



Ontario to exempt US government securities from 10% quantitative limit

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The government of Ontario government released a draft proposed amendment to the [Pension Benefits Act](#) (Ontario) regulations (Regulations) on February 5, 2014 that would modify the application of the 10% quantitative limit for plans registered in Ontario.

Currently, the investments of assets of pension plans registered in Ontario must comply with the investment rules set out in Schedule III to the regulations under the [Pension Benefits Standards Act](#) (Canada) (Federal Pension Investment Rules), which impose a 10% limit on the book value of pension plan assets which may be invested in the securities of any one person or related persons. The proposed amendment to section 78 of the Regulations would provide an exemption from the 10% quantitative limit for investments in securities issued by and fully guaranteed by the government of the United States.

The proposed amendment is part of an effort to “modernize” the investment rules applicable to Ontario-registered pension plans, as previously announced in the [2013 Economic Outlook and Fiscal Review](#) (2013 Fall Economic Statement) and is directed at providing greater flexibility to plan administrators to adopt investment strategies which allow a better matching of plan investments with plan liabilities.

As noted, the amendment would introduce an exception from the federal pension investment rules applicable only to Ontario-registered plans, and is thus is another step away from the utopian goal of uniformity in pension standards legislation in Canada. Nonetheless, the proposed amendment would be welcomed by many plan sponsors of Ontario-registered plans that wish to invest in secure long-bonds to better match plan liabilities. We support the initiative, and would hope the government of Ontario sees fit to expand the exemption to include securities issued and guaranteed by an agency of the US government. We also hope the Federal Pension Investment Rules will be amended in a like fashion so the exemption will become uniform across those jurisdictions that adopt the Federal Pension Investment Rules.

In the 2013 Fall Economic Statement, the government of Ontario also announced plans to amend the Regulations to allow plan administrators to “further invest in Ontario infrastructure by exempting plans’ investments in certain Ontario public infrastructure projects from the rule limiting ownership in a single corporation to 30 per cent of voting shares”. This initiative was not included in the draft amendment released on February 5, 2014, suggesting that further draft amendments will follow.

The amendment, if passed, will not affect the application of the 10% limit for plans registered outside of Ontario. No effective date was provided with the proposed amendment, but as it is non-controversial we would anticipate that it will be adopted in due course.

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