

Segal's *Governance Update* reviews news affecting pension plans. This issue identifies news from the provinces shown in blue on the adjacent map.

In addition, news from these federal entities is discussed:

- Canada Revenue Agency (CRA)
- Federal Department of Finance
- <u>Office of the Superintendent of Financial Institutions (OSFI)</u>

To receive more frequent updates about provincial and federal news affecting pension plans, follow us on Twitter <u>@SegalGrp_Canada</u>.



Alberta	
Online filing of documents	On September 30, 2020, Alberta implemented <u>revisions</u> to its online filing site to allow the online filing of a pension plan's audited financial statements, plan texts and amendments and fundholder documents.
	Effective October 1, 2020, plan sponsors must file these documents and associated forms online.
Electronic beneficiary designation	On December 9, 2020, Alberta <u>amended</u> the <i>Employment Pension Plans Act</i> to permit electronic designation of a beneficiary under a pension plan, locked-in retirement account and life income fund.
	Paper beneficiary designation is still available.

British Columbia

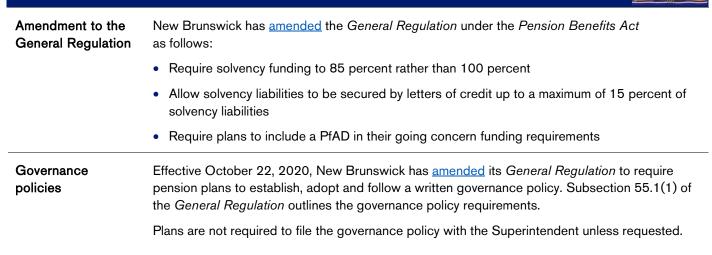
Information security guideline

British Columbia has released a <u>draft guideline</u> on information security that outlines its expectations and the best practices that BC provincially incorporated financial institutions (PRFI) are required to implement. The province considers pension plan administrators to be PRFIs.



	All BC regulated entities must establish and document an effective information security risk- management framework, which should be approved by the board of directors and reviewed at least once a year.
	The document also outlines BCFSA's expectations with respect to:
	Governance
	Protecting information and data
	Detecting information security incidents
	Responding to information security incidents
	Recovering from an information security incident
	PFRIs must be in communication with the BCFSA if a major information security incident occurs. If that happens, the BCFSA expects the PRFI to file a report.
Funding relief for target benefit plans	British Columbia has <u>amended</u> its <i>Pension Benefits Standards Regulation</i> to offer short-term funding relief to target benefit plans (TBPs).
	Administrators of TBPs may elect an exemption from the requirement to fund the provision for adverse deviation (PfAD) for the period that began on December 31, 2019 and will end on December 30, 2022.
	If a plan elects this relief, it must disclose it in the annual statements to active members and retired members for as long as the exemption period continues. Additionally, benefit improvements are not permitted as long as the exemption period continues.
Plan termination requirements and checklist	British Columbia has released <u>Regulatory Statement PENS 20-006</u> to provide administrators with a checklist of the information required in the event a plan registered in British Columbia winds up.
	The checklist provides a list of required documents to submit to the regulator and indicates the sections of the <i>Pension Benefits Standards Act</i> with which the terminating plan must be in compliance.

New Brunswick



Newfoundland and Labrador



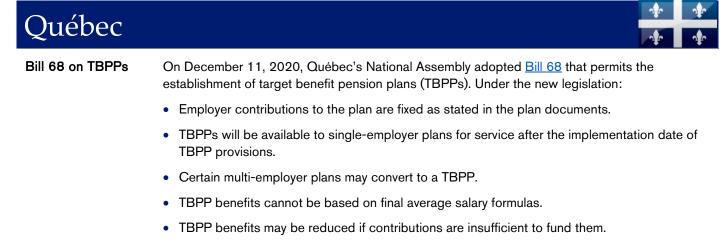
Hardship access to locked-in retirement savings permitted Effective March 1, 2021, the government of Newfoundland and Labrador permits residents to <u>unlock benefits held in locked-in retirement savings arrangements for reasons of financial hardship</u>.

Eligibility for financial hardship includes the following:

- Expected income less than \$41,066 in the next 12 months
- Threat of foreclosure due to inability to make monthly mortgage payment
- Threat of eviction due to inability to make rent payment
- · Inability to pay medical costs, equipment or treatment related to a disability

Ontario	
Budget 2021	In its <u>2021 Budget</u> , Ontario announced that the <i>Pension Benefits Act and Regulation</i> will be <u>amended</u> to require valuation reports for Pension Benefits Guarantee Fund (PBGF) eligible plans to determine and report the PBGF's claim exposure.
Proposed guidance: administration of pension benefits upon marriage breakdown	On March 18, 2021, the Financial Services Regulatory Authority (FSRA) released a <u>draft</u> interpretation and approach guideline regarding the process for administering the division of pension upon marriage breakdown.
	The guidance document is intended to support plan administrators' compliance with their legal obligations on the following:
	Out-of-province separations and court orders
	Processes and practices
	Valuation of the Family Law Value
	Payment and division of benefits
	Survivor benefits
	Compliance expectations
Leading practices for multi-employer pension plans	Following a 2020 review of defined benefit multi-employer pension plans (DB MEPPs) in Ontario, FSRA has issued guidance outlining leading practices in the governance of DB MEPPs.
	While the document does not create compliance obligations, DB MEPPs should consider implementing the recommendations and best practices outlined in the Guidance.
	The document identifies leading practices in three areas:
	Governance
	Risk management
	Communication
	The guidance took effect on March 18, 2021. A detailed summary of the guidance is available in our March 2021 <i>Briefing</i> .

Guidelines for locating missing members	The FSRA has issued a guidance document outlining principles and practices for locating missing members.
	Plan administrators are expected to take appropriate steps to help members stay connected with their pension plan, especially after terminating employment or membership. The guidance aims to help administrators fulfill their fiduciary duties.
	The administrator's obligations include:
	Managing records consistently with good governance and recordkeeping processes
	Communicating regularly with members, before and after employment terminates
	 Following an appropriate process when becoming aware that member contact information may no longer be current
	The guidance document took effect on December 10, 2020. The FSRA will review it within five years. Effective September 1, 2021, plans will be required to report the number of missing members when filing their Actuarial Information Summary with FSRA.
Waiver of biennial statements for missing members	The FSRA has released a <u>guidance document</u> to clarify existing regulations on when it may waive the requirement to send biennial statements to former members and retirees. The requirement may be waived if FSRA is satisfied that the former or retired members are missing and that the administrator has made reasonable efforts to locate them.
	To obtain a waiver, plan administrators should complete a Waiver Application form and provide FSRA with the information prescribed in the guideline and section 274(4) of the Act.
Exemption from the PBA for IPPs and DPs	The government of Ontario has <u>amended</u> the PBA to permit individual pension plans (IPPs) and designated plans (DPs) to apply for an exemption from the PBA and its regulations.
	Sponsors of IPPs or DPs who wish to apply for this exemption must complete and submit an <u>application</u> to the FSRA.



In addition to these provisions, Bill 68 implemented the following:

- Pension plans that include DC provisions may offer variable payment life pensions.
- DB plans and TBPPs are permitted to determine the degree of solvency to be used for commuted value purposes at intervals shorter than the plan's fiscal year.

CRA

MP, DB, RRSP, DPSP and TFSA limits and the YMPE The CRA has updated the annual money purchase (MP) limit to \$29,210, the DB accrual limit to \$3,245, registered retirement savings plan (RRSP) limit to \$27,830, and the year's maximum pensionable earnings (YMPE) to \$61,600 for 2021.

The 2021 and historical amounts are available on the Government of Canada website.

Federal Department of Finance

Budget 2021

On April 19, 2021, the Government of Canada presented the 2021 Budget which has since been passed into Law. It included the following proposed measures:

- Old Age Security (OAS) pensioners who will be age 75 or older as of June 2022 will receive a one-time payment of \$500 in addition to their current OAS pension. Additionally, the maximum benefit payable to OAS pensioners age 75 or older will increase by 10 percent.
- The Pension Benefits Standards Act, 1985 will be amended to establish a new framework for Negotiated Contribution Pension Plans.
- Administrators of DC pension plans will be granted more flexibility to correct undercontributions and over-contributions to the plan.
- *The Income Tax Act* will be amended to allow issuers of T4A and T5 information returns to provide them electronically without having to issue a paper copy and without the taxpayer having to authorize the issuer to do so.
- The government proposes modernizing the federal unclaimed assets regime to include unclaimed balances from terminated federally regulated pension plans.
- The government will be proceeding with changes proposed in the July 2019 Budget Bill that would prohibit contributions to a Specified Multi-Employer Plan (SMEP) if the member will not receive a benefit from those contributions. We'll address this in a forthcoming *Briefing*.

Consultation for federally regulated private pension plans

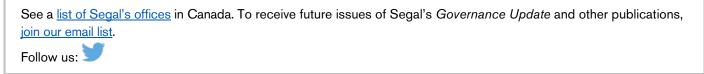
The federal government opened a <u>consultation</u> seeking feedback and comments on the following:

- Temporary solvency funding relief for 2021 with options including extension of solvency amortization periods and an increase to the letter-of-credit limit
- Questions about plan governance: Should federally regulated plans be required to establish a governance and funding policy? What approaches should be considered to increase member and retiree representation in plan governance?
- Solvency Reserve Accounts (SRAs) which would be separate or notional accounts within the DB pension fund into which an employer could remit solvency special payments that could later be recovered under certain conditions
- Variable Payment Life Annuities (VPLA), which would offer variable payments to pensioners of Pooled Retirement Pension Plans and DC plans based on the plan's investment returns and mortality experience



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OSFI	
Revisions to the <i>Directives of the Superintendent</i>	The <u>Directives of the Superintendent pursuant to the Pension Benefits Standards Act, 1985</u> have been revised as follows:
	 Plan are no longer required to use a solvency ratio as of March 31, 2020 or later for portability transfers.
	 Deadlines for regulatory returns have returned to pre-pandemic dates.
	• The <i>Directives of the Superintendent</i> has been updated to reflect the changes to the Canadian Institute of Actuaries Commuted Value Standard as they affect transfers from negotiated contribution plans.
Instruction guide for the preparation of actuarial reports	OSFI has updated the <u>Preparation of Actuarial Reports for Defined Benefit Pension Plans</u> (Actuarial Guide). The guide outlines reporting requirements for actuarial reports filed with the OSFI.
	The updates to the guide include the following:
	Additional requirements with respect to plans that have flexible benefits
	 Additional guidance on the discount rate, including the maximum going concern discount rate; OSFI's view is that generally the discount rate should not exceed 5.75 percent before implicit margins
	 Further clarifications of OSFI's position on mortality assumptions; OSFI expects one of the base mortality tables (i.e., CPM2014, CPM2014 Public or CPM2014 Private) to be used for going concern valuations
	Updated requirements for plans using a replicating portfolio approach
	 Further disclosure requirements with respect to membership data and when stochastic modeling is used for determining the indexation rate
	 Greater clarity on other expectations and the addition of some references to legislation and guidance material
If you have questions ab	pout any of the information in Governance Update, contact your Segal consultant.



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