

FTR Now

Marshall Consultation Paper on Ontario Pension Solvency Funding Framework Released

Date: July 26, 2016

Ontario registered defined benefit (DB) pension plans must be funded on the greater of a going concern or solvency basis, as we outlined in our recent *FTR Now* [Ontario Pension Solvency Funding Framework Under Review](#). Due to the recent, yet prolonged, low-interest rate environment, most DB plans are in a deficit position on a solvency basis, requiring many employers to make large special payments to fund the deficits over a five-year period. In [2009](#), [2012](#) and [earlier this year](#), the Ontario government introduced [special temporary solvency funding relief measures](#) for private sector sponsors of single employer DB pension plans to address the problem. [Alternate solvency funding relief measures](#) have also been made available to some broader public sector plans.

In accordance with announcements made in the 2016 Ontario Budget, [Jobs for Today and Tomorrow](#), the government launched a review of the current solvency funding regime with a view to developing a balanced set of solvency funding reforms.

In this *FTR Now* we provide the consultation paper which was issued today as part of that review.

The review is being led by David Marshall, former President and CEO of the Workplace Safety & Insurance Board. As set out in the 2016 Budget, “he will provide advice and recommendations to the Minister, with a view to assisting the Ministry of Finance in developing a balanced set of solvency funding reforms that would focus on plan sustainability, affordability and benefit security, and take into account the interests of pension stakeholders – including sponsors, unions, members and retirees.” A Stakeholder Reference Group has been appointed. Elizabeth Brown, was appointed to this Group as the employer counsel representative. Significant stakeholder consultation, including with employers, unions and retirees, has already taken place.

This Ontario review comes on the heels of alternative funding models having been recently introduced in Alberta, British Columbia and Quebec. Significantly, effective January 1, 2016, Quebec has eliminated the solvency funding requirements for private sector DB plans in exchange for a more robust going concern funding regime.

A formal consultation paper entitled [Review of Ontario's Solvency Funding Framework for Defined Benefits Pension Plans](#) with specific proposed changes to the current Ontario funding framework was released today. The Ministry of Finance is seeking feedback from all interested parties on how to best revise the funding framework for DB pension plans in Ontario. Submissions must be received by September 30, 2016.

If you have questions about the solvency review, or would like assistance to make a submission, please contact any member of the Hicks Morley [Pension, Benefits & Executive Compensation Group](#).

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