



### ONTARIO GOVERNMENT ANNOUNCEMENT: MAKING WORKPLACE PENSION PLANS MORE SUSTAINABLE

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On May 19, 2017, Ontario's Ministry of Finance announced its proposed new defined benefit (DB) pension plan funding framework as well other amendments to be made in a legislation to be introduced in the fall. It applies to single-employer DB plans, but not to multi-employer pension plans (MEPPs) and jointly-sponsored pension plans (JSPPs). The government is not considering changes to funding rules for JSPPs at this time. We were also directly informed that the government intends to announce its proposed target benefit MEPP framework later this spring and release draft regulations for public consultation in fall 2017.

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#### FUNDING

The announced changes follow last year's consultation on solvency funding conducted by the Province.

Ontario proposes to exempt plans that have a solvency funded ratio of at least 85% from solvency funding requirements.

The proposed regime will also require funding on a going concern basis and funding a provision for adverse deviation (PfAD). At this time, there are no details on how the PfAD is to be determined. In addition, Ontario will move the amortization period for funding going concern deficiencies from 15 years to 10 years and special payments will be consolidated into a single schedule.

#### Increase in the Ontario's Pension Benefits Guarantee Fund Coverage

To help ensure security in the event that a pension plan is not fully funded and the employer is bankrupt, there will be an increase in the maximum coverage provided under Ontario's Pension Benefits Guarantee Fund from \$1,000 to \$1,500.

The new regime will include a framework for restrictions on contribution holidays and funding rules for benefit improvements.

There will be additional requirements related to transparency, including requiring funding and governance policies and additional funding disclosure requirements to plan beneficiaries as well as new rules governing the wind-up of DB plan and studying a proposal to establish an agency to administer pension benefits of wound-up plans on an ongoing basis.

#### BUY-OUT ANNUITIES

Ontario proposes rules that will facilitate the use of buy-out annuities for de-risking purposes.

The proposed changes will include a discharge provision for an employer: when an employer purchases buy-out annuities in respect of retirees or deferred plan members, this would satisfy the employer's obligation under the plan to provide the pension.

We will keep you informed when more details are released by Ontario's Ministry of Finance.



## ABOUT PBI

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