

Update Governance

A Review of News Affecting Pension Plans

July 2021

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](#)
- [Office of the Superintendent of Financial Institutions \(OSFI\)](#)

To receive more frequent updates about provincial and federal news affecting pension plans, follow us on Twitter [@SegalGrp_Canada](#).



Alberta



Online filing of documents

On September 30, 2020, Alberta implemented [revisions](#) 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 [amended](#) the *Employment Pension Plans Act* 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 [draft guideline](#) 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

PFRI 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 [amended](#) its *Pension Benefits Standards Regulation* 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 [Regulatory Statement PENS 20-006](#) 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 *Pension Benefits Standards Act* with which the terminating plan must be in compliance.

New Brunswick



Amendment to the General Regulation

New Brunswick has [amended](#) the *General Regulation* under the *Pension Benefits Act* as follows:

- Require solvency funding to 85 percent rather than 100 percent
- Allow solvency liabilities to be secured by letters of credit up to a maximum of 15 percent of solvency liabilities
- Require plans to include a PfAD in their going concern funding requirements

Governance policies

Effective October 22, 2020, New Brunswick has [amended](#) its *General Regulation* to require pension plans to establish, adopt and follow a written governance policy. Subsection 55.1(1) of the *General Regulation* outlines the governance policy requirements.

Plans are not required to file the governance policy with the Superintendent unless requested.

Newfoundland and Labrador



Hardship access to locked-in retirement savings permitted

Effective March 1, 2021, the government of Newfoundland and Labrador permits residents to [unlock benefits held in locked-in retirement savings arrangements for reasons of financial hardship](#).

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 [2021 Budget](#), Ontario announced that the *Pension Benefits Act and Regulation* will be [amended](#) 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 [draft 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 Briefing](#).

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 [guidance document](#) 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 [amended](#) 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 [application](#) to the FSRA.

Québec



Bill 68 on TBPPs

On December 11, 2020, Québec's National Assembly adopted [Bill 68](#) that permits the establishment of target benefit pension plans (TBPPs). Under the new legislation:

- Employer contributions to the plan are fixed as stated in the plan documents.
- TBPPs will be available to single-employer plans for service after the implementation date of TBPP provisions.
- Certain multi-employer plans may convert to a TBPP.
- TBPP benefits cannot be based on final average salary formulas.
- TBPP benefits may be reduced if contributions are insufficient to fund them.

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.

**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 under-contributions 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 [consultation](#) 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



Revisions to the *Directives of the Superintendent*

The [*Directives of the Superintendent pursuant to the Pension Benefits Standards Act, 1985*](#) 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 *Directives of the Superintendent* 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 [Preparation of Actuarial Reports for Defined Benefit Pension Plans \(Actuarial Guide\)](#). 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



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