

## Target Benefit Regulations – Technical Review Guide

### Purpose

This document is intended to guide stakeholders in reviewing the draft regulations for the target benefit framework.

In March and September 2023, the Ministry of Finance conducted consultations on a proposed permanent framework for target benefits.

Following these consultations, the Ministry has prepared draft proposed regulations to reflect the finalized policies and the draft regulations have been posted on the Regulatory Registry for technical feedback. The Ministry is seeking technical feedback from stakeholders on the draft regulations.

These draft regulations reflect proposals from the March 2023 and September 2023 consultation documents. In addition, the regulations also reflect changes made resulting from the September 2023 consultations, as outlined below:

Topic	Finalized Policy
<b>Use of Surplus to Fund Normal Cost:</b> Use of surplus assets to offset required contributions for normal cost and provision for adverse deviations (PfAD) as set out on page 16 of the September 2023 Consultation Document.	<p>In addition to the requirement to file annual valuation reports:</p> <p>The maximum surplus that may be used for this purpose is the lesser of:</p> <ul style="list-style-type: none"><li>• Plan assets in excess of 105% of the plan's going concern liabilities; and</li><li>• Plan assets in excess of 100% plus its PfAD percentage of the plan's going concern liabilities.</li></ul> <p>No restrictions on the timing of the use of surplus for this purpose.</p> <p>The use of surplus for this purpose for plans that have contributions fixed in a document that is not a collective agreement will be allowed.</p>
<b>Adjusting special payments:</b> Adjustments of special payments due to experience gains as set out on page 17 of the September 2023 Consultation Document.	<p>If previously scheduled special payments for experience losses (i.e., not including benefit improvements) are not needed to satisfy funding requirements, either current schedules could be shortened or the monthly rate of special payments could be reduced.</p>
<b>Eligibility Criteria – Separation of Assets:</b> Eligibility of multi-employer pension plans with both a defined benefit and defined contribution component, as set out on page 21 of the September 2023 Consultation Document.	<p>For conversion and as an ongoing requirement, allowing the value of assets for defined contribution benefits that are held along with assets for target benefits to be no more than 5% of the assets for target benefits.</p>
<b>Disclosure Requirements:</b> Requirement to provide a summary of the funding and benefits policy to new members, as set out on page 12 of the September 2023 Consultation Document.	<p>Requirement to instead provide a summary of the plan's funding and benefits objectives to new members.</p> <p>To ensure that existing plan members at the time the policies are filed with the regulator (who have newly become members of plans that provide target benefits) also receive this information, plans whose benefits have been converted to target benefits would also be required to include this summary of objectives in the notice of plan amendment under ss. 26(3) of the <i>Pension Benefits Act</i> when the policies are filed.</p>

Please refer to the Regulatory Registry posting for details on method and timelines for providing technical review feedback.

## **Overview of Draft Regulations for Technical Review**

The draft regulations to implement the permanent framework comprise both new regulations and amendments to existing regulations under the *Pension Benefits Act*.

For the purposes of technical review by stakeholders, the draft regulatory provisions are set out in nine documents:

1. Requirements for written policies
2. Funding and commuted value
3. Conversion
4. Provision of information
5. General (amending Regulation 909)
6. Reporting (amending Regulation 909)
7. Asset transfers (amending Regulation 310/13)
8. Wind-up (amending Regulation 909)
9. Family Law Matters (amending Regulation 287/11)

Note that proposed administrative penalties would be consistent with current administrative penalties. As such, the draft regulatory provisions regarding administrative penalties, in addition to most consequential amendments, are not being posted for technical consultation.

The framework would also include transition rules for specified Ontario multi-employer pension plans (SOMEPPs) whose benefits are not converted to target benefits, as well as rules for where a plan providing target benefits no longer satisfies target benefit eligibility criteria (e.g., requirements to notify members, former members and retired members). The proposed regulatory provisions for these rules will not be posted for technical consultation.

## **Draft Regulation Documents**

### **1. Requirements for Written Policies**

This document provides the draft regulatory provisions regarding written policies, including:

- funding and benefits policies
- governance policies
- communications policies

### **2. Funding and Commuted Value**

This document provides the draft regulatory provisions regarding funding requirements and commuted value, including provisions regarding:

- prescribed criteria for a plan to provide target benefits
- separation of assets

- benefit reductions
- benefit improvement rules
- certain multi-jurisdictional plans
- payments, including the use of surplus in the contribution sufficiency test
- special payments – general
- special payments if going concern excess
- determination of provision for adverse deviation
- request for information, prescribed person
- commuted value
- continuing pension plan, determination of surplus

### **3. Conversion**

This document provides the draft regulatory provisions regarding the conversion of benefits to target benefits, including:

- additional criteria regarding proposed conversion
- application for CEO consent
- effective date of conversion
- report to be filed
- cancellation of special payments

### **4. Provision of Information**

This document provides a description of regulatory provisions regarding the provision of information related to the following:

- information for new members
- notice regarding plan amendments
- annual statements
- biennial statements to former members
- biennial statements to retired members
- termination statement – deferred pensions
- statement on death of a member
- termination statement – retirement
- information available upon request
- access to filed records

Note: The provision of information regulatory provisions may be included within Regulation 909, or placed in a new stand-alone regulation that would include all provision of information requirements for all types of plans. Under the latter approach, provision of information requirements for plans that provide defined benefits, including jointly sponsored pension plans, and plans that provide defined contributions would not change, but would instead be transferred to a stand-alone regulation that would provide the provision of information requirements for all plan types.

The ministry will reach out to stakeholders regarding this approach, including any potential administrative implications or costs associated with a stand-alone regulation. Regardless, the draft provisions set out in this consultation document are stable for stakeholder review.

## **5. General Amendments to Regulation 909**

This document provides the draft regulatory provisions regarding certain amendments to Regulation 909, including:

- commuted value (section 19)
- crediting interest on contributions

## **6. Reporting**

This document provides the draft regulatory provisions regarding reporting requirements regarding target benefits to the regulator.

## **7. Asset Transfers**

This document provides the draft amending regulations regarding asset transfers between plans that provide target benefits .

## **8. Wind-Up**

This document provides the draft amendments to Regulation 909 regarding wind-ups of plans providing target benefits.

## **9. Family Law Matters Regulation (Regulation 287/11)**

This document provides the draft regulatory provisions regarding amendments to the Family Law Matters Regulation (Regulation 287/11).