

Briefing

Compliance News Affecting Pension

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News from Ontario



New Guidance on Leading Practices for DB MEPPs

On March 16, 2021, Ontario's Financial Services Regulatory Authority (FSRA) issued guidance outlining leading practices for governing DB multi-employer pension plans (MEPPs) in the province. The guidance, [Defined Benefit Multi-Employer Pension Plans – Leading Practices](#), takes effect on March 18, 2021.

It does not create compliance obligations. Nevertheless, trustees of DB MEPPs should consider implementing FSRA's recommendations and following the leading practices outlined. Instead of advocating legislation on plan governance, FSRA's goal is to encourage plan trustees to become more involved in governance by following leading practices

Background

Based on a review of 21 (out of 73) Ontario-registered DB MEPPs, FSRA identified eight leading practices:

1. A comprehensive onboarding policy for new trustees
2. Education policies to help trustees fulfill their role as plan fiduciaries
3. A succession plan for trustees
4. Plan enrolment policies and procedures that keep members connected with their pensions
5. An investment policy that takes into account industry leading practices for investing plan assets and resolving conflicts of interest
6. A risk-management policy that integrates funding and benefit policies and outlines risks and how to mitigate or respond to them
7. Plain language communications that include the likelihood of benefit adjustments to help members make informed decisions
8. Regular dialogue between the trustees, advisors and key stakeholders

The practices are grouped under three categories. For each heading, FSRA lists recommended actions. Some of the key points are noted below.

Governance practices

According to the guidance, trustees of DB MEPPs should establish:

- Time limits on the completion of educational requirements
- Regular skill assessments and a programme of in-house plan specific training
- Ensuring continuity between the trustees and the sharing of institutional knowledge

Risk-management practices

Plans should establish a risk-management policy that integrates funding and benefit policies.

The policy should outline:

- Identifying the material risks facing the plan
- How the financial health of the plan is to be assessed and how frequently it will be assessed
- The risk-mitigation and management strategies that will be used, the frequency with which they will be deployed and the risks being evaluated
- The extent to which stabilization measures are available, including when and in what manner benefit levels may be adjusted
- How to fairly apply benefit adjustments, allocation of surplus, restoring previously reduced benefits or providing additional benefits

Communication practices

Plans should establish a communication process that aims to be transparent and accountable to plan members and other stakeholders.

Leading practices include:

- Communicate regularly with plan members and beneficiaries in plain language.
- Explain the potential and likelihood for benefit adjustments.
- Conduct education sessions to ensure members and beneficiaries can make informed decisions about their benefits.
- Maintain regular, ongoing dialogue among trustees, professional advisors and other key stakeholders, such as contributing employers.
- Consider conducting member feedback sessions or surveys to gauge the effectiveness of member communications.

Action items for trustees

FSRA encourages trustees to compare their current governance, risk management and communication practices to the leading practices in the guidance.

Trustees may wish to work with their professional advisors on that comparison.

FSRA recognizes that some plans may not be able to implement all of the leading practices described in the guidance.

The new guidance is a complement to other industry leading practices for funding, risk management and governance of DB MEPPs. For example, trustees should continue to follow guidelines issued by the Canadian Association of Pension Supervisory Authorities.

What is FSRA planning to do next?

In consultation with Ontario's MEPP Standing Technical Advisory Committee, FSRA will develop a pilot program to compare benchmarking DB MEPPs against the leading practices in the guidance. FSRA will provide plan trustees and their advisors with confidential detailed benchmark reports.

By spring 2024, FSRA will also issue a report on its aggregate benchmark findings.

FSRA will review the guidance by spring 2026 and may update it.



Segal can be retained to work with trustees and their legal counsel on determining the implications of FSRA's guidance. For assistance, or if you have questions about the guidance and the law that applies to DB MEPPs, contact your Segal consultant or [get in touch via our website](#).

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