

Update

Pensions Law

December 17, 2008

Ontario Proposes Solvency Funding Relief

The Ontario Government announced yesterday its intention to introduce legislation to provide temporary solvency funding relief for pension plans affected by the market turmoil this year. The proposed legislation would be introduced in the spring, and if approved, the changes would be retroactive to September 30, 2008.

Generally registered pension plans are required to fund on both a solvency and a going concern basis. To the extent that a pension plan has a solvency deficiency at the time an actuarial valuation is filed, the existing rules in Ontario require that such deficiency be amortized over a period of five years. Under the existing rules, going concern deficiencies can be amortized over a period of fifteen years.

The proposed changes would allow certain pension plans to **amortize any solvency deficiency over ten years instead of five**. In order for a plan to qualify for this relief, active member or collective bargaining agent consent and retired member consent would have to be obtained.

The other measures proposed by the Ontario Government include:

- Consolidation of prior funding schedules
- One year deferral of catch-up payments required on the filing of an actuarial valuation (to provide one year of cash flow relief)

- Permitting the use of actuarial gains to reduce annual cash payments by sponsors
- Adopting the revised CIA *Standard of Practice for Pension Commuted Values* for solvency valuations
- Enhanced notice to plan members
- Accelerated funding of benefit improvements
- Temporary limitations going-forward on contribution holidays where the plan is no longer in a surplus.

If implemented, the Ontario Government's proposed changes would provide some welcome relief for pension plans that have been affected by the recent market turmoil.

If you have any questions regarding this matter, please speak with any member of our Pensions Group:

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