

## Pensions Law

June 5, 2012

### 2012 New Brunswick: Proposed Pension Changes

On Thursday, May 31, the New Brunswick government tabled legislation for a new pension model developed by its Task Force on Protecting Pensions. Our colleague, Susan Rowland, is a member of the three person Task Force which developed and recommended these proposed changes.

The model is a shared risk plan. Risks are shared between the employer/sponsor and the members. Basic benefits will be paid but certain other benefits, such as cost of living increases, will only be paid if there is sufficient funding. The model provides for rigorous risk management practices. Other features include:

- Shared contributions by employer/sponsor and employees
- Mandatory funding guidelines
- Sound investment policy
- Risk management goals and procedures
- Clear disclosure to members
- Administration by a trustee, board of trustees or non-profit corporation

The draft legislation permits an existing pension plan to be converted into a shared risk plan. Pension benefits as of the conversion date would be protected and everything earned until that date would be protected. Benefit levels currently in place for retirees would not be reduced. A new conditional indexation formula going forward would be permitted.

Much of the detail will be in regulations that have not yet been posted.

A number of unions have announced that they will be adopting the new model for specific plans, including the New Brunswick Nurses Union, the New Brunswick Union, the Canadian Union of Public Employees (CUPE) Local 1252 (New Brunswick Council of Hospital Unions) and the New Brunswick Pipe Trades.

Shared risk pension plans are a welcome innovation in pension legislation in Canada. Defined benefit pension plans across the country have faced significant issues over the past several years, including low interest rates, changing demographics (such as growing life expectancy and an aging population) and unstable capital markets, threatening the long term sustainability of some plans. New Brunswick examined pension regimes from many jurisdictions and developed its new pension model to address these issues and promote long term sustainability of its pension plans.

If you have any questions regarding these pension changes, please contact any member of our Pensions, Benefits and Compensation Group.