Canadian Pension Funds And Domestic Investments: Key Takeaways From The 2024 Federal Budget



McCarthy Tétrault's Pension, Benefits & Executive Compensation Group took good note of the Government's intention of encouraging Canadian pension funds to invest more domestically when it was previewed in the 2023 Fall Economic Statement. Federal Budget 2024 now announces two key initiatives in that respect:

- **Creation of a working group.** The Government will create a working group led by Stephen Poloz (former Governor of the Bank of Canada), working with Canadian pension plans and supported by the Deputy Prime Minister and Minister of Finance, to explore how to create greater domestic investment opportunities for Canadian pension funds. The working group will focus on specific areas of investment, including digital infrastructure and AI, physical infrastructure, airport facilities, venture capital, and home building (including on public lands). The working group will also explore the removal of the so-called "30 per cent rule" for domestic investments. With respect to supporting investment in Canadian airport facilities, a policy statement will be released this summer by the Minister of Transport highlighting "existing flexibilities under the governance model for Canada's National Airport System airports" to attract capital.
- **Regulatory amendments.** The Government proposes to amend the *Pension Benefits Standards Act, 1985* (i.e., the federal pension legislation) to require that large federally-regulated pension plans disclose the distribution of plan investments by jurisdiction and, within each jurisdiction, by asset class, and the Office of the Superintendent of Financial Institutions (OSFI) will be tasked with publicly releasing this information. The Government will continue to engage with the provinces and territories to discuss setting up similar disclosure regimes for large pension plans that are not federally-regulated.

Pension funds are always looking for attractive investment propositions so efforts by the Government helping to merely create and identify better investment opportunities and possible public/private partnerships within Canada will likely not be unwelcome. However, we will be closely following these initiatives as they raise a number of important questions. For example:

- with respect to the announced working group, how specifically will it be structured and what opportunities will be provided for input from pension

organizations, including in respect of the possible removal of the “30 per cent rule” for domestic investments?

- with respect to the proposed investment disclosure regime,
  - since it would apply to “*large* federally-regulated pension plans” what asset amount will be determined to be “large” such that, if implemented, the new disclosure rules will (or will not) apply to a particular pension plan?
  - what part of the *Pension Benefits Standards Act, 1985*, or the regulations enacted thereunder, would the new disclosure rules be added to? If they were added to Schedule III of the regulations under this Act, the rules would automatically be incorporated by reference into the pension standards regulations of several provinces, including Ontario; however, the statements in Federal Budget 2024 at least suggest that the rules will not be inserted in Schedule III;
  - a number of pension organizations are not overseen by OSFI or provincial pension standards regulators, so how those organizations are treated will be interesting. Also, even if some or all of the provinces go along with the Government, it is possible that there will be a patchwork of investment disclosure regimes that are not identical.

You can also read our National Tax Group’s detailed commentary of the 2024 Federal Budget to learn more about the key measures that were announced and what they mean for your business.

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The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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