



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

**Pension Investment
Association of Canada
Calls on Finance Ministers
to Ensure the Stability of
Canada's Retirement
System**

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The Pension Investment Association of Canada (PIAC) is asking the Federal, Provincial and Territorial Finance Ministers to take action to ensure the stability of Canada's retirement system.

Over the past several years, PIAC has made numerous submissions to various governments urging changes that will enhance the capacity of pension plans across the country to respond to changing financial and demographic trends. The recent market events and world-wide credit crunch have the potential to put severe strain on Canada's pension system and urgent action is required to ensure that pension plans, and in the case of private sector plans, the employer sponsors behind them, are able to weather the current financial crisis.

PIAC has made detailed submissions over the past three years to the pension review panels in Nova Scotia, Quebec, Ontario, and B.C./Alberta. Taken together, these reviews present a unique opportunity for all levels of government to make changes that can have a beneficial effect in response to the immediate crisis and for decades to come.

PIAC is calling on all governments to take the following steps:

In the short term;

1. To provide temporary relief for a 5 year period, to plan sponsors in the currently unstable and fragile market environment by:
 - a. extending the amortization of solvency deficits to ten years for all pension plans
 - b. using a solvency discount rate based on AA rated corporate bond yields that has a similar duration to that of the pension plan liabilities .

In the longer term;

2. To ease solvency funding requirements and to address risk asymmetry in the rules regarding surplus entitlement by:
 - a. providing plan sponsors the flexibility to use Letters of Credit, which already exists on a permanent basis in Alberta;
 - b. permitting plan sponsors to establish special purpose accounts

- (“solvency accounts”) that are independent from the main pension trust; and
- c. researching the feasibility of allowing pension plans to have reduced solvency funding requirements based on the credit worthiness of the plan sponsor.
3. Facilitate the opportunity for plan sponsors to enhance the funded position of the plans when plan sponsors are able to do so by:
 - a. amending the Federal Income Tax Act to allow plan sponsors to make contributions beyond the current 110% limit; and
 - b. allowing plan sponsors to earmark contingency reserves to fund pension plans, where plan sponsors would have the clear entitlement to reclaim funds not required to fund pension benefits.
 4. Hold pension investments to the standard of a prudent person and eliminate all quantitative limits on investing.
 5. Harmonize pension law across Canada and establish one regulatory system for pensions with one set of rules.

PIAC would be pleased to provide detailed background to Ministers on any of our recommendations.

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.