Ontario Introduces Amendments To Support A Permanent Framework For Target Benefit Pension Plans



On March 26, 2024, the Ontario government published their 2024 Budget, in which it was announced that draft regulations to Ontario's Pension Benefits Act (PBA) would be introduced for review in the summer of 2024, with the intention of implementing a permanent target benefit framework to the PBA effective January 1, 2025. This follows an industry consultation, discussed in our previous blog, *Ontario Initiates Consultation on Permanent Framework for Target Benefit Pension Plans*, which the Ontario Ministry of Finance had initiated with the aim of replacing existing temporary solvency funding regulations for multi-employer pension plans (MEPPs) that are able to reduce accrued benefits.

Setting the Stage for a Permanent Target Benefit Framework

In anticipation of the arrival of a permanent target benefit framework, the Ontario government also introduced Bill 180, Building a Better Ontario Act (Budget Measures), 2024 (Bill 180), which proposes to modify certain existing unproclaimed provisions of the PBA relevant to target benefits, and to add several new provisions.

Modifications to Existing Unproclaimed Provisions

- *Written Policies*—a major focus of the industry consultation period was the implementation of previously proposed amendments to the PBA respecting mandatory governance and funding policies for target benefit plans. Bill 180 proposes to expand on these unproclaimed policy requirements by mandating that plans which offer target benefits establish a "funding and benefits" policy as well as a "communications policy", on top of the previously proposed governance policy requirement. MEPPs that convert to a target benefit formula in the future will similarly be required to establish and file copies of these policies.It is not currently clear how, if at all, the requirements of a "funding and benefits" policy will differ from the previously proposed requirements for funding policies. As a reminder, the prior industry consultation document set out detailed requirements for what governance and funding policies might be required to address, which we discussed in detail in our previous blog. It is expected that further clarity on the required contents for funding and benefits, governance and communication policies will be revealed in draft regulations sometime later this year.

- *Conditions*—Bill 180 proposes to revise certain target benefit plan criteria, including that the plan must be a MEPP established pursuant to a collective agreement or trust agreement, and benefits must generally be determined with reference to the value of assets within the pension fund. Bill 180 also proposes to introduce a provision to the PBA which institutes specific rules in instances where such conditions cease to apply. These rules are to be prescribed by regulation.

New Provisions

- *Asset Transfers*—Bill 180 introduces a new proposed restriction on asset transfers to successor plans, such that any assets related to the provision of target benefits in an original plan must be used to provide target benefits in the successor plan.
- *Requests for Information*—Bill 180 also proposes that plan administrators be required to provide the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario (CEO) with information that the CEO specifies for the purpose of ascertaining whether the provision for adverse deviations used in any report filed by the administrator complies with the PBA.

Takeaways

The introduction of Bill 180 reaffirms the Ontario government's commitment to establishing a permanent target benefit framework in the province. Administrators of MEPPs should continue to monitor the status of Bill 180 and subsequent legislation set to be introduced this summer.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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