

March 21, 2020

The Honourable Rod Phillips
Ontario Minister of Finance
7 Queen's Park Crescent, Frost Building South, 7th Floor
Toronto, Ontario M7A 1Y7

The Honourable Victor Fedeli
Ontario Minister of Economic Development, Job Creation and Trade
777 Bay Street, College Park, 18th Floor
Toronto, Ontario M7A 1S5

RE: Urgent need to take action on pension plans to ensure the continued operation of industry

Dear Ministers Phillips and Fedeli:

On behalf of the members of Canadian Manufacturers & Exporters (CME) and broader industrial and business community of Ontario, I am seeking your support for immediate and urgent relief on corporate pension plans. This request is a follow-up to a letter that I sent to Premier Doug Ford calling on the Government of Ontario to take a range of actions to ensure the continued operation of our critical sector, including on pension plans.

In light of the economic shocks of COVID-19, we urge you to take strong, bold steps to help employers save jobs and weather the storm by providing direct and effective economic relief to corporate plan sponsors with the following measures:

Immediate actions:

- Extend the due dates of all required defined benefit pension contributions until at least September 1, 2020 (parallel to the Canada Revenue Agency's (CRA's) announcement on the deferral of income tax payments) with no interest and penalties.
- Extend the due dates of Pension Benefit Guarantee Fund (PBGF) premiums until at least September 1, 2020 with no interest and penalties.
- Immediately going to a 3-year plan valuation cycle effective with valuation dates on December 31, 2019 or January 1, 2020. In other words, freezing the level of required pension contributions for the next three years at the pre-COVID-19 pandemic level.

Tactical measures:

The Government of Ontario should establish a policy advisory committee with industry participation to monitor and assess options to support stable and sustainable pension contributions, and orderly recovery of companies on a go-forward basis after the crisis. The following alternatives should be considered as part of this work:

- Eliminate solvency funding – this was implemented by Quebec in 2016.
- Allow letters of credit to be treated as an asset for funding valuation and for PBGF purposes.
- Implement minimum stabilized interest rate floors similar to the U.S.
- Allow companies to stop funding the obligations for unlocated members.
- Examine appropriateness of early retirement subsidies.

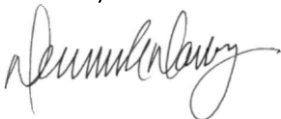
This is a rapidly deteriorating situation and urgent action is needed. In the past week alone over half a million Canadians applied for Employment Insurance (EI) coverage as companies are forced to lay off workers. As corporate revenues and liquidity deteriorates this number will quickly escalate in the coming days and weeks.

Ontario must move quickly to let corporate sponsors more effectively deploy cash to deal with the immediate crisis. Providing temporary and measured relief to the pension obligations would free up a significant amount of cash to allow companies to invest in their business, protect jobs, absorb the economic shock and support the health of the economy without materially impairing the ability to continue payments to retired members.

A similar request was made to the U.S. Congress on Friday jointly by a group of 24 retirement associations and industry trade groups urging immediate action to provide relief to employers that offer retirement plans. Additional information about the request can be found by clicking [here](#).

We thank you for your ongoing support and quick actions during this unprecedented crisis. We hope that these changes can be announced as soon as the economic update this week. We would be pleased to speak to you at any time on this issue or any other as we continue to navigate our new realities.

Sincerely,



Dennis Darby, P.Eng., ICD.D
President & CEO

Cc: Greg Orencsak, Ontario Deputy Minister of Finance
Giles Gherson, Ontario Deputy Minister of Economic Development, Job Creation and Trade