



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

December 18, 2023

Grahame Johnson
Assistant Deputy Minister
Financial Sector Policy Branch, Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5
Via email: Grahame.Johnson@fin.gc.ca

Dear Mr. Johnson:

Re: Canada Mortgage Bond Issuance & Real Return Bonds

The purpose of this letter is to provide comment from the Pension Investment Association of Canada (PIAC) on the announcement in the 2023 Fall Economic Statement regarding the consolidation of Canada Mortgage Bonds (CMBs) and the prior decision to cease issuing Real Return Bonds (RRBs).

The Pension Investment Association of Canada (PIAC) has been the voice for Canadian pension funds since 1977 in matters related to pension investment and governance. PIAC's members manage over \$2.8 trillion of assets on behalf of millions of Canadians. Our mission is to promote sound investment practices and good governance for the benefit of plan sponsors and beneficiaries.

PIAC is encouraged by the government's decision to maintain the CMB program and salute the robust public consultation process. The role of CMBs in pension fund portfolios is significant and removing any ambiguities with regards to the program future will further solidify the reputation of the Canadian fixed income market on the global stage.

PIAC also adamantly maintains that the Government Canada should recommence issuing Real Return Bonds. As long-term investors responsible for managing long-term liabilities, Canadian pension plans have been natural buyers of RRBs. The abrupt cessation of the RRB program removed an essential investment vehicle from Canadian pension investment. Consequently, to manage inflation risk properly, the abrupt end to

RRB issuance has forced pension plans to look to alternative markets outside of Canada, and to more complex, administratively expensive and less liquid real assets.

The abrupt decision to cease RRB issuance was made without comprehensive consultation or warning and is impacting our members' ability to responsibly invest and manage the pension entitlements of hard-working Canadians. PIAC urges government to reopen consultations on the cessation of RRBs and to reinstate the program.

We appreciate the opportunity to share our thoughts. We would be happy to meet with you or your staff to discuss the contents of this letter or answer any questions.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Peter Waite".

Peter Waite
Executive Director