

May 19, 2010

The Honourable James Flaherty, Minister of Finance, Canada
The Honourable Greg Bryne, Minister of Finance, New Brunswick Department of Finance
The Honourable Graham Steele, Minister of Finance, Nova Scotia Ministry of Finance
The Honourable Dwight Duncan, Minister of Finance, Ontario Ministry of Finance
L'honorable Raymond Bachand, Ministre des Finances, Finance Québec
The Honourable Rosann Wowchuk, Minister of Finance, Manitoba Ministry of Finance
The Honourable Michael Miltenberger, Minister of Finance, Northwest Territories Department of Finance
The Honourable Colin Hansen, Minister of Finance, British Columbia Ministry of Finance
The Honourable Wes Sheridan, Minister of Finance, Prince Edward Island Ministry of Finance
The Honourable Dennis Fentie, Minister of Finance, Government of Yukon
The Honourable Ted Morton, Minister of Finance and Enterprise, Legislative Assembly of Alberta
The Honourable Rod Gantfoer, Minister of Finance, Saskatchewan Ministry of Finance
The Honourable Tom Marshall, Minister of Finance, Newfoundland and Labrador
The Honourable Keith Peterson, Minister of Finance, Government of Nunavut

Dear Ministers,

We are a group of leaders of Canadian pension organizations who have keenly followed, and in some cases participated in, the current pension reform discussions. We believe there is a growing consensus among Canadians that while our retirement income system has many strengths, there are also a number of opportunities for improvement. Mindful that the next Finance Ministers meeting on pension reform is scheduled for June 13-14 in Prince Edward Island, we write you about what we believe to be one of these opportunities.

In our view, all Canadian workers should be able to maintain their desired post-work standard of living through participation in collective pension arrangements that are low-cost and well-managed. To that end, Canada's current public pension structure (i.e., OAS/CPP/QPP) offers a good start. However, most workers also need access to low-cost, well-managed additional pension arrangements to achieve their retirement goals. This is where Canada must do better. Depending on the definition used, somewhere between $\frac{1}{2}$ and $\frac{3}{4}$ of Canada's private sector workforce does not have access to such an arrangement today. This raises serious questions about whether millions of these workers will save enough on their own to maintain their desired post-work standard of living, and also about the level of fees they may incur in attempting to do so.

A number of possible solutions to this problem have emerged. Some focus on directly expanding the CPP/QPP pension plans in some way; others on enrolling non-covered workers in a low-cost, well-managed, personal pension account-based plan that supplements the basic OAS/CPP/QPP pensions. This type of supplementary plan could be delivered by existing organizations such as insurance companies or pension plans; or through a new structure under a national (e.g., CPP/QPP) umbrella.

In our view, getting the solution to Canada's pension coverage and cost-effectiveness challenges right is an issue of great national importance. A wrong decision would likely take years to

correct, and would seriously jeopardize the high level of trust most Canadians continue to have in our pension system.

Given the foregoing, we strongly urge you to strike an impartial Federal-Provincial Task Force with a mandate to identify the best possible solution to Canada's pension coverage and cost-effectiveness challenges. Such a Task Force would use (rather than duplicate) the work of the excellent pension reform commissions and research studies already undertaken. The Task Force's mandate would flow directly from a clear statement by the Finance Ministers that Canada's pension coverage and cost challenges are real, and that they require resolution. It would be up to the Ministers to agree on, and set clear boundaries within which the Task Force's recommended solution to the problem must lie. The Task Force would work within a short, preset timeframe (e.g., six months).

In closing, we note that the recommendations of such a task force played an important role in the successful CPP/QPP reforms of the 1990s. Mr. James Leech, President and CEO of Ontario Teachers' Pension Plan, has agreed to act as spokesperson for the group, and he would be happy to discuss our letter and its recommendation with you.

Respectfully submitted,

Leo de Bever, President and CEO, Alberta Investment Management Corporation
Meryl Whittaker, President and CEO, Alberta Local Authorities Pension Plan
Emilian Groch, Chief Executive Officer, Alberta Teachers' Retirement Fund Board
Douglas Pearce, Chief Executive Officer, British Columbia Investment Management Corporation
John Crocker, President and CEO, Healthcare of Ontario Pension Plan
Colleen Troelstrup, Director, IWA-Forest Industry Pension Plan
Michael Nobrega, President and CEO, Ontario Municipal Employees' Retirement System
James Leech, President and CEO, Ontario Teachers' Pension Plan
William Moriarty, President and CEO, University of Toronto Asset Management