



March 21, 2024

Chris Forbes
Deputy Minister, Finance Canada
90 Elgin Street
Ottawa ON K1A 0G5
Sent via email

Dear Deputy Minister Forbes,

Re: ACPM Response to the 2023 Fall Economic Statement – Pension Fund Investment in Canada

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 millions of plan members - some of our members are sponsors of the largest public and private pension plans in Canada.

This letter provides our response to certain aspects of the 2023 Fall Economic Statement (the “FES”) tabled on November 21, 2023, that were focused on pension fund investment in Canada. The FES identifies that \$3 trillion of assets have accumulated in Canadian pension funds and proposes to try to leverage some portion of those assets to increase domestic investment. Specifically, the FES proposes that the federal government will:

- 1) reach out to Canadian pension funds and work collaboratively to create an environment that “encourages and identifies more opportunities” for investment domestically;
- 2) explore the removal of the “30% rule” in respect of domestic investments. The 30% rule restricts Canadian pension funds from holding more than 30% of the voting shares of many corporations; and
- 3) impose new disclosure obligations on large federally regulated pension funds requiring them to identify the distribution of their investments by jurisdiction and asset-type to the Office of the Superintendent of Financial Institutions (“OSFI”).

We are writing to provide initial commentary on behalf of ACPM’s members in advance of any consultation on specific policy proposals to come. We will briefly address each proposal in turn.

CREATING AN ENVIRONMENT THAT ENCOURAGES MORE DOMESTIC INVESTMENT

We agree that Canada is one of the safest and most desirable investment destinations in the world and Canadian pension funds currently have significant investments in the Canadian market. We note and appreciate that the FES suggests that the federal government's approach to encouraging more domestic investment will be collaborative.

Canada's pension funds certainly welcome investment opportunities that align with earning long-term sustainable returns in order to provide secure pensions to plan members. ACPM would be pleased to work with the federal government to identify changes that could unlock more domestic investment by Canadian pension funds.

However, it is critical that any resulting changes not dilute, distract or detract from the important fiduciary obligations that pension plan administrators owe to plan members and retirees, including the duty to maximize risk-adjusted returns, which has resulted in the impressive asset accumulation by Canadian pension funds noted in the FES.

As you know, and as highlighted in the 2017 World Bank Report, the Canadian pension model of independent investment, fiduciary duty responsibilities, and large diversified asset portfolios is world-renowned for its success at delivering secure pensions. When developing any proposed regulatory changes to encourage investment in Canada, ACPM considers it critically important to maintain the core tenets of the successful Canadian pension model. Again, we would be pleased to participate in any consultation focused on pension investment in Canada.

REMOVAL OF THE 30% RULE FOR DOMESTIC INVESTMENTS

We understand that the federal government's initiative to explore removal of the 30% rule in respect to investments in Canada is intended to allow pension funds to participate in Canada's economic growth more fully. However, ACPM recommends robust consultation with the Canadian pension industry on any proposed changes to the 30% rule to ensure alignment between the proposed changes and expected outcomes, and also to understand any possible intended or unintended consequences including in respect to Canadian pension plans' tax-exempt status. (The 2016 "[Response to Pension Plan Investment in Canada: The 30 Per Cent Rule](#)" by ACPM would serve as valuable preparatory material for these talks, providing important consultation questions and highlighting issues that remain pertinent in today's context.) ACPM would be pleased to participate in any consultation to provide practical industry experience regarding this important topic.

PROPOSAL FOR NEW INVESTMENT DISCLOSURE OBLIGATIONS

As part of the federal government's effort to encourage more domestic investment by Canadian pension funds, the FES proposes requiring large federally regulated pension funds to disclose to OSFI the distribution of their investments both by jurisdiction and asset-type per jurisdiction, and this information would be made publicly available. The FES also states that the federal government will engage with provinces and territories to discuss requiring similar disclosure by Canada's largest pension plans in a simple and uniform format.

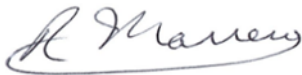
While transparency is a laudable regulatory goal in many circumstances, ACPM believes that disclosure requirements should be fit for purpose to ensure that there is an appropriate balance between healthy regulatory oversight and administrative burden, e.g., cost for members. In addition, there is some concern in the industry that this aspect of the proposals (especially the proposal to make the information publicly available) may result in a “name and shame” dynamic. If the federal government decides to proceed with this proposal, ACPM would very much appreciate the opportunity to provide feedback to ensure the proper balance is struck regarding any new disclosure requirements applicable to its members.

NEXT STEPS

We respectfully urge you to carefully consider and consult with the Canadian pension industry, including key nationwide industry associations like ACPM, before moving forward with planning and implementing these proposals designed to increase domestic investment by Canadian pension funds. As the FES notes, the current stability and security of retirement supported by Canadian pension funds, and their strong performance, are the envy of the world. It is critically important that we keep it that way.

Thank you for your consideration and we would be pleased to discuss any of our comments in more detail if that would be helpful.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ric Marrero", written in dark ink.

Ric Marrero
Chief Executive Officer
ACPM