

News Release
For Immediate Release

FEI Canada Calls for Revised Pension Management Rules

CFO Association calls for change in windup solvency rules to stave off negative economic impact

Toronto, ON, October 18, 2007 – Financial Executives International Canada (FEI Canada), the professional membership association for senior financial executives, in an appearance before the Ontario Expert Commission on Pensions, today called for an immediate increase in the funding period of solvency deficits noting that activities under the current solvency rules could negatively impact the Canadian economy.

“Under the current windup solvency rules, financially strong companies would be forced to divert significant cash flows in the short term from their successful capital investments,” said Peter Donovan, Chair, FEI Canada Pensions Task Force. “This could negatively impact our economy as far as limiting corporate growth and development, liquidity and shareholder benefits.”

FEI Canada is recommending that the pension solvency funding period be increased from five years to the lesser of the remaining active service life and the long-term funding period of 15 years. The Association notes that adjusting the funding period for solvency deficits will allow pension plan sponsors to adjust cash flows over a defined period in order to make these payments without disrupting their capital investment activities.

Among additional recommendations the Association proposes that plan sponsors should have the right to own plan surpluses to the same extent that they own plan deficits unless the pension documentation contract stipulates something different. This recommendation extends the Association's view that pension plans should be governed by contract law rather than trust law, as is the case today.

“We are encouraged that the Minister of Finance has initiated this long overdue review of the Pension Benefits Act,” said Louis O’Brien, Chair of FEI Canada. “As our economic and labour environments change, it is important that pension rules be modernized to reflect the needs of pension plan members and are positioned to fulfill the needs of Canadian pensioners.”

The Government of Ontario established the Expert Commission to examine the legislation that governs the funding of defined benefit pension plans in Ontario, the rules relating to pension deficits and surpluses, and other issues relating to the security, viability and sustainability of the pension system in Ontario. This is the first review of the *Pension Benefits Act* since its inception in 1986.

FEI Canada's submission can be found at:

http://www.feicanada.org/position-papers/CommentLtr/IPAC_Ontpensioncommission.pdf

About FEI Canada

FEI Canada is the professional membership association for senior financial executives. With more than 2,000 members in 11 chapters across Canada holding the title of Chief Financial Officers, Controllers, Treasurers, Tax Executives, Finance and Accounting Professors, the association membership represents a significant number of Canada's leading and most influential corporations. Further information can be found at www.feicanada.org.

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