Regulation 177/11 made under the Pension Benefits Act - Questions & Answers

Changes applied to Jointly Sponsored Pension Plans

Q1. What is a jointly sponsored pension plan (JSPP)?

A1. A JSPP is a contributory defined benefit pension plan in which the employer(s) and the members share responsibility for the plan's governance and funding. A JSPP can be sponsored in a multi-employer arrangement or a single employer arrangement. If there is a funding shortfall, both the employer(s) and members are responsible for funding up to half the shortfall. The employer(s) and the members are jointly responsible for the governance of the pension plan, including all decisions about the terms and conditions of the plan, any amendments to the plan, and the appointment of the administrator of the plan. -08/2011

Q2. What is the new process by which a pension plan identifies itself as a JSPP?

A2. The plan administrator must file a statement with the Superintendent that certifies that the plan satisfies the criteria to be a JSPP under the PBA and Regulation 909, R.R.O. 1990 (the Regulation), certifies the date on which it became a JSPP and describes how the plan satisfies the criteria to be a JSPP. The statement must be filed no later than the date on which the first valuation report is filed or submitted after the pension plan becomes a JSPP. -08/2011

Q3. What are the implications if a pension plan does not comply with the certification process?

A3. The plan will not be considered a JSPP and the normal funding rules for pension plans will apply. Members are not required to fund any shortfall, and members are not jointly responsible with the employer(s) for any governance issues other than those provided under the PBA, such as governance issues for which a board of trustees of a multi-employer plan with member representation is responsible. -08/2011

Q4. Are the pension plans identified in the regulation the only JSPPs that will receive the funding relief?

A4. Yes, the JSPPs listed in s. 1.3.1(3) of the Regulation are the only JSPPs that will receive the solvency funding relief as provided in the regulation. -08/2011

Q5. I am a member of one of the pension plans exempted from solvency funding. Who should I contact if I have any questions about how this exemption will affect my pension?

A5. All questions about your pension plan should be directed to the plan administrator. You may find out who your administrator is by going to the “Pension Plan Information Access” on FSCO's website -08/2011

Q.6. Effective January 1, 2012, all pension plans are required to include information about the plan’s transfer ratio in their annual statements to plan members. Further, JSPPs must provide additional information in their annual statements. What additional information must JSPPs provide in their annual statements to plan members?

A6. In addition to the information that all pension plans are required to provide to members in their annual statements, depending on whether the plan is a MEPP or a SEPP, there are additional disclosure requirements for a JSPP. If a JSPP has specified in its valuation report, a solvency deficiency that is lower than the amount of the solvency deficiency that would be calculated for the plan under section 1.3.1(2) of the Regulation, then the additional information outlined below must be included in the annual statement. Section 1.3.1(2) states that the amount of the solvency deficiency of a pension plan as of a particular valuation date is the amount by which 'A' exceeds 'B' where:

- 'A' is the sum of the solvency liabilities, the solvency liability adjustment and the prior year credit balance as of the valuation date, and
- 'B' is the sum of the solvency assets and the solvency asset adjustment as of the valuation date.

The following additional information must be provided in the annual statement to a member of a JSPP:

- a statement that the pension benefits established under the plan are not guaranteed by the Pension Benefits Guarantee Fund;
- a statement that, on wind up of the pension plan, the PBA allows pension benefits to be reduced if assets of the plan are not sufficient to meet the liabilities of the plan;
- a statement that contribution rates for an employer (or a person or entity required to make contributions on behalf of an employer) and for members could change depending on how well the plan is funded on a going concern basis;
- a statement setting out the contribution rates for an employer (or a person or entity required to make contributions on behalf of an employer) and for members for the year before, and the year after the date of the statement; and
- if the most recently filed valuation report for the plan has specified a solvency deficiency that is lower than would be calculated under section 1.3.1(2) of the Regulation, a statement that additional contributions are not being made by an employer (or a person or entity required to make contributions on behalf of an employer) or by members, to eliminate the solvency funding shortfall determined in the most recently filed report. -08/2011

Q7. Section 40(1)(u)(iv) of the Regulation requires JSPPs who meet the test in section 40(1)(u) to provide in the annual statement to plan members the contribution rates for both the employer and the members “for the year before, and the year after, the date of the statement.” What exactly am I required to provide?

A7. You are required to set out the employer and the member contribution rates of the pension plan for the fiscal year to which the annual statement applies, and for the following fiscal year. For example, if you are providing the pension statement as at December 31, 2011 you would provide the contribution rates for the 2011 fiscal year and the 2012 fiscal year. If you are providing the statement as at January 1, 2012, you would provide contribution rate information for 2011 and 2012. If you are providing the statement as at June 30, 2011 you would provide the information for the fiscal year from July 1, 2010 to June 30, 2011 and for the fiscal year July 1, 2011 to June 30, 2012. -11/2011

Other changes under O. Regulation 177/11 that affect all pension plans

Q8. Under the rules effected by Ontario Regulation 177/11, which pension plans are required to file valuation reports on an annual basis?

A8. If a report filed for a pension plan indicates solvency concerns, the next report must be prepared and certified with a valuation date within one year of the valuation date of the report that indicates solvency concerns rather than the three year interval. A report indicates solvency concerns if:

- the employer has elected to exclude plant closure benefits or permanent layoff benefits in determining the solvency liabilities of the plan and this election has not been rescinded;
- the ratio of the solvency assets to the solvency liabilities is less than 0.8 if the valuation date is before December 31, 2012 and less than 0.85 if the valuation date is on or after December 31, 2012; and,
- if the solvency liabilities exceed the solvency assets by more than $5 million for a valuation date before December 31, 2012 and the ratio of the solvency assets to the solvency liabilities is less than 0.9 if the valuation date is before December 31, 2010 and less than 0.85 if the valuation date is on or after December 31, 2010 and before December 31, 2012. [Note: this provision will be revoked on December 31, 2012] - 09/2015

Q9. What additional information must be provided in a pension plan's annual statement to plan members?

A9. All pension plans are required to include the transfer ratio of the pension plan as of the valuation date of each of the two valuation reports filed most recently, and an explanation of the transfer ratio and how it relates to the level of funding of members' benefits. -08/2011

Q10 : Effective January 1, 2015, the legislation was amended to require plan administrators to provide statements every two years, to former and retired members. The content and timing for providing these statements are set out in section 40.1(1) of the Regulation for former members and section 40.2(1) of the Regulation for retired members. For currently registered plans, the first such statement must be issued no later than July 1, 2017. JSPPs must provide additional information in these biennial statements. What additional information must JSPPs provide in these biennial statements to former and retired members?

A10: Where a JSPP has specified in its valuation report a solvency deficiency that is lower than the amount of the solvency deficiency that would be calculated for the plan under section 1.3.1(2) of the Regulation, then the additional information outlined below must be included in the biennial statements. Section 1.3.1(2) states that the amount of the solvency deficiency of a pension plan as of a particular valuation date is the amount by which 'A' exceeds 'B' where:

- 'A' is the sum of the solvency liabilities, the solvency liability adjustment and the prior year credit balance as of the valuation date, and
- 'B' is the sum of the solvency assets and the solvency asset adjustment as of the valuation date.

The following additional information must be provided in the biennial statement to a former or a retired member of a JSPP:

- a statement that the pension benefits established under the plan are not guaranteed by the Pension Benefits Guarantee Fund;
- a statement that, on wind up of the pension plan, the PBA allows pension benefits to be reduced if assets of the plan are not sufficient to meet the liabilities of the plan; and,
- if the most recently filed valuation report for the plan has specified a solvency deficiency that is lower than would be calculated under section 1.3.1(2) of the Regulation, a statement that additional contributions are not being made by an employer (or a person or entity required to make contributions on behalf of an employer) or by members, to eliminate the solvency funding shortfall determined in the most recently filed report. -09/2015

More FAQs on Biennial Statements