



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

February 12, 2009

The Honourable James M. Flaherty
Minister of Finance
Department of Finance Canada
140 O'Connor Street
Ottawa, Ontario
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jflaherty@fin.gc.ca

Dear Minister,

Re: Solvency Relief for Pension Plans

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.

The severe decrease in global investment returns has negatively affected the funding status of pension plans. This has resulted in a significant increase in cash funding requirements from plan sponsors who are also dealing with major business impacts from the economic downturn. The increase in pension plan funding requirements will be most significant in the case of funding solvency deficiencies.

While the Federal Government has announced some solvency deficiency funding relief options, we are concerned that the measures proposed are too restrictive and do not provide realistic alternatives for plan sponsors.

Firstly, we believe the requirement to obtain the requisite plan member agreement involves a complicated and difficult communication process and will be impractical for most plan sponsors to implement. In addition, the ability and cost to obtain a letter of credit has been impacted by the difficult state of the credit markets and will not be a realistic option for many plan sponsors.

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A number of other governments have proposed more flexible solvency funding relief options that offer plan sponsors pragmatic alternatives. In particular, the options proposed by Quebec, Alberta, Saskatchewan and British Columbia do not require plan member buy in and offer options that address the current complications and costs of obtaining a letter of credit. These alternative options include consolidations of solvency deficiencies, funding solvency deficiencies over a 10-year period with no other conditions and moratoriums for solvency funding.

PIAC encourages the Federal Government to implement the options being offered by other governments in order to assist plan sponsors in dealing with the major funding concerns and to preserve the ongoing maintenance of defined benefit pension plan for employees.

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". The signature is fluid and cursive, with a large initial "G" and a distinct "McDade" following.

Gayle McDade
Chair