



BANK OF CANADA

FOR IMMEDIATE RELEASE
9 November 2005

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Governor Dodge Discusses Efficiency and the Importance of Pension Plans

MONTREAL, QUEBEC—Canada’s pension system should be strengthened so it can continue to play an important role in our economy and contribute to efficiency of financial markets, Bank of Canada Governor David Dodge said today.

In a speech to L’Association des MBA du Québec, Mr. Dodge discussed the incentives under which the large pools of capital of different types of pensions are accumulated and invested. With the proper incentives, these pools of capital can “not only maximize returns to support future pensioners, but also maximize the future growth of the economy’s production capacity.”

Mr. Dodge also noted that defined-benefit pension plans, which make up the bulk of private employer-sponsored pensions, have been in decline in recent years. A number of factors have contributed to this decline and “it is important that Canadian policy-makers consider taking steps to rebalance the incentives for sponsors to operate defined-benefit plans,” he said.

The Governor concluded by stressing the importance of a sound pension system, not just because it sustains Canadians in their retirement, but also because it supports the efficiency of our financial markets and our overall economy. “For the sake of efficiency and for the future health of our economy, we must get the analysis right, and then we must act,” Mr. Dodge said.