



Advancing Standards™

May 1, 2020

Ms. Lynn Hemmings
Director General
Financial Sector Policy Branch
Department of Finance Canada
90 Elgin Street
Ottawa, ON
K1A 0G5

Dear Ms. Hemmings:

Re: Challenges Posed by COVID-19 to Federally-regulated Pension Plans

The Portfolio Management Association of Canada¹ (**PMAC**) is writing to comment on an issue of impact to member firms and intensified by market conditions arising from by the COVID-19 pandemic.

PMAC represents [over 280 asset management firms](#), collectively managing over \$2.8 trillion in assets, all of whom are registered to do business in Canada as portfolio managers. PMAC members manage investment portfolios for, among others, private individuals, foundations, universities, and pension plans.

COVID-19 pandemic

Our members have been particularly challenged by the extreme volatility and reduced liquidity in the capital markets caused by the COVID-19 pandemic. These obstacles have serious implications for the management of pension funds and thus ultimately Canadian retirees who depend on their pensions being paid. We thank the Canadian government and the Bank of Canada for the measures they have taken to date to strengthen the Canadian economy and address these liquidity issues, and urge the Department of Finance to continue to consult with stakeholders as the situation evolves.

Our members have identified an additional measure that we urge you to adopt to further assist pension plans in meeting the current challenges. We are asking the Department of Finance to revisit the borrowing restrictions under the *Income Tax Act* Regulations for registered pension plans, and specifically, to extend or eliminate the 90-day term limitation. This measure could help pension plans better navigate strained markets, as recently experienced, and prevent the

¹ PMAC was established in 1952; our mission is to advocate the highest standards of unbiased portfolio management in the interest of the investors served by our members. For more information about PMAC and our mandate, please visit our website at www.pmac.org.

incurring of outsized transaction costs on the sale of investments to raise capital and/or implement established rebalancing protocols.

Conclusion

PMAC supports strategies that best serve Canadian retirees by allowing pension plans to respond to evolving market challenges and by adapting existing regulation to reflect industry practice in a reasonable way. Providing pensioners with a secure level of benefits is in the best interest of Canadian investors, particularly with the renewed focus on the importance of saving for retirement.

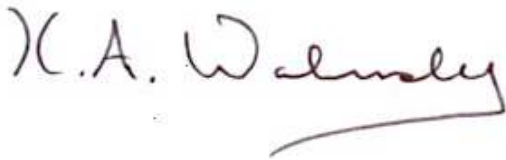
Defined benefit plans are an integral part of Canadian's retirement income savings, but increasingly fewer Canadians are covered by such plans as result of increased complexities and expenses in funding defined benefit plans in a volatile and low interest rate market. We thank the Canadian government for its leadership through this global crisis and for its efforts to ensure the continued viability of defined benefit pension plans.

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

Thank you once again for the opportunity to provide this proposal.

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