



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

February 27, 2024

Chris Forbes
Deputy Minister, Finance Canada
90 Elgin St.
Ottawa, Ontario
K1A 0G6
Via email: Chris.Forbes@fin.gc.ca

Dear Deputy Minister Forbes,

Re: Pension Investment Policy Proposals in the 2023 Fall Economic Statement

The purpose of this letter is to provide comments from the Pension Investment Association of Canada (PIAC) on the pension investment policy proposals in the 2023 Fall Economic Statement (FES), namely: domestic pension fund investment, consultations on the removal of the '30 per cent rule,' increased investment allocation disclosure for large federally-regulated plans and disclosure of crypto-asset risk.

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.

We share our comments on the three prominent policy proposals below:

Domestic Investment

PIAC understands the government's desire to increase investments in Canada. We would be happy to provide our expertise to the government on pension plan investments and the dynamics of the Canadian economy. Given that our member funds make substantial contributions to the domestic market, their perspectives could offer valuable insights into strategies for enhancing greater investment in Canada. We would

be pleased to work collaboratively with the government on this topic and look forward to an open dialogue.

Canada's pension model is globally enviable. The [World Bank Group](#) lauds the Canadian model as one that "combines independent governance, professional in-house investment management, scale, and extensive geographic and asset-class diversification." PIAC believes that maintaining this model, and upholding the fiduciary duty that underpins its integrity, is important. Fundamentally, Canadian pension investment funds' fiduciary duty is to generate and maximize risk-adjusted returns to secure retirement income for their members. At the core of the investment approach is a commitment to responsible geographic and asset diversification, which includes global investment. PIAC believes that any additional directives that would require a segment of member funded assets to be invested in Canada would compromise the integrity of the fiduciary investment process and creates additional risk to Canadian pension plan beneficiaries. Instead, the focus should be on ways to create a more supportive environment for investment of all sorts into the Canadian economy.

We welcome opportunities that expand investment in Canada. The Government can create the necessary conditions for increased domestic investment, and the reissuance of Canada Real Return Bonds is one of them. PIAC members' domestic investments include a wide array of different asset classes, including fixed income, equities, real estate, infrastructure, & renewable energy. However, one recent change that impacted the level of Canadian investments by pension plans was the decision to terminate Canada's Real Return Bond (RRB) program. PIAC members would encourage the government to reopen consultations on the RRB program. As long-term investors responsible for managing long-term liabilities, Canadian pension plans have been natural buyers of RRBs. The abrupt cessation of new RRB issuance will over time remove an essential investment vehicle from Canadian pension investment. Moreover, with such pressure to maintain inflation sensitive portfolios, the end of RRB issuance will force pension plans to expand their exposure to alternative markets outside of Canada, and to more complex, administratively expensive and less liquid real assets, to manage inflation risk. The restoration of RRB issuance has the potential to enhance domestic investment in Canada.

Removal of the "30 Per Cent" Rule

Should the Government pursue reviewing the 30 Per Cent Rule, PIAC strongly encourages that Finance Canada engage in comprehensive consultations with the pension investment industry to identify any unintended ramifications of its possible removal. This involves soliciting input on proposed language amendments and any tax consequences that may emerge. We would be pleased to participate in this process.

Increased Investment Allocation Disclosure for Large Federally-Regulated Plans and Disclosure of Crypto-Asset Risk

In response to proposals for added disclosure requirements for federally regulated pension plan investments and crypto-asset risk, we acknowledge the importance of disclosure as a fundamental principle in financial governance.

We remain committed to constructive dialogue and emphasize the importance of a thorough and comprehensive examination of any proposed policy changes. We look forward to actively participating in any related consultations. Moreover, consideration should be given to the actual ownership of assets and the corresponding levels of risk. Accordingly, the outcomes of consultations should avoid introducing duplicative reporting requirements for pension plans or becoming extensively onerous as to distract plans from what they do best – provide pensions for hard-working Canadians.

We appreciate the opportunity to share our thoughts and are committed to working collaboratively with government to promote the financial well-being of Canadians in retirement through prudent and diversified investment strategies.

Yours sincerely,

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

Peter Waite
Executive Director