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# Ontario Government Consultation on Permanent Framework for Target Benefit Plans

**Date:** May 4, 2023

The Ontario government previously announced the launch of consultations on proposed regulations related to the implementation of a permanent legislative framework for target benefit multi-employer pension plans (MEPPs) in the province. The permanent framework would replace temporary funding regulations for Specified Multi-Employer Pension Plans (SOMEPPs) set to expire in 2024.

The proposed framework will replace temporary regulations first introduced in 2007. The temporary regulations granted SOMEPPs an exemption from solvency funding requirements. Eligible SOMEPPs are plans where employer contributions are fixed in a collective agreement or other plan document, and the plan authorizes the plan administrator to reduce benefits on an ongoing basis or during plan wind-up. In addition, no more than 95% of the members of a SOMEPP can be employed by one employer as of the previous year-end, and SOMEPPs must have received contributions from at least 15 employers in the previous year or at least 10% of the plan members were employed by two or more employers.

The temporary solvency funding exemption and regulations were intended to act as a placeholder while the government developed a regulatory framework. The government has introduced several legislative provisions to the Ontario *Pension Benefits Act* (*PBA*) that remain unproclaimed pending further regulations. The 2022 Ontario Budget contained promises from the government to consult with stakeholders before implementing a permanent target benefit framework in 2023.

The consultation document sets out the proposed SOMEPP funding framework, which the government states is designed to provide certainty to MEPPs when drafting funding and governance policies, increase transparency with respect to member communications around potential reductions to target benefits, and encourage prudent investment strategies to protect future plan members from bearing the brunt of adverse events or lower-than-expected returns.

## Other Items of Note in the Consultation

- The proposed regulations will include an application process for approval to convert an existing plan to the new regime, but will not require member consent.
- Plans will be required to file governance and funding policies with the Financial Services Regulatory Authority of Ontario which will need to be reviewed every three years.
- Enhanced member disclosure requirements will include a statement to members noting that benefits can be reduced and are not covered by the Pension Benefits Guarantee Fund.
- Plans will be exempt from solvency funding requirements, and commuted values will be determined using going concern assumptions.
- The regulations will set out a prescribed calculation for the Provision for Adverse Deviation (PfAD) and a contribution sufficiency test.
- For multi-jurisdictional pension plans, not more than 10% of plan members can be in a jurisdiction that does not currently allow for benefit reductions.

The proposed regulations will also provide guidance on issues related to asset transfers, plan wind-ups and administrative monetary penalties.

Interested stakeholders are invited to provide comments on the proposed framework to the Ministry of Finance by June 30, 2023.

Should you have any questions or require further information, please contact any member of Hicks Morley's Pension, Benefits and Executive Compensation Group.