



Special Notice

December 17, 2008

Ontario pension plans to be offered temporary solvency funding relief

The Ontario Provincial Government has announced that it will seek legislative approval to provide temporary funding relief for the 4,100 defined benefit pension plans registered in Ontario. The goal of the government is to “provide temporary solvency funding relief for plans affected by the 2008 financial market turmoil”, while at the same time “take steps to ensure transparency and security of pension benefits.”

Similar to the solvency relief the government provided to certain multi-employer plans in 2007, this proposal would extend solvency amortization periods for other plans, on a temporary basis, from five to 10 years. However, for sponsors of plans that are not jointly governed, the consent of active and retired members – or their collective bargaining agent, if applicable – may be required.

Additional proposals include:

- consolidating previous funding schedules;
- deferring catch-up payments to provide one year of cash flow relief;
- permitting the use of actuarial gains to reduce annual cash payments by plan sponsors; and
- adopting the revised *Canadian Institute of Actuaries' Standard of Practice for Pension Commuted Values* for solvency valuations.

The relief, however, does not come without some sacrifice on a sponsor's part by:

- having to provide enhanced notice to active and retired plan members;
- requiring accelerated funding of benefit improvements; and
- imposing temporary limitations going-forward on contribution holidays if the plan's actuary indicates the plan no longer has a surplus.

If adopted as is, the solvency relief measures will be retroactive to September 30, 2008. However, going concern funding rules will continue to be enforced. [Click for a copy of the Provincial Government's official news release.](#)

This is positive news for Ontario's pension plans following the recent release of the [Expert Commission Report on Pensions](#). A summary of the report's key findings is provided in [Eckler's November 21, 2008 Special Notice](#).

Keep in mind that these recommendations are not law and many details have yet to be ironed out.

The proposed amendments would also require updates to the Ontario Pension Benefits Act (PBA).

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