



February 27, 2009

Via Facsimile

The Honourable Dwight Duncan
Minister of Finance
Attention: Comments on Report of the Expert Commission on Pensions
c/o Pension and Income Security Policy Branch
5th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, ON M7A 1Y7

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Dear Sirs:

Re: Ontario Expert Commission on Pensions Report

Thank you for the opportunity to respond to the Ontario Expert Commission (the Commission) on Pensions Report (the Report). Shell Canada Limited (Shell) is the Plan administrator for the Shell Canada 2007 Pension Plan (the Shell Plan), which has a number of Royal Dutch Shell plc wholly-owned operating entities in Canada (through various chains of title), as participating companies, including:

Shell Canada Limited
Shell Chemicals Canada Ltd.
Shell Chemicals Americas Inc.
Shell Canada Services Limited
Shell Energy North America (Canada) Inc.
Pennzoil-Quaker State Canada Incorporated
Criterion Catalysts & Technologies Canada, Inc.

The Shell Plan is registered in Alberta, but applies to members, both active employees and retirees, across the country, including Ontario. Shell has a unionized and non-unionized workforce in Ontario, but no aspect of the Shell Plan is collectively bargained.

The Shell Plan has a number of components, including defined benefit, defined contribution and hybrid elements. However, we recognize the Commission's mandate was 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". As such, comments will be limited to the elements of the Commission's mandate.

We would first commend the Commission for their thoughtful and thorough review of a complex and difficult area. A number of recommendations (too numerous to list) support all pension plan stakeholders. However, as a plan sponsor, albeit one that is governed under the Alberta *Employment Pension Plans Act*, we would also point out that several of the Commission's recommendations do not appear to support a number of the Guiding Principles outlined in their Terms of Reference including:

- The importance of maintaining and encouraging the system of defined benefit pension plans in Ontario
- The importance of maintaining the affordability of defined benefit pension plans for both members and sponsors
- The importance of pension plans in supporting a competitive environment, and
- The need to balance the rights and obligations of employers, plan members and pensioners

We would also note the Report's emphasis on a union environment, which is not relevant to Shell in this context, as Shell does not bargain its pension plan terms.

In particular, we would identify the Commission's recommendations in a number of key areas as evidence of a disproportionate emphasis on the rights of plan members and employees, as opposed to plan sponsors. Those areas include:

- The requirement for a SEPP to have a 5% security margin above full solvency funding (and deeming that margin to be part of a plan surplus on windup), which is not required for multi-employer plans.
- In the event plan language was not clear, the requirement of the sponsor having to submit a proposal addressing surplus on windup and having to obtain approval from 2/3 of its members on that proposal. If the sponsor proposal were not accepted, the matter would be referred to dispute resolution. This would appear to only add an additional administrative process before ultimate judicial resolution on surplus would be sought.
- Prescribing mandatory indexation (in an undefined "inflation emergency").
- Partial resolution of partial plan wind-ups.
- A mandated pension advisory committee, with retiree and employee participation. While not adverse to retirees or employees sitting on the pension committee (in fact, our pension committee is made up entirely of employees), our experience has been that members are somewhat misled when a committee member has what one may believe to be a specific interest (e.g. a retiree sitting on a pension committee may be

seen to “represent” the interests of retirees). In fact, that committee member has an obligation to all plan members.

- Increased regulatory bodies (Ontario Pension Regulator (pension role transferred from Financial Services Commission), Pension Tribunal of Ontario, Ontario Pension Agency, a compliance office through the Superintendent, a Complaints Officer, a Pension Champion, a pension advisory committee (employees and retirees), and a Pension Community Advisory Council), when current administrative bodies are strapped for resources. We would consider these recommendations, to this extent, adverse to all pension stakeholders.


The increasing costs of DB pension plans, and uncertainty arising from recent and relatively recent court decisions, amongst other reasons, has led to a number of sponsors closing their defined benefit pension plans. Shell believes that a number of the recommendations in the Report would not encourage Ontario plan sponsors to continue or develop new pension plans.

We trust that the Government of Ontario will take the above comments into account when deciding whether to adopt any of the Commission’s recommendations or concepts outlined in the recommendations.


Please do not hesitate to contact either of the undersigned if you have any questions or request anything further from Shell Canada Limited. Thank you.

Yours truly,

Shell Canada Limited



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Pension Manager, Canada



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