Ongoing Pension Reform

With the unanimous passage by the legislature of two major pension reform packages in 2010, modernization of Ontario's employment pension system is well underway. Regulations are being drafted that would implement many of these reforms.

For example, later this spring the government intends to post draft regulations on the Regulatory Registry that would:

- clarify pension surplus rules;
- implement many of the asset transfer provisions — including the "split pension" provisions — that would apply when organizations providing pension benefits to employees are restructured; and
- implement provisions that specify the rights and responsibilities of "retired members."

Additional postings scheduled for later in 2012 include amendments that would:

- provide a "funding concerns" test for plans not required to fund on a solvency basis; and
- strengthen funding rules for defined benefit pension plans, including eligibility conditions for "contribution holidays" and accelerated funding of benefit improvements.

The *Pension Benefits Amendment Act, 2010*, provided that, on dates to be proclaimed:

- future partial plan wind-ups would no longer be permitted;
- pension benefits would be immediately vested;
- multi-employer pension plans and jointly sponsored pension plans would be able to elect not to provide grow-in benefits; and
- effective July 1, 2012, grow-in benefits would be available to all eligible members terminated other than for cause.

To allow plans to make the administrative changes to accommodate these new requirements, the government is announcing its intention to proclaim these provisions effective July 1, 2012.

Solvency Funding Relief

The government is proposing to extend solvency funding relief to sponsors of private-sector defined benefit pension plans while helping to protect the security of pension benefits.

Sharp declines in long-term interest rates during 2011 have increased the solvency liabilities of many pension plans while volatile global financial markets have limited investment returns. To support jobs and growth in the face of this challenge, temporary solvency relief measures introduced in 2009 would be extended. Additional flexibility would also be provided to sponsors when funding their pension plans.

Extending the 2009 Solvency Relief Regulations

Consistent with the 2009 solvency funding relief, when filing the first actuarial valuation report dated on or after September 30, 2011, a plan administrator would be able to:

- consolidate existing solvency payment schedules into a new five-year payment schedule; and
- extend the solvency payment schedule to a maximum of 10 years for a new solvency deficiency determined in the report, subject to the consent of plan beneficiaries.

Additional Flexibility for Employers

As announced by the government in August 2010, regulations that would permit employers to use irrevocable letters of credit from financial institutions to cover up to 15 per cent of pension plans' solvency liabilities would be put in place this spring. Letters of credit would provide employers with an effective tool for managing financial resources, while ensuring assets are available in the event of employer insolvency.

Additional flexibility would also be introduced by permitting solvency and going concern special payments to be amortized beginning one year after a plan valuation date. Consistent with the rules for jointly sponsored pension plans, this provision would reduce cash-flow pressures on employers required to make lump-sum contributions following actuarial valuations.