Standard Life

Legislation matters

January 2013

The Federal government has proclaimed the Pooled Registered Pension Plans (PRPP) into force

The *Pooled Registered Pension Plans Act* and the *Pooled Registered Pension Plans Regulations* have come into force on December 14, 2012. The tax rules for PRPPs have also come into force that day. The tax rules for PRPPs will apply to both federally and provincially regulated PRPPs.

The Office of the Superintendent of Financial Institutions Canada (OSFI) has also released documents describing the legislative framework for Pooled Registered Pension Plans, including the licensing requirements, which documents are posted on OSFI web site.

Now, any organizations that wish to offer and administer the PRPP must first obtain a license from OSFI to be an administrator of a PRPP, and must then register the PRPP with OSFI and possibly with the Canada Revenue Agency (CRA).

You will find more details on the PRPP on Standard Life's microsite.

Alberta – Major pension reform

Alberta has passed legislation which would harmonize its pension legislation with British Columbia's pension legislation introduced by Bill 38, which is introducing a new *Pension Benefits Standards Act* (for more details on Bill 38, please refer to the July 2012 edition of *Legislation matters*). This legislation is Bill 10 - Employment Pension Plans Act.

The legislation is based on the pension reform work that began in 2007 with the appointment of the Alberta-British Columbia Joint Expert Panel on Pension Standards (JEPPS).

As mentioned before, on November 20, 2012, Bill 10 has been passed in the legislature and received Royal Assent on December 10, 2012. Although the new Act has passed, it will not come into force until proclamation of the legislation, which will follow the drafting, approval and release of a new *Employment Pension Plans Regulation* which is presently under development.

Both the Alberta (Bill 10) and the B.C. (Bill 38) new legislation and regulations are expected to come into force later in 2013.

Highlights of Bill 10 coming from the Backgrounder

The proposed *Employment Pension Plans Act* sets the standards for private sector pension plans with members in Alberta. It deals with matters of funding, investment, how information is disclosed to members, and member entitlement to benefits.

Highlights of the act include:

- Harmonized pension rules between Alberta and British Columbia, making it easier for pension plans to both start up and operate effectively for their members.
- More flexibility in pension standards, making it easier for private sector employers to design pension plans that meet both their needs and the needs of their employees.
- Extended timelines for dealing with funding shortfalls.
- More clarity around the roles and responsibilities of those involved in managing pension plans.
- Standards for two new types of plans: target benefit plans, and jointly sponsored plans.
  - Target benefit plans provide a specific pension amount when a member retires, similar to a defined benefit plan. The benefit amount may be revised if funding difficulties arise, lowering employer funding risk. To ensure plan members can have reasonable confidence their promised benefit will be delivered, specific funding rules for these plans will be put into place.
  - Jointly sponsored plans see members share in the total cost of the plan with the employer, as opposed to contributing only towards their own benefit.

- Increased focus on disclosure, helping all parties understand the terms, risks and health of their plan, as well as their responsibilities around the plan.
- Qualification for vesting, which is the entitlement of a member to the benefit promised under their pension plan, has been changed from two years of plan membership to immediate, recognizing that pension benefits are a part of an employees' compensation, rather than a reward for long service.
- Locking in will no longer be based on years of service, but will be based on a minimum dollar amount that is increased annually. This will eliminate the locking in of amounts that are too small to provide a meaningful pension, and means that locking in rules will keep pace with inflation.

Nova Scotia released draft regulations

In December of 2011, the Province of Nova Scotia passed a new Pension Benefits Act (Bill 96), which has not been proclaimed into force yet. The Department of Labour and Advanced Education began then drafting regulations for the Act.

The regulations about funding requirements were shared for public feedback in December, 2011. Apparently, many valuable comments were received that will be incorporated into the regulations.

Additional regulations have been drafted and the Department is once again seeking public feedback on the new regulations. Comments were accepted until January 7, 2013.

Maximum contributions and benefits for 2013

In the fall, the Canada Revenue Agency (CRA) announced the maximum contributions and benefits for 2013 retirement savings plans as follows:

- Defined contribution pension plans – The maximum contribution is increased from $23,820 in 2012 to $24,270 in 2013.
- DPSP – The maximum contribution is increased from $11,910 in 2012 to $12,135 in 2013.
- RRSPs – The maximum contribution is increased from $22,970 in 2012 to $23,820 in 2013.
- Defined benefit pension plans – The maximum benefit per year of credited service is increased from $2,646.67 in 2012 to $ 2,696.67 in 2013.
- Tax-Free Savings Account – The maximum contribution is increased from $5,000 in 2012 to $5,500 in 2013.

The Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan is increased from $50,100 in 2012 to $51,100 in 2013. The YMPE under the Quebec Pension Plan is also increased from $50,100 in 2012 to $51,100 in 2013.