

PENSION REFORM

In Ontario, Bill 236, *An Act to Amend the Pension Benefits Act, 2010* received royal assent on 18 May 2010. The Act's biggest change to pension plans is a requirement that pension benefits be immediately vested.

Another major change is that if a pension plan has subsidized early retirement provisions, any plan member who has not yet qualified for the benefits but who has at least 55 age-plus-service points upon termination of employment will be entitled to grow into those benefits. The value of the grow-in will be included in the member's lump sum commuted value. Due to this, partial wind-ups will be removed from the legislation.

A third change is that the threshold for cash payments of small benefits is being increased to 4% of the Year's Maximum Pensionable Earnings (YMPE). If the commuted value of a member's pension is less than 20% of the YMPE, it may be cashed out

Fourthly, sponsors of defined benefit plans may amend their plans to include phased retirement provisions. This would enable eligible members who are nearing retirement to continue working while receiving a pension and also to continue earning pension benefits.

Bill 236 also affects corporate transactions and restructuring.

Federally, pension reform has been introduced via Bill C-9. Similar to the Ontario changes, federally sponsored plans have moved to a requirement of immediate vesting of pension benefits.

For defined contribution plans, federally regulated sponsors may now provide a variable benefit payment directly from a pension plan. Federally regulated sponsors of defined benefit plans in distress may use a "workout scheme" to create a revised funding schedule. Further, defined benefit plan employers in distress may use letters of credit to fund solvency payments. A third major change for defined benefit plan employers is that on termination, the employer must fund "without delay" the amounts required to meet solvency requirements.