



Advancing Standards™

February 26, 2020

The Honourable Scott Fielding, Minister of Finance
Ministry of Finance
450 Broadway,
Winnipeg, MB
R3C 0V8

Email: minfin@leg.gov.mb.ca

Dear Sirs and Mesdames:

Re: Bill 8 – *The Pension Benefits Amendment Act*

Overview

The pension committee of the Portfolio Management Association of Canada¹ (**PMAC**) is pleased to have the opportunity to provide member feedback in respect of Bill 8 – the *Pension Benefits Amendment Act* (**Bill 8**). PMAC is pleased to see that the government is moving ahead with reforms (the **Amendments**) to the *Pensions Benefit Act* (Manitoba) (the **Act**) to modernize the Act and provide more flexibility for Manitobans.

As background, PMAC represents over [275 investment management firms](#) registered to do business in Canada as portfolio managers. PMAC members manage investment portfolios for, among others, private individuals, foundations, universities and pension plans.

PMAC is supportive of the Manitoba government's consultation process in respect of the Act. Our submission is focused on the announced changes to pension plan solvency funding reform, the details of which we believe will be articulated in the form of changes to regulations under the Act. We request that you publish the draft regulations under the Act relating to solvency funding for public comment. PMAC believes that the solvency funding formula should be harmonized with similar reforms recently undertaken in Ontario and Quebec which are based on the degree of asset/liability mismatch.

¹ PMAC was established in 1952 and represents firms that manage total assets in excess of \$2.8 trillion. Our mission is to advocate the highest standards of unbiased portfolio management in the interest of the investors served by Members. For more information about PMAC and our mandate, please visit our website at www.portfoliomanagement.org.

Defined Benefit plans

Defined benefit (**DB**) plans are an integral part of Canadians' retirement income savings, even as increasingly fewer of us are covered by such Plans as a result of increased complexities and expenses in funding them.

PMAC supports efforts to ensure that pension funding rules better support long-term plan sustainability and benefit security such that DB Plans continue to provide lifetime pensions to their members and other beneficiaries.

We thank the government of Manitoba and your Pensions Commission for your work aimed at strengthening the province's retirement income system.

Key Recommendations

1) Harmonization of solvency funding rules

PMAC advocates for harmonized pension regulation across Canada so that investors benefit from the same level of protection as well as reductions in underlying plan complexity and compliance costs, no matter their jurisdiction of residence.

Consequently, we ask that the Ministry amend the solvency funding rules under the Act to require DB plans to have a provision for adverse deviation (**PfAD**) that conforms to similar approaches undertaken by the provinces of Quebec and Ontario to date. This is particularly the case since, as PMAC noted in [our submission](#) to the British Columbia Ministry of Finance, we found it unfortunate that BC recently introduced a significantly different approach to the PfAD with less linkage between assets and liabilities.

2) Public consultation on regulations for DB solvency funding

We also ask that the Ministry publish the draft regulations in respect of DB plan solvency funding for public consultation. We believe that public consultation on the details of the PfAD can help ensure there are no unintended negative consequences to stakeholders as a result of amendments to the regulations.

As has been our experience with the Quebec and Ontario pension solvency funding amendment processes, the exact formulae used to calculate the PfAD are of utmost importance to review during the consultative phase to ensure that there are no unintended negative consequences. The component parts of the PfAD calculation can either promote or inhibit the alignment of a Plan's investment objectives with the best interests of stakeholders, including Plan members. As noted above, PMAC voiced concerns with respect to the PfAD calculations (and underlying assumptions about risk) recently proposed and adopted by British Columbia.

We support the idea that a PfAD should be based on the degree of asset/liability mismatch. For example, we believe that the Quebec rules, by taking into account the asset/liability interest rate hedge ratio, better reflect this concept than do the Ontario rules, which do not include this.

Our members are keen to have the opportunity to provide their extensive industry expertise and constructive comments on the Ministry's draft regulations at the appropriate time.

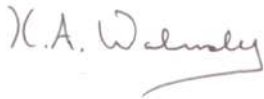
Conclusion

PMAC supports the government of Manitoba's on-going efforts to create a strong pension framework that guarantees secure and stable retirement income for Manitobans. We would like to once again thank the Ministry for engaging in on-going consultation and assessment of these issues.

If you have any questions regarding this submission, please do not hesitate to contact Katie Walmsley (kwalmsley@portfoliomanagement.org) at (416) 504-7018.

Yours truly;

PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA



Katie Walmsley
President
Portfolio Management Association
of Canada



Paul Purcell
Chair of PMAC's Industry Regulation &
Tax Sub-Committee, and;
Managing Director – Head of Pension
De-Risking
RBC Global Asset Management