

## Ontario Pension Changes

Ontario's March 2012 budget announced the intention to proclaim pending changes to the Pension Benefits Act. The proclamations were issued June 21. The province also filed a number of regulations relating to the changes on June 26. The amendments and regulations both came into force July 1, 2012. Sponsors may wish to review their plans as amendments may be required as a result.

While there are a number of changes, there are two key provisions sponsors should be aware of:

**Immediate Vesting** — Effective July 1, 2012, all contributions and entitlements must be immediately vested with the plan member. Previously, a member could remain unvested for a period of up to two years whereby, if they left the plan, any employer contributions would be forfeited. Under the amendment, members are immediately vested once they are eligible to join the plan. Plans may continue to defer eligibility for up to two years of continuous employment before members can join the plan.

**Grow-in Benefits** — For defined benefit plans that offer "grow-in benefits" such as an unreduced early pension, the amendments create new entitlements for members. To be eligible, members' combined age and service must be at least 55 years on the relevant date.

For example, where a plan provides an unreduced pension at age 60 and a member is terminated by the employer at age 48 with 10 years of service (age plus service is 58), the member remains eligible for the unreduced pension at age 60 as if they had continued

to work for the employer. The amount of the benefit would be based on the entitlements accrued to the date of termination.

Grow-in benefits, when part of a plan, are already included in the solvency calculations, so the impact on funding, if any, should be minor. Jointly Sponsored Pension Plans (JSPPs) and Multi-Employer Pension Plans (MEPPs) are eligible to opt-out of the new grow-in benefit requirements.

**Other Changes** — A number of other changes also came in force, including:

Where allowed by a plan, the unlocking limit for the small benefit amount increased from an annual benefit of up to 2% of the Year's Maximum Pensionable Earnings (YMPE) to up to 4% of the YMPE. The small benefits provision also allows unlocking where the commuted value at termination or retirement is less than 20% of the YMPE. If the plan wishes to allow these payments, the terms must be amended.

Plan administrators can now send certain notices and statements electronically where the member has granted permission.

A full summary of all the changes can be accessed online at [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca).

For assistance regarding these changes or any other pension governance matter, please contact Proteus.

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