

## EPPA Update **14-06**

Issued December 2014

# **Government of Alberta Amends Employment Pension Plans Regulation**

On December 18, 2014, the Government of Alberta amended the *Employment Pension Plans Regulation* (Regulation) primarily to establish a new moratorium on solvency funding for Collectively Bargained Multi-Employer Plans (CBMEPs). The Regulation was also amended to extend certain other time limits that are applicable to all pension plans, specifically deadlines for amending plan texts to comply with the new *Employment Pension Plans Act* (the Act), establishing default funds as well as for some housekeeping changes. The amendment to the Regulation can be viewed at: [Private Sector Pensions - Pension Legislation and Updates](#).

This Update is designed to provide Plan Administrators and service providers with information regarding the changes. This Update is not exhaustive, and a comprehensive review of the Regulation amendment should be used to determine all specific legislative requirements.

### **Amendments Specific to CBMEPS – Section 10.1**

1. The existing moratorium on solvency funding expires on December 31, 2014. A new moratorium has been established with no pre-defined expiry date.
2. Detailed communication has been sent out to all CBMEPs that are impacted by this change.
3. CBMEPs that wish to take advantage of the new solvency moratorium must apply to the Superintendent for an exemption from solvency funding.
4. There will be no change to the calculation and payment of commuted values for those plans that are exempt from solvency funding. Commuted values will continue to be calculated as they are today. If the solvency ratio is below 1.0, an immediate payment of the commuted value made will be equal to the commuted value multiplied by the most recent solvency ratio of the pension plan with the balance of the commuted value paid within five years.
5. An actuarial valuation will be due no later than nine months after the exemption from solvency funding becomes effective --- September 30, 2015 for most CBMEPs.

6. The actuarial valuation must provide for funding in accordance with section 61 of the Regulation and must incorporate the [Provision for Adverse Deviation \(PfAD\)](#) applicable to target benefit plans. The PfAD will be phased-in equally over three years and will take effect in the first year after the valuation is filed.

### **Key Amendments Applicable to all Pension Plans**

1. **Marriage Breakdown --Section 11(6)(c):** Plans registered under the Act that are supplemental to a plan that is subject the PSPPA (*Public Sector Pension Plans Act*) may use the provisions of the PSPPA for purposes of division of pensions on marriage breakdown. This enables the plan administrator to determine the total entitlement under both the supplemental plan and the plan that is under the PSPPA under the provisions of the PSPPA.

In addition, while not specifically addressed in the Regulation amendment, the Superintendent's office is of the view that such supplemental plans may use the disclosure requirements under the PSPPA in lieu of the provisions specified in the Regulation so that both the calculation and disclosure can be done under the terms of the PSPPA.

2. **Assessment of Plans --Section 52(b):** After a phase-in period, the original Regulation would have required an assessment to be done annually. Based on stakeholder feedback and in order to ensure a meaningful review of plan activities, this amendment now requires the assessment to be done every three years.
3. **Summary of Contributions Required -- Section 70(2):** This section would have required administrators to provide fundholders with a new summary of contributions required, within 30 days of the effective date of the Regulation or September 30, 2014. This has now been changed to 150 days or January 31, 2015. For most pension plans this means the new summary of contributions required to be filed with the fundholder will be for the year January 1 to December 31, 2015.
4. **Default Funds -- Section 72(4)(b) and (4.1):** This section would have required administrators to set up prescribed default investment funds for member directed investments by December 31, 2014. Due to stakeholder feedback, this date has now been changed to June 30, 2015.

A new paragraph 4.1 was added to clarify that contributions made prior to September 1, 2014 that were deposited in the default fund in effect prior to the Regulation coming into effect may remain in the prior default fund.

The Superintendent's office recognizes that contributions can only be made to the new default fund after the default fund is established. Therefore, contributions made after

September 1, 2014 but prior to the new default fund being established, will continue to be remitted to the prior default fund and will not need to be transferred to the new default fund once it is established. The new default fund must be established by June 30, 2015.

5. **Missing Persons -- Section 93(b) Repealed:** As the National Search Unit of Service Canada no longer exists this requirement is now eliminated from the Regulation.
6. **Pension Plan Document Amendment Filing Deadline -- Section 159(3):** Originally, administrators were required to file amended plan documents incorporating the new provisions of the Act by December 31, 2014. Industry feedback strongly indicated that this would be too tight a timeframe. As a result, the Superintendent's office advised that, upon application by a plan, the Superintendent would extend that deadline to up to March 31, 2015.

The Regulation amendment changes the date for all plans from December 31, 2014 to June 30, 2015, without the need for plans to request the extension. Plans that have received approval to extend their deadline to March 31, 2015 are automatically extended to June 30, 2015 and no further communication or approval between plans and the Superintendent is required.

7. **Housekeeping Changes:** The remainder of the changes were housekeeping in nature.

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