September 16, 2016

Hon. William Morneau, P.C., M.P.
Minister of Finance
Finance Canada
90 Elgin Street
Ottawa, Ontario
K1A 0G5

Dear Minister:

We are writing in response to the June 3, 2016 Finance Canada consultation document *Pension Plan Investment in Canada: The 30 Per Cent Rule.* Each of our organizations will be making individual submissions. However, there are a number of fundamental matters that we collectively believe are important for Finance Canada to reflect on in the consultation process.

The consultation document aptly notes that Canada has a sound retirement income system that is internationally recognized for its adequacy, affordability and sustainability. It is therefore critical that any discussion related to the 30 per cent rule be firmly grounded in the public interest: the ability of Canadian pension funds to generate the best long-term risk adjusted returns for contributors and beneficiaries, which includes virtually every working Canadian today.

Canada's largest pension funds have pursued active management strategies as a means to seek better returns for their beneficiaries. The benefits of active management include higher returns and a more resilient, diversified portfolio that can better withstand market risks.

Large Canadian pension funds with sophisticated internal investment teams and strong governance have demonstrated that they can prudently invest directly on a global scale. Indeed, Canadian pension funds have garnered international renown as "maple revolutionaries" for our successful model. We believe the 30 per cent rule serves no useful purpose in the context of large, sophisticated pension funds.

In addressing the 30 per cent rule, we caution the Government of Canada against implementing prohibitive tax rules targeted at a class of investors like pension funds or tax-exempt entities. The proposals currently put forward in the consultation document could not only negatively impact arrangements for investing in a variety of Canadian asset classes, but there exists a high risk of unintended consequences to investments made abroad. With significant global investments, the ability of Canada's pension funds to remain competitive in foreign markets should be a major consideration when considering policy choices. At the current time, we do not expect that additional pension fund specific tax rules would create a material benefit to the integrity of

Canada's tax regime. Indeed, we believe they could be injurious to Canada's pension funds and to the retirement security of Canadians.

We encourage the Government of Canada to proceed cautiously to ensure that any changes resulting from this consultation do not disadvantage Canadian pension funds. Any changes should continue to preserve the ability of Canadian pension funds to actively manage their portfolios and to compete globally to generate better risk adjusted returns for our contributors and beneficiaries, something that is in the best interest of Canadians.

Thank you for providing the opportunity to provide comment on Finance Canada's consultation on the 30 per cent rule. We would welcome the opportunity to further discuss this issue at your convenience.

Yours sincerely,

Mark Machin
President and CEO
CPP Investment Board

Ron Mock
President and CEO
Ontario Teachers' Pension Plan

André Bourbonnais
President and CEO
Public Sector Pension Investment Board

Michael Latimer
President and CEO
OMERS Administration Corporation

Michael Sabia
President and CEO
Caisse de dépôt et placement du Québec

Gordon Fyfe
CEO/CIO
British Columbia Investment Management Corporation

Kevin Uebelein
CEO
Alberta Investment Management Corporation

Jim Keohane
President and CEO
Healthcare of Ontario Pension Plan