Human Resources Legislative Update

Alberta Introduces Pension Reform Bill

Date: October 26, 2012

On October 25, 2012, Bill 10, Employment Pension Plans Act, received first reading in the Alberta Legislature. Bill 10 is introduced further to a report tabled in 2008 by the Alberta and British Columbia Joint Expert Panel on Pension Standards, "Getting Our Acts Together," regarding pension reform in those two provinces. Pension reform legislation was also recently introduced in British Columbia (Bill 38, Pension Benefits Standards Act).

As with the reforms in British Columbia, Bill 10 is an overhaul of the existing pension legislation in Alberta and will repeal and replace the *Employment Pension Plans Act*. A News Release issued by the Alberta government states that if passed, the Bill will, among other things:

- harmonize pension rules between Alberta and British Columbia, making it easier for pension plans to both start up and operate effectively for their members;
- provide more flexibility in pension standards, making it easier for private sector employers to design pension plans that meet both their needs and the needs of their employees;
- extend timelines for dealing with funding shortfalls;
- provide more clarity around the roles and responsibilities of those involved in managing pension plans (and includes new provisions requiring administrators to create certain policies, such as a governance policy and a funding policy);
- provide standards for two new types of plans: target benefit plans, and jointly sponsored plans:
    - target benefit plans provide a specific pension amount when a member retires, similar to a defined benefit plan. The benefit amount may be revised if funding difficulties arise, lowering employer funding risk. To ensure plan members can have reasonable confidence their promised benefit will be delivered, specific funding rules for these plans will be put into place.
    - jointly sponsored plans will see members share in the total cost of the plan with the employer, as opposed to contributing only towards their own benefit;
- increase focus on disclosure;
- change qualification for vesting from two years of plan membership to immediate; and
- provide that locking in will no longer be based on years of service, but will be based on a minimum dollar amount that is increased annually. This will eliminate the locking in of amounts that are too small to provide a meaningful pension, and means that locking in rules will keep pace with inflation.

The Bill, if passed, will affect both pension plans registered in Alberta and pension plans registered elsewhere with members who are employed in Alberta.