



ONTARIO CHAMBER OF COMMERCE SUBMISSION: Review of Solvency Funding Framework for Defined Benefit Pension Plans September 27, 2016



September 27, 2016

Pension Initiatives Unit, Pension Policy Branch
Ministry of Finance
7 Queen's Park Crescent
5th Floor, Frost Building South
Toronto, ON M7A 1Y7

Subject: Review of Ontario's Solvency Funding Framework for Defined Benefit Pension Plans

Minister Sousa,

The Ontario Chamber of Commerce (OCC) applauds your government's decision to undertake a review of the province's solvency funding framework for Defined Benefit (DB) pension plans. The OCC and its members agree that retirement security for Ontarians is a critical component of the province's economic and social well-being. For many of the province's employees, DB pension plans continue to play an important role in providing that security.

However, DB pension plan coverage in Ontario has steadily declined over the past two decades. To ensure that DB pension plans remain a sustainable source of retirement income security for Ontario employees, any funding framework must incorporate the considerations of both employees and plan sponsors. The OCC has heard loud and clear from its members that the province's current DB solvency funding rules are not working.

For plan sponsors, a key element of sustainability is affordability; sponsors cannot continue to offer DB pension plans if contribution requirements become prohibitively expensive. In recent years, Ontario's current solvency funding rules have become increasingly unaffordable. High solvency contributions are placing significant financial pressure on Ontario businesses that offer DB pension plans, requiring them to divert more resources away from necessary business investments.

As a result, Ontario's current DB solvency funding framework is contributing to the growing cost of doing business in Ontario that is reducing the global competitiveness of our businesses. Recent analysis conducted by the Canadian Manufacturers and Exporters (CME) has found that Ontario's annual contribution requirements under Ontario's current framework are three to five times more expensive than Quebec's new funding requirements, and eight to fourteen times more expensive than those in the U.S.

At the same time, by assuming that a DB pension plan is wound-up or terminated on the valuation date, the province's current solvency valuation approach fails to recognize the long-term nature of assets, liabilities, and benefit payouts.

To ensure that DB pension plans remain a component of the pension landscape for Ontario employees, a different approach is needed. This approach must enhance the affordability of these plans for plan sponsors, and reduce the competitiveness concerns of the business community. The OCC is therefore supportive of Approach B outlined in the consultation document, which recommends that the government eliminate the current solvency rules and adopt a strengthened going concern approach.

We welcome continued engagement between the Ontario government and the broader business community as you move ahead with this review.

Sincerely,



Allan O'Dette
President & Chief Executive Officer
Ontario Chamber of Commerce

About the Ontario Chamber of Commerce

For more than a century, the Ontario Chamber of Commerce (OCC) has been the independent, non-partisan voice of Ontario business. Our mission is to support economic growth in Ontario by defending business priorities at Queen's Park on behalf of our network's diverse 60,000 members.

From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. We represent local chambers of commerce and boards of trade in over 135 communities across Ontario, steering public policy conversations provincially and within local communities. Through our focused programs and services, we enable companies to grow at home and in export markets.

The OCC provides exclusive support, networking opportunities, and access to innovative insight and analysis for our members. Through our export programs, we have approved over 1,300 applications, and companies have reported results of over \$250 million in export sales.

The OCC is Ontario's business advocate.