

Legislative Updates

Alberta Passes New Regulations with Respect to Pension Plans

July 31, 2014

On July 22, 2014, the Government of Alberta passed the Employment Pension Plans Regulation that supports the Employment Pension Plans Act (new Act) that was passed in 2012, both to be effective September 1, 2014. Note that amendments proposed in Bill 10, the Employment Pension (Private Sector) Plans Amendment Act, 2014, are not included in the new Act. That bill has been referred to the Standing Committee on Alberta's Economic Future for further consultation, who are expected to report back in the Fall of 2014. Therefore, rules related to the conversion of a plan to a target benefit plan have not been reflected. As a result, regulations related to Target Benefit Provisions and its funding are only in effect for post September 1, 2014 service. Collectively Bargained Multi-Employer Plans (CBMEPs), formerly known as Specified Multi-Employer Pension Plans (SMEPPs), will be permitted to have target benefit provisions for future service only under the new regulations.

The new legislation reflects changes recommended by the Joint Expert Panel on Pension Standards in their 2008 report (between Alberta and British Columbia). It is expected that the legislation for British Columbia will be similar to Alberta's legislation. Should you have any questions regarding this article, please contact Roy Wong or Rupe Prasad at (604) 687-8056.

Highlights

1. Terms and Definitions

- a. Expanded to reflect introduction of new pension plan designs
- b. Amended to better reflect terms previously used

2. Vesting of Pension Benefits

- a. Immediate vesting for all service

3. Provisions Relating to Gender

- a. Discrimination based on gender prohibited

4. Exceptions to Locking-In

- a. For small pensions, based solely on 20% of YMPE test
 - 4% of YMPE rule eliminated
- b. Unlocking due to shortened life expectancy must be offered

5. Target Benefit Provisions

Plans with target benefit provisions will have:

- a. Different funding rules
 - going concern plus basis (going concern assumptions including a provision for adverse deviation margin)
 - not subject to solvency funding rules
- b. Ability to adjust benefits in accordance with the legislation to meet the funding rules without prior Regulator approval
 - can reduce ancillary benefits and/or
 - reduce the amount of the target benefit and/or
 - increase contributions
- c. New rules for the calculation of commuted values
 - going concern (GC) basis used for actuarial assumptions
 - if GC ratio < 100%, then commuted value is multiplied by this ratio and member receives one-time payment
 - if GC ratio < 100%, member does not receive unfunded portion at a later date

6. Plan Summary and Statements

- a. Individuals must be provided with a Plan Summary document within given timelines
- b. Additional disclosure requirements for all statements
 - Right to examine Plan documents or obtain more information from Plan Administrator
 - Contact information for Plan Administrator or other person responsible for administering member's benefits
 - Obligation of member to advise Plan Administrator regarding updates to contact information
 - Legislation that applies to members benefits
- c. New required statements
 - Annual statement for pensioners
 - Statements for marriage breakdowns
 - Phased retirement benefit statement
 - Plan termination/winding-up statement
 - Contribution/benefit rate change notification statement
 - Adverse amendment notification now eliminated
 - 30 days' notice required
- d. Timelines
 - Extended from 60 to 90 days for termination statements in a CBMEP
 - Varies for retirement statement, depending on when application is made



7. Access to Plan Documentation

- a. Joint annuitant and non-member pension partner added to list of persons who may request additional information

8. Governance Policy

- a. Administrator must ensure that a policy is in place no later than August 31, 2015
- b. Policy does not have to be filed with the Superintendent but available on request

9. Funding Policy

- a. Administrator must ensure that a policy is in place no later than August 31, 2015
- b. Policy does not have to be filed with the Superintendent but available on request

10. Marriage Breakdown

- a. New rules on the division of a pension on marriage breakdown.
- b. Fees that a Plan Administrator may charge doubled

11. Plan Assessment

- a. Annual assessment required to confirm compliance
- b. Does not have to be filed with the Superintendent but available on request
- c. First assessment required in 2016 for plans with fiscal year ending December 31, 2014

12. Schedule of Contributions

- a. New Form 21 replaces prior Form 7
- b. CBMEPs no longer required to complete form
- c. Changes to Fundholders requirements to advise Superintendent when contributions not remitted

13. Annual Information Return Fees

- a. Based on total plan membership instead of active members only
- b. The “per-total-member fee” will fluctuate on an annual basis as determined by the Superintendent
- c. Minimum fee increased from \$200 to \$250
- d. Maximum fee increased from \$20,000 to \$75,000

14. New Prescribed Forms

- a. Pension Partner Waiver form (several different versions depending on what is being waived)
- b. Registration of New Pension Plan form
- c. Amendment of Plan Text Document form
- d. Application to Alberta Employment Pension Tribunal form

15. Administrative Penalties

- a. For Corporation or Administrator: up to \$250,000
- b. For Individual: up to \$50,000



16. Waiver of Death Benefits

- a. Pension Partner may waive remaining guaranteed benefits
- b. Unlocking prohibited where pension partner waives the pre-retirement death benefit and receives payment as designated beneficiary or from estate

17. Plan Eligibility

- a. Eligibility for CBMEP changes from hours based to 2 years of employment and earnings of at least 35% of YMPE

18. Records Retention

- a. All records must be kept in Canada

19. Death Benefit Prior to Retirement

- a. Pension Partner may now receive an immediate pension in addition to commuted value
- b. Plan rules may restrict option to commuted value only

**Warning: This article is not intended to be a comprehensive summary.
For more information, please refer to the following link:
www.finance.alberta.ca/publications/pensions/legislation**

*If you have questions regarding this article, or would like to submit your comments, please do not hesitate to contact **Roy Wong** or **Rupe Prasad** at 604-687-8056 or by e-mail at roy.wong@pbactuarial.ca or rupe.prasad@pbactuarial.ca.*

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