



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

October 26, 2012

The Honorable Michael de Jong  
Minister of Finance  
Room 153  
Parliament Buildings  
Victoria, BC V8V 1X4  
*E-mail:* [mike.dejong.mla@leg.bc.ca](mailto:mike.dejong.mla@leg.bc.ca)

Dear Minister de Jong,

**Re: Solvency Funding for Private Pension Plans**

We are writing this letter to urge the BC government to act quickly to address an issue of significant concern to our association as well as many small and medium size pension plans in Canada, including many BC regulated plans. Private pension plans regulated in BC are in urgent need of temporary solvency relief measures, similar to those passed or proposed by governments in other provinces (in particular, Alberta, Québec, Ontario and Manitoba).

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 \$1 trillion 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.

Solvency funded ratios for defined benefit pension plans in BC are dropping at an alarming rate, largely due to the combined impact of declining long-term interest rates and poor equity market returns. We believe that the current solvency funding required for many of these plans may not be sustainable in this low interest environment. As a result, solvency funding relief is needed urgently for many defined benefit plan sponsors, particularly single employer pension plans (SEPP's). SEPP's are particularly vulnerable as they are not able to avail themselves of the exceptions to solvency funding rules available to certain types of plans, such as some Multi Employer Pension Plans.

Solvency funding relief flexibility is included in the BC Government's pension legislation. However, the government has failed to apply such flexibility to regulated plan sponsors facing precedent-setting low solvency interest rates for many years now. Unfortunately, the economic conditions

that drove the need for solvency relief measures in 2008 have persisted, which has caused solvency deficiencies to soar, and many plan sponsors to question the ongoing viability of their pension plans.

PIAC supports the extension of the solvency relief measures for Quebec and Ontario pension plans announced last spring. In particular, allowing flexibility to sponsors in setting deficit amortization periods is a prudent step in a challenging environment for plan sponsors, which in the long run may allow for the recovery of pension plan funded ratios without putting unnecessary financial strain on the plan sponsor.

PIAC recommends that the BC government explicitly offer solvency relief to BC regulated plans which is similar to that introduced in Alberta, Ontario, Manitoba and Québec, including any or all of the following:

1. consolidation of solvency payment schedules,
2. extending new solvency deficiency amortization to a maximum of 10 years, and
3. permitting solvency and going-concern special payments to be amortized beginning one year after a plan valuation date.

These funding relief measures will help private plan sponsors deal with the impact the current economic environment has had on their registered pension plans. As in Quebec, we recommend that plan sponsors be able to adopt these provisions without member consent. Member notification of solvency relief measures should be sufficient to ensure transparency of funding decisions.

We draw your attention to the fact that other provinces such as New Brunswick, Newfoundland and Labrador and Manitoba have also taken action to implement solvency funding relief measures under their pension legislation in 2012.

PIAC strongly urges the Minister of Finance to take prompt action to offer the above noted temporary solvency relief measures for BC regulated plan sponsors, which would take effect in 2012.

We would be pleased to engage in discussions with the Ministry of Finance on any of the issues raised in this letter.

Yours sincerely,



Julie Cays  
Chair