



Special Notice

May 19, 2009

Amendments to Nova Scotia Pension Benefits Act on hold pending provincial election

Within days of announcing proposed changes to the Nova Scotia Pension Benefits Act (PBA), the government was defeated on a confidence vote and Nova Scotians will now head to the polls for a June 9th election. This has created uncertainty as to whether the changes will be implemented. Nova Scotia's proposal is similar to those that have been implemented or announced in other provinces. This issue of *Special Notice* provides some details about the proposed changes and how they may affect defined benefit pension plans registered in Nova Scotia.

Solvency relief proposed

The government announced its intention to revise the PBA regulations in order to provide temporary funding relief to employers sponsoring defined benefit pension plans. At present, under-funded pension plans are required to make special contributions within five years to cover any solvency deficit. The amended regulations would temporarily extend this time limit to 10 years for plans that report an under-funding between December 30, 2008 and January 2, 2011. Deficits reported earlier could be added to newly identified shortfalls and could also be funded over 10 years.

Phased retirement provisions proposed

Following on the recommendations of the Pension Review Panel, the government proposed to amend the PBA to allow pension plans to include phased retirement provisions. Such provisions would allow an employee to receive as much as 60% of their accrued pension while continuing their employment. Employees could also continue to accrue pension benefits with phased retirement provisions. These features would give employers and employees the flexibility to develop arrangements that allow for employees to continue working, perhaps in a reduced or part-time capacity, while collecting a pension that supplements their wages. As such, these provisions could also help employers retain key talent.

Next steps

The solvency relief amendments only require changes to the PBA regulations. Once drafted, they can be enacted through an Order in Council (which is very unlikely before the election). If the solvency relief amendments are passed, sponsors may wish to review the financial status of their pension plan to see how the new solvency funding regulations would impact required funding.

The procedure to enact the phased retirement provisions is more involved; a Bill amending the PBA must be passed in the Nova Scotia House of Assembly. This, too, cannot happen before an election. If the Bill is passed, sponsors will want to review whether or not these provisions should be an added feature of their plan.

Eckler will continue to monitor these developments and report as necessary.

This *Special Notice* has been prepared for general information purposes only and does not constitute professional advice. If you require professional advice based on the contents of this *Special Notice*, please contact an Eckler consultant.

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