Human Resources Legislative Update

Federal Pension Regulations Proposed

Date: December 16, 2010

On Tuesday, December 14, 2010, the federal government proposed a number of regulatory amendments to the *Pension Benefits Standards Regulations, 1985* for public commentary.

The proposed amendments are designed to increase protection of plan members and retirees and would, in part:

- permit plan sponsors to secure properly structured letters of credit in lieu of making solvency payments to the pension fund, up to a limit of 15% of plan assets;
- require plan sponsors to fully fund pension benefits on plan termination;
- void any amendments to a pension plan that would reduce the solvency ratio of the pension plan if the plan's solvency ratio is below 0.85 or the amendment causes the solvency ratio to fall below 0.85; and
- introduce a distressed pension plan "workout scheme".

The amendments will be published in the *Canada Gazette* on December 18, 2010. At that time, interested persons and stakeholders may make representations on the proposed amendments within 30 days, prior to final consideration by the government.