

June 23, 2014

The Honorable Kevin Sorenson
Minister of State
Department of Finance
140 O'Connor Street
Ottawa, Ontario K1A 0G5
Via E-mail: pensions@fin.gc.ca

Re: Pension Innovation for Canadians: The Target Benefit Plan

The Portfolio Management Association of Canada (PMAC), through its Industry, Regulation & Tax Committee, is pleased to have the opportunity to submit comments regarding the Federal government's consultation on a potential target benefit pension plan framework (the "Consultation Paper" or "TBP Framework"). The government's initiative would incorporate TBP provisions into the federal *Pensions Benefits Standards Act*, and would make TBPs available to federally regulated private sector employers and Crown Corporations. The proposed TBP Framework is a welcome initiative.

As background, PMAC represents investment management firms registered to do business in Canada as portfolio managers. Collectively, our member firms manage investment portfolios for most of Canada's pension plans, and as such, have special experience with the issues faced by pension plans, their administrators, advisers and portfolio managers with regard to the investment of pension plan assets. PMAC was established in 1952 and currently represents over [180 investment management firms](#) that manage total assets in excess of \$800 billion (excluding mutual fund assets). Our mission is to advocate the highest standards of unbiased portfolio management in the interest of the investors served by Members. Member firms are in the business of managing investments for clients in keeping with each client's needs, objectives and risk tolerances. For more information about PMAC and our mandate, please visit our website at www.portfoliomanagement.org.

PMAC commends the Government for its commitment to ensuring a secure retirement for Canadians. We are supportive of a TBP Framework and believe the TBP Framework provides a workable alternative to current plan options (defined benefit (DB) and defined contribution (DC) plans) and provides a more long term sustainable option for retirement savings. The flexibility and hybrid nature of the TBP Framework may prove attractive to employers who are moving away from the risks of DB plans. The balanced responsibility of risk between employers and employees is an attractive model as the TBP's shared risk model provides a workable solution to the issues and costs associated with both DC and DB plans.

We support the objectives and guiding principles set out in the Consultation Paper and believe that a plan's funding policy and plan's investment policy must be linked to ensure its success.

We believe that the Government needs to focus on ways to encourage participation in the TBP Framework and to make the target benefit plan more appealing to employers. One way to do this is to ensure the rules around funding are flexible. We support the proposed conversion feature and believe that for DB plans, there may be an uptick in converting into a TBP. We support the

requirement for the consent of all parties to a conversion of existing plans. As we have said in commentary on other pension plan options, the Government also needs to ensure there is sufficient transparency, increased communications with plan members, and adequate governance controls in place to effectively enhance benefit security. If the Government can create an environment in which the TBP is attractive to employers and employees, retirement income security will be improved.

Finally, we believe that it would be ideal if jurisdictional differences are minimized across provinces and that there continues to be pension harmonization across Canada. We recommend the government consult broadly to ensure a harmonized regime for TBPs.

If you have any questions regarding the comments set out above, please do not hesitate to contact Katie Walmsley at (416) 504-7018 or Julie Cordeiro at (416) 504-1118.

Yours truly,

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA

(Original signed by)

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