

Strengthening and Modernizing Workplace Pensions

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The government is implementing a new framework for defined benefit pension plans. The changes will help ensure retirement income security for workers and retirees is protected while helping keep workplace pension plans affordable, enabling Ontario businesses to grow and compete.

Highlights of the new funding framework for defined benefit pension plans include:

- Requiring funding on enhanced going concern basis; changes to the going concern funding rules include shortening the amortization period from 15 years to 10 years for funding a shortfall in the plan and consolidating special payment requirements into a single schedule.
- Requiring funding of a reserve within the plan, called a Provision for Adverse Deviation or PfAD. This reserve will help manage future risk and help ensure benefits are secure.
- Requiring funding on a solvency basis in the event that a plan's funded status falls below 85 per cent (based on the Financial Services Commission of Ontario's most recent estimates, 15 per cent of plans would still need to fund on this basis under the new regime).

To help ensure benefit security in the event that a pension plan is not fully funded and the employer is bankrupt, the government will be increasing the monthly guarantee provided by the Pension Benefits Guarantee Fund for a plan member's pension by 50 per cent, to \$1,500 from \$1,000.

Additional complementary changes include:

- Providing a discharge of liabilities when annuities are purchased for retirees or deferred plan members, providing greater income security for individuals.
- Providing funding rules for benefit improvements and restricting contribution holidays to improve benefit security.
- Increasing transparency by requiring plans to develop funding and governance policies and ensuring beneficiaries receive updated information on the status of their plan.

The government will be moving forward with a review of the rules governing the wind-up of defined benefit pension plans and studying a proposal to establish an agency to administer pension benefits of wound-up plans on an ongoing basis.

As an interim step, measures will be implemented in the coming weeks to assist defined benefit plans that are required to file valuation reports dated on or after December 31, 2016 and before December 31, 2017. These measures will assist plans that would otherwise face new solvency funding requirements due to those filings.

Jessica Martin Minister's Office

jessica.martin@ontario.ca

416-212-5181

Scott Blodgett Ministry of Finance

scott.blodgett@ontario.ca

416-325-0324

For public inquiries: 1-866-668-8297

TTY: 1-800-263-7776