The Honourable Ted Menzies May 25, 2010
Parliamentary Secretary to the Minister of Finance
Room 256, Confederation Building
Ottawa, Ontario
K1A 0A6

Dear Mr. Menzies:

Re: **Department of Finance Consultations – Ensuring the Ongoing Strength of Canada's Retirement Income System**

Thank you for taking time out of your schedule to meet with myself and Mark Pratt on May 4, 2010 to discuss some issues of importance to our Association.

As per our discussion, we have submitted comments to Mr. Chris Forbes in response to the **Department of Finance Consultations – Ensuring the Ongoing Strength of Canada's Retirement Income System** and enclose a copy for your information. Below are the four specific recommendations:

1) Maintain taxes on discretionary investment management of retirement savings at current levels vs. planned increase by 160% to 13% in Ontario and 12% in BC July 1, 2010.

2) Minimize Taxation Impact on Pensions & RRSPs due to 150 Unit Holder Rule for Mutual Fund Trust Status.

3) Non-Resident Trust/Foreign Investment Entity Rules (Former Bill C10) – Ensure Future Amendments to the Non-Resident Trust and Foreign Investment Entity Rules do not inadvertently tax pensions (i.e. both traditional pension plans and defined contribution pension plans) and RRSPs.

4) Expansion of Designated Stock Exchange List to Allow Canadians to Diversify their RRSP Investments.

Details regarding each of the recommendations are included in the attached letter. We wish to highlight however the first recommendation in particular. If the government is looking for a quick, simple solution to assisting Canadians' in saving adequately for their retirement, we recommend GST on discretionary investment management remain unchanged July 1, 2010 vs. the expected increase by 160% to 13% in Ontario (12% in BC) As the government is well aware, the implementation of HST in Ontario and BC on investment management is occurring at a time when many pension plans are in extreme difficulty based on funding rules. While other areas of government are looking at developing rules to alleviate funding challenges while the market continues to recover, the fact remains that investment management represents on average, 60% of the cost of running pension plans. The implementation of HST will increase the tax on 60% of the cost by 160%. **The Federal government's sales tax policy is in effect running directly**

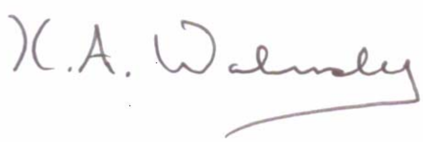
counter to the objectives of the Department of Finance in ensuring the strength and adequacy of Canadian's retirement savings. Although we support the government's policy objectives of encouraging Canadians to take more responsibility for their retirement, we would suggest that increasing the tax on investment management from 5 to 13% (in Ontario) by 160% is not an effective way to encourage savings.

In addition we have included a recent letter to Mr. Brian Ernewein regarding tax rules effecting foreign investment by pension plans and a copy of past correspondence to yourself on some of these issues.

We commend the government for the broad analysis and the variety of options being considered to improve Canadians' retirement income system.

We would be happy to meet in person and further discuss any of these recommendations.

Sincerely,



Katie Walmsley, President