the Pension Investment Association of Canada.

Yours truly,

A handwritten signature in black ink, appearing to read "G. McDade".

Gayle McDade
Chair

cc: Honourable Ed Stelmach, Premier, Alberta
Honourable Gordon Campbell, Premier, British Columbia