



Advancing Standards™

January 28, 2019

Financial and Corporate Sector Policy Branch,
Ministry of Finance
PO Box 9418 Stn Prov Govt
Victoria, BC
V8W 9V1

Email: pension.feedback@ontario.ca

Dear Sirs and Mesdames:

Re: A Review of the Solvency Funding Framework under the *Pensions Benefits Standards Act*: A Consultation Paper

Overview

The Portfolio Management Association of Canada¹ (**PMAC**), through its Industry, Regulation & Tax Committee's sub-committee on pensions, is pleased to have the opportunity to participate in the Ministry of Finance's (**Ministry**) consultation with respect to "A Review of the Solvency Funding Framework under the *Pensions Benefits Standards Act* (the **Act**): A Consultation Paper" (**Consultation**).

As background, PMAC represents over [260 investment management firms](#) registered to do business in Canada as portfolio managers. PMAC members manage investment portfolios for, among others, private individuals, foundations, universities and pension plans.

PMAC is supportive of the government of British Columbia's goal of seeking stakeholder feedback on options to amend defined benefit pension plan (**Plan**) funding rules under the Act.

Defined benefit (**DB**) plans are an integral part of Canadians' retirement income savings, even as increasingly fewer of us are covered by such Plans as a result of increased complexities and expenses in funding them.

¹ PMAC was established in 1952 and represents firms that manage total assets in excess of \$2 trillion. Our mission is to advocate the highest standards of unbiased portfolio management in the interest of the investors served by Members. For more information about PMAC and our mandate, please visit our website at www.portfoliomanagement.org.

PMAC supports efforts to ensure that pension funding rules better support long-term Plan sustainability and benefit security and so that DB Plans continue to provide lifetime pensions to their members and other beneficiaries.

We thank the government of British Columbia and the Ministry for the Consultation and for your work aimed at strengthening the province's retirement income system.

Key Recommendation

For the reasons set out below, PMAC believes that Approach B, Option 2 in the Consultation, Enhanced Going Concern Funding Rules with a provision for adverse deviation (**PfAD**), is the most desirable policy response from the Ministry to achieve its goals and to establish harmonized pension legislation nationally.

Harmonization

PMAC advocates for harmonized pension regulation across Canada so that investors benefit from the same level of protection as well as reductions in underlying Plan complexity and compliance costs, no matter their jurisdiction of residence.

Consequently, we ask the Ministry to amend the Act to require Plans to have a PfAD so as to conform to similar approaches undertaken by the provinces of Quebec and Ontario to date.

PfAD calculation considerations

PMAC members look forward to the opportunity to review and comment on the proposed PfAD calculation in detail, should the Ministry pursue this option.

As has been our experience with both the Quebec and Ontario pension solvency funding amendment processes, the exact formulae used to calculate the PfAD are of utmost importance to review during the consultative phase to ensure that there are no unintended negative consequences. The component parts of the PfAD calculation can either promote or inhibit the alignment of a Plan's investment objectives with the best interests of stakeholders, including Plan members.

We support the notion raised in the Consultation that the PfAD should be based on the degree of asset/liability mismatch. For example, we believe that the Quebec rules, by taking into account the asset/liability interest rate hedge ratio, better reflect this concept than do the Ontario rules, which do not include this.

Our members are keen to have the opportunity to provide their extensive industry expertise and constructive comments on the Ministry's draft at the appropriate time.

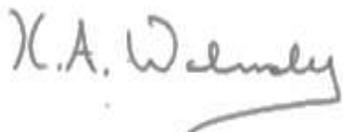
Conclusion

PMAC believes that seeking balanced solutions that promote effective investment policies while ensuring that Plans have the ability to pay out accrued benefits to members over the long-term are essential to the well-being of the economy and investors. We would like to once again thank the Ministry for engaging in on-going consultation and assessment of Plan funding issues.

If you have any questions regarding this submission, please do not hesitate to contact Katie Walmsley (kwalmsley@portfoliomanagement.org) at (416) 504-7018.

Yours truly;

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA

Handwritten signature of Katie Walmsley in black ink.

Katie Walmsley
President
Portfolio Management Association
of Canada

Handwritten signature of Margaret Gunawan in black ink.

Margaret Gunawan
Managing Director – Head of Canada
Legal & Compliance
BlackRock Asset Management Canada
Limited