



May 31, 2005

The Honourable Ralph Goodale
Minister of Finance
Department of Finance Canada
140 O'Connor Street
Ottawa ON K1A 0G5

Dear Minister:

The ACPM represents private and public sector pension plan sponsors, administrators and related stakeholders. The ACPM's 700 members across Canada represent plans with total assets of \$300 billion and over three million plan members.

The ACPM's mission is to promote the health and growth of Canada's retirement income system by championing the following principles:

- Clarity in pension legislation, regulation and arrangements;
- Good governance and administration; and
- Balanced consideration of stakeholder interests.

The purpose of this letter is to encourage your government to enact the draft technical amendments to the Income Tax Act Regulations released for comment on February 27, 2004. These amendments, and in particular the addition of section 8506(1)(e.1) to the Regulations, will allow Defined Contribution (DC) pension plans to pay variable retirement income similar to a RRIF. Amounts paid will be subject to the usual RRIF minimum withdrawal requirement under the Income Tax Act.

The consultation period for these draft amendments ended on April 30, 2004. It is believed that they were favourably received by the DC pension sector. Finance Canada officials originally indicated that proclamation was expected by the end of 2004. To date, we understand that the amendments have not been proclaimed in force. We are not aware of any reason for this delay.

As set out in the explanatory notes to the amendments, " ... new paragraph 8506(1)(e.1) of the Regulations permits an RPP [registered pension plan] to provide retirement benefits (referred to as "variable benefits") to a member under a money purchase provision, and to beneficiaries of the member after the member's death, by means of payments from the member's account.

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This is in contrast to retirement benefits described in paragraphs 8506(1)(a) to (e), which by virtue of paragraph 8506(2)(g) must generally be provided by means of an annuity purchased from a licensed annuities provider. Paragraph 8506(1)(e.1) is intended to allow money purchase benefits to be provided in the same manner as is permitted under a RRIF.”

These amendments would also permit retired members to transfer other registered funds to their RPP. Such a transfer, however, would be subject to the terms and conditions of the transferred fund, including any fees or costs resulting from early redemption.

Currently, most DC pension plans are not permitted to pay retirement income to their members. Members must therefore leave their plans at retirement, either to purchase an annuity at historically low, long-term interest rates, or to transfer their accumulated benefits into retail or group locked-in investment products, at potentially higher cost. The amendments, however, will allow greater flexibility to DC plan sponsors. Under section 8506(1)(e.1), DC plan sponsors who wish to do so, will be able to provide retirement benefits to their members. This will permit retiring employees the comfort of having a familiar retirement product and a familiar product administrator available at a time of major change in their lives.

Thank you for taking the time to review our comments. We would be pleased to discuss this matter with you at your convenience.

Yours truly,

(ORIGINAL SIGNED BY):

Becky West, Chair
ACPM Advocacy & Government Relations Committee