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Via email to: pensions@fin.gc.ca

Re: Consultation Paper – *Pension Innovation for Canadians: The Target Benefit Plan* (Response to Department of Finance Canada)

As plan administrator for OMERS, the OMERS Administration Corporation ("OAC") is pleased to provide general comments on the consultation paper, "Pension Innovation for Canadians: The Target Benefit Plan", released by the Department of Finance on April 24, 2014. OMERS is:

- a jointly-sponsored pension plan with over fifty years of experience with shared employer/member governance;
- a large multi-employer defined benefit ("DB") pension plan with a highly diversified membership of more than 440,000 members from about 982 employers;
- a large, experienced pension fund investor with over \$65 billion in assets; and
- a direct investor of over \$30 billion dollars primarily in the Ontario and Alberta economies through major infrastructure, real estate, private equity, public equity and energy assets.

Nearly one in twenty working Ontarians is a member of OMERS.

As a key stakeholder in pension reform debate in Canada, OMERS is pleased to provide input on reforms and initiatives to improve retirement income coverage within the federal pension jurisdiction. In particular, we see joint governance and risk sharing, along with other key features of Ontario jointly-sponsored pension plan ("JSPPs"), as cornerstones of a responsible and sustainable pension plan. The key differences between JSPPs and the target benefit plans ("TBPs") envisioned in the federal consultation paper, revolve around TBPs potential for reductions in accrued benefits and the highly prescriptive funding/benefit/contribution process. In JSPPs, accrued benefits cannot be reduced during the life of a plan and the governance process provides for the mechanisms to address funding issues.

From our experience, the JSPP represents a desirable and dynamic model, offering a balanced combination of risk pooling, shared governance and benefit security. The existing Ontario JSPPs also enjoy significant scale (i.e. assets) to create investment efficiencies, large pools of patient Canadian investment capital, and reduced volatility in funding. OAC strongly support measures that maintain and support existing DB pension plans, especially the large DB plans on which so many individual Canadians rely. Unless TBPs are able to



achieve the size, efficiency and balance in governance and security of benefits they may struggle to provide efficient and secure retirement income.

Without a prohibition against reducing accrued benefits in a federal TBP, OAC notes three important considerations. First, retirees and deferred members will likely seek a stronger voice in governance to ensure the balance of power and impact of any reductions is weighed. Second, transfers of assets or conversions from a DB plan to a TBP will require additional security measures compared to transfers between DB plans which preserve accrued benefits while the plan is ongoing (e.g. JSPPs and other traditional DB plans). Finally, clear and transparent communications will be key to ensuring that beneficiaries and employers truly understand how the TBP differs from traditional DB plan models.

OAC appreciates having the opportunity to provide its comments on the TBP consultation paper.

Yours truly,

(Original signed by)

Cynthia Crysler
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