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The Association of Canadian Pension Management
L'Association canadienne des administrateurs de régimes de retraite

March 8, 2018

Ms. Lynn Hemmings
Senior Chief, Pensions, Financial Systems Division
Finance Canada
90 Elgin Street
Ottawa ON K1A 0G5

Via email: lynn.hemmings@canada.ca

Dear Ms. Hemmings:

Re: Solvency payment reductions for agent Crown corporations

ACPM is the leading advocate for plan sponsors and administrators in the pursuit of a balanced, effective and sustainable retirement income system in Canada. We represent plan sponsors, administrators, trustees and service providers and our membership represents over 400 companies and retirement income plans that cover more than 3 million plan members.

As you know, in 2017, the *Pension Benefits Standards Regulations* ("the Regulations") were amended; specifically, the limit on letters of credit used in lieu of solvency payments was changed, from 15% of plan assets to 15% of solvency liabilities. While agent Crown corporations ("agent Crowns") cannot use letters of credit in this way, the Regulations provide a mechanism for agent Crowns to reduce solvency payments, subject to oversight from the Minister of Finance and the cabinet Minister responsible for the particular agent Crown. The cumulative limit on such reductions was also amended in 2017, in a similar way to the limit on letters of credit.

As we have discussed previously, due to subtle but important differences in wording, the effective relief made available to agent Crowns through the mechanism above is significantly lower than that resulting from the use of letters of credit, resulting in the potential for material differences in special payment requirements between agent Crowns and other plan sponsors.

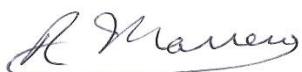
As part of the consultation process, in our letter (attachment) to Ms. Lisa Pezzack of Finance Canada, dated May 29, 2017, we pointed out this inequity, and asked for it to be addressed. We understand that this request required an additional level of analysis by Finance Canada, and that the Government did not want such analysis to delay the implementation of the other proposed changes to the Regulations. With the 2017 amendments now completed, we are inquiring as to the current state of this analysis, and offer any assistance in this regard that you may find helpful.

In particular, please note the following:

- We believe this issue affects very few agent Crown plan sponsors, but that the impact on such sponsors could be very significant. In fact, the difference in the special payment requirements for agent Crowns compared to other sponsors rises steeply as the cumulative reduction in solvency payments approaches the plan's solvency deficit.
- We do not believe that a remedy to this inequity should be viewed as special treatment for a small group of plan sponsors, as it only restores what seems to be the original intent of the Regulations, based on the Regulatory Impact Analysis Statements published in 2011 and 2017.
- It is possible that the issue could be fully remedied by a minor change in wording in one section of the Regulations: adding the words ", the prior valuation date and the second prior valuation date" after the words "solvency assets at the valuation date" in Section 9(13.4)(b).
- We would ask that the above change be effective on a go-forward basis. Specifically, we would ask that the balance of cumulative reductions in solvency payments also be reset to what it would have been had the change been in effect from 2011, reflecting actual contributions made and valuations filed since that date.

Thank you for your attention to this matter, and we look forward to discussing it further at our next meeting. In the meantime, we wish to reiterate that we would be happy to provide technical or analytical support or answer any questions you may have.

Sincerely,



Ric Marrero
Interim CEO
ACPM

c.c.: Tamara DeMos, Managing Director, Private Pension Plans Division, OSFI