



# Special Notice

June 29, 2010

## Simple amendment saves an Ontario multi-employer pension plan millions

The Financial Services Commission of Ontario (FSCO) has registered an amendment to an Ontario-registered multi-employer pension plan allowing it to reduce payouts to members who terminate and withdraw their pension benefits when the plan is under-funded. The reduction is permanent, with no requirement to pay the balance at a later date, thereby protecting the financial health of the plan for active and retired members.

The amendment, which was filed by Eckler on behalf of a large multi-employer pension plan, initially prompted FSCO to issue a notice of proposal to refuse registration. However, following meetings with Eckler and the plan's legal counsel, the regulator was satisfied that the change complies fully with the provincial *Pension Benefits Act*. This is the first change of its kind to be registered in Ontario.

The pension plan gives all terminating members a choice between leaving their pension benefits in the plan or transferring a lump-sum payment out of the plan. Before the amendment, if the plan paid less than 100% of the commuted value to a member transferring out of the plan, it was obligated to pay the balance of the transfer to the member within five years of the date of the initial payment. Terminating members continue to have the option to leave their deferred pension benefit in the plan, instead of transferring out the reduced commuted value.

To implement the amendment, the pension plan has followed FSCO's new policy on commuted value transfers (introduced in 2009), which advises that the plan administrator should monitor the plan's transfer ratio on a quarterly basis.

FSCO's acceptance of this innovative approach to termination benefits has broad implications for all Ontario multi-employer pension plans and we expect other plans will want to explore this option.

If you would like to discuss the implications of this amendment for your plan, please contact your Eckler consultant.

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