



July 5, 2024

Mr. Stephen Poloz
Chair, Economic Working Group
Special Advisor, Osler Hoskin & Harcourt LLP
Suite 320, World Exchange Plaza
100 Queen Street
Ottawa ON K1P 1J9
Sent via email

Re: Pension Fund Investment in Canada

Dear Mr. Poloz,

ACPM is the leading advocacy organization for a balanced, effective and sustainable retirement income system in Canada. Our private and public sector retirement plan sponsors and administrators manage retirement plans for millions of plan members, including both active plan members and retirees.

Thank you for consulting with the Canadian pension industry, including ACPM, before planning proposals to support domestic investment by Canadian pension funds. We are writing to offer our comments on this important discussion.

We previously [wrote to Finance Canada in March](#) in response to the 2023 Fall Economic Statement, addressing pension fund investment in Canada. Some of our comments on encouraging more domestic investment while building on the existing strengths of the Canadian pension model are included below.

To summarize our previous letter:

- Canadian pension funds are presently significant investors in the Canadian market.
- We appreciate the federal government's collaborative approach to encouraging more domestic investment. Canada's pension funds welcome domestic opportunities that align with their objectives in pursuing long-term sustainable returns in support of secure pensions.
- ACPM emphasizes maintaining the core tenets of the successful Canadian pension model when proposing regulatory changes, which include independent investment decision-making, attention to the fiduciary responsibilities of plan administrators, which require acting in the best interests of plan members and other beneficiaries and following a prudent investor standard (generally interpreted as requiring a focus on the financial characteristics of an investment), and maintenance of diversified asset portfolios across asset classes, economic sectors and geographic weightings.

Below are some further insights and ideas for your interest:

1. ACPM represents Canada's largest public and private sector pension plans, as well as many mid-size and smaller plans (with assets under \$10 billion). The barriers mid-size and smaller plans face in accessing investment-grade opportunities in the domestic market (particularly in alternative asset classes such as infrastructure) may vary from those facing the larger pension plans and may therefore require different (or additional) solutions. We encourage you to seek their input, and ACPM would be delighted to facilitate these discussions, either individually or in a forum. Please let us know if you would like our assistance in this regard.

2. Pension plans globally invest in alternative assets, such as private equity, real estate, and infrastructure. The amount of domestic investment in these asset classes varies by pension plan characteristics, asset class features, and geography. As an example, the UK and Australia have proactively opened infrastructure to investment opportunities, which has not been the case in Canada. Large pension plans have interest in comparable Canadian infrastructure opportunities, while smaller plans may need investment syndicates to participate in major infrastructure projects. Diversifying investments is crucial for plans due to Canada's narrow industry range. Plans are looking for diversified assets that provide inflation protection and strong risk-adjusted returns, wherever they can find them.

3. The 2022 decision to stop issuing Government of Canada Real Return Bonds (RRBs) not only negatively impacts retirement benefit security for Canadians, but also reduces opportunity for pension plans to invest in Canada as they turn to foreign markets for assets to hedge against inflation. We encourage you to seize the opportunity to re-imagine the RRB, re-establishing it as an important tool with which pension plans can better protect retirement security for Canadians while investing more in Canada. We would be pleased to discuss further and support this endeavor. For reference, please see [ACPM's recent submission to Finance Canada in regards to real return bonds](#).

4. Facilitating opportunities for pension plans – both foreign and domestic – to invest in Canada is preferred versus passing legislation requiring domestic investment from Canadian pension funds. This is consistent with the successful tenets of the Canadian pension model, including the importance of asset class, industry, and geographical diversification.

5. We would like to reiterate our position that the fiduciary duty obligation under which Canadian pension plans operate is the most important aspect of the Canadian pension model as it allows for a single focus on delivering benefits to pension plan members and any distraction from this singularity of purpose compromises the model.

For further analysis on this topic, we support the work done by the Global Risk Institute in their paper [Should Canada Require its Pension Funds to Invest More Domestically?](#)

We wish to remain involved as a sounding board for ideas arising from your consultation process and look forward to continuing participation in this important exercise going forward.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jon Olson', with a stylized, sweeping underline.

Jon Olson
Vice-chair, National Policy Committee, ACPM

A handwritten signature in blue ink, appearing to read 'Ruth Morayniss', with a cursive style.

Ruth Morayniss
Director, Communications, ACPM