



Advancing Standards™

February 21, 2014

Strategic Pension Reform Secretariat  
Ministry of Finance  
5th Floor, Frost Building South  
7 Queen's Park Crescent  
Toronto ON M7A 1Y7

**Re: Proposed Amendment to Regulation 909 under the Pension Benefits Act - Exemption for U.S. government securities from the 10 per cent quantitative limit**

---

The Portfolio Management Association of Canada ("PMAC"), through its Industry, Regulation & Tax Committee, is pleased to have the opportunity to comment on the proposed regulatory amendments to the quantitative investment limits that apply to registered pension plans in Ontario, specifically the amendments that would modify the "10 per cent rule" (the "Proposed Amendment" or "10% Rule").

As background, PMAC represents investment management firms registered to do business in Canada as portfolio managers. Collectively, our member firms manage investment portfolios for most of Canada's pension plans, and as such, have special experience with the issues faced by pension plans, their administrators, advisers and portfolio managers with regard to the investment of pension plan assets. PMAC was established in 1952 and currently represents over [180 investment management firms](#) that manage total assets in excess of \$800 billion (excluding mutual fund assets). Our mission is to advocate the highest standards of unbiased portfolio management in the interest of the investors served by Members. Member firms are in the business of managing investments for clients in keeping with each client's needs, objectives and risk tolerances. For more information about PMAC and our mandate, please visit our website at [www.portfoliomanagement.org](http://www.portfoliomanagement.org).

PMAC is supportive of providing pension plan fund managers with greater flexibility to pursue investment strategies that mitigate risk, optimize return and allow appropriate diversification to meet plan liabilities. In this regard, we support the objective of the Proposed Amendment and the inclusion of securities issued and guaranteed by the U.S. government. However, we note with concern that the Proposed Amendment introduces an exception from the investment rules set out in Schedule III to the regulations under the *Pension Benefits Standards Act* (Canada) ("PBSA"), applicable only to Ontario-registered plans. This is a significant shift from the desired harmonization of pension standards legislation in Canada. In our view, it would be ideal that the 10% rule be aligned both provincially and federally and become uniform across those jurisdictions that adopt the PBSA. This would alleviate the compliance burden on plans that have to comply with the rules in other jurisdictions and decrease complexity overall.

As a technical matter, we query whether there is an intentional difference in the use of the wording “issued *and* [emphasis added] guaranteed” in the draft language included in the Proposed Amendment. We note that Canadian securities laws typically reference securities that are issued “or” guaranteed.<sup>1</sup> In addition, we recommend the Ministry of Finance consider also including in the Proposed Amendment securities issued or guaranteed by an agency of the U.S. government.

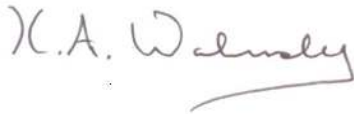
Finally, as a broader policy matter, PMAC questions the need for quantitative limits/investment restrictions applicable to pension plans pursuant to the investment provisions of the Pension Benefits Standards Regulations under the *PBSA* (“Schedule III”). We would support the removal of all quantitative limits on a harmonized basis in Canada. In our view, investment rules should be set out as broad principles and most of the prescriptive quantitative restrictions should be abandoned as they do not address all of the portfolio diversification issues nor risks inherent in investments included in a pension plan (i.e. derivative exposure, geographical risks, etc.). We continue to take the position that Schedule III be repealed and replaced with a prudent portfolio rule.<sup>2</sup>

~~~~~

We would be please to discuss the comments included in this submission. If you have any questions, please do not hesitate to contact Katie Walmsley ([kwalmsley@portfoliomanagement.org](mailto:kwalmsley@portfoliomanagement.org)) at (416) 504-7018.

Yours truly;

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA



Katie A. Walmsley  
President, PMAC



Scott Mahaffy  
Vice President, Legal  
MFS McLean Budden

---

<sup>1</sup> See National Instrument 81-102 *Mutual Funds*. See also [Manual of Reporting Forms and Instructions for Deposit-Taking Institutions](#) published by The Office of the Superintendent of Financial Institutions (OSFI).

<sup>2</sup> See PMAC Submission dated March 12, 2009: [Submission to the Federal Department of Finance – Strengthening the Legislative & Regulatory Framework for Private Pension Plans Subject to the Pension Benefits Act, 1985](#).

**PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA  
MEMBERSHIP LIST 2014**

|                                                       |                                               |
|-------------------------------------------------------|-----------------------------------------------|
| Addenda Capital                                       | Crestridge Asset Management Inc.              |
| Adroit Investment Management Ltd.                     | Crystal Wealth Management System Ltd.         |
| Aegon Capital Management Inc.                         | Cypress Capital Management Ltd.               |
| AGF Investments Inc.                                  | Davis-Rea Ltd.                                |
| Aldersley Securities Inc.                             | De Luca Veale Investment Counsel Inc.         |
| Alitis Investment Counsel Inc.                        | Dixon Mitchell Investment Counsel Inc.        |
| AMG Canada                                            | Doherty & Associates Investment Counsel       |
| ATB Investment Management Inc.                        | Dorchester Investment Management              |
| Aurion Capital Management Inc.                        | Duncan Ross Associates Ltd.                   |
| Avenue Investment Management Inc.                     | Echlin Investment Management Ltd.             |
| Aviva Investors Canada Inc.                           | 18 Asset Management Inc.                      |
| Barometer Capital Management Inc.                     | Empire Life Investments Inc.                  |
| Barrantagh Investment Management Inc.                 | ETF Capital Management                        |
| Baskin Financial Services Inc.                        | Evans Investment Counsel                      |
| Beaujolais Private Investment Management              | Excel Investment Counsel Inc.                 |
| Bellwether Investment Management Inc.                 | Exponent Investment Management Inc.           |
| Beutel, Goodman & Company Ltd.                        | Falcon Asset Management Inc.                  |
| BlackRock Asset Management Canada Limited             | Fiera Capital Corporation                     |
| Bloom Investment Counsel, Inc.                        | Focus Asset Management                        |
| BMO Asset Management Inc.                             | Foster Asset Management Inc.                  |
| BMO Harris Investment Management Inc.                 | Foyston, Gordon & Payne Inc.                  |
| BNP Paribas Investment Partners Canada Ltd.           | Galibier Capital Management Ltd.              |
| BNY Mellon Wealth Management, Advisory Services, Inc. | Galileo Global Equity Advisors Inc.           |
| Brandes Investment Partners & Co.                     | Genova Private Management Inc.                |
| Bull Capital Management Inc.                          | Genus Capital Management Inc.                 |
| Burgundy Asset Management Ltd.                        | GFI Investment Counsel Ltd.                   |
| Bush Associates Ltd.                                  | GLC Asset Management Group Ltd.               |
| C.A. Delaney Capital Management Ltd.                  | Global Wealth Builders Ltd.                   |
| Campbell & Lee Investment Management Inc.             | GlobeInvest Capital Management Inc.           |
| Canoe Financial L.P.                                  | Gluskin Sheff + Associates                    |
| Canso Investment Counsel Ltd.                         | Greystone Managed Investments Inc.            |
| Cardinal Capital Management, Inc.                     | Groundlayer Capital Inc.                      |
| Celernus Investment Partners Inc.                     | Gryphon Investment Counsel Inc.               |
| CGOV Asset Management                                 | Guardian Capital LP                           |
| CIBC Global Asset Management Inc.                     | Heathbridge Capital Management                |
| CIBC Private Investment Counsel                       | Hélène Dion Investment Management Inc.        |
| Cockfield Porretti Cunningham Investment Counsel Inc. | Hesperian Capital Management Ltd.             |
| Coerente Capital Management Inc.                      | Heward Investment Management Inc.             |
| Coleford Investment Management Ltd.                   | Highstreet Asset Management Inc.              |
| Connor, Clark & Lunn Investment Management Ltd.       | Highview Asset Management Inc.                |
| Cordiant Capital Inc.                                 | Hillsdale Investment Management Inc.          |
| Cougar Global Investments LP                          | Horizons Investment Management Inc.           |
| Covenant Capital Management Inc.                      | Howard, Barclay & Associates Ltd.             |
|                                                       | HSBC Global Asset Management (Canada) Limited |
|                                                       | I.A. Michael Investment Counsel Ltd.          |

IA Clarington Investments Inc.  
Independent Accountant's Investment  
Counsel Inc.  
Integra Capital Ltd.  
Invesco Canada Ltd.  
J.C. Hood Investment Counsel Inc.  
J. Zechner Associates Inc.  
Jarislowsky, Fraser Limited  
Jones Collombin Investment Counsel Inc.  
Kerr Financial Advisors Inc.  
LDIC Inc.  
Legg Mason Canada Inc.  
Leith Wheeler Investment Counsel Ltd.  
Leon Frazer & Associates Inc.  
Lester Asset Management  
Letko Brosseau & Associates Inc.  
Longview Asset Management Ltd.  
Lorne Steinberg Wealth Management Inc.  
Louisbourg Investments Inc.  
Macdonald, Shymko & Company Ltd.  
MacDougall Investment Counsel Inc. / Les  
Conseillers en Placements MacDougall Inc.  
Mackenzie Investments  
Manitou Investment Management Ltd.  
Manulife Asset Management  
Marquest Asset Management Inc.  
Martin, Lucas & Seagram Ltd.  
Mawer Investment Management Ltd.  
McElvaine Investment Management Ltd.  
MD Physician Services Inc.  
MFS McLean Budden  
Milestone Investment Counsel Inc.  
Mirador Corporation  
Montrusco Bolton Investments Inc.  
Morgan Meighen & Associates Limited  
Morguard Financial Corporation  
Newport Private Wealth Inc.  
Nexus Investment Management Inc.  
Northwood Family Office LP  
NT Global Advisors, Inc.  
Pacific Spirit Investment Management Inc.  
Patient Capital Management Inc.  
Patrimonica Asset Management Inc.  
Perennial Asset Management Corp.  
Picton Mahoney Asset Management  
Pier 21 Asset Management Inc.  
PIMCO Canada Corp.  
Portfolio Management Corporation  
Portland Investment Counsel Inc.  
Rae & Lipskie Investment Counsel Inc.

RBC Phillips, Hager & North Investment  
Counsel Inc.  
Rempart Asset Management Inc.  
Richmond Equity Management Ltd.  
Ridgewood Capital Asset Management Inc.  
Rogan Investment Management Ltd.  
Rondeau Capital Inc.  
Roundtable Capital Partners Inc.  
RP Investment Advisors  
Russell Investments Canada Ltd.  
Scotia Asset Management L.P.  
Sharp Asset Management Inc.  
Silver Heights Capital Management Inc.  
Sionna Investment Managers  
Sprung Investment Management Inc.  
Standard Life Investments Inc.  
Stanton Asset Management Inc.  
State Street Global Advisors, Ltd.  
Steadyhand Investment Management Ltd.  
Stonegate Private Counsel  
Strathbridge Asset Management Inc.  
Stylus Asset Management Inc.  
Successful Investor Wealth Management Inc.  
Summerhill Capital Management Inc.  
Sun Life Global Investments (Canada) Inc.  
T.E. Investment Counsel Inc.  
Taylor Asset Management Inc.  
TD Asset Management Inc.  
TD Harbour Capital (Division of TD  
Waterhouse Private Investment Counsel Inc.)  
TD Waterhouse Private Investment Counsel  
Inc.  
Tetrem Capital Management Ltd.  
TFP Investment Counsel Corp.  
Thornmark Asset Management Inc.  
Toron AMI International Asset Management  
TriDelta Investment Counsel  
Tulett, Matthews & Associates  
UBS Global Asset Management (Canada) Co.  
University of Toronto Asset Management  
Vancity Investment Management Ltd.  
Venable Park Investment Counsel Inc.  
Vestcap Investment Management Inc.  
Vision Wealth Management Ltd.  
W.A. Robinson & Associates Ltd.  
Waterstreet Family Capital Counsel Inc.  
Watson Di Primio Steel Investment  
Management Ltd.  
Watt Carmichael Private Counsel Inc.  
West Face Capital Inc.  
Wickham Investment Counsel Inc.

