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Diane Lafleur
Financial Sector Policy Branch
Department of Finance
L'Esplanade Laurier
20th floor, East Tower
140 O'Connor Street
Ottawa ON K1A 0G5

Via email: pensions@fin.gc.ca

Dear Ms. Lafleur,

Re: Response to Finance Canada's Pension Plan Consultation Paper

I am writing on behalf of our organization in response to the consultation paper regarding the framework for federally regulated defined benefit (DB) pension plans. Our organization believes that this is an important area in need of urgent regulatory reform. We are pleased that the government has promised to make permanent changes in 2009.

Clearly, with the unprecedented collapse of financial markets in 2008, pension plan sponsors will be facing very significant increases in their pension contributions this year. We understand that plan sponsors have faced continuing volatility in their contribution requirements over recent years. This volatility is not a new phenomenon although it has been extremely dramatic recently due to the financial events of 2008. So the need for permanent changes is critical to the future of DB pension plans and for plan sponsors who face unnecessarily onerous contribution requirements.

The current defined benefit pension plan solvency funding rules are too strict and lead to excessive swings in contribution requirements for sponsors. The rules result in unnecessary drains on free cash-flow for many capital-intensive companies, and the risk of "trapped capital" (when markets recover and a sponsor realizes a surplus, but is unable to withdraw that excess amount). The financial demands resulting from these funding requirements can weaken a sponsor overall. It is critical to acknowledge that the best security for pension plan members is strong plan sponsors.

We understand the government is seeking a balanced approach to the changes in the framework governing pension plans. It is important to address concerns and interests of both plan sponsors and plan members.

We recommend to the government that it adopt the following balanced approach to changes:

1. an extension of the amortization period for solvency deficits to 10 years, up from the current 5 years, and without conditions (such as requiring member consent) and allowing for the use of letters of credit in lieu of any cash solvency contribution requirement
2. full funding of any deficit upon plan termination date and amortized over 5 years
3. filing of valuations on an annual basis
4. greater disclosure to all plan members of the plan's funded status, the plan's investment policy and a statement of funding policy.

While recommendation #1 will help to address the funding issues facing the sponsors, the three additional recommendations are in the interests of the plan members, providing them with increased transparency and accountability.

Based on implementing these regulatory changes to the framework, the government will ensure that plan sponsors are not financially destabilized by outdated and overly onerous solvency funding rules, and that members will benefit from stronger sponsors and increased transparency regarding the status of the plans.

We appreciate the opportunity to provide our views to Finance Canada on the future of the framework for pension plans under federal regulation.

Yours truly,



Shawn Klerer