[UNOFFICIAL ENGLISH VERSION]

Montréal, January 18, 2019

Mr. Michel Després
President and Chief Executive Officer
Retraite Québec
Place de la Cité, 2600 Laurier Boulevard, 5th floor
Québec, Québec G1V 4T3

Subject: Comments on the Proposed Regulation Respecting the Funding of Multi-Jurisdictional Defined Benefit Pension Plans (the "Proposed Regulation")

Dear Mr. President and Chief Executive Officer,

We are writing on behalf of the Association of Canadian Pension Management (ACPM) to provide comments on the Proposed Regulation released on December 5th.

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 three million plan members.

In general, ACPM welcomes the Proposed Regulation insofar as it preserves the Agreement Respecting Multi-Jurisdictional Pension Plans (the "Agreement"). The possibility of Québec withdrawing from the Agreement was a major concern for ACPM. Such a withdrawal would have had serious consequences for the administration and viability of pension plans.

That being said, given all the work that has been done in recent years to replace solvency funding with a more balanced and less volatile going-concern funding, the reinstatement of a solvency funding requirement is a significant setback for defined benefit pension plan sponsors.

Instead, ACPM's preferred solution was to convince the other parties to the Agreement to accept equitable treatment for Québec members despite the absence of solvency funding in Québec. It is hoped that the re-establishment of a solvency threshold for multi-jurisdictional plans is only a temporary measure until the parties to the Agreement finalize a new multi-jurisdictional agreement that recognizes the specific aspects of the Québec funding model.

Another concern of ACPM is the solvency threshold set by the Proposed Regulation. As you know, the solvency ratio of a plan can be very volatile and could quickly fall below 75% during a period of economic turmoil. It is expected that many plans will fall below this threshold considering the results of the fourth quarter of 2018. Since no specific solvency threshold is prescribed by the Agreement, the Québec government has some flexibility in this regard. We therefore encourage you to lower the rate to 70%. This rate would be less likely to undermine sponsors' funding policies while remaining credible in the eyes of the other parties to the Agreement.

In order to reduce the number of plans affected by this new funding requirement, we also encourage you to consider measures that would reduce the solvency liabilities of plans affected by the Proposed Regulation. In this regard, the government could draw on measures adopted in Ontario, such as excluding indexation of benefits to be funded on a solvency basis or the smoothing of assets for solvency valuation purposes.

Finally, we encourage the government to include a transitional rule in the final regulation that the new funding requirement will not be effective until the first actuarial valuation of the plan that is performed after the regulation comes into force.

We would be pleased to discuss our comments and suggestions at your convenience.

Yours sincerely,

Julien Ranger
Québec Regional Council
Association of Canadian Pension Management

Ric Marrero
Chief Executive Officer
Association of Canadian Pension Management

c.c. Pierre Lavigne, ACPM