Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

March 23, 2010

William Short
Clerk
Standing Committee on Finance and Economic Affairs
Room 1405, Whitney Block
Queen's Park
Toronto, Ontario
M7A 1A2

Dear Mr. Short,

Re: Bill 236 – An Act to Amend the Pensions Benefits Act

The purpose of this letter is to express the Pension Investment Association of Canada's ("PIAC") comments in response to Bill 236 – An Act to Amend the Pension Benefits Act.

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.

PIAC is pleased that Ontario has begun to take steps to address the issue of pension reform. We understand that Bill 236 is only the first of several measures being contemplated. While we note that the changes introduced in Bill 236 are largely in line with the recommendations in the Report of the Expert Commission on Pensions, we believe that other significant issues are yet to be addressed. As such we await further proposals on funding and investments which recognize the risk-sharing characteristics and long-term nature of pension funds.

Specifically, we offer the following observations in relation to the proposals in Bill 236:

Partial Wind-Ups: We are pleased that partial wind ups are being eliminated in conjunction with the introduction of immediate vesting.

Grow In: We have a number of concerns about the proposals around expanding grow-in provisions.

- PIAC has long advocated the elimination of grow-in rights. We believe that grow-in benefits discourage the provision by employers of early retirement incentives and are an additional cost to plan sponsors. It is an unnecessary cost and results in a funding burden on ongoing viable pension plans, and imposes an expensive additional cost on sponsors that are attempting to realign their businesses in the face of the recession.

- It is notable that Ontario and Nova Scotia are the only jurisdictions to mandate grow-in benefits, and in Nova Scotia the Pension Review Panel has recently recommended that grow-in rights be abolished. This suggests that Ontario will be the sole Canadian jurisdiction that requires grow-in benefits, and this does not support or enhance harmonization of regulation across the country - another key concern of PIAC highlighted below.

- Furthermore, Bill 236 permits Multi-Employer Pension Plans (MEPPs) and Jointly Sponsored Pension Plans (JSPPs) to make an election to opt out of providing grow-in benefits. This puts Single Employer Pension Plans (SEPPs) at a disadvantage. This election should be extended to all plans

- Having said this, if grow-in benefits are retained, we propose that Ontario mitigate the cost implications for plan sponsors by, for example, not requiring grow-in benefits to be funded on a solvency basis, or by making the benefit available on plan termination only if there is a surplus that would allow for such payments to be made.

- Though we understand the motivation for the extension of grow-in to involuntary terminations, we feel there will be some significant administrative complexity for our members in clarifying who actually is and is not an involuntary termination.

Harmonization: While we know there is further legislative change to come, we are concerned that the issue of harmonization of regulation did not seem to be a consideration. This is a significant issue for national plan sponsors who have to contend with the cost and complexity of multiple jurisdictional regulation. We would strongly urge the Ontario government to come up with a position on this issue as new pension changes are considered. We encourage Ontario to take a leadership position on the issue of harmonization with other jurisdictions and at the federal level.

We trust you will give our submission due consideration before the Bill is enacted. We also look forward to further proposals on funding and investment.

Sincerely

Yours truly,

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