## Alberta/British Columbia Joint Expert Panel on Pension Standards

The Alberta/British Columbia Joint Expert Panel on Pension Standards (the Joint Expert Panel) released its final report on November 28, 2008.

The focus of the Joint Expert Panel was to review specific issues regarding both DB and defined contribution (DC) pension plans.

In fact, the Joint Expert Panel's mandate was "to conduct a full and independent public review of pension standards in the two provinces and make recommendations for sustaining and improving the pension system for Albertans and British Columbians".

In order to address the concern of a decline in pension coverage, the Joint Expert Panel made a recommendation to establish a steering committee to develop and implement a joint Alberta/British Columbia Pension Plan, called the "ABC Plan" (apparently referred to now as "Pension One"). This plan would be a DC multi-employer pension plan available to all employers and employees working in Alberta and B.C. Under the proposal, employers and their employees would be automatically enrolled in the ABC Plan but would be allowed to "opt out". The employees of an employer who chose to "opt out" would still be covered, unless they also elected to "opt out" of the plan. Saskatchewan has been approached by Alberta and B.C. to participate in implementing, among other things, the ABC Plan.

The governments of B.C., Alberta and Saskatchewan have already signed a letter of intent to jointly develop a model of a privately financed, defined contribution plan that would be available to employees, employers and self-employed people on a voluntary basis. This letter of intent, however, does not commit any of the governments to proceed with implementation of a plan. Seeking appropriate stakeholder input will be part of the projected plan.

Review of the responses to the report continues, and the governments are still discussing to determine possible next steps and timing of activities.

In the meantime, the B.C. government has already adopted Bill 11, which proposes amendments to the B.C. Pension Benefits Standards Act to pave the way to create a multi-employer plan available to all B.C. workers - i.e., the ABC plan. Bill 11 received Royal Assent on March 31, 2009. It will come into effect by regulation of the Lieutenant Governor in Council.

The next step is for the B.C. government to eventually come up with regulations to provide the rules that will apply to the ABC Plan.

## Nova Scotia Pension Review Panel

The Nova Scotia Pension Review Panel (the Panel) released its final report on January 27, 2009.

The Panel's mandate was essentially to review the current pension legislative framework. The Panel reviewed specific issues regarding both DB and DC pension plans.

The Panel's key objectives for the review were:

1- To recognize current legislative standards and review improvements that will allow pensions to work for both employers and employees;

2- To enhance the affordability and availability of DC and DB pension plans for employers and employees;

3- To protect the sustainability and security of pension benefits;

4- To enhance the sharing of information to plan members;

5- To eliminate unnecessary rules and regulations.

Like the Alberta/British Columbia Joint Expert Panel on Pension Standards, the Panel is proposing the creation of a province-wide pension plan available to all employers in Nova Scotia, which would be administered by an independent agency.

The Nova Scotia government is still reviewing the report's recommendations.

### Federal Finance Reviews PBSA, 1985

The federal finance department released on January 9, 2009 a discussion paper on improving the framework for federally regulated private pension plans.

The purpose is to get the views of Canadians on issues related to the legislative framework for federally regulated DB and DC pension plans with the objective of making permanent changes in 2009.

The federally regulated plans cover areas of employment under federal jurisdiction including banking, telecommunications, and inter-provincial transportation. They currently represent 7% of all private pension plans in Canada, accounting for approximately 12% of pension assets.

Submissions were accepted until recently and a series of national consultation meetings were held in March and April across Canada.

In response to the concern of the decline in pension coverage, some organizations or experts have suggested that the Canada Pension Plan be enhanced or that a national supplemental pension plan be implemented.

### Quebec Pension Plan (QPP)

Last year, the Quebec Minister of Employment and Social Solidarity, Mr. Sam Hamad, released a working paper, which suggests the possibility for Quebec workers to pay voluntary contributions into the QPP, without a concurrent contribution by the employer. The contributions would be deducted at source or made in conjunction with the income tax return.

The working paper also states the following:

“With respect to the tax treatment of voluntary contributions, it would be interesting to take advantage of the new Tax-Free Savings Account (TFSA) recently introduced in income tax legislation. The fact, for example, that benefits earned within the TFSA would not be taxable would mean that the savings, made up of voluntary contributions to the QPP, would not affect the amount of the GIS paid to those with low incomes.

This addition to the Plan, available to everyone but especially for those with no other retirement savings vehicle, would provide an additional tool for saving for retirement.”

It is expected that the Quebec government will hold consultation sessions in the fall.

### Note

Standard Life, through its affiliation with the Canadian Life and Health Insurance Association of Canada (CLHIA), has already provided commentary on the various proposals made by commissions and panels and is currently assisting the CLHIA in its discussions with the federal and provincial governments in the development of pension legislative changes.

# Legislation matters

July 2009

## 1 Reports and consultation papers – The aftermath

Since last fall, the pension industry has been bombarded with reports and consultation papers from various commissions, panels and governments where recommendations have been made and particular issues brought to light in the hopes of improving our retirement system in Canada.

They all basically share the same concern, which is the decline in pension coverage.

In fact, the federal Minister of Finance, Mr. Jim Flaherty, recently agreed with provincial finance ministers to create a working group to study the viability of pension plans in Canada. Mr. Ted Menzies, parliamentary secretary to the federal Finance Minister, will head the working group, which will make recommendations by the end of this year.

For now, let's review what the various governments have done, or plan to do, in order to implement some of the recommendations.

### Ontario Expert Commission on Pensions

The Ontario Expert Commission on Pensions (OECP) released its final report on November 20, 2008.

The focus of the OECP was largely to review issues related to defined benefit (DB) pension plans.

More specifically, the OECP's mandate was to examine:

- The funding of DB pension plans in Ontario.
- The rules relating to pension deficits and surpluses.
- Other issues relating to the security, viability and sustainability of the pension system in Ontario.
- The financing of and the benefits provided by the Pension Benefit Guarantee Fund.

One of the OECP's recommendations is that the government of Ontario should investigate the advantages and disadvantages of expanding the Canada Pension Plan, or creating a comparable provincial plan, so as to enhance pension coverage, control costs and improve benefit portability.

In the 2009 Ontario budget, tabled in March, the Ontario Minister of Finance, Mr. Dwight Duncan, announced that the Ontario government plans to introduce a package of pension reforms in the Ontario legislature in the fall of 2009 in response to the report of the OECP and stakeholder consultations.

The Ontario budget is also proposing to allow the Ontario Teachers' Pension Plan Board to provide administration and investment services to other pension plans, in the private and public sectors. This is the result of a recommendation from the OECP to allow large pension plans to provide their services to smaller pension plans.

As a result, the Ontario Minister of Finance has introduced Bill 162 entitled An *Act respecting the budget measures and other matters*, which proposes to allow the Ontario Teachers' Pension Plan Board to provide administration and investment services to other pension plans. Bill 162 provides that the OTTP Board would be allowed to create corporations to provide these administration and investment services. Bill 162 has been passed and received Royal Assent on June 5, 2009. The final version of Bill 162 also allows the Ontario Municipal Employee Retirement System (OMERS) to provide administration and investment services to other pension plans.

# 2 Proposed Agreement Respecting Multi-Jurisdictional Pension Plans

On October 21, 2008, the Canadian Association of Pension Supervisory Authorities (CAPSA) released a Proposed Agreement Respecting Multi-Jurisdictional Pension Plans (Proposed Agreement). As explained in the January 2009 edition of *Legislation matters*, this is a reminder that the pension standards legislation environment in Canada is complex.

The Proposed Agreement is essentially intended to provide a clear framework for the regulation of pension plans with members in more than one province, or with members who have worked in more than one province for the same employer.

Currently, the Memorandum of Reciprocal Agreement initiated in 1968 and signed by the provincial pension regulators (except P.E.I.) and other bilateral agreements between pension regulators provide the rules governing pension plans with members employed in more than one jurisdiction.

Stakeholders had until January 30, 2009 to provide their comments to CAPSA. CAPSA has also conducted consultation sessions in various locations across Canada in November/December 2008. The *Régie des rentes du Québec* has conducted a separate consultation session in Montréal on November 25, 2008.

Although the final agreement was planned to be released during the spring, a letter from CAPSA dated April 22, 2009 addressed to pension stakeholders, indicated that they have now reviewed all comments received and are subsequently in the process of revising the proposed agreement. Once the proposed Agreement is finalized, it will be submitted to governments all across Canada with pension legislation in force, for consideration. However, CAPSA has not provided timelines.

If adopted by pension standards regulators across Canada, the Proposed Agreement would replace the current agreement – i.e., the Memorandum of Reciprocal Agreement – and other bilateral agreements between pension regulators.

# 3 Joint Forum CAP Guidelines review results

Last year, the Joint Forum of Financial Market Regulators (the Joint Forum) initiated a review of the Guidelines for Capital Accumulation Plans, commonly referred to as the CAP Guidelines. The CAP Guidelines had not been reviewed since their release in 2004.

The Joint Forum asked plan sponsors, service providers and members to complete surveys and provide comments on the CAP Guidelines.

In a letter dated April 20, 2009 addressed to pension stakeholders, the Joint Forum has concluded that, subsequent to their review of the survey results, no changes to the CAP Guidelines are needed at this time.

The Joint Forum has also indicated the following:

- Recommendations for safe harbour have been rejected as unworkable.
- A standing Joint Forum committee will be established to monitor and recommend changes as necessary. Our understanding is that the CAP industry task force, which includes CLHIA representation, will be maintained on an ad-hoc basis.

# 4 Updated rules for Ontario's new Life Income Fund (LIF)

On March 26, 2009, the Ontario Minister of Finance, Mr. Dwight Duncan, tabled the 2009 Ontario budget, which proposes to enhance access to locked-in funds by increasing, from 25% to 50%, the unlocking permitted on the acquisition of a new Life Income Funds (LIF), effective January 1, 2010. Current LIF owners would also have an opportunity to unlock an additional 25% of amounts previously transferred into their LIF. Older remaining LIFs and Locked-in Retirement Income Funds (LRIFs) would be harmonized with the updated new LIF rules.

Once the *Pension Benefits Act* Regulation is amended, we will advise our current Ontario LIF owners of that change and the changes that will affect their current LIF contracts.

We will also keep you posted as more details are released later this year.

**Note**

As proposed in the budget, the Ontario government temporarily waives financial-hardship application withdrawal fees for Ontario locked-in accounts (Locked-in Retirement Accounts (LIRAs), LIFs and LRIFs). This is a two-year fee waiver that took effect for applications approved on or after April 1, 2009.

Additional information is available from the Financial Services Commission of Ontario at http://www.fsco.gov.on.ca/english/pensions/unlocking_fees.asp

**You can contact us**

Your feedback is important to us. If you have any comments about our publication, or if you would like us to address a particular issue or subject in a subsequent edition, please feel free to drop us a line at the following address:

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