Briefing
Compliance News Affecting Pension Plans
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Federal News

Proposed Amendments to the Pension Benefits Standards Regulations

The Department of Finance has proposed significant changes to the *Pension Benefits Standards Act* and the Regulation for negotiated contribution plans (NCPs), a type of multi-employer DB plan where contribution amounts are fixed by an agreement and for distressed plans with missing members. The changes would include a new funding framework and prescribed requirements to funding and governance policies.

If the changes come into effect, they will apply to NCP multi-employer pension plans that fall under federal jurisdiction.

New funding framework

Under the proposed Regulation, NCPs would no longer be required to fund for solvency but will be subject to enhanced going-concern requirements.

On a going-concern basis, plans would be required to add a margin to their normal cost and liabilities. This margin is called a Provision for Adverse Deviations (PfAD).

The minimum PfAD on the normal cost will be 5 percent. The PfAD on going-concern liabilities would be set by the administrator based on plan characteristics and actuarial considerations.

Plans would still be required to disclose the plan’s solvency ratio and its implications to plan members and retirees.

Funding and governance policies

The proposed Regulation prescribes the elements required to be included in a NCP’s governance and funding policies.

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If the Regulation becomes final as proposed, the NCP's funding policy would be required to include:

- The funding objectives as they relate to benefit security, benefit levels and contribution levels
- The material risks that affect the plan's funding requirements
- The objectives and expectations for reducing benefits, if required
- The procedure for the use of surplus

The governance policy would be required to include:

- The roles and responsibilities of all governance participants and who has authority to make decisions
- Performance measures and monitoring
- A code of conduct
- Material risks that apply to the plan
- Processes for dispute resolution
- Education and skills requirements for the administrator

Additionally, plan sponsors would be required to make the funding and governance policy documents available for members.

Missing members in terminating plans

The Department of Finance has proposed amending the Regulation to allow terminated plans to transfer unclaimed pensions to a designated entity.

The proposed Regulations would also set out the information the designated entity can publish on a public database to facilitate the search for unclaimed pension assets and allow the designated entity to publish the last known name and address of the unlocatable beneficiary, the name and registration number of the pension plan, as well as the market value of the transferred assets.

The Regulations also establish who can make a claim on unclaimed pension assets and how long the designated entity can administer the funds before they are transferred to the Crown. The proposed period is 30 years for balances under $1,000 and 100 years for balances over $1,000.

Action item

Each plan will need to consider how these proposed changes may impact their fund and determine the best course of action based on specific funding analysis and assuming the legislation is enacted as is.

For assistance or if you have questions about the regulations and the law, contact your Segal consultant or get in touch via our website.

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