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The Honourable Dwight Duncan
Minister of Finance
7 Queens Park Crescent, 7th Floor
Toronto, Ontario
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Dear Minister:

Re: Pension Reforms and the Expert Commission on Pensions Report

We would like to provide you with our input regarding the Report of the Expert Commission on Pensions entitled “A Fine Balance: Safe Pensions Affordable Plans Fair Rules” (the “Report”) and the proposed measures to address pension reform which were announced in Ontario’s 2009 Budget.

The government announced in its Budget that it is reviewing the many comments received from stakeholders about the Expert Commission’s Report and that it plans to introduce legislation in the fall of 2009. The government also announced in its Budget that it continues to be informed by ongoing stakeholder engagement and is going to establish a Pension Reform Advisory Council to provide practical feedback on specific pension reform proposals.

Advocis, The Financial Advisors Association of Canada, is Canada’s oldest and largest voluntary professional membership association of financial advisors and planners. We represent life and health insurance licensees and mutual fund and securities registrants across the country. Advocis members pride themselves on the service and advice delivered to individuals and the business community, particularly small-and medium-sized companies through the provision of professional financial advice and insurance and financial service products. Retirement planning is a priority for millions of Canadians and our members work with individuals, families and businesses in achieving their financial objectives.

Advocis Members Can Contribute a Balanced Perspective on Pension Issues

As an association of financial advisor practitioners, our members provide retirement planning and investment advice to employees with pension plans and many of our members also establish and administer pension plans for small and medium sized businesses. Our comments, concerns and recommendations with respect to the pension system reflect a balanced perspective, one that takes into consideration the views of both pension plan recipients and pension plan sponsors.

The Advocis Pension Task Force

Advocis has established a Pension Task Force whose mandate is to provide public policy advice to interested stakeholders, in particular governments and pension regulators. The main objectives of the Pension Task Force are to promote a sound pension system in

Canada and develop solutions to help ensure that pension plans remain sustainable from both an employer and consumer perspective, and to stimulate higher levels of plan sponsorship.

Advocis' Pension Task Force is expected to complete a detailed study later this year that will identify changes to policies and regulations that would encourage small and medium sized firms to participate in defined contribution (DC) plans. The study will examine, among other things, existing barriers or impediments to establishing and maintaining pension plans which exist currently and incentives that would encourage small and medium sized employers to participate in pension plans.

Review of the Pension System

The mandate of the Expert Commission was to examine the legislation that governs the funding of defined benefit pension plans in Ontario, the rules relating to pension deficits and surpluses, and other issues relating to the security, viability and sustainability of the pension system in Ontario." One of the Guiding Principles of the Commission was the "importance of maintaining and encouraging the system of defined benefit pension plans in Ontario". We note that we urged the Commission to broaden its mandate to include a total review of the pension landscape in Ontario including that of defined contribution (DC) plans of all types including DC registered pension plans, deferred profit sharing plans (DPSPs) and group RRSPs. While the Report does compare DC plans to DB plans (see page 179 and 180) and makes the recommendation that innovation in plan designs should be promoted and facilitated by the proposed Pension Champion through revising legislation and regulations, the bulk of the work of the Commission and the Report is on improving the defined benefit pension system.

As the government considers pension reform, we urge the government to have a broad focus which encompasses all forms of retirement savings plans that Ontario citizens are currently utilizing.

We believe that regulatory incentives to sponsors of DC plans would help promote participation and foster an equitable and sustainable private pension system in Canada. Ultimately, in the "right" regulatory environment, we believe Canadians can enjoy a healthy pension system that provides a high level of benefits to consumers at a reasonable cost to employers. The government should explore this avenue for reform as well as reform of the defined benefit pension legislation.

Adequacy of Retirement Incomes and Extent of Pension Coverage

Increasing participation in pension plans should be a key priority for governments and pension regulators. Advocis strongly supports consumer protection and wants to ensure that all Canadians have safe and adequate retirement savings. Our members advise clients to "participate early, invest prudently, and stay invested over the longer term".

We note that one of the recommendations of the Expert Commission (Recommendation 9-4) is: "The government of Ontario should investigate the advantages and disadvantages of expanding the mandate of the Canada Pension Plan, or creating a comparable provincial plan, so as to enhance pension coverage, control costs and improve benefit portability." and Recommendation 9-5 of the Expert Commission is: "The government of Ontario should support the call for a national pension summit whose agenda should extend to all ideas for significantly expanding pension coverage, including the innovative proposals contained in this report."

2009 Ontario Budget Initiatives

The government, in its 2009 Budget, stated it will explore broader public policy issues relating to the adequacy of retirement incomes and the extent of pension coverage through the Federal-Provincial-Territorial Working Group on Pensions. Through this Working Group it will explore possible strategies to increase pension coverage.

We agree that there should be coordination and discussion between provincial governments and the federal government so that governments can consider implementing a pension strategy nation-wide so that all Canadians can have the same opportunities to save and invest and be adequately prepared for retirement. Whether it be through a National Pension Summit or through the Working Group, expansion of the CPP system or alternatives to it should be determined through extensive consultation with all stakeholders.

We believe the government should examine the entire retirement income system, which includes not only DC and DB pension plans but also Tax Free Savings Accounts (TFSAs), Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds, and Deferred Profit Sharing Plans, and the income tax act and regulations in order to have a more complete understanding of how to improve retirement savings for all Ontario citizens.

Advocis welcomes the announcement that the government will establish a Pension Reform Advisory Council to obtain feedback on proposals. Advocis has a keen interest in being a member of this Council. Advocis is uniquely positioned, given the services it provides to pension plan recipients and pension plan sponsors and its knowledge of the financial services regulatory framework, to provide significant input to the Pension Reform Advisory Council. Through its thousands of financial advisor practitioners, Advocis is well positioned to provide a balanced perspective and a meaningful contribution to the Pension Reform Advisory Council. We would like to provide our knowledge and expertise in the pension field as the government continues to consider possible reforms.

We would be pleased to provide you with more specific recommendations on the pension system, in particular with regard to existing barriers and possible incentives to encourage businesses to sponsor pension plans and consumers to save for their retirement once our study is completed later this year.

Yours truly,



Greg Pollock
President and CEO