

February 3, 2010

The Honourable Dwight Duncan
Minister of Finance
Government of Ontario
Frost Building South, 7th Floor
Toronto, ON M7A 1Y7

Dear Minister:

The 2010 Provincial Budget and Pension Plan Issues

The ACPM is the informed voice of retirement income providers for Canadians.

Established in 1976, the ACPM advocates for an effective and sustainable Canadian retirement income system. Our members are drawn from all aspects of this industry from one side of this country to the other. They represent over 300 pension plans consisting of more than 3 million plan members, with assets under management in excess of \$300 billion.

The ACPM promotes its vision for the development of a world-leading retirement income system in Canada by championing the following Guiding Principles:

- Clarity in legislation, regulations and retirement income arrangements;
- Balanced consideration of other stakeholders' interests; and
- Excellence in governance and administration

The ACPM regularly advocates and participates in public dialogue on pension issues. This submission has been prepared with the assistance of our Ontario Regional Council members, all of whom work in the various sectors of the retirement income industry throughout the province.

As you are aware, pensions have become a front-burner issue in the past two years and ACPM wishes to congratulate the Government of Ontario on its active engagement with various industry stakeholders, as well as with other jurisdictions. The report of the Expert Commission on Pensions and recent tabling of Bill 236 to amend the Pension Benefits Act illustrate this and, while ACPM may not agree with all of the measures taken or proposed, we applaud your commitment to seeking solutions to problems that have been building for many years. We also wish to commend the Government of Ontario, as well as its provincial, territorial and federal counterparts, for initiating a national approach to enhancing the pensions system at last month's "pension summit".

While there are many specific issues that need to be addressed, we wish to comment on what we believe should be the Ontario Government's key priorities:

1. Expanding pension coverage

Canada has a strong foundation for retirement income with the CPP, OAS and GIS (pillars 1 and 2) and we do not recommend any changes in this regard. But we do contend that reforms are needed to support increased participation by employees and their employers in the area of private retirement income (pillar 3).

ACPM believes that every Ontarian should have an adequate retirement income; however, this goal has been undermined because many simply aren't saving enough. Often, they are intimidated by the amount they need to set aside for retirement.

Alternatively, employers may not offer a pension plan because current rules make it more and more difficult for them to do so. In the past, we have noted issues like the asymmetry of risk/reward for plan sponsors and complex regulations and administration requirements.

Under current law, only "employees" may participate in registered pension plans. Given the increasing number of self-employed individuals arising from the changing structure of the economy, by limiting pension coverage to employees, one of the results may be an unintended effect of precluding many Ontarians from participating in a pension plan. We encourage you to look at policy alternatives that would allow the self-employed to participate in pension plans.

For those who are self-employed or for whose employers choose to not offer a pension plan to their employees, we believe that an appropriate vehicle should be made available. This said, however, we are not necessarily in favour of an expansion of the CPP through a CPP Supplementary plan if it risks creating an even larger mega fund and if it operates on a set of rules that are different to those offered in the private sector.

Instead, we recommend that legislation be changed to permit the private sector to provide supplementary plan vehicles for employees who are currently without a plan. There are a number of legislative amendments that would enable policy alternatives such as automatic enrolment and automatic contribution escalation that we believe can substantially increase pension coverage and the amount that Ontarians save for their retirement.

2. Encouraging voluntary pension arrangements

There have been calls from a number of sources, including the Report of Ontario's Expert Commission on Pensions, for an expansion of the CPP's mandate to include offering supplemental retirement arrangements. As mentioned above, we are not in favour of creating an even larger mega fund if it effectively becomes the only option available to employees. We are also of the opinion that such a high concentration of assets within one large fund is not in the best interests of stakeholders.

ACPM believes that there are better ways to provide expanded coverage without further concentrating capital in an already massive sovereign mega fund. Economies of scale and diversification of capital could be achieved through several large plans, operating multi-jurisdictionally and offering flexibility and choice of retirement savings options. Moreover, we believe that such an approach should be based upon voluntary participation, rather than take the form of another government-mandated payroll tax.

3. Promoting a flexible and balanced approach

The pension needs of Ontarians vary widely, as do the abilities of their employers to provide pension coverage. As such, ACPM does not believe in “one-size-fits-all” solutions. Plan sponsors and members (or their representatives) should be able to choose from a wide range of plan designs, benefits offered and funding methods, each of which should be roughly equivalent from a tax treatment perspective.

For example, as discussed in s.1. above, we find merit in the Ontario Expert Commission on Pensions proposal that multi-employer pension plans and target benefit plans be extended beyond sectors subject to collective bargaining.

In addition to accommodating different types of plans and evolving plan designs, the environment for employer sponsored pension plans must be designed to be fair to all parties and ensure that the key focus is providing income to beneficiaries.

Legislation and regulations governing pension plans should be clear and reflect the risk/reward arrangements between sponsors and members.

4. Harmonizing pension legislation/regulation across Canada

Ontario is home to the largest single concentration of multi-jurisdictional plan sponsors in Canada. As such, Ontario has the most to gain from harmonized national pension rules. ACPM acknowledges that there are a number of areas outside of the *exclusive* jurisdiction of the Government of Ontario; however, we urge you to play a proactive role in promoting pension harmonization with your federal, provincial and territorial counterparts.

ACPM has long advocated eliminating the patchwork quilt of pension legislation and regulations in Canada. Our preference would be for a single national pension law and regulator; however, we recognize that this may not be feasible politically.

We therefore support the efforts of the Canadian Association of Pension Supervisory Authorities (CAPSA) to address existing variances in pension legislation, most recently with the release of draft principles for a Model Pension Law, as well as a draft Multi-Jurisdictional Agreement. ACPM hopes that these initiatives will not be derailed by the release of reports of the Ontario Expert Commission on Pensions and its counterparts in Alberta/British Columbia and Nova Scotia. Many minor uniformity irritants could be removed if the various legislatures conferred rule-making power upon their respective regulatory authorities, while CAPSA continues to collaborate with the pension industry.

5. Facilitating greater private/public sector interaction on pension issues

While we would like to recognize that FSCO has made an attempt to reach out to stakeholders through dialogue more in the past couple of years, it appears that there still needs to be more work done in the way of formal exchange of knowledge between Ministry of Finance/FSCO and the pension industry. Recognizing that the government’s budget is limited, we suggest that consideration be given to a secondment program in which pension industry participants work for a set period of time in the pension policy/regulatory environment. This would create an exchange of knowledge, information and viewpoints between Ministry of Finance/FSCO and its client base. We expect that pension policy makers/regulators and the pension industry would benefit equally from such a program.

We look forward to discussing these issues further with you and your policy advisors in the coming months.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bryan D. Hocking', written over a large, faint, circular watermark or stamp.

Bryan D. Hocking
Chief Executive Officer

cc:

Charlene Moriarty, Chair, ACPM Ontario Regional Council
Scott Perkin, President, ACPM
Hugh Kerr, Chair, AGR Committee