

PENSION UPDATE

Target Benefit Multi-Employer Pension Plan Framework

On June 29, the Ontario government announced it's implementing a new framework for target benefit multi-employer pension plans (MEPPs) to promote their long-term sustainability. The framework was developed with stakeholder input from a consultation paper released in 2015 and replaces the temporary funding regulations currently in place for specified Ontario multi-employer pension plans (SOMEPPs). As per the announcement reproduced below, the new framework is not yet finalized but it is expected to include:

- A permanent exemption from solvency funding
- An obligation for plans to satisfy going concern funding requirements with any deficiencies amortized over 15 years, rather than the current 12 years
- A new basis for calculating benefits paid when a member terminates participation in a plan or when a plan is wound up
- New funding rules that would include a reserve called a Provision for Adverse Deviation (PfAD) to help manage future risk and help ensure benefits are secure
- Rules to ensure that plan benefits are appropriately reduced when funding requirements are not met
- A requirement to develop policies on funding and governance
- Opportunities for retirees to participate in the plan governance
- Enhanced disclosure to plan beneficiaries on the status of their pension plan

The government stated it intends to introduce legislation in the fall and regulation in 2018 to implement these changes. The temporary solvency relief measures are expected to be extended for another year to August 2018.

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