Human Resources Legislative Update

Federal Pension Regulations in Effect April 1, 2011

Date: March 25, 2011

On April 1, 2011, regulatory amendments to the *Pension Benefits Standards Regulations, 1985* will come into force. These amendments support the changes to the *Pension Benefits Standards Act, 1985* (*PBSA*) made by Bill C-9, which is discussed here.

As previously reported, these amendments will:

- 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 the plan sponsor 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 would be below a ratio of 0.85; and
- permit sponsors, plan members and retirees of a distressed pension plan to negotiate their own funding arrangements to facilitate a plan restructuring.

Further amendments to the *Pension Benefits Standards Regulations, 1985* are required to support additional amendments to the *PBSA* made in Bill C-47, which is discussed here.