

August 28, 2003

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Subject: Guidelines for Capital Accumulation Plans

I am writing on behalf of TransAlta Corporation, Canada's largest non-regulated electric generation and marketing company. TransAlta has approximately \$9 billion in assets and operates in Canada, the U.S., Mexico and Australia. Our corporate office is located in Calgary.

We commend the Joint Forum of Financial Market Regulators for the efforts made to develop industry standards for the dissemination of information to CAP members. We particularly appreciate the feedback process including focus groups held in a number of cities, and the changes that have been made by the Joint Forum in response to feedback by interested parties.

There are a number of points made in the draft guidelines upon which we would like to comment:

Despite 29 pages of guidelines and responsibilities of plan sponsors, we do not have any confidence that having met the guidelines, we will be less at risk of legal action than we are currently. It will fall to the Courts to determine if what a plan sponsor believed to be "reasonable", "appropriate", "sufficient" satisfies each plan member. Our concern is that the large corporation would be the "loser" in front of a judge with little understanding of pension plans and with much sympathy to the plan member who claims he did not receive "sufficient" information. We would appreciate either more specific requirements or a principles-based approach to this issue.

We are unsure of the guidelines as they apply to terminated members. In Alberta, as you know, plan sponsors cannot force a terminated member from the plan. It is difficult enough to track these employees to provide them annual statements; having to provide them continual information about changes to the plan and plan investments will be onerous, if not impossible.

TransAlta, like many large plan sponsors, provides information to employees regarding their defined contribution plan design and investments. We provide face-to-face seminars, written information and projection tools. We believe these communication methods to be effective for various levels of education and financial sophistication, however we do not, nor do we believe plan sponsors should, assess the financial sophistication or computer literacy of our employees to ensure we are “educating” them. References to “education” should be excluded.

Certainly those corporations that have registered pension plans will continue to operate those plans. However plans that make membership and member contributions voluntary, such as group RRSPs, may be in jeopardy even by large plan sponsors. For example TransAlta’s group RRSP was initially implemented to simply facilitate retirement savings. We offer payroll deduction, immediate tax deferral, skilled and varied investment managers and options and very low administration and management fees. If we must meet the guidelines suggested, we may find the cost of doing so prohibitive.

TransAlta and other large companies will continue to sponsor pension plans. We have a history of doing so and our pension plans are part of a competitive compensation package. Many companies transferred from defined benefit plans to defined contribution plans because of the ever-increasing regulatory burden and the financial risk of the DC plans. We are now in an environment where the administrative burden for DC plans is increasing and the risk of facing legal action despite our diligence and intentions is very real and overshadows the financial risk associated with a DB plan. Smaller companies may not feel this need to continue offering pension benefits. They well may be overwhelmed by the guidelines, the need to meet these standards and by the cost of doing so. They could avoid the financial burden of administration by simply increasing compensation and letting employees make their own retirement savings arrangements. This would be to the detriment of those employees and to the retirement system in Canada.

We look forward to the final report from the Joint Forum and the incorporation of the comments made through the feedback process.

Yours sincerely,

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Director, Pensions