

Update: Temporary Solvency Funding Relief Issued January 2010

Reference: The Pension benefits Regulations N. S. Reg. 313/2009

On November 3, 2009, the Pension Benefits Regulations were amended to provide temporary solvency funding relief for defined benefit pension plans. The changes give plan sponsors more flexibility in managing the solvency funding of their plans while continuing to safeguard the members' promised benefits.

The funding relief is only available to plan sponsors whose funding payments are current, and fewer than one-third of the members, former members and other persons entitled to benefits under the plan object. Existing solvency deficiencies and any new solvency deficiency, identified in the first actuarial valuation report prepared for a valuation date between December 30, 2008 and January 2, 2011, may be consolidated and amortized over 10 years, instead of the current requirement for 5-year solvency funding.

The administrator must provide a written notice to members, former members and other persons entitled to benefits under the plan of the proposed extension to the solvency funding period. An objection made by a trade union counts as one vote for each member it represents. After the period allowed for objecting to the solvency funding extension, the administrator must be satisfied that no more than one-third of the members, former members or other persons object to the proposed extension.

If the plan sponsor elects to extend the solvency funding period, the administrator must file the documents set out in the Regulations with the Pension Regulation Division within 60 days after the administrator gives notice to the persons entitled for such a notice, that the solvency funding extension will proceed.

During the first 5 years of the extended solvency funding period, the pension plan cannot be amended to improve benefits if it would create an additional solvency deficiency or unfunded liability, unless the cost of those benefits has been funded by the employer. The formula for determining employee contributions cannot be reduced during that period.

If you have any questions, please contact us at :

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