

Briefing

Compliance News Affecting Pension

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Federal News



Budget 2021 Imposes Restrictions for Specified Multi-Employer Pension Plans

In its 2019 Budget, the Government of Canada proposed changes to the *Income Tax Act* that would have an impact on specified multi-employer pension plans (SMEPs). The proposal was roundly criticized by the industry and was not part of the final Bill that passed. At the time, it appeared that the government would not be moving forward with the proposed change.

However, the government has included the 2019 proposal in the *Budget Implementation Act, 2021* ([Bill C-30](#)). Bill C-30 received Royal Assent on June 29, 2021 and is now in force.

What are SMEPs?

SMEPs are multi-employer pension plans that have more than 15 contributing employers and meet some additional conditions. For example, at no time in the year will more than 95 percent of the active members be employed by a single participating employer, or by a related group of participating employers.

What has changed?

Under the new law, all contributions remitted to the plan must accrue benefits. Consequently, SMEPs with defined benefit provisions that require contributions on behalf of members after the end of the year in which the member attains age 71, or on behalf of any other member in receipt of a pension from the plan are now prohibited from accepting those contributions.

This prohibition applies to contributions made under collectively bargained agreements negotiated after 2019.

Action items

This change will have a significant impact on the administration of SMEPs. Plan administrators will need to ensure they have measures in place to enforce the new restrictions.

Unions and employers that are currently negotiating new collective agreements should consider how these contributions will be handled. Similarly, boards of trustees should look at what changes may be required in their plan.



Segal can be retained to work with plan sponsors and their legal counsel on determining and addressing the implications. 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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